

**PUBLIC BANK BERHAD**  
**(6463 - H)**  
**(Incorporated in Malaysia)**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018**

	Note	Group		Bank	
		30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>ASSETS</b>					
Cash and balances with banks		11,050,277	14,006,541	6,626,088	6,387,571
Reverse repurchase agreements		700,422	651,065	-	-
Financial assets at fair value through profit or loss	A8	4,193,704	-	2,233,089	-
Financial assets held-for-trading	A9	-	1,376,541	-	699,796
Derivative financial assets	A30	397,648	226,319	396,656	240,215
Financial investments at fair value through other comprehensive income	A10	39,590,363	-	28,178,236	-
Financial investments available-for-sale	A11	-	30,325,057	-	20,210,743
Financial investments at amortised cost	A12	25,278,550	-	19,523,586	-
Financial investments held-to-maturity	A13	-	28,578,336	-	23,331,493
Loans, advances and financing	A14	308,828,938	303,044,127	243,958,290	240,576,248
Other assets	A15	2,375,237	2,751,745	2,157,245	2,536,423
Statutory deposits with Central Banks		10,401,520	9,525,927	7,650,281	6,940,438
Deferred tax assets		82,951	70,984	-	-
Collective investments		-	-	5,415,351	5,319,009
Investment in subsidiary companies		-	-	5,955,494	5,955,494
Investment in associated companies		38,012	35,068	30,000	30,000
Investment properties		680,341	688,052	-	-
Property and equipment		1,538,429	1,564,427	700,054	741,942
Intangible assets		2,418,917	2,432,058	695,393	695,393
<b>TOTAL ASSETS</b>		<b>407,575,309</b>	<b>395,276,247</b>	<b>323,519,763</b>	<b>313,664,765</b>
<b>LIABILITIES</b>					
Deposits from customers	A16	329,900,151	319,259,426	253,139,568	245,331,728
Deposits from banks	A17	10,198,640	11,446,057	12,378,636	12,966,893
Obligations on securities sold under repurchase agreements		890,945	1,237,528	890,945	1,237,528
Bills and acceptances payable		261,322	286,949	259,274	286,584
Recourse obligations on loans and financing sold to Cagamas		5,500,003	5,922,006	5,500,003	5,922,006
Derivative financial liabilities	A30	344,446	568,129	348,021	569,439
Debt securities issued and other borrowed funds	B9	13,800,437	12,328,073	12,241,024	10,759,998
Other liabilities	A18	5,227,149	4,915,701	3,688,677	3,320,082
Provision for tax expense and zakat		739,558	702,063	552,618	500,330
Deferred tax liabilities		121,158	164,655	82,948	128,997
<b>TOTAL LIABILITIES</b>		<b>366,983,809</b>	<b>356,830,587</b>	<b>289,081,714</b>	<b>281,023,585</b>

*The 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 2017.*

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	Note	Group		Bank	
		30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>EQUITY</b>					
Share capital		9,417,653	9,417,653	9,417,653	9,417,653
Regulatory reserves		2,037,418	2,376,498	1,697,578	2,034,359
Other reserves		1,275,050	996,833	738,410	577,902
Retained profits		26,774,079	24,723,059	22,584,408	20,760,603
Treasury shares		-	(149,337)	-	(149,337)
<b>Equity attributable to equity holders of the Bank</b>		<b>39,504,200</b>	<b>37,364,706</b>	<b>34,438,049</b>	<b>32,641,180</b>
Non-controlling interests		1,087,300	1,080,954	-	-
<b>TOTAL EQUITY</b>		<b>40,591,500</b>	<b>38,445,660</b>	<b>34,438,049</b>	<b>32,641,180</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>407,575,309</b>	<b>395,276,247</b>	<b>323,519,763</b>	<b>313,664,765</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	A29	<b>93,866,187</b>	<b>95,442,831</b>	<b>86,366,546</b>	<b>88,624,817</b>
<b>CAPITAL ADEQUACY</b>	A32				
<b><u>Before deducting interim dividends</u> *</b>					
Common Equity Tier I Capital Ratio		13.178%	12.758%	12.304%	12.136%
Tier I Capital Ratio		13.828%	13.538%	13.084%	13.072%
Total Capital Ratio		16.778%	16.494%	16.082%	15.577%
<b><u>After deducting interim dividends</u> *</b>					
Common Equity Tier I Capital Ratio		12.707%	12.248%	11.720%	11.506%
Tier I Capital Ratio		13.357%	13.028%	12.500%	12.442%
Total Capital Ratio		16.308%	15.984%	15.498%	14.947%
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>		<b>10.18</b>	<b>9.68</b>	<b>8.87</b>	<b>8.45</b>

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

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**UNAUDITED STATEMENTS OF PROFIT OR LOSS**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

<b>Group</b>	<b>Note</b>	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
		<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
Operating revenue		<b>5,435,938</b>	5,167,147	<b>10,785,091</b>	10,195,332
Interest Income	A19	<b>4,025,760</b>	3,802,210	<b>7,918,599</b>	7,535,036
Interest expense	A20	<b>(2,146,029)</b>	(1,961,166)	<b>(4,141,476)</b>	(3,869,812)
Net interest income		<b>1,879,731</b>	1,841,044	<b>3,777,123</b>	3,665,224
Net income from Islamic banking business	A34b	<b>262,561</b>	247,425	<b>528,308</b>	495,143
		<b>2,142,292</b>	2,088,469	<b>4,305,431</b>	4,160,367
Fee and commission income	A21 (a)	<b>647,522</b>	636,331	<b>1,324,053</b>	1,235,543
Fee and commission expense	A21 (b)	<b>(203,634)</b>	(200,255)	<b>(423,951)</b>	(392,318)
Net fee and commission income	A21	<b>443,888</b>	436,076	<b>900,102</b>	843,225
Net gains and losses on financial instruments	A22	<b>6,254</b>	22,046	<b>26,070</b>	26,003
Other operating income	A23	<b>83,730</b>	103,554	<b>202,417</b>	206,911
Net income		<b>2,676,164</b>	2,650,145	<b>5,434,020</b>	5,236,506
Other operating expenses	A24	<b>(898,333)</b>	(881,845)	<b>(1,797,593)</b>	(1,768,713)
Operating profit		<b>1,777,831</b>	1,768,300	<b>3,636,427</b>	3,467,793
Allowance for impairment on loans, advances and financing	A25	<b>(17,497)</b>	(26,518)	<b>(85,955)</b>	(93,609)
Allowance for impairment on other assets		<b>(1,120)</b>	(2,148)	<b>(1,953)</b>	(2,596)
		<b>1,759,214</b>	1,739,634	<b>3,548,519</b>	3,371,588
Share of (loss) / profit after tax of equity accounted associated companies		<b>(1,488)</b>	(3,625)	<b>3,166</b>	(4,107)
Profit before tax expense and zakat		<b>1,757,726</b>	1,736,009	<b>3,551,685</b>	3,367,481
Tax expense and zakat	B5	<b>(342,214)</b>	(384,008)	<b>(713,394)</b>	(750,137)
Profit for the period		<b>1,415,512</b>	1,352,001	<b>2,838,291</b>	2,617,344
Profit for the period attributable to:					
- Equity holders of the Bank		<b>1,396,220</b>	1,331,826	<b>2,801,600</b>	2,579,807
- Non-controlling interests		<b>19,292</b>	20,175	<b>36,691</b>	37,537
		<b>1,415,512</b>	1,352,001	<b>2,838,291</b>	2,617,344
Earnings per share:					
- basic / diluted (sen)	B12	<b>36.1</b>	34.5	<b>72.5</b>	66.8

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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 2018**

<b>Group</b>	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
Profit for the period	<u>1,415,512</u>	<u>1,352,001</u>	<u>2,838,291</u>	<u>2,617,344</u>
<b>Other comprehensive income / (loss):</b>				
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of:				
- Foreign operations	276,305	(239,589)	(53,491)	(341,361)
- Net investment hedge	(162,393)	148,615	(2,029)	215,508
Revaluation reserves:				
- Net change in revaluation of financial investments:				
- at fair value through other comprehensive income	(98,166)	-	(162,108)	-
- available-for-sale	-	80,431	-	67,250
Hedging reserves:				
- Net change in cash flow hedges	25,120	(15,934)	92,157	(19,298)
	<u>40,866</u>	<u>(26,477)</u>	<u>(125,471)</u>	<u>(77,901)</u>
Income tax relating to components of other comprehensive (loss) / income:				
- Revaluation reserves	21,714	(17,768)	36,681	(11,484)
- Hedging reserves	(6,029)	3,823	(22,118)	4,631
	<u>15,685</u>	<u>(13,945)</u>	<u>14,563</u>	<u>(6,853)</u>
Share of (loss) / profit of equity accounted associated companies				
- Revaluation reserves	(258)	6	(221)	279
Other comprehensive income / (loss) for the period, net of tax	<u>56,293</u>	<u>(40,416)</u>	<u>(111,129)</u>	<u>(84,475)</u>
Total comprehensive income for the period	<u><u>1,471,805</u></u>	<u><u>1,311,585</u></u>	<u><u>2,727,162</u></u>	<u><u>2,532,869</u></u>
Total comprehensive income / (loss) for the period attributable to:				
- Equity holders of the Bank	1,414,781	1,327,839	2,699,997	2,546,797
- Non-controlling interests	57,024	(16,254)	27,165	(13,928)
	<u><u>1,471,805</u></u>	<u><u>1,311,585</u></u>	<u><u>2,727,162</u></u>	<u><u>2,532,869</u></u>

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**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

<b>Bank</b>	<b>Note</b>	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
		<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
Operating revenue		<b>3,810,139</b>	3,910,105	<b>7,891,936</b>	7,647,123
Interest income	A19	<b>3,607,150</b>	3,376,830	<b>7,094,522</b>	6,681,296
Interest expense	A20	<b>(2,084,963)</b>	(1,885,121)	<b>(4,018,863)</b>	(3,719,008)
Net interest income		<b>1,522,187</b>	1,491,709	<b>3,075,659</b>	2,962,288
Fee and commission income	A21 (a)	<b>254,762</b>	262,148	<b>525,869</b>	507,067
Fee and commission expense	A21 (b)	<b>(83,317)</b>	(82,821)	<b>(174,965)</b>	(162,971)
Net fee and commission income	A21	<b>171,445</b>	179,327	<b>350,904</b>	344,096
Net gains and losses on financial instruments	A22	<b>5,440</b>	15,957	<b>25,302</b>	20,809
Other operating income	A23	<b>271,264</b>	528,001	<b>650,286</b>	798,284
Net income		<b>1,970,336</b>	2,214,994	<b>4,102,151</b>	4,125,477
Other operating expenses	A24	<b>(571,507)</b>	(559,710)	<b>(1,151,279)</b>	(1,131,823)
Operating profit		<b>1,398,829</b>	1,655,284	<b>2,950,872</b>	2,993,654
Writeback of allowance / (Allowance) for impairment on loans, advances and financing	A25	<b>6,319</b>	1,413	<b>(23,247)</b>	(36,869)
Allowance for impairment on other assets		<b>(868)</b>	(2,160)	<b>(793)</b>	(2,655)
Profit before tax expense and zakat		<b>1,404,280</b>	1,654,537	<b>2,926,832</b>	2,954,130
Tax expense and zakat	B5	<b>(231,007)</b>	(322,913)	<b>(555,302)</b>	(607,922)
Profit for the period		<b>1,173,273</b>	1,331,624	<b>2,371,530</b>	2,346,208

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**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

	2nd Quarter Ended		Half Year Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Bank</b>				
Profit for the period	<u>1,173,273</u>	<u>1,331,624</u>	<u>2,371,530</u>	<u>2,346,208</u>
<b>Other comprehensive income / (loss):</b>				
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of foreign operations	13,052	(10,834)	(3,029)	(14,625)
Revaluation reserves:				
- Net change in revaluation of financial investments:				
- at fair value through other comprehensive income	(83,592)	-	(133,676)	-
- available-for-sale	-	55,975	-	37,096
Hedging reserves:				
- Net change in cash flow hedges	17,108	7,749	79,433	12,530
	<u>(53,432)</u>	<u>52,890</u>	<u>(57,272)</u>	<u>35,001</u>
Income tax relating to components of other comprehensive (loss) / income:				
- Revaluation reserves	20,062	(13,434)	32,082	(8,903)
- Hedging reserves	(4,106)	(1,860)	(19,064)	(3,007)
	<u>15,956</u>	<u>(15,294)</u>	<u>13,018</u>	<u>(11,910)</u>
Other comprehensive (loss) / income for the period, net of tax	<u>(37,476)</u>	<u>37,596</u>	<u>(44,254)</u>	<u>23,091</u>
Total comprehensive income for the period	<u><u>1,135,797</u></u>	<u><u>1,369,220</u></u>	<u><u>2,327,276</u></u>	<u><u>2,369,299</u></u>

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**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

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

<u>Group</u>	<u>Non-distributable Reserves</u>			<u>Distributable Reserves</u>		Total Shareholders' Equity RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Regulatory Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000			
<b>At 1 January 2018</b>								
- as previously stated	9,417,653	2,376,498	996,833	24,723,059	(149,337)	37,364,706	1,080,954	38,445,660
- Effect of changes in accounting policies (Note A35)	-	(423,681)	299,075	402,554	-	277,948	(13,259)	264,689
<b>At 1 January 2018, as restated</b>	<b>9,417,653</b>	<b>1,952,817</b>	<b>1,295,908</b>	<b>25,125,613</b>	<b>(149,337)</b>	<b>37,642,654</b>	<b>1,067,695</b>	<b>38,710,349</b>
Profit for the period	-	-	-	2,801,600	-	2,801,600	36,691	2,838,291
Other comprehensive loss for the period	-	-	(101,603)	-	-	(101,603)	(9,526) *	(111,129)
Total comprehensive (loss) / income for the period	-	-	(101,603)	2,801,600	-	2,699,997	27,165	2,727,162
Transactions with owners / other equity movements:								
Disposal of treasury shares	-	-	-	325,120	149,337	474,457	-	474,457
Transfer to regulatory reserves	-	84,601	-	(84,601)	-	-	-	-
Transfer to general reserves	-	-	80,745	(80,745)	-	-	-	-
Dividends paid	-	-	-	(1,312,908)	-	(1,312,908)	(7,560)	(1,320,468)
	-	84,601	80,745	(1,153,134)	149,337	(838,451)	(7,560)	(846,011)
<b>At 30 June 2018</b>	<b>9,417,653</b>	<b>2,037,418</b>	<b>1,275,050</b>	<b>26,774,079</b>	<b>-</b>	<b>39,504,200</b>	<b>1,087,300</b>	<b>40,591,500</b>

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

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**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

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

<u>Group</u>	<u>Non-distributable Reserves</u>				<u>Distributable Reserves</u>		<b>Total Shareholders' Equity</b> RM'000	<b>Non-controlling Interests</b> RM'000	<b>Total Equity</b> RM'000
	<b>Share Capital</b> RM'000	<b>Share Premium</b> RM'000	<b>Regulatory Reserves</b> RM'000	<b>Other Reserves</b> RM'000	<b>Retained Profits</b> RM'000	<b>Treasury Shares</b> RM'000			
At 1 January 2017	3,882,138	5,535,515	2,170,970	5,875,712	16,898,317	(149,337)	34,213,315	1,150,456	35,363,771
Profit for the period	-	-	-	-	2,579,807	-	2,579,807	37,537	2,617,344
Other comprehensive loss for the period	-	-	-	(33,010)	-	-	(33,010)	(51,465) *	(84,475)
Total comprehensive (loss) / income for the period	-	-	-	(33,010)	2,579,807	-	2,546,797	(13,928)	2,532,869
Transactions with owners / other equity movements:									
Transfer pursuant to Companies Act 2016	5,535,515	(5,535,515)	-	-	-	-	-	-	-
Transfer from statutory reserves	-	-	-	(4,925,879)	4,925,879	-	-	-	-
Transfer to regulatory reserves	-	-	79,327	-	(79,327)	-	-	-	-
Transfer to general reserves	-	-	-	85,870	(85,870)	-	-	-	-
Transfer from Profit									
Equalisation Reserve of the Islamic banking institution	-	-	-	(1)	1	-	-	-	-
Dividends paid	-	-	-	-	(1,235,678)	-	(1,235,678)	(8,084)	(1,243,762)
	<u>5,535,515</u>	<u>(5,535,515)</u>	<u>79,327</u>	<u>(4,840,010)</u>	<u>3,525,005</u>	<u>-</u>	<u>(1,235,678)</u>	<u>(8,084)</u>	<u>(1,243,762)</u>
At 30 June 2017	<u>9,417,653</u>	<u>-</u>	<u>2,250,297</u>	<u>1,002,692</u>	<u>23,003,129</u>	<u>(149,337)</u>	<u>35,524,434</u>	<u>1,128,444</u>	<u>36,652,878</u>

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

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**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

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

	<u>Non-distributable Reserves</u>			<u>Distributable Reserves</u>		<b>Total Equity RM'000</b>
	<b>Share Capital RM'000</b>	<b>Regulatory Reserves RM'000</b>	<b>Other Reserves RM'000</b>	<b>Retained Profits RM'000</b>	<b>Treasury Shares RM'000</b>	
<b><u>Bank</u></b>						
<b>At 1 January 2018</b>						
- as previously stated	9,417,653	2,034,359	577,902	20,760,603	(149,337)	32,641,180
- Effect of changes in accounting policies (Note A35)	-	(393,840)	204,762	497,122	-	308,044
<b>At 1 January 2018, as restated</b>	<b>9,417,653</b>	<b>1,640,519</b>	<b>782,664</b>	<b>21,257,725</b>	<b>(149,337)</b>	<b>32,949,224</b>
Profit for the period	-	-	-	2,371,530	-	2,371,530
Other comprehensive loss for the period	-	-	(44,254)	-	-	(44,254)
Total comprehensive (loss) / income for the period	-	-	(44,254)	2,371,530	-	2,327,276
Transactions with owners / other equity movements:						
Disposal of treasury shares	-	-	-	325,120	149,337	474,457
Transfer to regulatory reserves	-	57,059	-	(57,059)	-	-
Dividends paid	-	-	-	(1,312,908)	-	(1,312,908)
	-	57,059	-	(1,044,847)	149,337	(838,451)
<b>At 30 June 2018</b>	<b>9,417,653</b>	<b>1,697,578</b>	<b>738,410</b>	<b>22,584,408</b>	<b>-</b>	<b>34,438,049</b>

*The 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 2017.*

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**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

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

<b>Bank</b>	<b><u>Non-distributable Reserves</u></b>				<b><u>Distributable Reserves</u></b>		<b>Total Equity RM'000</b>
	<b>Share Capital RM'000</b>	<b>Share Premium RM'000</b>	<b>Regulatory Reserves RM'000</b>	<b>Other Reserves RM'000</b>	<b>Retained Profits RM'000</b>	<b>Treasury Shares RM'000</b>	
At 1 January 2017	3,882,138	5,535,515	1,881,658	5,029,194	13,594,334	(149,337)	29,773,502
Profit for the period	-	-	-	-	2,346,208	-	2,346,208
Other comprehensive income for the period	-	-	-	23,091	-	-	23,091
Total comprehensive income for the period	-	-	-	23,091	2,346,208	-	2,369,299
Transactions with owners / other equity movements:							
Transfer pursuant to Companies Act 2016	5,535,515	(5,535,515)	-	-	-	-	-
Transfer from statutory reserves	-	-	-	(4,537,536)	4,537,536	-	-
Transfer to regulatory reserves	-	-	61,896	-	(61,896)	-	-
Dividends paid	-	-	-	-	(1,235,678)	-	(1,235,678)
	<u>5,535,515</u>	<u>(5,535,515)</u>	<u>61,896</u>	<u>(4,537,536)</u>	<u>3,239,962</u>	<u>-</u>	<u>(1,235,678)</u>
At 30 June 2017	<u>9,417,653</u>	<u>-</u>	<u>1,943,554</u>	<u>514,749</u>	<u>19,180,504</u>	<u>(149,337)</u>	<u>30,907,123</u>

*The 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 2017.*

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**FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2018**

	Group		Bank	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Cash Flows from Operating Activities</b>				
Profit before tax expense and zakat	3,551,685	3,367,481	2,926,832	2,954,130
Adjustments for non-cash items:				
Share of (profit) / loss after tax of equity accounted associated companies	(3,166)	4,107	-	-
Allowance for impairment on loans and financing	195,085	209,242	86,009	95,808
Depreciation of property and equipment	110,152	107,600	87,465	84,284
Net gain on financial instruments	(23,867)	(20,371)	(23,815)	(16,001)
Dividend income	(622)	(2,468)	(489,142)	(443,854)
Allowance for impairment on other assets	1,953	2,596	793	2,655
Other non-cash items	(11,111)	(1,755)	2,041	735
Operating profit before working capital changes	<u>3,820,109</u>	<u>3,666,432</u>	<u>2,590,183</u>	<u>2,677,757</u>
Changes in working capital:				
Increase in operating assets	(8,992,152)	(5,377,515)	(5,354,444)	(2,718,120)
Increase in operating liabilities	8,598,017	6,631,771	6,473,208	2,043,994
Cash generated from operations	<u>3,425,974</u>	<u>4,920,688</u>	<u>3,708,947</u>	<u>2,003,631</u>
Tax expense and zakat paid	(626,179)	(592,162)	(460,525)	(418,845)
Net cash generated from operating activities	<u>2,799,795</u>	<u>4,328,526</u>	<u>3,248,422</u>	<u>1,584,786</u>
<b>Cash Flows from Investing Activities</b>				
Purchase of property and equipment	(65,992)	(92,490)	(46,042)	(75,079)
Proceeds from disposal of properties	4,299	16,723	4,007	16,495
Net (purchase) / sale of financial investments	(5,908,138)	(429,436)	(4,063,525)	418,692
Additional investment in subsidiary company	-	-	-	(300,000)
Investment in collective investments	-	-	(96,342)	(85,311)
Dividends received	622	2,468	494,268	471,422
Net cash (used in) / generated from investing activities	<u>(5,969,209)</u>	<u>(502,735)</u>	<u>(3,707,634)</u>	<u>446,219</u>

*The 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 2017.*

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	Group		Bank	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Cash Flows from Financing Activities</b>				
Dividends paid	(1,320,468)	(1,243,762)	(1,312,908)	(1,235,678)
Net proceeds from issuance of debt securities	1,898,600	1,999,970	1,898,600	1,999,970
Net (repayment) / drawdown of borrowings	(4,511)	1,572,395	-	1,571,286
Net proceeds from disposal of treasury shares	474,457	-	474,457	-
Redemption of debt securities	(400,000)	-	(400,000)	-
Net cash generated from financing activities	<u>648,078</u>	<u>2,328,603</u>	<u>660,149</u>	<u>2,335,578</u>
Net change in cash and cash equivalents	(2,521,336)	6,154,394	200,937	4,366,583
Cash and cash equivalents at beginning of the year	12,898,446	9,862,471	6,385,151	4,959,890
Exchange differences on translation of opening balances	(42,146)	(308,519)	-	-
Cash and cash equivalents at end of the period	<u>10,334,964</u>	<u>15,708,346</u>	<u>6,586,088</u>	<u>9,326,473</u>
Note:				
Cash and balances with banks	11,050,277	16,912,750	6,626,088	9,526,473
Less: Balances with banks with original maturity more than three months	(715,313)	(1,204,404)	(40,000)	(200,000)
Cash and cash equivalents at end of the period	<u>10,334,964</u>	<u>15,708,346</u>	<u>6,586,088</u>	<u>9,326,473</u>

*The 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 2017.*

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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 2018 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets at fair value through profit or loss ("FVTPL"), financial investments at fair value through other comprehensive income ("FVOCI"), 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 2017. 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 2017.

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 financial year ended 31 December 2017, except for the adoption or early adoption of the following MFRSs, Amendments to MFRSs and IC interpretations during the current financial period:

Effective for annual periods commencing on or after 1 January 2018

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

Effective for annual periods commencing on or after 1 January 2019 (Early adoption)

- IC Interpretation 23 Uncertainty over Income Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"
  - Previously Held Interest in a Joint Operation (Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements)
  - Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to MFRS 112 Income Taxes)
  - Borrowing Costs Eligible for Capitalisation (Amendments to MFRS 123 Borrowing Costs)

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

The main effects of the adoption of MFRSs, Amendments to MFRSs and IC Interpretations above are summarised below:

- (a) **MFRS 9 Financial Instruments (2014)** - MFRS 9 issued by the MASB is equivalent to IFRS 9 as issued by IASB, including the effective dates. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The details and the financial effects of the adoption of MFRS 9 are discussed in Note A35 Changes in Accounting Policies.
- (b) **MFRS 15 Revenue from Contracts with Customers** - MFRS 15 'Revenue from Contracts with Customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and their related interpretations. MFRS 15 provides a principles based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The adoption of MFRS 15 did not have any material impact on the financial statements of the Group and of the Bank as most of the revenue of the Group and of the Bank are already recognised in accordance with the principles of MFRS 15.

- (c) **Transfers of Investment Property (Amendments to MFRS 140)** - The amendments clarify the existing provisions in the Standard on transfer to, or from the investment property category. The adoption of these amendments did not have any material financial impact on the financial statements of the Group and of the Bank.
- (d) **IC Interpretation 22 Foreign Currency Transactions and Advance Consideration** - The IC Interpretation addresses the issue on which exchange rate is to be used in reporting foreign currency transactions that involve advance consideration paid or received. The adoption of the IC Interpretation did not have any material financial impact on the financial statements of the Group and of the Bank.
- (e) **Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts (Amendments to MFRS 4)** - The amendments address the issues arising from the transitional challenges of applying the temporary exemption from MFRS 9 for an insurer in view that the upcoming new insurance contracts standard MFRS 17 is expected to be issued soon. To reduce the impact of temporary volatility in reported results of entity dealing with insurance contracts, the amendments introduce two additional voluntary options, namely an overlay approach and a deferral approach. The adoption of these amendments did not have any material financial impact on the financial statements of the Group as the Group's insurance business is immaterial.
- (f) **IC Interpretation 23 Uncertainty over Income Tax Treatments** - The IC Interpretation provides clarification on the application of recognition and measurement requirements in MFRS 112 Income Taxes when there is uncertainty over income tax treatments.

The adoption of the IC Interpretation did not have any material financial impact on the financial statements of the Group and of the Bank.

- (g) **Prepayment Features with Negative Compensation (Amendments to MFRS 9)** - The amendments allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met. The adoption of the amendments did not have any financial impact on the financial statements of the Group and of the Bank.

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

The main effects of the adoption of MFRSs, Amendments to MFRSs and IC Interpretations above are summarised below (continued):

- (h) **Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"** - The amendments are summarised below:
- (i) **Previously Held Interest in a Joint Operation (Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements)** - The amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it shall remeasure its previously held interest in the joint operation at fair value. Whereas, when an entity obtains joint control of a business that is a joint operation, the previously held interest is not remeasured.
  - (ii) **Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to MFRS 112 Income Taxes)** - The amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits i.e. in profit or loss, other comprehensive income or equity.
  - (iii) **Borrowing Costs Eligible for Capitalisation (Amendments to MFRS 123 Borrowing Costs)** - The amendments clarify that when a qualifying asset is ready for its intended use or sale, an entity shall treat any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

The adoption of Annual Improvements to MFRS Standards 2015 - 2017 Cycle did not have any material financial impact on the financial statements of the Group and of the Bank.

**Capital Adequacy Frameworks and Capital Adequacy Frameworks for Islamic Banks**

The Capital Adequacy Frameworks and Capital Adequacy Frameworks for Islamic Banks in relation to Basel II - Risk-Weighted Assets and Capital Components were updated and reissued by Bank Negara Malaysia ("BNM") on 2 February 2018 for application with effect from 1 January 2018.

The updates focused mainly on the following changes:

- (i) Revised definition of General Provision and Specific Provision arising from the implementation of MFRS 9 Financial Instruments;
- (ii) Definition of General Provision and its recognition in Tier II capital;
- (iii) Alignment of terminologies used under MFRS 9 for the purpose of capital recognition and regulatory adjustments; and
- (iv) Clarification on the capital treatment of bargain purchase gains and right-of-use assets.

The updates above mainly address clarification on capital recognition and regulatory adjustment requirements arising from the implementation of MFRS 9. The impact to the capital adequacy ratios of the Group and of the Bank are disclosed in Note A35(c).

**BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions**

On 2 February 2018, BNM issued the revised policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions which prescribe the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank and its domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. The financial effects of the adoption of the revised policy documents are discussed in Note A35 Changes in Accounting Policies.

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

The following MFRSs and Amendments to MFRS 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 2019

- MFRS 16 Leases
- Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119 Employee Benefits)

Effective for annual periods commencing on or after 1 January 2021

- MFRS 17 Insurance Contracts

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

(a) **MFRS 16 Leases** - MFRS 16 'Leases' supersedes MFRS 117 'Leases' and its related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 introduces a single accounting model for a lessee and eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet).

i) Lessee

At the commencement date of a lease, a lessee will recognise a lease liability to make lease payments and an asset representing the "right to use" of the underlying asset during the lease term. Subsequently, the "right-of-use" asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the profit or loss.

ii) Lessor

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group has initiated the assessment of the potential effect arising from the adoption of MFRS 16 and the financial effects are being assessed by the Group and the Bank.

(b) **Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119 Employee Benefits)** - The amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset). As there are no proposed changes in the terms or membership of the Group's defined benefit plan which may result in plan amendment, curtailment or settlement, the adoption of the amendments is not expected to have any financial impact on the financial statements of the Group and of the Bank.

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

The adoption of MFRS 17 is not expected to have any material financial impact on the financial statements of the Group as the Group's insurance business is immaterial.



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

The auditors' report on the audited annual financial statements for the financial year ended 31 December 2017 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 current financial period.

**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 current financial period.

**A5. Changes in Estimates**

Except for those as disclosed in Note A35 Changes in Accounting Policies, there were no material changes in estimates of amounts reported in prior financial years that have a material effect in the current financial period.

**A6. Debt and Equity Securities**

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

a) **RM20.0 Billion Senior Medium Term Notes Programme ("Senior MTNs Programme")**

On 9 April 2018, the Bank issued RM890 million (due on 9 April 2025) and RM910 million (due on 7 April 2023) in nominal value of Senior MTNs under its Senior MTNs Programme. The Notes bear interest ranging from 4.45% to 4.60%.

The Bank redeemed a total of RM400 million of Senior MTNs in nominal value on its maturity dates during the current period.

b) **Basel III Compliant Additional Tier 1 Capital Securities ("AT1CS") Programme of Up to RM10.0 Billion in Nominal Value**

The Bank had on 7 March 2018 obtained approval from Bank Negara Malaysia for the establishment of a Basel III Compliant AT1CS Programme of up to RM10.0 billion in nominal value. Securities Commission had on 11 April 2018 acknowledged the lodgement of the AT1CS Programme.

On 26 June 2018, the Bank issued the first tranche of RM100 million in aggregate nominal amount under the said Programme. The AT1CS is perpetual, callable on 26 June 2023 and bear interest at 5.08% per annum.

c) **Resale of Treasury Shares**

During the financial period, the Bank disposed its entire remaining treasury shares of 20,644,304 Public Bank shares for a total consideration of RM474,457,000 (after deducting transaction costs) in the open market at an average price of RM23.03 per share.

**A7. Dividends Paid and Distributed**

During the financial half year ended 30 June 2018, a second interim dividend of 34.0 sen per share in respect of the financial year ended 31 December 2017, amounting to RM1,312,907,975 was paid on 23 March 2018.

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

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Treasury Bills	49,223	-	49,223	-
Malaysian Government Securities	131,439	-	131,439	-
Malaysian Government Investment Issues	10,061	-	10,061	-
Bank Negara Malaysia Monetary Notes	<u>1,650,264</u>	-	<u>1,650,264</u>	-
	<u>1,840,987</u>	-	<u>1,840,987</u>	-
<b>Money market instruments:</b>				
Negotiable instruments of deposit and negotiable Islamic debt certificates	<u>1,882,904</u>	-	-	-
<b>Non-money market instruments:</b>				
Equity securities:				
- Unquoted shares in Malaysia	415,900	-	392,102	-
Debt securities:				
- Unquoted corporate bonds / sukuk	<u>53,913</u>	-	-	-
	<u>469,813</u>	-	<u>392,102</u>	-
Total financial assets at FVTPL	<u>4,193,704</u>	-	<u>2,233,089</u>	-

The financial assets at FVTPL category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A35 Changes in Accounting Policies.

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**A9. Financial Assets Held-for-trading**

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Investment				
Issues	-	100,592	-	100,592
Bank Negara Malaysia Monetary				
Notes	-	599,204	-	599,204
	<u>-</u>	<u>699,796</u>	<u>-</u>	<u>699,796</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and				
negotiable Islamic debt certificates	-	646,834	-	-
<b>Non-money market instruments:</b>				
Debt securities:				
- Unquoted corporate bonds / sukuk	-	29,911	-	-
Total financial assets held-for-trading	<u>-</u>	<u>1,376,541</u>	<u>-</u>	<u>699,796</u>

The financial assets held-for-trading category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A35 Changes in Accounting Policies.

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**A10. Financial Investments at Fair Value through Other Comprehensive Income ("FVOCI")**

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Treasury Bills	132,678	-	132,678	-
Malaysian Government Securities	7,750,336	-	7,384,066	-
Malaysian Government Investment Issues	21,465,460	-	13,704,890	-
Bank Negara Malaysia Monetary Notes	201,044	-	201,044	-
Other foreign government securities	39,525	-	-	-
	<u>29,589,043</u>	<u>-</u>	<u>21,422,678</u>	<u>-</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and negotiable Islamic debt certificates	4,873,353	-	4,823,372	-
<b>Non-money market instruments:</b>				
Equity securities:				
- Quoted shares and convertible loan stocks outside Malaysia	2,992	-	-	-
- Unquoted shares	315,885	-	309,482	-
Debt securities:				
- Cagamas bonds	389,520	-	289,178	-
- Unquoted corporate bonds / sukuk	4,406,341	-	1,333,526	-
Unit trust funds	13,229	-	-	-
	<u>5,127,967</u>	<u>-</u>	<u>1,932,186</u>	<u>-</u>
Total financial investments at FVOCI	<u>39,590,363</u>	<u>-</u>	<u>28,178,236</u>	<u>-</u>

The financial investments at FVOCI category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A35 Changes in Accounting Policies.

Movements in allowances for impairment which reflect the expected credit loss ("ECL") model on impairment are as follows:

	Group 30 June 2018 RM'000	Bank 30 June 2018 RM'000
<b>12-Month ECL Stage 1</b>		
At 1 January 2018	-	-
- effects of changes in accounting policies	6,436	4,470
At 1 January 2018, as restated	6,436	4,470
Allowance made due to changes in credit risk	1,473	255
Exchange differences	13	-
At 30 June 2018	<u>7,922</u>	<u>4,725</u>

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**A11. Financial Investments Available-for-sale**

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>At fair value</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Securities	-	7,725,456	-	7,187,916
Malaysian Government Investment Issues	-	12,638,717	-	6,469,401
Other foreign government securities	-	39,246	-	-
	<u>-</u>	<u>20,403,419</u>	<u>-</u>	<u>13,657,317</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and negotiable Islamic debt certificates	-	4,869,087	-	4,619,007
Bankers' acceptances and Islamic accepted bills	-	98,095	-	98,095
	<u>-</u>	<u>4,967,182</u>	<u>-</u>	<u>4,717,102</u>
<b>Non-money market instruments:</b>				
Equity securities:				
- Quoted shares and convertible loan stocks outside Malaysia	-	3,441	-	-
- Unquoted shares #	-	159,701	-	155,068
Debt securities:				
- Cagamas bonds	-	441,916	-	340,962
- Unquoted corporate bonds / sukuk	-	4,336,401	-	1,340,294
Unit trust funds	-	12,997	-	-
	<u>-</u>	<u>4,954,456</u>	<u>-</u>	<u>1,836,324</u>
<b>Total financial investments available-for-sale</b>	<u>-</u>	<u>30,325,057</u>	<u>-</u>	<u>20,210,743</u>

# Stated at cost, net of impairment loss.

The financial investments available-for-sale category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A35 Changes in Accounting Policies.

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**A12. Financial Investments at Amortised Cost**

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Securities	649,921	-	649,921	-
Malaysian Government Investment Issues	6,899,002	-	4,061,912	-
Foreign Government Treasury Bills	776,637	-	29,906	-
Other foreign government securities	1,477,944	-	6,394	-
	<u>9,803,504</u>	<u>-</u>	<u>4,748,133</u>	<u>-</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and negotiable Islamic debt certificates	839,398	-	1,808,011	-
<b>Non-money market instruments:</b>				
Debt securities:				
- Cagamas bonds	5,847,316	-	5,847,316	-
- Unquoted corporate bonds / sukuk	8,792,544	-	7,123,448	-
	<u>14,639,860</u>	<u>-</u>	<u>12,970,764</u>	<u>-</u>
Accumulated impairment losses	(4,212)	-	(3,322)	-
Total financial investments at amortised cost	<u>25,278,550</u>	<u>-</u>	<u>19,523,586</u>	<u>-</u>

The financial investments at amortised cost category was introduced upon the adoption of MFRS 9 on 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A35 Changes in Accounting Policies.

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

	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
	<b>Group</b>			
At 1 January 2018	-	-	35	35
- effects of changes in accounting policies	3,704	-	-	3,704
At 1 January 2018, as restated	3,704	-	35	3,739
Allowance made due to changes in credit risk	492	-	-	492
Amount written off	-	-	(16)	(16)
Exchange differences	(3)	-	-	(3)
At 30 June 2018	<u>4,193</u>	<u>-</u>	<u>19</u>	<u>4,212</u>
<b>Bank</b>				
At 1 January 2018	-	-	35	35
- effects of changes in accounting policies	2,869	-	-	2,869
At 1 January 2018, as restated	2,869	-	35	2,904
Allowance made due to changes in credit risk	434	-	-	434
Amount written off	-	-	(16)	(16)
At 30 June 2018	<u>3,303</u>	<u>-</u>	<u>19</u>	<u>3,322</u>

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**A13. Financial Investments Held-to-maturity**

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>				
<b>Government securities and treasury bills:</b>				
Malaysian Government Securities	-	1,591,135	-	1,591,135
Malaysian Government Investment Issues	-	11,327,147	-	8,835,621
Foreign Government Treasury Bills	-	772,076	-	18,684
Other foreign government securities	-	1,004,790	-	-
	<u>-</u>	<u>14,695,148</u>	<u>-</u>	<u>10,445,440</u>
<b>Money market instruments:</b>				
Negotiable instruments of deposit and negotiable Islamic debt certificates	-	1,135,400	-	1,774,769
<b>Non-money market instruments:</b>				
Debt securities:				
- Cagamas bonds	-	5,847,851	-	5,847,851
- Unquoted corporate bonds / sukuk	-	6,899,972	-	5,263,468
	<u>-</u>	<u>12,747,823</u>	<u>-</u>	<u>11,111,319</u>
Accumulated impairment losses	-	(35)	-	(35)
Total financial investments held-to-maturity	<u>-</u>	<u>28,578,336</u>	<u>-</u>	<u>23,331,493</u>

The financial investments held-to-maturity category was removed upon the adoption of MFRS 9. The financial effects of the adoption of MFRS 9 are discussed in Note A35 Changes in Accounting Policies.

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**A14. Loans, Advances and Financing**

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>				
Overdrafts	11,571,793	11,335,807	8,653,612	8,353,229
Term loans / financing				
- Housing loans / financing	107,900,253	103,656,930	86,445,016	83,801,900
- Syndicated term loans / financing	2,883,662	2,846,269	674,508	728,682
- Hire purchase receivables	50,200,253	50,424,367	37,025,833	37,131,115
- Other term loans / financing	120,125,624	118,917,854	95,870,860	95,661,738
Credit card receivables	1,901,280	1,965,180	1,869,290	1,932,950
Bills receivables	177,200	146,692	149,990	125,209
Trust receipts	246,908	254,011	182,194	192,569
Claims on customers under acceptance credits	3,806,652	4,014,388	3,522,536	3,668,165
Revolving credits	9,911,364	8,992,614	9,093,114	8,189,759
Staff loans *	1,932,766	1,899,165	1,709,737	1,685,636
Gross loans, advances and financing	<u>310,657,755</u>	<u>304,453,277</u>	<u>245,196,690</u>	<u>241,470,952</u>
Allowance for impairment on loans and financing:				
- collective assessment allowance	(1,712,421)	(1,317,960)	(1,197,349)	(862,911)
- individual assessment allowance	(116,396)	(91,190)	(41,051)	(31,793)
Net loans, advances and financing	<u><u>308,828,938</u></u>	<u><u>303,044,127</u></u>	<u><u>243,958,290</u></u>	<u><u>240,576,248</u></u>

\* Included in staff loans of the Group and of the Bank are loans to Directors of subsidiary companies amounting to RM5,485,000 (2017: RM5,222,000) and RM4,993,000 (2017 - RM4,861,000) respectively.

a) By class

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Retail loans / financing *				
- Housing loans / financing	107,900,466	103,656,930	86,445,016	83,801,900
- Hire purchase	49,948,045	50,424,367	37,025,833	37,131,115
- Credit cards	1,901,280	1,965,180	1,869,290	1,932,950
- Other loans / financing ^	105,579,760	102,945,559	82,245,114	81,757,909
	<u>265,329,551</u>	<u>258,992,036</u>	<u>207,585,253</u>	<u>204,623,874</u>
Corporate loans / financing	45,328,204	45,461,241	37,611,437	36,847,078
	<u>310,657,755</u>	<u>304,453,277</u>	<u>245,196,690</u>	<u>241,470,952</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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**A14. Loans, Advances and Financing** (continued)

b) By type of customer

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Non-bank financial institutions				
- Stock-broking companies	3,863	4,740	3,863	4,740
- Others	8,147,999	7,745,470	7,919,728	7,517,104
Business enterprises				
- Small and medium enterprises	75,904,689	75,655,938	63,933,166	63,731,965
- Others	24,181,373	24,047,749	18,176,820	17,567,021
Government and statutory bodies	1,319,941	1,322,989	10,030	11,534
Individuals	198,434,304	192,734,820	152,814,425	149,915,238
Other entities	42,224	39,159	30,792	33,448
Foreign entities	2,623,362	2,902,412	2,307,866	2,689,902
	<u>310,657,755</u>	<u>304,453,277</u>	<u>245,196,690</u>	<u>241,470,952</u>

c) By interest / profit rate sensitivity

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Fixed rate				
- Housing loans / financing	7,363,798	4,877,880	5,398,062	3,453,143
- Hire purchase receivables	47,548,168	47,913,213	36,803,259	36,885,384
- Other fixed rate loans / financing	22,891,822	21,895,178	11,827,381	10,901,304
Variable rate				
- Base rate / base lending rate plus	185,206,621	183,107,532	159,152,323	158,705,896
- Cost plus	33,233,101	32,608,651	31,594,699	31,078,708
- Other variable rates	14,414,245	14,050,823	420,966	446,517
	<u>310,657,755</u>	<u>304,453,277</u>	<u>245,196,690</u>	<u>241,470,952</u>

d) By residual contractual maturity

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Maturity within one year	31,884,182	33,814,979	23,734,227	25,360,503
More than one year to three years	26,581,742	24,733,045	21,099,365	19,430,778
More than three years to five years	29,903,489	28,856,199	24,447,804	23,606,022
More than five years	222,288,342	217,049,054	175,915,294	173,073,649
	<u>310,657,755</u>	<u>304,453,277</u>	<u>245,196,690</u>	<u>241,470,952</u>

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**A14. Loans, Advances and Financing** (continued)

e) By geographical distribution

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Malaysia	288,327,858	282,325,991	244,288,454	240,504,514
Hong Kong SAR and the People's Republic of China	15,435,889	15,377,949	-	-
Cambodia	4,198,917	4,160,208	-	-
Other countries	2,695,091	2,589,129	908,236	966,438
	<b>310,657,755</b>	<b>304,453,277</b>	<b>245,196,690</b>	<b>241,470,952</b>

f) Gross loans, advances and financing by economic purpose

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Purchase of securities	2,649,335	2,179,614	2,213,949	1,780,714
Purchase of transport vehicles	50,430,991	50,669,140	37,264,866	37,380,260
Purchase of landed properties	191,211,644	185,979,950	157,001,899	154,240,634
(of which: - residential	<b>111,740,393</b>	<b>107,288,543</b>	<b>89,751,214</b>	<b>86,942,841</b>
- non-residential)	<b>79,471,251</b>	<b>78,691,407</b>	<b>67,250,685</b>	<b>67,297,793</b>
Purchase of fixed assets (excluding landed properties)	483,733	532,839	141,687	158,332
Personal use	12,780,093	12,359,777	6,858,452	6,628,601
Credit card	1,901,280	1,965,180	1,869,290	1,932,950
Purchase of consumer durables	1,142	972	315	138
Construction	7,064,055	6,592,837	5,874,154	5,494,054
Mergers and acquisitions	87,002	101,498	87,002	101,498
Working capital	39,007,022	38,947,042	28,898,386	28,688,846
Other purpose	5,041,458	5,124,428	4,986,690	5,064,925
	<b>310,657,755</b>	<b>304,453,277</b>	<b>245,196,690</b>	<b>241,470,952</b>

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**A14. Loans, Advances and Financing** (continued)

g) Gross loans, advances and financing by sectors

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Agriculture, hunting, forestry and fishing	3,944,113	3,914,938	2,830,446	2,814,699
Mining and quarrying	213,087	214,858	164,353	170,596
Manufacturing	10,526,567	10,663,327	8,498,975	8,609,724
Electricity, gas and water	119,891	123,041	21,258	22,871
Construction	9,526,965	9,214,346	7,394,825	7,223,868
Wholesale & retail trade and restaurants & hotels	26,153,779	25,969,541	21,889,608	21,778,008
Transport, storage and communication	4,021,425	3,977,380	2,897,555	2,887,521
Finance, insurance and business services	17,589,170	17,433,156	15,016,792	14,772,934
Real estate	36,264,539	35,431,901	30,371,293	29,945,799
Community, social and personal services	3,399,338	3,460,289	1,855,005	1,912,066
Households	197,795,469	192,774,845	154,176,586	151,251,046
Others	1,103,412	1,275,655	79,994	81,820
	<b>310,657,755</b>	<b>304,453,277</b>	<b>245,196,690</b>	<b>241,470,952</b>

h) Loans, advances and financing pledged as collateral are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Bankers' acceptances rediscounted	2,500	2,700	2,500	2,700

i) Movements in credit-impaired loans, advances and financing ("impaired loans and financing") are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
At 1 January	1,475,666	1,489,381	1,064,009	1,041,579
Impaired during the period / year	1,518,164	3,106,587	1,053,172	2,125,721
Reclassified as non-impaired	(1,029,664)	(2,198,835)	(743,122)	(1,586,551)
Recoveries	(169,417)	(351,167)	(122,102)	(256,360)
Amount written off	(227,471)	(510,583)	(110,533)	(224,629)
Loans / financing converted to foreclosed properties / investments	(5,264)	(30,798)	(5,221)	(29,746)
Exchange differences	(2,409)	(28,919)	(1,178)	(6,005)
Closing balance	<b>1,559,605</b>	<b>1,475,666</b>	<b>1,135,025</b>	<b>1,064,009</b>
Gross impaired loans and financing as a percentage of gross loans, advances and financing	<b>0.50%</b>	<b>0.48%</b>	<b>0.46%</b>	<b>0.44%</b>

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**A14. Loans, Advances and Financing** (continued)

j) Impaired loans, advances and financing by geographical distribution

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Malaysia	1,234,896	1,188,012	975,834	941,478
Hong Kong SAR and the People's Republic of China	73,469	81,425	-	-
Cambodia	64,875	53,947	-	-
Other countries	186,365	152,282	159,191	122,531
	<u>1,559,605</u>	<u>1,475,666</u>	<u>1,135,025</u>	<u>1,064,009</u>

k) Impaired loans, advances and financing by economic purpose

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Purchase of securities	722	738	722	738
Purchase of transport vehicles	301,221	292,519	206,657	198,244
Purchase of landed properties	740,659	709,881	590,062	559,262
(of which: - residential	525,899	560,264	396,449	420,688
- non-residential)	214,760	149,617	193,613	138,574
Purchase of fixed assets (excluding landed properties)	9,497	12,096	326	317
Personal use	137,912	138,065	48,989	51,801
Credit card	18,773	21,078	18,402	20,725
Construction	88,522	27,039	85,651	17,410
Working capital	252,822	265,147	174,777	206,420
Other purpose	9,477	9,103	9,439	9,092
	<u>1,559,605</u>	<u>1,475,666</u>	<u>1,135,025</u>	<u>1,064,009</u>

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**A14. Loans, Advances and Financing** (continued)

l) Impaired loans, advances and financing by sectors

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Agriculture, hunting, forestry and fishing	<b>36,250</b>	34,527	<b>11,490</b>	10,623
Mining and quarrying	<b>1,249</b>	1,405	<b>144</b>	656
Manufacturing	<b>59,613</b>	39,004	<b>47,778</b>	35,079
Electricity, gas and water	<b>2,335</b>	2,148	<b>195</b>	-
Construction	<b>142,074</b>	65,162	<b>132,461</b>	51,852
Wholesale & retail trade and restaurants & hotels	<b>187,011</b>	141,280	<b>146,055</b>	109,501
Transport, storage and communication	<b>15,821</b>	15,667	<b>13,594</b>	13,373
Finance, insurance and business services	<b>49,813</b>	93,524	<b>40,798</b>	85,860
Real estate	<b>31,161</b>	27,920	<b>28,153</b>	26,449
Community, social and personal services	<b>8,641</b>	9,631	<b>8,408</b>	9,499
Households	<b>1,020,148</b>	1,045,127	<b>705,907</b>	721,001
Others	<b>5,489</b>	271	<b>42</b>	116
	<b><u>1,559,605</u></b>	<b><u>1,475,666</u></b>	<b><u>1,135,025</u></b>	<b><u>1,064,009</u></b>

m) Movements in the allowance for impairment on loans, advances and financing are as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b><u>Collective Assessment Allowance</u></b>				
At 1 January				
- as previously stated	<b>1,317,960</b>	1,408,104	<b>862,911</b>	922,954
- effects of changes in accounting policies	<b>459,942</b>	-	<b>368,351</b>	-
At 1 January, as restated	<b><u>1,777,902</u></b>	<u>1,408,104</u>	<b><u>1,231,262</u></b>	<u>922,954</u>
Net amount transferred to individual assessment allowance	<b>(13,255)</b>	-	<b>-</b>	-
Allowance made during the period / year	<b>91,510</b>	230,844	<b>69,636</b>	164,981
Amount written off	<b>(143,034)</b>	(312,992)	<b>(103,418)</b>	(223,277)
Exchange differences	<b>(702)</b>	(7,996)	<b>(131)</b>	(1,747)
Closing balance	<b><u>1,712,421</u></b>	<b><u>1,317,960</u></b>	<b><u>1,197,349</u></b>	<b><u>862,911</u></b>

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**A14. Loans, Advances and Financing** (continued)

m) Movements in the allowance for impairment on loans, advances and financing are as follows (continued):

Movements in collective assessment allowances which reflect the ECL model on impairment are as follows:

<u>Collective Assessment Allowance</u>	12-Month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
<b>Group</b>				
At 1 January 2018				
- as previously stated				1,317,960
- effects of changes in accounting policies				459,942
At 1 January 2018, as restated	972,480	514,115	291,307	1,777,902
Changes due to loans, advances and financing recognised as at				
1 January 2018:	129,793	(93,028)	(50,020)	(13,255)
- Transfer to 12-Month ECL (Stage 1)	149,284	(122,590)	(25,604)	1,090
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(17,006)	53,485	(36,364)	115
- Transfer to Lifetime ECL credit impaired (Stage 3)	(2,485)	(23,923)	11,948	(14,460)
New financial assets originated	92,583	29,904	106	122,593
Net remeasurement due to changes in credit risk	(242,614)	29,603	181,928	(31,083)
Amount written off	-	-	(143,034)	(143,034)
Exchange differences	(804)	96	6	(702)
At 30 June 2018	<u>951,438</u>	<u>480,690</u>	<u>280,293</u>	<u>1,712,421</u>
<b>Bank</b>				
At 1 January 2018				
- as previously stated				862,911
- effects of changes in accounting policies				368,351
At 1 January 2018, as restated	625,181	401,690	204,391	1,231,262
Changes due to loans, advances and financing recognised as at				
1 January 2018:	97,101	(62,808)	(34,293)	-
- Transfer to 12-Month ECL (Stage 1)	109,074	(90,281)	(18,793)	-
- Transfer to Lifetime ECL not credit impaired (Stage 2)	(11,688)	36,775	(25,087)	-
- Transfer to Lifetime ECL credit impaired (Stage 3)	(285)	(9,302)	9,587	-
New financial assets originated	42,709	17,136	106	59,951
Net remeasurement due to changes in credit risk	(140,677)	21,515	128,847	9,685
Amount written off	-	-	(103,418)	(103,418)
Exchange differences	(131)	-	-	(131)
At 30 June 2018	<u>624,183</u>	<u>377,533</u>	<u>195,633</u>	<u>1,197,349</u>

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**A14. Loans, Advances and Financing** (continued)

m) Movements in the allowance for impairment on loans, advances and financing are as follows (continued):

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b><u>Individual Assessment Allowance</u></b>				
<b><u>- Lifetime ECL Credit Impaired Stage 3</u></b>				
At 1 January				
- as previously stated	<b>91,190</b>	121,894	<b>31,793</b>	15,586
- effects of changes in accounting policies	<b>(8,550)</b>	-	-	-
At 1 January, as restated	<b>82,640</b>	121,894	<b>31,793</b>	15,586
Net amount transferred from collective assessment allowance	<b>13,255</b>	-	-	-
Allowance made during the period / year	<b>109,115</b>	222,342	<b>17,734</b>	29,012
Amount written back in respect of recoveries	<b>(5,540)</b>	(34,142)	<b>(1,361)</b>	(11,077)
Amount written off	<b>(84,437)</b>	(197,591)	<b>(7,115)</b>	(1,352)
Amount transferred to allowance for impairment loss on foreclosed properties	-	(376)	-	(376)
Exchange differences	<b>1,363</b>	(20,937)	-	-
Closing balance	<b>116,396</b>	91,190	<b>41,051</b>	31,793

**A15. Other Assets**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Deferred handling fees	<b>223,281</b>	229,662	<b>167,658</b>	171,437
Interest / Income receivable	<b>47,802</b>	54,816	<b>12,112</b>	11,918
Other receivables, deposits and prepayments	<b>1,090,100</b>	1,417,320	<b>953,894</b>	1,307,073
Employee benefits	<b>284,322</b>	304,397	<b>280,087</b>	299,862
Amount due from trust funds	<b>183,980</b>	246,029	-	-
Foreclosed properties	<b>110,082</b>	108,190	<b>107,380</b>	105,375
Outstanding contracts on clients' accounts	<b>435,670</b>	391,331	-	-
Amount due from subsidiary companies	-	-	<b>40,337</b>	39,855
Distribution receivable from collective investments	-	-	<b>30,296</b>	29,421
Dividend receivable from subsidiary companies	-	-	<b>565,481</b>	571,482
	<b>2,375,237</b>	2,751,745	<b>2,157,245</b>	2,536,423

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**A16. Deposits from Customers**

a) By type of deposit

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>				
Core deposits:				
- Demand deposits	48,180,760	47,611,744	38,507,112	38,752,425
- Savings deposits	36,177,119	35,507,539	23,996,448	23,162,008
- Fixed deposits	191,452,917	186,603,269	141,984,315	138,765,157
	<u>275,810,796</u>	<u>269,722,552</u>	<u>204,487,875</u>	<u>200,679,590</u>
- Negotiable instruments of deposit	59,753	36,439	58,027	17,204
- Money market deposits	53,998,684	49,452,587	48,572,155	44,598,778
	<u>54,058,437</u>	<u>49,489,026</u>	<u>48,630,182</u>	<u>44,615,982</u>
Other deposits	30,918	47,848	21,511	36,156
	<u>329,900,151</u>	<u>319,259,426</u>	<u>253,139,568</u>	<u>245,331,728</u>

b) By type of customer

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Federal and state governments	8,726,476	6,947,108	1,570,847	1,459,380
Local government and statutory authorities	3,201,362	2,760,408	2,588,803	2,203,477
Business enterprises	89,489,190	84,134,411	70,478,730	68,036,469
Individuals	168,352,127	165,201,059	135,620,820	131,634,989
Foreign customers	6,139,911	5,811,875	3,626,644	3,495,381
Others	53,991,085	54,404,565	39,253,724	38,502,032
	<u>329,900,151</u>	<u>319,259,426</u>	<u>253,139,568</u>	<u>245,331,728</u>



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**A16. 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 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Due within six months	183,736,095	195,111,517	144,572,457	150,463,889
More than six months to one year	60,995,411	40,343,897	45,949,139	32,831,078
More than one year to three years	775,257	631,060	88,570	80,815
More than three years to five years	4,591	5,821	4,331	5,357
	<u>245,511,354</u>	<u>236,092,295</u>	<u>190,614,497</u>	<u>183,381,139</u>

**A17. Deposits from Banks**

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>				
Licensed banks	4,475,395	7,078,526	3,307,903	4,983,891
Licensed investment banks	316,823	30,107	333,214	43,814
Bank Negara Malaysia	537,419	965,817	515,027	943,494
Other financial institutions	4,869,003	3,371,607	8,222,492	6,995,694
	<u>10,198,640</u>	<u>11,446,057</u>	<u>12,378,636</u>	<u>12,966,893</u>

**A18. Other Liabilities**

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Interest / Income payable	1,665,614	1,716,502	1,236,361	1,282,983
Other payables and accruals	2,860,676	2,428,355	2,301,526	1,861,724
Amount due to trust funds	102,525	110,377	-	-
Unprocessed sales and / or redemptions	41,594	129,675	-	-
Profit Equalisation Reserve of the investment account holder	31	108	-	-
Finance lease liabilities	121,904	147,672	121,904	147,672
Outstanding contracts on clients' accounts	432,895	381,966	-	-
Dividend payable to shareholders	1,910	1,046	1,910	1,046
Amount due to subsidiary companies	-	-	26,976	26,657
	<u>5,227,149</u>	<u>4,915,701</u>	<u>3,688,677</u>	<u>3,320,082</u>

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**A19. Interest Income**

	2nd Quarter Ended		Half Year Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b><u>Group</u></b>				
Loans and advances	3,417,712	3,242,341	6,743,703	6,455,901
Balances with banks	59,821	77,167	116,188	140,288
Financial investments at fair value through other comprehensive income	302,739	-	573,418	-
Financial investments available-for-sale	-	222,714	-	445,211
Financial investments at amortised cost	204,622	-	401,805	-
Financial investments held-to-maturity	-	211,390	-	396,699
Others	21,977	25,112	47,648	55,546
	<u>4,006,871</u>	<u>3,778,724</u>	<u>7,882,762</u>	<u>7,493,645</u>
Financial assets at fair value through profit or loss	18,889	-	35,837	-
Financial assets held-for-trading	-	23,486	-	41,391
	<u>4,025,760</u>	<u>3,802,210</u>	<u>7,918,599</u>	<u>7,535,036</u>
Of which:				
Interest income earned on impaired loans and advances	<u>16,563</u>	<u>15,113</u>	<u>31,388</u>	<u>30,066</u>
	2nd Quarter Ended		Half Year Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b><u>Bank</u></b>				
Loans and advances	3,098,540	2,915,315	6,116,998	5,792,896
Balances with banks	31,221	43,405	56,886	69,548
Financial investments at fair value through other comprehensive income	256,503	-	483,335	-
Financial investments available-for-sale	-	181,910	-	369,880
Financial investments at amortised cost	185,789	-	365,575	-
Financial investments held-to-maturity	-	194,149	-	364,060
Others	21,974	25,110	47,642	55,543
	<u>3,594,027</u>	<u>3,359,889</u>	<u>7,070,436</u>	<u>6,651,927</u>
Financial assets at fair value through profit or loss	13,123	-	24,086	-
Financial assets held-for-trading	-	16,941	-	29,369
	<u>3,607,150</u>	<u>3,376,830</u>	<u>7,094,522</u>	<u>6,681,296</u>
Of which:				
Interest income earned on impaired loans and advances	<u>14,002</u>	<u>12,909</u>	<u>27,067</u>	<u>25,472</u>

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**A20. Interest Expense**

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Deposits from banks	91,299	118,281	185,824	240,032
Deposits from customers	1,847,795	1,659,511	3,560,123	3,308,765
Loans sold to Cagamas	60,392	35,460	122,577	55,068
Debt securities issued and other borrowed funds	143,562	147,447	268,041	264,503
Others	2,981	467	4,911	1,444
	<b>2,146,029</b>	<b>1,961,166</b>	<b>4,141,476</b>	<b>3,869,812</b>

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Deposits from banks	94,496	115,227	188,872	235,154
Deposits from customers	1,787,068	1,590,259	3,442,961	3,170,538
Loans sold to Cagamas	60,392	35,460	122,577	55,068
Debt securities issued and other borrowed funds	140,026	143,725	259,542	256,848
Others	2,981	450	4,911	1,400
	<b>2,084,963</b>	<b>1,885,121</b>	<b>4,018,863</b>	<b>3,719,008</b>

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**A21. Net Fee and Commission Income**

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
<b><u>Group</u></b>				
(a) Fee and commission income:				
Commissions	139,453	130,220	279,683	252,180
Service charges and fees	82,915	88,239	168,266	173,644
Guarantee fees	7,693	10,602	14,843	18,881
Processing fees	5,380	5,247	10,856	11,256
Commitment fees	22,330	23,079	45,074	43,686
Unit trust management fees	264,280	242,567	528,322	471,774
Fee on sale of trust units	82,698	95,777	192,314	184,799
Brokerage and commissions from stockbroking activities	26,938	28,401	56,280	52,954
Other fee and commission income	15,835	12,199	28,415	26,369
	<u>647,522</u>	<u>636,331</u>	<u>1,324,053</u>	<u>1,235,543</u>
(b) Fee and commission expense:				
Unit trust agency fee	(117,262)	(113,490)	(242,988)	(220,264)
Debit / credit card related fee	(78,310)	(78,589)	(164,229)	(154,644)
Loan related fee	(3,067)	(3,750)	(6,394)	(6,506)
Other fee and commission expense	(4,995)	(4,426)	(10,340)	(10,904)
	<u>(203,634)</u>	<u>(200,255)</u>	<u>(423,951)</u>	<u>(392,318)</u>
Net fee and commission income	<u>443,888</u>	<u>436,076</u>	<u>900,102</u>	<u>843,225</u>
	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
<b><u>Bank</u></b>				
(a) Fee and commission income:				
Commissions	154,965	155,351	323,877	299,437
Service charges and fees	59,030	63,916	122,498	124,916
Guarantee fees	7,053	9,880	13,585	17,466
Processing fees	2,171	2,278	4,742	4,471
Commitment fees	20,533	21,453	41,488	40,567
Other fee and commission income	11,010	9,270	19,679	20,210
	<u>254,762</u>	<u>262,148</u>	<u>525,869</u>	<u>507,067</u>
(b) Fee and commission expense:				
Debit / credit card related fee	(77,685)	(77,005)	(162,941)	(151,132)
Loan related fee	(2,440)	(3,096)	(5,042)	(5,231)
Other fee and commission expense	(3,192)	(2,720)	(6,982)	(6,608)
	<u>(83,317)</u>	<u>(82,821)</u>	<u>(174,965)</u>	<u>(162,971)</u>
Net fee and commission income	<u>171,445</u>	<u>179,327</u>	<u>350,904</u>	<u>344,096</u>

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**A22. Net Gains and Losses on Financial Instruments**

	2nd Quarter Ended		Half Year Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Group</b>				
Net (loss) / gain arising on financial assets at fair value through profit or loss:				
- net (loss) / gain on disposal	(1,569)	-	8	-
- gross dividend income	1,573	-	1,573	-
- unrealised revaluation loss	(14)	-	(260)	-
	<u>(10)</u>	<u>-</u>	<u>1,321</u>	<u>-</u>
Net gain / (loss) arising on financial assets held-for-trading:				
- net gain on disposal	-	1,840	-	3,164
- unrealised revaluation loss	-	(258)	-	(665)
	<u>-</u>	<u>1,582</u>	<u>-</u>	<u>2,499</u>
Net gain arising on trading derivatives				
- unrealised revaluation gain	<u>14</u>	<u>4,879</u>	<u>111</u>	<u>4,491</u>
Net gain arising on financial investments at fair value through other comprehensive income:				
- net gain on disposal	3,298	-	21,708	-
- gross dividend income	492	-	622	-
	<u>3,790</u>	<u>-</u>	<u>22,330</u>	<u>-</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	-	16,445	-	20,645
- gross dividend income	-	2,337	-	2,468
	<u>-</u>	<u>18,782</u>	<u>-</u>	<u>23,113</u>
Net gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge	263	533	163	1,140
- cash flow hedge	2,197	(3,730)	2,145	(5,240)
	<u>2,460</u>	<u>(3,197)</u>	<u>2,308</u>	<u>(4,100)</u>
Net gains and losses on financial instruments	<u><u>6,254</u></u>	<u><u>22,046</u></u>	<u><u>26,070</u></u>	<u><u>26,003</u></u>

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**A22. Net Gains and Losses on Financial Instruments** (continued)

	2nd Quarter Ended		Half Year Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Bank</b>				
Net (loss) / gain arising on financial assets at fair value through profit or loss:				
- net (loss) / gain on disposal	(1,571)	-	4	-
- gross dividend income	1,483	-	1,483	-
- unrealised revaluation loss	(16)	-	(264)	-
	<u>(104)</u>	<u>-</u>	<u>1,223</u>	<u>-</u>
Net gain / (loss) arising on financial assets held-for-trading:				
- net gain on disposal	-	1,821	-	3,138
- unrealised revaluation loss	-	(268)	-	(642)
	<u>-</u>	<u>1,553</u>	<u>-</u>	<u>2,496</u>
Net gain arising on trading derivatives				
- unrealised revaluation gain	<u>14</u>	<u>6</u>	<u>111</u>	<u>13</u>
Net gain arising on financial investments at fair value through other comprehensive income:				
- net gain on disposal	<u>3,298</u>	<u>-</u>	<u>21,707</u>	<u>-</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	-	15,979	-	20,691
- gross dividend income	-	1,670	-	1,670
	<u>-</u>	<u>17,649</u>	<u>-</u>	<u>22,361</u>
Net gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge	35	479	116	1,179
- cash flow hedge	2,197	(3,730)	2,145	(5,240)
	<u>2,232</u>	<u>(3,251)</u>	<u>2,261</u>	<u>(4,061)</u>
Net gains and losses on financial instruments	<u><u>5,440</u></u>	<u><u>15,957</u></u>	<u><u>25,302</u></u>	<u><u>20,809</u></u>

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**A23. Other Operating Income**

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Group</u></b>				
Other income:				
Foreign exchange profit	44,249	77,990	139,604	157,036
Rental income from:				
- investment properties	3,178	3,233	6,322	6,619
- other properties	3,225	3,420	6,565	6,722
Net gain on disposal of property and equipment	283	106	367	375
Net gain on disposal of foreclosed properties	307	190	560	1,755
Net gain on revaluation of investment properties	15,599	2,540	15,599	2,540
Others	16,889	16,075	33,400	31,864
Total other operating income	<u>83,730</u>	<u>103,554</u>	<u>202,417</u>	<u>206,911</u>
	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank</u></b>				
Distribution income from collective investments	49,316	44,528	97,218	86,304
Dividend income from subsidiary companies				
- quoted outside Malaysia	20,681	22,115	20,681	22,115
- unquoted in Malaysia	300,000	250,000	371,243	333,765
	<u>369,997</u>	<u>316,643</u>	<u>489,142</u>	<u>442,184</u>
Other (loss) / income:				
Foreign exchange (loss) / profit	(116,362)	195,242	126,027	322,584
Rental income from other properties	3,135	3,334	6,385	6,543
Net gain on disposal of property and equipment	276	138	335	294
Net gain on disposal of foreclosed properties	307	190	560	1,755
Others	13,911	12,454	27,837	24,924
	<u>(98,733)</u>	<u>211,358</u>	<u>161,144</u>	<u>356,100</u>
Total other operating income	<u>271,264</u>	<u>528,001</u>	<u>650,286</u>	<u>798,284</u>

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**A24. Other Operating Expenses**

<u>Group</u>	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
Personnel costs				
- Salaries, allowances and bonuses	<b>523,218</b>	513,158	<b>1,047,770</b>	1,024,820
- Pension costs	<b>68,406</b>	65,195	<b>136,892</b>	131,197
- Others	<b>41,273</b>	38,505	<b>82,732</b>	78,436
	<b>632,897</b>	616,858	<b>1,267,394</b>	1,234,453
Establishment costs				
- Depreciation	<b>55,359</b>	54,158	<b>110,152</b>	107,600
- Rental	<b>31,000</b>	31,181	<b>62,930</b>	61,777
- Insurance	<b>5,689</b>	5,937	<b>11,240</b>	11,794
- Water and electricity	<b>12,644</b>	13,535	<b>24,157</b>	25,653
- General repairs and maintenance	<b>24,196</b>	25,940	<b>49,292</b>	53,424
- Information technology expenses	<b>12,803</b>	13,222	<b>25,831</b>	26,607
- Others	<b>17,382</b>	16,698	<b>35,120</b>	34,684
	<b>159,073</b>	160,671	<b>318,722</b>	321,539
Marketing expenses				
- Advertisement and publicity	<b>16,216</b>	14,913	<b>30,437</b>	30,105
- Others	<b>23,736</b>	18,088	<b>48,345</b>	34,662
	<b>39,952</b>	33,001	<b>78,782</b>	64,767
Administration and general expenses				
- Communication expenses	<b>13,652</b>	16,616	<b>26,667</b>	35,920
- Legal and professional fees	<b>11,449</b>	11,309	<b>21,301</b>	22,493
- Others	<b>41,310</b>	43,390	<b>84,727</b>	89,541
	<b>66,411</b>	71,315	<b>132,695</b>	147,954
Total other operating expenses	<b>898,333</b>	881,845	<b>1,797,593</b>	1,768,713



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**A24. Other Operating Expenses (continued)**

<b>Bank</b>	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
Personnel costs				
- Salaries, allowances and bonuses	<b>393,572</b>	377,809	<b>791,399</b>	759,504
- Pension costs	<b>59,012</b>	56,207	<b>118,142</b>	113,201
- Others	<b>33,773</b>	30,635	<b>67,903</b>	62,852
	<b>486,357</b>	464,651	<b>977,444</b>	935,557
Establishment costs				
- Depreciation	<b>43,803</b>	42,365	<b>87,465</b>	84,284
- Rental	<b>24,528</b>	24,201	<b>49,952</b>	48,060
- Insurance	<b>4,830</b>	5,004	<b>9,494</b>	9,864
- Water and electricity	<b>8,613</b>	9,548	<b>16,799</b>	18,172
- General repairs and maintenance	<b>20,576</b>	22,285	<b>42,674</b>	46,344
- Information technology expenses	<b>6,226</b>	6,451	<b>12,649</b>	12,807
- Others	<b>10,908</b>	10,774	<b>21,102</b>	22,349
	<b>119,484</b>	120,628	<b>240,135</b>	241,880
Marketing expenses				
- Advertisement and publicity	<b>6,503</b>	5,967	<b>11,462</b>	11,540
- Others	<b>11,002</b>	11,754	<b>23,825</b>	22,690
	<b>17,505</b>	17,721	<b>35,287</b>	34,230
Administration and general expenses				
- Communication expenses	<b>10,276</b>	12,776	<b>20,169</b>	28,399
- Legal and professional fees	<b>8,351</b>	7,970	<b>15,036</b>	16,148
- Others	<b>24,123</b>	25,595	<b>49,411</b>	52,738
	<b>42,750</b>	46,341	<b>84,616</b>	97,285
Shared service cost charged to Public Islamic Bank Berhad *	<b>(94,589)</b>	(89,631)	<b>(186,203)</b>	(177,129)
<b>Total other operating expenses</b>	<b>571,507</b>	559,710	<b>1,151,279</b>	1,131,823

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

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
Credit related services	<b>(51,947)</b>	(48,199)	<b>(101,570)</b>	(94,953)
Non-credit branch support services	<b>(26,706)</b>	(27,603)	<b>(52,880)</b>	(54,048)
Other administration services	<b>(15,936)</b>	(13,829)	<b>(31,753)</b>	(28,128)
	<b>(94,589)</b>	(89,631)	<b>(186,203)</b>	(177,129)

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**A25. Allowance / (Writeback of Allowance) for Impairment on Loans, Advances and Financing**

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Group</u></b>				
Allowance for impairment on loans and financing:				
Collective assessment allowance, net	17,159	53,277	91,510	119,138
Individual assessment allowance, net	60,968	35,060	103,575	90,104
Allowance for bad debts from stockbroking activities	-	8	-	8
Impaired loans and financing written off	22	30	47	58
Impaired loans and financing recovered	(60,652)	(61,857)	(109,177)	(115,699)
	<u>17,497</u>	<u>26,518</u>	<u>85,955</u>	<u>93,609</u>
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Bank</u></b>				
Allowance for impairment on loans and financing:				
Collective assessment allowance, net	20,367	34,189	69,636	97,982
Individual assessment allowance, net	9,988	(4,602)	16,373	(2,174)
Impaired loans written off	22	27	46	55
Impaired loans recovered	(36,696)	(31,027)	(62,808)	(58,994)
	<u>(6,319)</u>	<u>(1,413)</u>	<u>23,247</u>	<u>36,869</u>

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**A26. Segment Information**

	<----- Operating Segments ----->											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	Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	
<b>2nd Quarter Ended 30 June 2018</b>												
External revenue	634,711	2,748,916	496,626	340,986	44,252	347,376	15,444	381,934	5,010,245	425,693	-	5,435,938
Revenue from other segments	1,184	314,144	9,668	562,277	73	11,386	11,707	111,541	1,021,980	13,908	(1,035,888)	-
	<b>635,895</b>	<b>3,063,060</b>	<b>506,294</b>	<b>903,263</b>	<b>44,325</b>	<b>358,762</b>	<b>27,151</b>	<b>493,475</b>	<b>6,032,225</b>	<b>439,601</b>	<b>(1,035,888)</b>	<b>5,435,938</b>
Net interest income and												
Islamic banking income	171,111	1,166,303	132,086	120,423	6,164	4,299	(5,872)	250,402	1,844,916	297,376	-	2,142,292
Other income	719	170,602	14,227	77,205	18,503	219,775	27,049	(18,319)	509,761	46,071	(21,960)	533,872
Net income	<b>171,830</b>	<b>1,336,905</b>	<b>146,313</b>	<b>197,628</b>	<b>24,667</b>	<b>224,074</b>	<b>21,177</b>	<b>232,083</b>	<b>2,354,677</b>	<b>343,447</b>	<b>(21,960)</b>	<b>2,676,164</b>
Other operating expenses	(60,859)	(455,519)	(3,568)	(9,943)	(11,507)	(60,988)	(6,153)	(158,398)	(766,935)	(153,358)	21,960	(898,333)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(27,713)	48,658	(1,717)	-	56	406	-	-	19,690	(37,187)	-	(17,497)
Writeback of allowance / (Allowance) for impairment on other assets	-	84	-	(537)	23	-	-	(506)	(936)	(184)	-	(1,120)
Profit by segments	<b>83,258</b>	<b>930,128</b>	<b>141,028</b>	<b>187,148</b>	<b>13,239</b>	<b>163,492</b>	<b>15,024</b>	<b>73,179</b>	<b>1,606,496</b>	<b>152,718</b>	<b>-</b>	<b>1,759,214</b>
Reconciliation of segment profits to consolidated profits:												
Share of loss after tax of equity accounted associated companies									(1,488)	-		(1,488)
Profit before tax expense and zakat									<b>1,605,008</b>	<b>152,718</b>	<b>-</b>	<b>1,757,726</b>

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**A26. Segment Information (continued)**

<b>2nd Quarter Ended 30 June 2017</b>	Operating Segments							<b>Head Office RM'000</b>	<b>Total Domestic Operations RM'000</b>	<b>Total Overseas Operations RM'000</b>	<b>Inter- segment Elimination RM'000</b>	<b>Group Total RM'000</b>
	<b>Hire Purchase RM'000</b>	<b>Retail Operations RM'000</b>	<b>Corporate Lending RM'000</b>	<b>Treasury and Capital Market Operations RM'000</b>	<b>Investment Banking RM'000</b>	<b>Fund Management RM'000</b>	<b>Others RM'000</b>					
External revenue	660,508	2,528,937	446,889	329,191	50,013	338,696	1,476	367,898	4,723,608	443,539	-	5,167,147
Revenue from other segments	1,125	313,076	9,159	533,955	66	10,568	7,565	139,337	1,014,851	7,682	(1,022,533)	-
	661,633	2,842,013	456,048	863,146	50,079	349,264	9,041	507,235	5,738,459	451,221	(1,022,533)	5,167,147
Net interest income and												
Islamic banking income	188,137	1,167,467	126,187	105,035	5,899	3,705	(5,515)	196,880	1,787,795	300,674	-	2,088,469
Other income	845	178,871	12,831	92,754	19,487	206,253	8,993	7,614	527,648	51,761	(17,733)	561,676
Net income	188,982	1,346,338	139,018	197,789	25,386	209,958	3,478	204,494	2,315,443	352,435	(17,733)	2,650,145
Other operating expenses	(63,110)	(444,049)	(3,323)	(9,873)	(12,704)	(49,409)	(5,268)	(151,208)	(738,944)	(160,634)	17,733	(881,845)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(21,847)	7,021	(892)	-	(18)	-	-	-	(15,736)	(10,782)	-	(26,518)
Allowance for impairment on other assets	-	(2,148)	-	-	-	-	-	-	(2,148)	-	-	(2,148)
Profit / (Loss) by segments	104,025	907,162	134,803	187,916	12,664	160,549	(1,790)	53,286	1,558,615	181,019	-	1,739,634
Reconciliation of segment profits to consolidated profits:												
Share of loss after tax of equity accounted associated companies									(3,625)	-		(3,625)
Profit before tax expense and zakat									1,554,990	181,019		1,736,009

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**A26. Segment Information (continued)**

	<----- 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					
Half Year Ended 30 June 2018												
External revenue	1,276,148	5,432,344	973,382	629,198	88,767	721,354	17,049	802,013	9,940,255	844,836	-	10,785,091
Revenue from other segments	1,584	582,251	17,722	1,156,438	138	23,725	19,909	227,896	2,029,663	26,258	(2,055,921)	-
	<u>1,277,732</u>	<u>6,014,595</u>	<u>991,104</u>	<u>1,785,636</u>	<u>88,905</u>	<u>745,079</u>	<u>36,958</u>	<u>1,029,909</u>	<u>11,969,918</u>	<u>871,094</u>	<u>(2,055,921)</u>	<u>10,785,091</u>
Net interest income and												
Islamic banking income	351,830	2,333,041	262,357	252,024	12,081	9,641	(11,505)	513,053	3,722,522	582,909	-	4,305,431
Other income	1,382	354,660	25,202	163,661	36,389	445,526	36,789	9,926	1,073,535	96,962	(41,908)	1,128,589
Net income	<u>353,212</u>	<u>2,687,701</u>	<u>287,559</u>	<u>415,685</u>	<u>48,470</u>	<u>455,167</u>	<u>25,284</u>	<u>522,979</u>	<u>4,796,057</u>	<u>679,871</u>	<u>(41,908)</u>	<u>5,434,020</u>
Other operating expenses (Allowance) / Writeback of	(125,384)	(920,014)	(7,879)	(20,600)	(22,782)	(115,947)	(12,804)	(308,099)	(1,533,509)	(305,992)	41,908	(1,797,593)
allowance for impairment on loans, advances and financing	(55,937)	45,930	(1,736)	-	69	409	-	-	(11,265)	(74,690)	-	(85,955)
Allowance for impairment on other assets	-	(55)	-	(124)	(10)	-	-	(822)	(1,011)	(942)	-	(1,953)
Profit by segments	<u>171,891</u>	<u>1,813,562</u>	<u>277,944</u>	<u>394,961</u>	<u>25,747</u>	<u>339,629</u>	<u>12,480</u>	<u>214,058</u>	<u>3,250,272</u>	<u>298,247</u>	<u>-</u>	<u>3,548,519</u>
Reconciliation of segment profits to consolidated profits:												
Share of profit after tax of equity accounted associated companies									3,166	-		3,166
Profit before tax expense and zakat									<u>3,253,438</u>	<u>298,247</u>		<u>3,551,685</u>
Cost income ratio	35.5%	34.2%	2.7%	5.0%	47.0%	25.5%	50.6%	58.9%	32.0%	45.0%		33.1%

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**A26. Segment Information (continued)**

Half Year Ended 30 June 2018	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
Gross loans, advances and financing	47,781,890	199,837,964	40,241,305	-	375,710	89,270	1,719	-	288,327,858	22,329,897	-	310,657,755
Loan growth	-0.8%	2.8%	2.4%	-	-4.4%	0.4%	7.9%	-	2.1%	0.9%	-	2.0%
Impaired loans, advances and financing	297,169	899,487	37,842	-	-	398	-	-	1,234,896	324,709	-	1,559,605
Impaired loan and financing ratio	0.6%	0.5%	0.1%	-	-	0.4%	-	-	0.4%	1.5%	-	0.5%
Deposits from customers	-	243,563,865	238,378	59,398,459	868,080	-	-	-	304,068,782	25,831,369	-	329,900,151
Deposit growth	-	3.4%	-6.5%	5.3%	-10.9%	-	-	-	3.7%	-1.0%	-	3.3%
Segment assets	<u>47,523,361</u>	<u>250,253,079</u>	<u>39,895,005</u>	<u>72,471,229</u>	<u>2,530,290</u>	<u>394,318</u>	<u>868,164</u>	<u>47,398,815</u>	<u>461,334,261</u>	<u>34,218,192</u>	<u>(91,646,401)</u>	<u>403,906,052</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									37,996	16		38,012
Unallocated assets									1,212,328	-		1,212,328
Intangible assets									775,493	1,643,424		2,418,917
Total assets									<u>463,360,078</u>	<u>35,861,632</u>		<u>407,575,309</u>

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**A26. Segment Information (continued)**

Half Year Ended 30 June 2017	<----- 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	1,326,522	5,001,010	881,888	688,105	92,657	657,282	3,006	645,508	9,295,978	899,354	-	10,195,332
Revenue from other segments	1,549	613,646	17,256	1,063,051	965	21,708	15,104	256,817	1,990,096	14,516	(2,004,612)	-
	<u>1,328,071</u>	<u>5,614,656</u>	<u>899,144</u>	<u>1,751,156</u>	<u>93,622</u>	<u>678,990</u>	<u>18,110</u>	<u>902,325</u>	<u>11,286,074</u>	<u>913,870</u>	<u>(2,004,612)</u>	<u>10,195,332</u>
Net interest income and												
Islamic banking income	382,631	2,304,667	249,370	210,595	11,659	8,138	(10,871)	395,975	3,552,164	608,203	-	4,160,367
Other income	1,787	346,765	23,727	170,122	35,099	400,945	18,020	13,700	1,010,165	102,611	(36,637)	1,076,139
Net income	<u>384,418</u>	<u>2,651,432</u>	<u>273,097</u>	<u>380,717</u>	<u>46,758</u>	<u>409,083</u>	<u>7,149</u>	<u>409,675</u>	<u>4,562,329</u>	<u>710,814</u>	<u>(36,637)</u>	<u>5,236,506</u>
Other operating expenses	(127,984)	(897,061)	(6,641)	(19,924)	(23,086)	(97,456)	(9,967)	(299,974)	(1,482,093)	(323,257)	36,637	(1,768,713)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(62,033)	15,001	(1,803)	-	(36)	-	-	-	(48,871)	(44,738)	-	(93,609)
Allowance for impairment on other assets	-	(2,596)	-	-	-	-	-	-	(2,596)	-	-	(2,596)
Profit / (Loss) by segments	<u>194,401</u>	<u>1,766,776</u>	<u>264,653</u>	<u>360,793</u>	<u>23,636</u>	<u>311,627</u>	<u>(2,818)</u>	<u>109,701</u>	<u>3,028,769</u>	<u>342,819</u>	<u>-</u>	<u>3,371,588</u>
Reconciliation of segment profits to consolidated profits: Share of loss after tax of equity accounted associated companies									(4,107)	-		(4,107)
Profit before tax expense and zakat									<u>3,024,662</u>	<u>342,819</u>		<u>3,367,481</u>
Cost income ratio	33.3%	33.8%	2.4%	5.2%	49.4%	23.8%	139.4%	73.2%	32.5%	45.5%		33.8%

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**A26. Segment Information (continued)**

Half Year Ended 30 June 2017	<----- 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	48,960,081	188,026,967	38,237,462	-	402,985	87,308	1,881	-	275,716,684	22,756,556		298,473,240
Loan growth	-1.3%	3.1%	2.1%	-	5.1%	7.2%	-4.4%	-	2.1%	-5.4%		1.5%
Impaired loans, advances and financing	307,865	874,078	36,094	-	-	-	-	-	1,218,037	269,063		1,487,100
Impaired loan and financing ratio	0.6%	0.5%	0.1%	-	-	-	-	-	0.4%	1.2%		0.5%
Deposits from customers	-	225,997,002	210,446	63,180,180	1,011,676	-	-	-	290,399,304	26,869,392		317,268,696
Deposit growth	-	3.1%	-16.8%	2.0%	-33.8%	-	-	-	2.6%	-0.5%		2.4%
Segment assets	<u>48,726,998</u>	<u>232,104,976</u>	<u>38,181,868</u>	<u>83,272,566</u>	<u>2,861,456</u>	<u>340,915</u>	<u>845,726</u>	<u>37,971,848</u>	<u>444,306,353</u>	<u>35,697,500</u>	<u>(92,479,063)</u>	<u>387,524,790</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									34,290	17		34,307
Unallocated assets									980,787	-		980,787
Intangible assets									775,493	1,746,995		2,522,488
Total assets									<u>446,096,923</u>	<u>37,444,512</u>		<u>391,062,372</u>



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**A26. 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.

**A27. 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.

**A28. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the 2nd quarter and financial half year ended 30 June 2018.

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**A29. 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:

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Contingent liabilities</b>				
Direct credit substitutes	<b>998,648</b>	1,012,069	<b>959,604</b>	978,443
Transaction-related contingent items	<b>1,703,143</b>	1,697,926	<b>1,445,235</b>	1,469,720
Short term self-liquidating trade-related contingencies	<b>622,950</b>	558,181	<b>149,469</b>	139,041
	<b>3,324,741</b>	3,268,176	<b>2,554,308</b>	2,587,204
<b>Commitments</b>				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	<b>26,250,670</b>	27,556,467	<b>21,226,177</b>	22,521,236
- not exceeding one year	<b>22,504,682</b>	24,373,275	<b>19,231,186</b>	21,142,579
Unutilised credit card lines	<b>6,789,109</b>	6,462,047	<b>6,531,386</b>	6,230,704
Forward asset purchases	<b>573,446</b>	383,815	<b>512,115</b>	383,815
	<b>56,117,907</b>	58,775,604	<b>47,500,864</b>	50,278,334
<b>Derivative financial instruments</b>				
Foreign exchange related contracts:				
- less than one year	<b>21,631,130</b>	20,822,638	<b>20,585,547</b>	20,151,324
- one year to less than five years	<b>2,577,522</b>	1,649,368	<b>2,577,522</b>	1,649,368
Interest / Profit rate related contracts:				
- less than one year	<b>2,450,000</b>	1,450,000	<b>2,950,000</b>	2,050,000
- one year to less than five years	<b>7,469,821</b>	9,180,800	<b>8,197,958</b>	9,908,175
- five years and above	<b>294,719</b>	295,833	<b>2,000,000</b>	2,000,000
Commodity related contracts:				
- less than one year	<b>347</b>	412	<b>347</b>	412
	<b>34,423,539</b>	33,399,051	<b>36,311,374</b>	35,759,279
	<b>93,866,187</b>	95,442,831	<b>86,366,546</b>	88,624,817

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**A30. Derivative Financial Instruments**

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

Group As at 30 June 2018	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
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	1,212,198	4,037	-	1,216,235	8,563	-	-	8,563	6,403	324	-	6,727
- Swaps	19,485,477	-	-	19,485,477	174,628	-	-	174,628	120,616	-	-	120,616
- Options	126,005	-	-	126,005	-	-	-	-	-	-	-	-
Precious metal contracts												
- Forwards	347	-	-	347	-	-	-	-	-	-	-	-
	<u>20,824,027</u>	<u>4,037</u>	<u>-</u>	<u>20,828,064</u>	<u>183,191</u>	<u>-</u>	<u>-</u>	<u>183,191</u>	<u>127,019</u>	<u>324</u>	<u>-</u>	<u>127,343</u>
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	2,200,000	1,089,863	514,719	3,804,582	9,492	11,521	17,430	38,443	-	1,312	-	1,312
<b>Cash Flow Hedge</b>												
Foreign exchange contracts												
- Cross currency interest rate swaps	807,450	403,725	1,009,313	2,220,488	-	-	98,696	98,696	163,697	18,055	-	181,752
Interest / Profit rate related contracts												
- Swaps	250,000	4,116,175	2,043,783	6,409,958	120	35,630	41,568	77,318	-	4,555	-	4,555
<b>Net Investment Hedge</b>												
Foreign exchange contracts												
- Forwards	-	-	1,160,447	1,160,447	-	-	-	-	-	-	29,484	29,484
	<u>3,257,450</u>	<u>5,609,763</u>	<u>4,728,262</u>	<u>13,595,475</u>	<u>9,612</u>	<u>47,151</u>	<u>157,694</u>	<u>214,457</u>	<u>163,697</u>	<u>23,922</u>	<u>29,484</u>	<u>217,103</u>
<b>Total</b>	<u>24,081,477</u>	<u>5,613,800</u>	<u>4,728,262</u>	<u>34,423,539</u>	<u>192,803</u>	<u>47,151</u>	<u>157,694</u>	<u>397,648</u>	<u>290,716</u>	<u>24,246</u>	<u>29,484</u>	<u>344,446</u>

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**A30. Derivative Financial Instruments** (continued)

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

Group As at 31 December 2017	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
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	1,563,602	28,368	-	1,591,970	5,571	-	-	5,571	9,974	1,818	-	11,792
- Swaps	18,424,270	-	-	18,424,270	88,544	-	-	88,544	299,570	-	-	299,570
- Options	24,266	-	-	24,266	-	-	-	-	-	-	-	-
Interest rate related contracts												
- Swaps	450,000	-	-	450,000	-	-	-	-	113	-	-	113
Precious metal contracts												
- Forwards	412	-	-	412	1	-	-	1	-	-	-	-
	<u>20,462,550</u>	<u>28,368</u>	<u>-</u>	<u>20,490,918</u>	<u>94,116</u>	<u>-</u>	<u>-</u>	<u>94,116</u>	<u>309,657</u>	<u>1,818</u>	<u>-</u>	<u>311,475</u>
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	-	3,209,575	596,883	3,806,458	-	29,517	10,113	39,630	-	3,125	101	3,226
<b>Cash Flow Hedge</b>												
Foreign exchange contracts												
- Cross currency interest rate swaps	810,500	202,625	1,418,375	2,431,500	-	-	55,952	55,952	179,122	40,162	24,965	244,249
Interest / Profit rate related contracts												
- Swaps	1,000,000	2,840,500	2,829,675	6,670,175	613	14,259	21,749	36,621	380	7,353	1,446	9,179
	<u>1,810,500</u>	<u>6,252,700</u>	<u>4,844,933</u>	<u>12,908,133</u>	<u>613</u>	<u>43,776</u>	<u>87,814</u>	<u>132,203</u>	<u>179,502</u>	<u>50,640</u>	<u>26,512</u>	<u>256,654</u>
<b>Total</b>	<u>22,273,050</u>	<u>6,281,068</u>	<u>4,844,933</u>	<u>33,399,051</u>	<u>94,729</u>	<u>43,776</u>	<u>87,814</u>	<u>226,319</u>	<u>489,159</u>	<u>52,458</u>	<u>26,512</u>	<u>568,129</u>

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**A30. Derivative Financial Instruments** (continued)

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

Bank As at 30 June 2018	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
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	1,097,752	4,037	-	1,101,789	8,208	-	-	8,208	6,082	324	-	6,406
- Swaps	18,554,340	-	-	18,554,340	174,074	-	-	174,074	116,633	-	-	116,633
- Options	126,005	-	-	126,005	-	-	-	-	-	-	-	-
Precious metal contracts												
- Forwards	347	-	-	347	-	-	-	-	-	-	-	-
	<u>19,778,444</u>	<u>4,037</u>	<u>-</u>	<u>19,782,481</u>	<u>182,282</u>	<u>-</u>	<u>-</u>	<u>182,282</u>	<u>122,715</u>	<u>324</u>	<u>-</u>	<u>123,039</u>
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	2,200,000	888,000	220,000	3,308,000	9,492	8,461	1,979	19,932	-	-	-	-
<b>Cash Flow Hedge</b>												
Foreign exchange contracts												
- Cross currency interest rate swaps	807,450	403,725	1,009,313	2,220,488	-	-	98,696	98,696	163,697	18,055	-	181,752
Interest rate related contracts												
- Swaps	750,000	4,546,175	4,543,783	9,839,958	317	36,352	59,077	95,746	-	4,555	9,191	13,746
<b>Net Investment Hedge</b>												
Foreign exchange contracts												
- Forwards	-	-	1,160,447	1,160,447	-	-	-	-	-	-	29,484	29,484
	<u>3,757,450</u>	<u>5,837,900</u>	<u>6,933,543</u>	<u>16,528,893</u>	<u>9,809</u>	<u>44,813</u>	<u>159,752</u>	<u>214,374</u>	<u>163,697</u>	<u>22,610</u>	<u>38,675</u>	<u>224,982</u>
<b>Total</b>	<u>23,535,894</u>	<u>5,841,937</u>	<u>6,933,543</u>	<u>36,311,374</u>	<u>192,091</u>	<u>44,813</u>	<u>159,752</u>	<u>396,656</u>	<u>286,412</u>	<u>22,934</u>	<u>38,675</u>	<u>348,021</u>

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**A30. Derivative Financial Instruments** (continued)

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

Bank As at 31 December 2017	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
<b>Trading derivatives:</b>												
Foreign exchange contracts												
- Forwards	1,431,512	28,368	-	1,459,880	5,531	-	-	5,531	9,910	1,818	-	11,728
- Swaps	17,885,046	-	-	17,885,046	84,952	-	-	84,952	298,221	-	-	298,221
- Options	24,266	-	-	24,266	-	-	-	-	-	-	-	-
Interest rate related contracts												
- Swaps	450,000	-	-	450,000	-	-	-	-	113	-	-	113
Precious metal contracts												
- Forwards	412	-	-	412	1	-	-	1	-	-	-	-
	<u>19,791,236</u>	<u>28,368</u>	<u>-</u>	<u>19,819,604</u>	<u>90,484</u>	<u>-</u>	<u>-</u>	<u>90,484</u>	<u>308,244</u>	<u>1,818</u>	<u>-</u>	<u>310,062</u>
<b>Hedging Derivatives:</b>												
<b>Fair Value Hedge</b>												
Interest rate related contracts												
- Swaps	-	3,088,000	220,000	3,308,000	-	29,517	1,809	31,326	-	-	-	-
<b>Cash Flow Hedge</b>												
Foreign exchange contracts												
- Cross currency interest rate swaps	810,500	202,625	1,418,375	2,431,500	-	-	55,952	55,952	179,122	40,162	24,965	244,249
Interest rate related contracts												
- Swaps	1,600,000	3,270,500	5,329,675	10,200,175	1,889	16,044	44,520	62,453	380	7,353	7,395	15,128
	<u>2,410,500</u>	<u>6,561,125</u>	<u>6,968,050</u>	<u>15,939,675</u>	<u>1,889</u>	<u>45,561</u>	<u>102,281</u>	<u>149,731</u>	<u>179,502</u>	<u>47,515</u>	<u>32,360</u>	<u>259,377</u>
<b>Total</b>	<u>22,201,736</u>	<u>6,589,493</u>	<u>6,968,050</u>	<u>35,759,279</u>	<u>92,373</u>	<u>45,561</u>	<u>102,281</u>	<u>240,215</u>	<u>487,746</u>	<u>49,333</u>	<u>32,360</u>	<u>569,439</u>

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**A30. 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 the reporting date, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM397,648,000 (2017: RM226,319,000) and RM396,656,000 (2017: RM240,215,000) 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 the reporting date, the Group and the Bank had posted cash collateral of RM177,273,000 (2017: RM371,846,000) 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 2017 and Pillar 3 Disclosures section of the 2017 Annual Report.

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**A31. a) Fair Value Measurements**

Determination of Fair Value and Fair Value Hierarchy

The Group and the Bank classify 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:

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 June 2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
- Government securities and treasury bills	-	1,840,987	-	1,840,987
- Money market instruments	-	1,882,904	-	1,882,904
- Non-money market instruments	-	53,913	415,900 *	469,813
	-	3,777,804	415,900	4,193,704
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	29,589,043	-	29,589,043
- Money market instruments	-	4,873,353	-	4,873,353
- Non-money market instruments	2,992	4,809,090	315,885 *	5,127,967
	2,992	39,271,486	315,885	39,590,363
Derivative financial assets	-	397,648	-	397,648
Total financial assets measured at fair value	2,992	43,446,938	731,785	44,181,715
<b>Non-financial assets</b>				
Investment properties	-	-	680,341	680,341
<b>Financial liabilities</b>				
Derivative financial liabilities	-	344,446	-	344,446
Total financial liabilities measured at fair value	-	344,446	-	344,446

\* Fair value measurement of unquoted equity securities arising from the adoption of MFRS 9 with effect from 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9.



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**A31. a) 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):

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading				
- Government securities and treasury bills	-	699,796	-	699,796
- Money market instruments	-	646,834	-	646,834
- Non-money market instruments	-	29,911	-	29,911
	-	1,376,541	-	1,376,541
Financial investments available-for-sale				
- Government securities and treasury bills	-	20,403,419	-	20,403,419
- Money market instruments	-	4,967,182	-	4,967,182
- Non-money market instruments #	3,441	4,791,314	-	4,794,755
	3,441	30,161,915	-	30,165,356
Derivative financial assets	-	226,319	-	226,319
Total financial assets measured at fair value	3,441	31,764,775	-	31,768,216
<b>Non-financial assets</b>				
Investment properties	-	-	688,052	688,052
<b>Financial liabilities</b>				
Derivative financial liabilities	-	568,129	-	568,129
Total financial liabilities measured at fair value	-	568,129	-	568,129

# Excluding the carrying amount of unquoted equity securities held by the Group of RM159,701,000 which are not carried at fair value.

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**A31. a) 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):

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 June 2018</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss				
- Government securities and treasury bills	-	1,840,987	-	1,840,987
- Non-money market instruments	-	-	392,102 *	392,102
	-	1,840,987	392,102	2,233,089
Financial investments at fair value through other comprehensive income				
- Government securities and treasury bills	-	21,422,678	-	21,422,678
- Money market instruments	-	4,823,372	-	4,823,372
- Non-money market instruments	-	1,622,704	309,482 *	1,932,186
	-	27,868,754	309,482	28,178,236
Derivative financial assets	-	396,656	-	396,656
Total financial assets measured at fair value	-	30,106,397	701,584	30,807,981
<b>Financial liabilities</b>				
Derivative financial liabilities	-	348,021	-	348,021
Total financial liabilities measured at fair value	-	348,021	-	348,021

\* Fair value measurement of unquoted equity securities arising from the adoption of MFRS 9 with effect from 1 January 2018. Comparative figures are not restated in line with the transition requirements under MFRS 9.

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**A31. a) 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):

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Financial assets</b>				
Financial assets held-for-trading				
- Government securities and treasury bills	-	699,796	-	699,796
Financial investments available-for-sale				
- Government securities and treasury bills	-	13,657,317	-	13,657,317
- Money market instruments	-	4,717,102	-	4,717,102
- Non-money market instruments #	-	1,681,256	-	1,681,256
	-	<u>20,055,675</u>	-	<u>20,055,675</u>
Derivative financial assets	-	240,215	-	240,215
Total financial assets measured at fair value	-	<u>20,995,686</u>	-	<u>20,995,686</u>
<b>Financial liabilities</b>				
Derivative financial liabilities	-	569,439	-	569,439
Total financial liabilities measured at fair value	-	<u>569,439</u>	-	<u>569,439</u>

# Excluding the carrying amount of unquoted equity securities held by the Bank of RM155,068,000 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 (2017: None).

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**A31. a) 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 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 judgment 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.

**b) Gains/Losses Arising from Fair Value Changes of Financial Liabilities**

Other than derivative financial instruments where the fair value changes are recognised as derivative financial assets or liabilities, as disclosed in Note A30, there were no gains or losses arising from fair value changes of other financial liabilities.

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**A32. 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 2018	31 December 2017	30 June 2018	31 December 2017
<u>Before deducting interim dividends *</u>				
Common Equity Tier I ("CET I") capital ratio	13.178%	12.758%	12.304%	12.136%
Tier I capital ratio	13.828%	13.538%	13.084%	13.072%
Total capital ratio	<u>16.778%</u>	<u>16.494%</u>	<u>16.082%</u>	<u>15.577%</u>
<u>After deducting interim dividends *</u>				
CET I capital ratio	12.707%	12.248%	11.720%	11.506%
Tier I capital ratio	13.357%	13.028%	12.500%	12.442%
Total capital ratio	<u>16.308%</u>	<u>15.984%</u>	<u>15.498%</u>	<u>14.947%</u>

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

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Components of CET I, Tier I and Tier II capital:				
<u>CET I / Tier I capital:</u>				
Share capital	9,417,653	9,417,653	9,417,653	9,417,653
Other reserves	1,108,251	945,620	663,313	625,430
Retained profits	26,366,403	24,723,059	22,634,829	20,811,292
Treasury shares	-	(149,337)	-	(149,337)
Qualifying non-controlling interests	665,715	673,372	-	-
Less: Goodwill and other intangible assets	(2,418,917)	(2,432,058)	(695,393)	(695,393)
Less: Deferred tax assets, net	(82,951)	(70,984)	-	-
Less: Defined benefit pension fund assets	(216,228)	(231,496)	(213,407)	(228,475)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	<u>(56,964)</u>	<u>(41,816)</u>	<u>(5,629,441)</u>	<u>(4,503,553)</u>
Total CET I capital	<u>34,782,962</u>	32,834,013	<u>26,177,554</u>	25,277,617
Additional Tier I capital securities	99,501	-	99,501	-
Non-innovative Tier I stapled securities	1,559,840	1,949,800	1,559,840	1,949,800
Qualifying CET I and additional Tier I capital instruments held by third parties	<u>56,650</u>	<u>57,550</u>	<u>-</u>	<u>-</u>
Total Tier I capital	<u>36,498,953</u>	<u>34,841,363</u>	<u>27,836,895</u>	<u>27,227,417</u>

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**A32. Capital Adequacy (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<u>Tier II capital</u>				
Stage 1 and Stage 2 expected credit loss allowances	<b>1,444,494</b>	-	<b>1,010,062</b>	-
Collective assessment allowance <sup>1</sup>	-	871,293	-	549,872
Qualifying regulatory reserves	<b>1,557,452</b>	2,076,283	<b>1,417,111</b>	1,843,663
Subordinated notes	<b>3,949,933</b>	3,949,837	<b>3,949,933</b>	3,949,837
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	<b>727,836</b>	718,418	-	-
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from Tier II capital	-	(10,454)	-	(1,125,888)
Others	<b>107,450</b>	-	-	-
Total Tier II capital	<b><u>7,787,165</u></b>	<u>7,605,377</u>	<b><u>6,377,106</u></b>	<u>5,217,484</u>
Total capital	<b><u>44,286,118</u></b>	<u>42,446,740</u>	<b><u>34,214,001</u></b>	<u>32,444,901</u>

<sup>1</sup> Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and of the Bank of RM446,667,000 and RM313,351,000 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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**A32. 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; and
- (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 Capital Adequacy Framework (Basel II - Risk-Weighted Assets) reissued on 2 February 2018. 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>
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. The Group and the Bank have applied CCyB on their private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. Where the prevailing CCyB rate applied in jurisdiction outside Malaysia is more than 2.5%, the CCyB rate for that jurisdiction is capped at 2.5% for the purpose of calculating the Group and the Bank's CCyB, unless specified otherwise by BNM.

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

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Credit risk	<b>240,155,672</b>	235,806,066	<b>194,173,827</b>	191,482,831
Market risk	<b>4,104,124</b>	2,925,168	<b>4,910,983</b>	4,126,123
Operational risk	<b>19,153,744</b>	18,620,545	<b>13,138,453</b>	12,678,955
Large exposure risk	<b>536,626</b>	-	<b>527,828</b>	-
	<b><u>263,950,166</u></b>	<u>257,351,779</u>	<b><u>212,751,091</u></b>	<u>208,287,909</u>

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**A32. Capital Adequacy (continued)**

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

	<b>Public Islamic Bank Berhad<sup>1</sup></b>	<b>Public Investment Bank Berhad<sup>2</sup></b>	<b>Public Bank (L) Ltd.<sup>3</sup></b>	<b>Public Bank (Hong Kong) Limited<sup>4</sup></b>	<b>Public Finance Limited<sup>4</sup></b>	<b>Cambodian Public Bank Plc<sup>5</sup></b>	<b>Public Bank Vietnam Limited<sup>6</sup></b>
<b>30 June 2018</b>							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	<b>11.782%</b>	<b>36.937%</b>	N/A	<b>16.999%</b>	<b>23.819%</b>	N/A	N/A
Tier I capital ratio	<b>11.782%</b>	<b>36.937%</b>	<b>34.455%</b>	<b>16.999%</b>	<b>23.819%</b>	N/A	N/A
Total capital ratio	<b>15.854%</b>	<b>37.393%</b>	<b>34.503%</b>	<b>18.146%</b>	<b>24.865%</b>	<b>20.439%</b>	<b>30.516%</b>
<u>After deducting interim dividends: *</u>							
CET I capital ratio	<b>11.648%</b>	<b>36.937%</b>	N/A	<b>16.999%</b>	<b>21.566%</b>	N/A	N/A
Tier I capital ratio	<b>11.648%</b>	<b>36.937%</b>	<b>34.455%</b>	<b>16.999%</b>	<b>21.566%</b>	N/A	N/A
Total capital ratio	<b>15.721%</b>	<b>37.393%</b>	<b>34.503%</b>	<b>18.146%</b>	<b>22.612%</b>	<b>20.439%</b>	<b>30.516%</b>
<b>31 December 2017</b>							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	11.992%	40.290%	N/A	16.172%	24.022%	N/A	N/A
Tier I capital ratio	11.992%	40.290%	23.521%	16.172%	24.022%	N/A	N/A
Total capital ratio	16.114%	40.799%	23.544%	17.319%	25.061%	18.385%	30.776%
<u>After deducting interim dividends: *</u>							
CET I capital ratio	11.852%	37.592%	N/A	16.172%	21.769%	N/A	N/A
Tier I capital ratio	11.852%	37.592%	23.521%	16.172%	21.769%	N/A	N/A
Total capital ratio	15.975%	38.101%	23.544%	17.319%	22.808%	18.385%	30.776%

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



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**A32. Capital Adequacy** (continued)

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

- <sup>1</sup> 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 Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) reissued on 2 February 2018. The minimum regulatory capital adequacy requirements 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. PIBB is required to maintain a capital conservation buffer of up to 2.5% on transition arrangements and a CCyB if this buffer is applied by regulators in countries which PIBB has exposures to.
- <sup>2</sup> 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 Capital Adequacy Framework (Basel II - Risk-Weighted Assets) reissued on 2 February 2018. The minimum regulatory capital adequacy requirements 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 if this buffer is applied by regulators in countries which PIVB has exposures to.
- <sup>3</sup> 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.
- <sup>4</sup> 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. These two subsidiaries are required to maintain a capital conservation buffer of up to 2.5% on a transitional arrangement and a CCyB of 1.875% (2017 : 1.25%) as imposed by HKMA to their private sector exposures in Hong Kong with effect from 1 January 2018.

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**A32. Capital Adequacy (continued)**

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

- <sup>5</sup> 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 and B7-00-46 (amended by NBC Prakas No. B7-04-206 dated 29 December 2004 and NBC Prakas No. B7-07-135 dated 27 August 2007) 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%.
- <sup>6</sup> 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.19/2017/TT-NHNN being amendment of and supplement to Circular No.36/2014/TT-NHNN on safety ratios, limits in operations of credit institutions 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%.

**A33. Credit Exposures Arising From Credit Transactions With Connected Parties**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018</b>	<b>31 December 2017</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Outstanding credit exposures with connected parties (RM'000)	<b>2,450,552</b>	2,435,806	<b>3,134,712</b>	3,274,127
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures	<b>0.71%</b>	0.72%	<b>1.15%</b>	1.22%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	<b>0.02%</b>	0.05%	<b>0.02%</b>	0.03%

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**A34. Operations of Islamic Banking**

a) **Statement of Financial Position As At 30 June 2018**

	Note	Group	
		30 June 2018 RM'000	31 December 2017 RM'000
<b>ASSETS</b>			
Cash and balances with banks		1,927,247	3,636,868
Financial assets at fair value through profit or loss		1,882,904	-
Financial assets held-for-trading		-	646,834
Derivative financial assets		10,406	7,468
Financial investments at fair value through other comprehensive income		7,073,131	-
Financial investments available-for-sale		-	5,825,046
Financial investments at amortised cost		3,559,097	-
Financial investments held-to-maturity		-	3,002,331
Financing and advances	A34(d)	43,942,997	41,705,965
Other assets		75,270	76,090
Statutory deposits with Bank Negara Malaysia		1,767,850	1,674,050
Deferred tax assets		5,223	4,172
Collective investments		521,433	513,071
Investment in an associated company		30,000	30,000
Property and equipment		1,032	1,016
<b>Total Assets</b>		<b>60,796,590</b>	<b>57,122,911</b>
<b>LIABILITIES AND ISLAMIC BANKING FUNDS</b>			
Deposits from customers	A34(e)	52,824,015	49,504,109
Deposits from banks		2,155,663	1,993,695
Bills and acceptances payable		2,048	365
Derivative financial liabilities		19,643	27,351
Subordinated Sukuk Murabahah		999,758	999,631
Other liabilities		365,036	367,272
Provision for zakat and taxation		69,022	43,536
<b>Total Liabilities</b>		<b>56,435,185</b>	<b>52,935,959</b>
Islamic Banking Funds		4,361,405	4,186,952
<b>Total Liabilities and Islamic Banking Funds</b>		<b>60,796,590</b>	<b>57,122,911</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		<b>10,791,611</b>	<b>10,784,272</b>

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**A34. Operations of Islamic Banking** (continued)

**b) Statement of Profit or Loss for the 2nd Quarter and Financial Half Year Ended 30 June 2018**

	2nd Quarter Ended		Half Year Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Group</b>				
Income derived from investment of depositors' funds and others	636,675	566,799	1,237,532	1,121,355
Income derived from investment of Islamic Banking Funds	51,045	44,465	101,334	87,249
Writeback of allowance / (Allowance) for impairment on financing and advances	986	(21,728)	(14,826)	(39,361)
(Allowance) / Writeback of allowance for impairment on other assets	(151)	12	(260)	59
<b>Total distributable income</b>	<b>688,555</b>	<b>589,548</b>	<b>1,323,780</b>	<b>1,169,302</b>
Income attributable to depositors and others	(420,845)	(360,113)	(802,120)	(706,185)
<b>Total net income</b>	<b>267,710</b>	<b>229,435</b>	<b>521,660</b>	<b>463,117</b>
Other operating expenses	(109,977)	(105,197)	(217,144)	(206,305)
<b>Profit before zakat and taxation</b>	<b>157,733</b>	<b>124,238</b>	<b>304,516</b>	<b>256,812</b>
Zakat	(65)	(65)	(130)	(130)
Taxation	(37,102)	(29,147)	(71,472)	(60,265)
<b>Profit for the period</b>	<b>120,566</b>	<b>95,026</b>	<b>232,914</b>	<b>196,417</b>

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 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Income derived from investment of depositors' funds and others	636,675	566,799	1,237,532	1,121,355
Income derived from investment of Islamic Banking Funds	51,045	44,465	101,334	87,249
Income attributable to depositors and others	(420,845)	(360,113)	(802,120)	(706,185)
Elimination of distribution income from collective investment	(4,314)	(3,726)	(8,438)	(7,276)
<b>Net income from Islamic banking business</b>	<b>262,561</b>	<b>247,425</b>	<b>528,308</b>	<b>495,143</b>

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**A34. Operations of Islamic Banking (continued)**

**c) Statement of Profit or Loss and Other Comprehensive Income for the 2nd Quarter and Financial Half Year Ended 30 June 2018**

	2nd Quarter Ended		Half Year Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Group</b>				
Profit for the period	<b>120,566</b>	95,026	<b>232,914</b>	196,417
Other comprehensive (loss) / income:				
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net change in revaluation of financial investments:				
- at fair value through other comprehensive income	(5,809)	-	(17,562)	-
- available-for-sale	-	16,809	-	10,597
Hedging reserves:				
- Net change in cash flow hedges	<b>8,012</b>	(23,683)	<b>12,724</b>	(31,828)
	<b>2,203</b>	(6,874)	<b>(4,838)</b>	(21,231)
Income tax relating to components of other comprehensive (loss) / income:				
- Revaluation reserves	<b>1,393</b>	(4,034)	<b>4,214</b>	(2,543)
- Hedging reserves	<b>(1,923)</b>	5,683	<b>(3,054)</b>	7,638
	<b>(530)</b>	1,649	<b>1,160</b>	5,095
Other comprehensive income / (loss) for the period, net of tax	<b>1,673</b>	(5,225)	<b>(3,678)</b>	(16,136)
Total comprehensive income for the period	<b>122,239</b>	89,801	<b>229,236</b>	180,281

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**A34. Operations of Islamic Banking (continued)**

**d) Financing and Advances**

By type and contract

<b>30 June 2018</b>	<b>Bai' Bithaman Ajil RM'000</b>	<b>Ijarah Thumma Al-Bai' RM'000</b>	<b>Bai' Inah RM'000</b>	<b>Musharakah Mutanaqisah RM'000</b>	<b>Murabahah RM'000</b>	<b>Others RM'000</b>	<b>Total Financing and Advances RM'000</b>
<b>At amortised cost</b>							
Cash line	1,535,182	-	-	-	-	-	1,535,182
Term financing							
- House financing	4,321,134	-	-	11,856,215	-	-	16,177,349
- Syndicated financing	1,390,403	-	-	-	-	-	1,390,403
- Hire purchase receivables	-	10,595,791	-	-	-	-	10,595,791
- Other term financing	3,147,653	-	1,724,735	9,107,503	-	106,126	14,086,017
Credit card receivables	-	-	-	-	-	16,240	16,240
Bills receivables	-	-	-	-	3,140	-	3,140
Trust receipts	-	-	-	-	6,114	-	6,114
Claims on customers under acceptance credits	-	-	-	-	155,278	-	155,278
Revolving credits	206,509	-	-	-	-	-	206,509
Staff financing	-	7,185	-	64,723	-	-	71,908
Gross financing and advances	10,600,881	10,602,976	1,724,735	21,028,441	164,532	122,366	44,243,931
Allowance for impairment on financing and advances:							
- collective assessment allowance							(300,057)
- individual assessment allowance							(877)
Net financing and advances							<u>43,942,997</u>

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**A34. Operations of Islamic Banking (continued)**

**d) Financing and Advances (continued)**

By type and contract (continued)

<b>31 December 2017</b>	<b>Bai' Bithaman Ajil RM'000</b>	<b>Ijarah Thumma Al-Bai' RM'000</b>	<b>Bai' Inah RM'000</b>	<b>Musharakah Mutanaqisah RM'000</b>	<b>Murabahah RM'000</b>	<b>Others RM'000</b>	<b>Total Financing and Advances RM'000</b>
<b>At amortised cost</b>							
Cash line	1,380,952	-	-	-	-	-	1,380,952
Term financing							
- House financing	4,131,197	-	-	10,550,865	-	-	14,682,062
- Syndicated financing	1,306,278	-	-	-	-	-	1,306,278
- Hire purchase receivables	-	10,875,598	-	-	-	-	10,875,598
- Other term financing	3,183,612	-	1,777,632	8,379,688	-	-	13,340,932
Credit card receivables	-	-	-	-	-	14,158	14,158
Bill receivables	-	-	-	-	604	-	604
Trust receipts	-	-	-	-	5,000	-	5,000
Claims on customers under acceptance credits	-	-	-	-	135,388	-	135,388
Revolving credits	204,923	-	-	-	-	-	204,923
Staff financing	-	6,597	-	56,441	-	-	63,038
Gross financing and advances	10,206,962	10,882,195	1,777,632	18,986,994	140,992	14,158	42,008,933
Allowance for impairment on financing and advances:							
- collective assessment allowance							(302,968)
- individual assessment allowance							-
Net financing and advances							<u>41,705,965</u>

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**A34. Operations of Islamic Banking** (continued)

**d) Financing and Advances** (continued)

Movements in credit-impaired financing and advances are as follows:

	Group	
	30 June 2018 RM'000	31 December 2017 RM'000
At 1 January	244,386	225,667
Impaired during the period / year	314,837	656,378
Reclassified as non-impaired	(240,657)	(503,479)
Recoveries	(22,383)	(43,413)
Amount written off	(39,616)	(89,715)
Financing converted to foreclosed properties	(43)	(1,052)
Closing balance	<u>256,524</u>	<u>244,386</u>
Gross impaired financing and advances as a percentage of gross financing and advances	<u>0.58%</u>	<u>0.58%</u>

**e) Deposits from Customers**

	Group	
	30 June 2018 RM'000	31 December 2017 RM'000
<b>By type of deposit and contract</b>		
<b>At amortised cost</b>		
Savings deposit		
- Wadiah	6,398,200	6,162,278
Demand deposit		
- Wadiah	4,170,221	4,165,878
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai' Inah	-	17,473
- Commodity Murabahah	35,527,749	33,021,079
- Special term deposit account		
- Wadiah	6,727,845	6,137,401
	<u>52,824,015</u>	<u>49,504,109</u>



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**A35. Changes in Accounting Policies**

**(a) Adoption of MFRS 9 Financial Instruments (2014)**

The Group and the Bank have adopted the requirements of MFRS 9 on 1 January 2018. MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting which have resulted in the following significant changes in accounting policies. The Group and the Bank have also elected an accounting policy choice allowed under MFRS 9 to continue applying existing hedge accounting requirements in MFRS 139 on the adoption of MFRS 9.

The changes in accounting policies have been applied retrospectively from 1 January 2018. In accordance with the transition requirements, comparatives are not restated. The significant changes to accounting policies are discussed and summarised below:

**(i) Classification and measurement**

The Group and the Bank classify financial assets into three primary measurement categories: Amortised Cost, Fair Value Through Profit or Loss (“FVTPL”) and Fair Value Through Other Comprehensive Income (“FVOCI”). The basis of classification depends on the Group’s and the Bank’s business model and contractual cash flow characteristics of the financial asset.

Financial assets

Financial assets are measured at amortised cost if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest. Financial assets are measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual cash flows represent solely payments of principal and interest. All other financial assets are classified and measured at FVTPL. On initial recognition of certain equity investments that are not held for trading, the Group and the Bank have irrevocably elected to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument basis and is irrevocable.

Financial liabilities

As MFRS 9 retains most of the MFRS 139 requirements, there is no change to the classification and measurement of the Group’s and Bank’s financial liabilities.

Impact as a result of MFRS 9 adoption

- a) Both quoted and unquoted equity instruments which are not held for trading and were previously classified as available-for-sale are now classified and measured at either FVTPL or FVOCI.
- b) Unquoted equity instruments which were previously measured at cost are now measured at fair value.
- c) Certain debt instruments which were previously classified as held-to-maturity are redesignated and now measured at FVOCI.

The financial effects arising from the adoption of MFRS 9 are presented in Note A35 (c).

**(ii) Impairment**

MFRS 9 introduces expected credit losses (“ECL”) model on impairment that replaces the incurred loss impairment model used in MFRS 139. The ECL model requires impairment to be recognised on initial recognition including expected future credit losses whilst the incurred loss impairment model only requires recognition of credit losses incurred as at reporting date. The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments as well as financial guarantee contracts, which include loans, advances and financing and investment securities.

MFRS 9 does not distinguish between individual assessment and collective assessment for purposes of ECL computation. For loans, advances and financing, the Group and the Bank first assess individually whether objective evidence of impairment exists for loans which are individually significant. If it is determined that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed loan, a lifetime ECL will be recognised for impairment loss which has been incurred. Collectively, the individual assessment allowance and collective assessment allowance form the total allowance for impairment on loans, advances and financing.

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**A35. Changes in Accounting Policies** (continued)

**(a) Adoption of MFRS 9 Financial Instruments (2014)** (continued)

**(ii) Impairment** (continued)

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

i) Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

ii) Stage 2: Lifetime ECL - non-credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.

iii) Stage 3: Lifetime ECL - credit impaired

Financial assets are assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

Impact as a result of MFRS 9 adoption

The total ECL allowances computed under MFRS 9 is higher than the total allowance for impairment on loans, advances and financing under MFRS 139 as more forward looking approach is adopted as well as more financial assets (MFRS 9 includes loan commitments and financial guarantee contracts) were assessed for impairment and allowances for impairment were made for at least 12-month ECL.

The financial effects arising from the adoption of MFRS 9 are presented in Note A35(c).

**(b) BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions**

On 2 February 2018, BNM issued the revised policy documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions ("BNM's revised Policy Documents") which prescribe the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank and its domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. The Bank and its domestic banking subsidiary companies had previously maintained, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment provisions.

The financial effects of the adoption of the revised policy documents are presented in Note A35(c).

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**A35. Changes in Accounting Policies** (continued)

**(c) Financial Effects Due to the Changes in Accounting Policies**

The following table analyses the impact, net of tax, of transition to MFRS 9 on the statements of financial position of the Group and of the Bank:

	<b>Impact of adopting MFRS 9 as at 1 January 2018</b>	
	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Cash and Balances with Banks</b>		
Closing balance under MFRS 139 at 31 December 2017	14,006,541	6,387,571
- Recognition of expected credit losses under MFRS 9	(322)	-
Opening balance under MFRS 9 at 1 January 2018	<u>14,006,219</u>	<u>6,387,571</u>
<b>Financial Assets at FVTPL</b>		
Closing balance under MFRS 139 at 31 December 2017	-	-
- Redesignation from Financial Assets Held-for-trading	1,376,541	699,796
- Redesignation from Financial Investments Available-for-sale	3,495	3,295
- Unrealised gain on unquoted equity instruments	412,405	388,807
Opening balance under MFRS 9 at 1 January 2018	<u>1,792,441</u>	<u>1,091,898</u>
<b>Financial Assets Held-for-trading</b>		
Closing balance under MFRS 139 at 31 December 2017	1,376,541	699,796
- Redesignation to Financial Assets at FVTPL	(1,376,541)	(699,796)
Opening balance under MFRS 9 at 1 January 2018	<u>-</u>	<u>-</u>
<b>Financial Investments at FVOCI</b>		
Closing balance under MFRS 139 at 31 December 2017	-	-
- Redesignation from Financial Investments Available-for-sale	30,321,552	20,207,448
- Redesignation from Financial Investment Held-to-maturity	6,381,628	6,381,628
- Unrealised gain on financial investments	223,371	219,408
- Recognition of expected credit losses under MFRS 9	(6,436)	(4,470)
Opening balance under MFRS 9 at 1 January 2018	<u>36,920,115</u>	<u>26,804,014</u>
<b>Financial Investments Available-for-sale</b>		
Closing balance under MFRS 139 at 31 December 2017	30,325,057	20,210,743
- Redesignation to Financial Investments at FVOCI	(30,321,552)	(20,207,448)
- Redesignation to Financial Assets at FVTPL	(3,495)	(3,295)
- Redesignation to Financial Investments at Amortised Cost	(10)	-
Opening balance under MFRS 9 at 1 January 2018	<u>-</u>	<u>-</u>
<b>Financial Investments at Amortised Cost</b>		
Closing balance under MFRS 139 at 31 December 2017	-	-
- Redesignation from Financial Investments Held-to-maturity	22,196,708	16,949,865
- Redesignation from Financial Investments Available-for-sale	10	-
- Recognition of expected credit losses under MFRS 9	(3,704)	(2,869)
Opening balance under MFRS 9 at 1 January 2018	<u>22,193,014</u>	<u>16,946,996</u>
<b>Financial Investments Held-to-maturity</b>		
Closing balance under MFRS 139 at 31 December 2017	28,578,336	23,331,493
- Redesignation to Financial Investments at Amortised Cost	(22,196,708)	(16,949,865)
- Redesignation to Financial Investments at FVOCI	(6,381,628)	(6,381,628)
Opening balance under MFRS 9 at 1 January 2018	<u>-</u>	<u>-</u>

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**A35. Changes in Accounting Policies** (continued)

**(c) Financial Effects Due to the Changes in Accounting Policies** (continued)

The following table analyses the impact, net of tax, of transition to MFRS 9 on the statements of financial position of the Group and of the Bank (continued):

	<b>Impact of adopting MFRS 9 as at 1 January 2018</b>	
	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Loans, Advances and Financing</b>		
Closing balance under MFRS 139 at 31 December 2017	303,044,127	240,576,248
- Recognition of expected credit losses under MFRS 9	(451,392)	(368,351)
Opening balance under MFRS 9 at 1 January 2018	<u>302,592,735</u>	<u>240,207,897</u>
<b>Deferred Tax Assets</b>		
Closing balance under MFRS 139 at 31 December 2017	70,984	-
- In respect of unrealised gain on FVOCI	(264)	-
- In respect of recognition of expected credit losses under MFRS 9	12,272	-
Opening balance under MFRS 9 at 1 January 2018	<u>82,992</u>	<u>-</u>
<b>Provision for Tax Expense and Zakat</b>		
Closing balance under MFRS 139 at 31 December 2017	702,063	500,330
- In respect of recognition of expected credit losses under MFRS 9	(93,405)	(90,165)
Opening balance under MFRS 9 at 1 January 2018	<u>608,658</u>	<u>410,165</u>
<b>Deferred Tax Liabilities</b>		
Closing balance under MFRS 139 at 31 December 2017	164,655	128,997
- In respect of unrealised gain on FVOCI	14,646	14,646
Opening balance under MFRS 9 at 1 January 2018	<u>179,301</u>	<u>143,643</u>
<b>Regulatory Reserves</b>		
Closing balance under MFRS 139 at 31 December 2017	2,376,498	2,034,359
- Transfer to Retained Profits	(441,324)	(393,840)
- Non-controlling Interests' share of regulatory reserves in respect of foreign operations	17,643	-
Opening balance under MFRS 9 at 1 January 2018	<u>1,952,817</u>	<u>1,640,519</u>
<b>Other Reserves</b>		
Closing balance under MFRS 139 at 31 December 2017	996,833	577,902
- Transfer from Retained Profits	90,614	-
- Unrealised gain on financial investments at FVOCI	223,371	219,408
- Deferred tax in respect of unrealised gain on FVOCI	(14,910)	(14,646)
Opening balance under MFRS 9 at 1 January 2018	<u>1,295,908</u>	<u>782,664</u>
<b>Retained Profits</b>		
Closing balance under MFRS 139 at 31 December 2017	24,723,059	20,760,603
- Transfer from Regulatory Reserves	441,324	393,840
- Transfer to Other Reserves	(90,614)	-
- Unrealised gain on Financial Assets at FVTPL	412,405	388,807
- Non-controlling Interests' share of impact arising from remeasurement under MFRS 9 in respect of foreign operations	(4,384)	-
- Recognition of expected credit losses under MFRS 9	(461,854)	(375,690)
- Tax effect arising from the recognition of expected credit losses under MFRS 9	105,677	90,165
Opening balance under MFRS 9 at 1 January 2018	<u>25,125,613</u>	<u>21,257,725</u>

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**A35. Changes in Accounting Policies** (continued)

**(c) Financial Effects Due to the Changes in Accounting Policies** (continued)

The following table analyses the impact, net of tax, of transition to MFRS 9 on the statements of financial position of the Group and of the Bank (continued):

	<b>Impact of adopting MFRS 9 as at 1 January 2018</b>	
	<b>Group RM'000</b>	<b>Bank RM'000</b>
<b>Non-controlling Interests</b>		
Closing balance under MFRS 139 at 31 December 2017	1,080,954	-
- Non-controlling Interests' share of impact arising from remeasurement under MFRS 9 in respect of foreign operations	4,384	-
- Non-controlling Interests' share of regulatory reserves in respect of foreign operations	(17,643)	-
Opening balance under MFRS 9 at 1 January 2018	1,067,695	-

The following table is a reconciliation of the impairment allowance from the closing balance as at 31 December 2017 in accordance with MFRS 139 to the opening balance as at 1 January 2018 in accordance with MFRS 9:

	<b>31 December 2017 (MFRS 139) RM'000</b>	<b>Remeasurement RM'000</b>	<b>1 January 2018 (MFRS 9) RM'000</b>
<b>Group</b>			
Cash and balances with banks	-	322	322
Financial investments at fair value through other comprehensive income	-	6,436	6,436
Financial investments at amortised cost	35	3,704	3,739
Loans, advances and financing			
- Collective assessment allowance	1,317,960	459,942	1,777,902
- Individual assessment allowance	91,190	(8,550)	82,640
	1,409,185	461,854	1,871,039
<b>Bank</b>			
Financial investments at fair value through other comprehensive income	-	4,470	4,470
Financial investments at amortised cost	35	2,869	2,904
Loans, advances and financing			
- Collective assessment allowance	862,911	368,351	1,231,262
- Individual assessment allowance	31,793	-	31,793
	894,739	375,690	1,270,429

The financial effects due to the changes in accounting policies have been adjusted to the statements of financial position and capital adequacy ratios of the Group and of the Bank as at 1 January 2018. There are no changes to the comparatives in the statements of profit or loss and statements of cash flows of the Group and of the Bank. A reconciliation of these changes is summarised in the following tables.

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**A35. Changes in Accounting Policies** (continued)

**(c) Financial Effects Due to the Changes in Accounting Policies** (continued)

<b>Group Statement of Financial Position</b>	<b>31 December 2017 RM'000</b>	<b>Reclassification and Remeasurement RM'000</b>	<b>Impairment RM'000</b>	<b>1 January 2018 RM'000</b>
<b>ASSETS</b>				
Cash and balances with banks	14,006,541		(322)	14,006,219
Reverse repurchase agreements	651,065			651,065
Financial assets at fair value through profit or loss	-	1,792,441		1,792,441
Financial assets held-for-trading	1,376,541	(1,376,541)		-
Derivative financial assets	226,319			226,319
Financial investments at fair value through other comprehensive income	-	36,926,551	(6,436)	36,920,115
Financial investments available-for-sale	30,325,057	(30,325,057)		-
Financial investments at amortised cost	-	22,196,718	(3,704)	22,193,014
Financial investments held-to-maturity	28,578,336	(28,578,336)		-
Loans, advances and financing	303,044,127		(451,392)	302,592,735
Other assets	2,751,745			2,751,745
Statutory deposits with Central Banks	9,525,927			9,525,927
Deferred tax assets	70,984	(264)	12,272	82,992
Investment in associated companies	35,068			35,068
Investment properties	688,052			688,052
Property and equipment	1,564,427			1,564,427
Intangible assets	2,432,058			2,432,058
<b>TOTAL ASSETS</b>	<b>395,276,247</b>	<b>635,512</b>	<b>(449,582)</b>	<b>395,462,177</b>
<b>LIABILITIES</b>				
Deposits from customers	319,259,426			319,259,426
Deposits from banks	11,446,057			11,446,057
Obligations on securities sold under repurchase agreements	1,237,528			1,237,528
Bills and acceptances payable	286,949			286,949
Recourse obligations on loans and financing sold to Cagamas	5,922,006			5,922,006
Derivative financial liabilities	568,129			568,129
Debt securities issued and other borrowed funds	12,328,073			12,328,073
Other liabilities	4,915,701			4,915,701
Provision for tax expense and zakat	702,063		(93,405)	608,658
Deferred tax liabilities	164,655	14,646		179,301
<b>TOTAL LIABILITIES</b>	<b>356,830,587</b>	<b>14,646</b>	<b>(93,405)</b>	<b>356,751,828</b>
<b>EQUITY</b>				
Share capital	9,417,653			9,417,653
Regulatory reserves	2,376,498	(423,681)		1,952,817
Other reserves	996,833	299,075		1,295,908
Retained profits	24,723,059	758,731	(356,177)	25,125,613
Treasury shares	(149,337)			(149,337)
<b>Equity attributable to equity holders of the Bank</b>	<b>37,364,706</b>	<b>634,125</b>	<b>(356,177)</b>	<b>37,642,654</b>
Non-controlling interests	1,080,954	(13,259)		1,067,695
<b>TOTAL EQUITY</b>	<b>38,445,660</b>	<b>620,866</b>	<b>(356,177)</b>	<b>38,710,349</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>395,276,247</b>	<b>635,512</b>	<b>(449,582)</b>	<b>395,462,177</b>
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>	<b>9.68</b>			<b>9.75</b>

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**A35. Changes in Accounting Policies (continued)**

**(c) Financial Effects Due to the Changes in Accounting Policies (continued)**

<b>Bank Statement of Financial Position</b>	<b>31 December 2017 RM'000</b>	<b>Reclassification and Remeasurement RM'000</b>	<b>Impairment RM'000</b>	<b>1 January 2018 RM'000</b>
<b>ASSETS</b>				
Cash and balances with banks	6,387,571			6,387,571
Financial assets at fair value through profit or loss	-	1,091,898		1,091,898
Financial assets held-for-trading	699,796	(699,796)		-
Derivative financial assets	240,215			240,215
Financial investments at fair value through other comprehensive income	-	26,808,484	(4,470)	26,804,014
Financial investments available-for-sale	20,210,743	(20,210,743)		-
Financial investments at amortised cost	-	16,949,865	(2,869)	16,946,996
Financial investments held-to-maturity	23,331,493	(23,331,493)		-
Loans and advances	240,576,248		(368,351)	240,207,897
Other assets	2,536,423			2,536,423
Statutory deposits with Central Banks	6,940,438			6,940,438
Collective investments	5,319,009			5,319,009
Investment in subsidiary companies	5,955,494			5,955,494
Investment in an associated company	30,000			30,000
Property and equipment	741,942			741,942
Intangible assets	695,393			695,393
<b>TOTAL ASSETS</b>	<b>313,664,765</b>	<b>608,215</b>	<b>(375,690)</b>	<b>313,897,290</b>
<b>LIABILITIES</b>				
Deposits from customers	245,331,728			245,331,728
Deposits from banks	12,966,893			12,966,893
Obligations on securities sold under repurchase agreements	1,237,528			1,237,528
Bills and acceptances payable	286,584			286,584
Recourse obligations on loans sold to Cagamas	5,922,006			5,922,006
Derivative financial liabilities	569,439			569,439
Debt securities issued and other borrowed funds	10,759,998			10,759,998
Other liabilities	3,320,082			3,320,082
Provision for tax expense	500,330		(90,165)	410,165
Deferred tax liabilities	128,997	14,646		143,643
<b>TOTAL LIABILITIES</b>	<b>281,023,585</b>	<b>14,646</b>	<b>(90,165)</b>	<b>280,948,066</b>
<b>EQUITY</b>				
Share capital	9,417,653			9,417,653
Regulatory reserves	2,034,359	(393,840)		1,640,519
Other reserves	577,902	204,762		782,664
Retained profits	20,760,603	782,647	(285,525)	21,257,725
Treasury shares	(149,337)			(149,337)
<b>TOTAL EQUITY</b>	<b>32,641,180</b>	<b>593,569</b>	<b>(285,525)</b>	<b>32,949,224</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>313,664,765</b>	<b>608,215</b>	<b>(375,690)</b>	<b>313,897,290</b>
<b>Net assets per share attributable to ordinary equity holders of the Bank (RM)</b>	<b>8.45</b>			<b>8.53</b>

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**A35. Changes in Accounting Policies** (continued)

**(c) Financial Effects Due to the Changes in Accounting Policies** (continued)

<b>Capital adequacy</b>	<b>31 December 2017 RM'000</b>	<b>Impact of Adopting MFRS 9 RM'000</b>	<b>1 January 2018 RM'000</b>
<b>Group</b>			
CET I capital	32,834,013	574,967	33,408,980
Tier I capital	34,841,363	574,967	35,416,330
Total capital	42,446,740	577,849	43,024,589
Risk-weighted assets	257,351,779	823,628	258,175,407
<u>Before deducting interim dividends *</u>			
CET I capital ratio (%)	12.758%	0.182%	12.940%
Tier I capital ratio (%)	13.538%	0.180%	13.718%
Total capital ratio (%)	16.494%	0.171%	16.665%
<u>After deducting interim dividends *</u>			
CET I capital ratio (%)	12.248%	0.184%	12.432%
Tier I capital ratio (%)	13.028%	0.181%	13.209%
Total capital ratio (%)	15.984%	0.172%	16.156%
<b>Bank</b>			
CET I capital	25,277,617	589,168	25,866,785
Tier I capital	27,227,417	589,168	27,816,585
Total capital	32,444,901	593,508	33,038,409
Risk-weighted assets	208,287,909	875,004	209,162,913
<u>Before deducting interim dividends *</u>			
CET I capital ratio (%)	12.136%	0.231%	12.367%
Tier I capital ratio (%)	13.072%	0.227%	13.299%
Total capital ratio (%)	15.577%	0.219%	15.796%
<u>After deducting interim dividends *</u>			
CET I capital ratio (%)	11.506%	0.233%	11.739%
Tier I capital ratio (%)	12.442%	0.229%	12.671%
Total capital ratio (%)	14.947%	0.221%	15.168%

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



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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**

	Group			
	Half Year Ended			
	30 June 2018 RM'000	30 June 2017 RM'000	Variance RM'000	%
<b>Key Profit or Loss Items:</b>				
Profit before tax expense and zakat	3,551,685	3,367,481	184,204	5.5
Net profit attributable to equity holders of the Bank	2,801,600	2,579,807	221,793	8.6
Other comprehensive loss (net)	(111,129)	(84,475)	(26,654)	(31.6)

	Group			
	As At			
	30 June 2018 RM'000	30 June 2017 RM'000	Variance RM'000	%
<b>Key Balance Sheet Items:</b>				
Gross loans, advances and financing	310,657,755	298,473,240	12,184,515	4.1
Gross impaired loan and financing (%)	0.50%	0.50%	n/a	-
Deposits from customers	329,900,151	317,268,696	12,631,455	4.0

The Group's pre-tax profit for the financial half year ended 30 June 2018 of RM3,551.7 million was RM184.2 million or 5.5% higher than the previous year corresponding half year of RM3,367.5 million. Net profit attributable to equity holders improved by RM221.8 million or 8.6% to RM2,801.6 million. The higher earnings was mainly due to higher net interest income of RM111.9 million (3.1%), higher net fee and commission income of RM56.9 million (6.7%) and higher income from Islamic banking business of RM33.2 million (6.7%).

Other comprehensive loss (net) of the Group increased by RM26.7 million to RM111.1 million mainly due to loss on revaluation of financial investments offset by gain on cash flow hedges and lower foreign currency translation loss in respect of foreign operations.

The Group's profit continued to be supported by healthy loans and customer deposits growth coupled with stable asset quality as well as growth in fee-based revenue. Gross loans grew by RM12.2 billion or 4.1% to RM310.7 billion as at 30 June 2018 as compared to RM298.5 billion as at 30 June 2017, mainly driven by growth in property financing, lending to small and medium enterprises ("SMEs") and corporate lending. Total deposits from customers increased by 4.0% or RM12.6 billion to RM329.9 billion as at 30 June 2018 which partly contributed to the higher net interest income for the current period. The Group's gross impaired loan ratio continued to remain stable at 0.5% as at 30 June 2018. This was attributed to the Group's consistent adoption of stringent credit underwriting and proactive recovery processes.

The Group's Common Equity Tier I capital ratio, Tier I capital ratio and total capital ratio stood at a healthy level of 12.7%, 13.4% and 16.3% respectively. The Group's liquidity position also remained stable and healthy with gross loans to fund and equity ratio improving to 79.4% as at 30 June 2018 as compared to 80.7% as at 31 December 2017.

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**B1. Performance Review (continued)**

**Current Year-to date vs. Previous Year-to-date (continued)**

The performance of the respective operating segments for the financial half year ended 30 June 2018 as compared to the previous year corresponding period is analysed as follows:-

<b>Profit Before Tax by Segments:</b>	<b>Group</b>			
	<b>Half Year Ended</b>			
	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>Variance RM'000</b>	<b>%</b>
Retail operations	<b>1,813,562</b>	1,766,776	46,786	2.6
Hire purchase	<b>171,891</b>	194,401	(22,510)	(11.6)
Corporate lending	<b>277,944</b>	264,653	13,291	5.0
Treasury and capital market operations	<b>394,961</b>	360,793	34,168	9.5
Investment banking	<b>25,747</b>	23,636	2,111	8.9
Fund management	<b>339,629</b>	311,627	28,002	9.0
Head office and others	<b>229,704</b>	102,776	126,928	123.5
Total domestic operations	<b>3,253,438</b>	3,024,662	228,776	7.6
Overseas operations	<b>298,247</b>	342,819	(44,572)	(13.0)
	<b>3,551,685</b>	3,367,481	184,204	5.5

- 1) Retail Operations – Pre-tax profit increased by RM46.8 million (2.6%) to RM1,813.6 million mainly due to higher net writeback of loan impairment allowance, higher net interest income on higher average loan and deposit balances and higher fee and other operating income, partially offset by higher other operating expenses.
- 2) Hire purchase – Pre-tax profit decreased by RM22.5 million (-11.6%) to RM171.9 million mainly due to lower net interest income on lower average loan balances, partially offset by lower loan impairment allowance and lower other operating expenses.
- 3) Corporate lending – Pre-tax profit increased by RM13.3 million (5.0%) to RM277.9 million mainly due to higher net interest income on higher average loan balances.
- 4) Treasury and capital market operations – Pre-tax profit increased by RM34.2 million (9.5%) to RM395.0 million mainly due to higher net interest income on treasury gapping, funding and liquidity management activities offset by lower investment income.
- 5) Investment banking – The increase in pre-tax profit of RM2.1 million (8.9%) to RM25.7 million was mainly due to higher fee income.
- 6) Fund management – Pre-tax profit increased by RM28.0 million (9.0%) to RM339.6 million mainly due to higher management fee earned on higher average net asset value of funds under management, partially offset by higher other operating expenses.
- 7) Head office and others – Pre-tax profit increased by RM126.9 million (>100.0%) to RM229.7 million mainly due to higher net interest income, higher investment income and higher other income.
- 8) Overseas operations – Pre-tax profit decreased by RM44.6 million (-13.0%) to RM298.2 million mainly due to overall unfavourable foreign exchange movements as well as higher loan impairment allowance.

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**B1. Performance Review (continued)**

**Current Quarter vs. Previous Year Corresponding Quarter**

Key Profit or Loss Items:	Group			
	2nd Quarter Ended			
	30 June 2018 RM'000	30 June 2017 RM'000	Variance RM'000	%
Profit before tax expense and zakat	1,757,726	1,736,009	21,717	1.3
Net profit attributable to equity holders of the Bank	1,396,220	1,331,826	64,394	4.8
Other comprehensive income / (loss) (net)	56,293	(40,416)	96,709	239.3

For the 2nd quarter ended 30 June 2018, the Group registered a pre-tax profit of RM1,757.7 million, an improvement of RM21.7 million or 1.3% as compared to the previous year corresponding quarter. The improved pre-tax profit was mainly due to higher net interest income, higher income from Islamic banking business, lower loan impairment allowance and higher net fee and commission income, which were partially offset by lower investment and other operating income. Net profit attributable to equity holders grew by RM64.4 million or 4.8% over the same period to RM1,396.2 million.

Other comprehensive income (net) of the Group for the current quarter was RM56.3 million as compared to other comprehensive loss (net) of RM40.4 million in the previous year corresponding quarter, mainly due to foreign currency translation gain in respect of foreign operations as a result of the weakening of Ringgit Malaysia, partially offset by loss on revaluation of financial investments as compared to a revaluation gain reported in the previous year corresponding quarter.

Performance of the respective operating segments for the 2nd quarter ended 30 June 2018 as compared to the previous year corresponding quarter is analysed as follows:-

Profit Before Tax by Segments:	2nd Quarter Ended			
	30 June			
	2018 RM'000	2017 RM'000	Variance RM'000	%
Retail operations	930,128	907,162	22,966	2.5
Hire purchase	83,258	104,025	(20,767)	(20.0)
Corporate lending	141,028	134,803	6,225	4.6
Treasury and capital market operations	187,148	187,916	(768)	(0.4)
Investment banking	13,239	12,664	575	4.5
Fund management	163,492	160,549	2,943	1.8
Head office and others	86,715	47,871	38,844	81.1
Total domestic operations	1,605,008	1,554,990	50,018	3.2
Overseas operations	152,718	181,019	(28,301)	(15.6)
	<u>1,757,726</u>	<u>1,736,009</u>	<u>21,717</u>	1.3

- 1) Retail operations – The increase in pre-tax profit of RM23.0 million (2.5%) to RM930.1 million was mainly due to higher net writeback of loan impairment allowance, partially offset by higher other operating expenses and lower net fee and commission income.
- 2) Hire purchase – Pre-tax profit decreased by RM20.8 million (-20.0%) to RM83.3 million, mainly due to lower net interest income and higher loan impairment allowance.
- 3) Corporate lending – Pre-tax profit increased by RM6.2 million (4.6%) to RM141.0 million, mainly due to higher net interest income on higher average loan balances and higher fee income.

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**B1. Performance Review (continued)**

**Current Quarter vs. Previous Year Corresponding Quarter (continued)**

- 4) Treasury and capital market operations – Pre-tax profit decreased marginally by RM0.8 million (-0.4%) to RM187.1 million, mainly due to lower investment income partially offset by higher net interest income.
- 5) Investment banking – Pre-tax profit increased by RM0.6 million (4.5%) to RM13.2 million.
- 6) Fund management business – Pre-tax profit increased by RM2.9 million (1.8%) to RM163.5 million mainly due to higher management fee earned on higher average net asset value of funds under management partially offset by higher other operating expenses.
- 7) Head office and others – Pre-tax profit increased by RM38.8 million (81.1%) to RM86.7 million, mainly due to higher net interest income from investments partially offset by lower other operating income and higher other operating expenses.
- 8) Overseas Operations – The decrease in pre-tax profit of RM28.3 million (-15.6%) to RM152.7 million was mainly due to overall unfavourable foreign exchange movements and higher loan impairment allowance, partially offset by lower other operating expenses.

**B2. Variation of Results Against Preceding Quarter**

<b>Key Profit or Loss Items:</b>	<b>Group</b>		<b>Variance</b>	
	<b>Quarter Ended</b>			
	<b>30 June 2018 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>RM'000</b>	<b>%</b>
Profit before tax expense and zakat	<b>1,757,726</b>	1,793,959	(36,233)	(2.0)
Net profit attributable to equity holders of the Bank	<b>1,396,220</b>	1,405,380	(9,160)	(0.7)
Other comprehensive income / (loss) (net)	<b>56,293</b>	(167,422)	223,715	133.6

For the 2nd quarter ended 30 June 2018, the Group registered a pre-tax profit of RM1,757.7 million, a decrease of RM36.2 million or 2.0% as compared to the pre-tax profit of RM1,794.0 million for the preceding quarter ended 31 March 2018. Net profit attributable to equity holders decreased by RM9.2 million or 0.7% to RM1,396.2 million over the same period. The decrease in pre-tax profit was mainly due to lower foreign exchange income, lower net fee and investment income and lower net interest income, partially offset by lower loan impairment allowance.

Other comprehensive income (net) of the Group for the current quarter was RM56.3 million as compared to other comprehensive loss (net) of RM167.4 million in the immediate preceding quarter. This was mainly due to foreign currency translation gain in respect of foreign operations in the current quarter as compared to a translation loss in the immediate preceding quarter, partially offset by higher loss on revaluation of financial investments and lower gain on cash flow hedges.

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**B3. Prospects for 2018**

The global economic expansion is expected to sustain in 2018, supported by continued recovery of emerging and developing economies as well as robust growth in commodity-importing countries. However, downside risks to the outlook could potentially arise from trade protectionism, regulatory policy shifts in the advanced economies and financial market volatility.

For the Malaysian economy, fundamentals remain sound despite concerns on the elevated public debt level. In the first quarter of 2018, the Malaysian economy expanded by 5.4% year-on-year (4Q17: 5.9%), underpinned by continued growth in private sector spending and exports. Going forward, the economy is projected to grow by 5.5% – 6.0% in 2018 (2017: 5.9%), with domestic demand as key driver and continued spillovers from the external sector. Stable labour market and ongoing Government measures will provide support to private consumption. The zero-rated Goods and Services Tax ("GST") effective June 2018 is also expected to augur well for consumption growth, driven by improved sentiment during the tax holiday period.

Headline inflation is expected to remain moderate on expectations of a smaller effect from global cost factors. For 2018, headline inflation is projected to be within the range of 2% - 3%.

The Malaysian financial system remains resilient and efficient in supporting financial intermediation activities. Domestic financial institutions demonstrate resilience amid healthy asset quality, sound profitability and strong capitalisation. Also, liquidity and funding conditions remain conducive to finance the needs of businesses and households. On 10 May 2018, Bank Negara Malaysia maintained its Overnight Policy Rate at 3.25% and cited that the degree of monetary accommodativeness is consistent with the policy stance to ensure that the domestic economy continues on a steady growth path in a stable price environment.

The Public Bank Group will continue to build on its strengths to further develop its business and sustain its market position. The Group will continue to focus on sustaining its operational excellence and efficiency, adopt prudent and responsible financing practices, while upholding strong corporate governance and compliance culture as well as sound risk management practices.

The Public Bank Group expects to maintain its leading market position in the domestic retail business by pursuing its long term strategy of organic growth. To expand its lending business, the Group will continue to provide financing for the purchase of residential properties, commercial properties, passenger vehicles as well as financing to the small and medium enterprises ("SMEs").

To sustain market leadership in SME financing, the Public Bank Group will continue to tap on market opportunities by offering products and services to meet the needs of businesses. While the SME segment continues to benefit from various expansionary domestic measures, the Group remains committed to enhance access to financing for all SMEs. Also, the Group will continue to expand its corporate lending business by leveraging on existing clients with good track record and acquire targeted new corporate clients.

In the face of heightened market uncertainties, the Public Bank Group's treasury operations will continue to remain vigilant of market conditions while managing its investment portfolios prudently. The Group will also strengthen its customer service delivery by leveraging on the wide branch network, overseas operations and business partners.

For the unit trust business, the Public Bank Group will continue to introduce new products and enhance its services to meet the diverse needs of investors. Sustained economic growth is expected to be supportive of the local private retail unit trust industry.

To remain competitive and achieve higher penetration into bancassurance while meeting the investment and protection needs of customers, the Public Bank Group will proactively collaborate with AIA Bhd in developing more comprehensive bancassurance product offerings. The Group will continue to leverage on its wide distribution network to improve customers' satisfaction and provide relevant product solutions.

The Public Bank Group remains committed to expand organically and strengthen its regional presence, while leveraging on its strong PB brand and prudent management practices in driving its business.

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**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 2018 are as follows:

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
<b><u>Group</u></b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax	337,311	359,788	743,311	699,677
Overseas income tax	28,294	31,690	54,481	60,987
	<u>365,605</u>	<u>391,478</u>	<u>797,792</u>	<u>760,664</u>
(Over) / Under provision in prior years				
- Malaysian income tax	(21,118)	-	(41,038)	6
- Overseas income tax	(1)	8,943	195	9,023
	<u>344,486</u>	<u>400,421</u>	<u>756,949</u>	<u>769,693</u>
Deferred tax income				
- Relating to origination and reversal of temporary differences	(2,337)	(16,478)	(43,685)	(19,686)
Tax expense	<u>342,149</u>	<u>383,943</u>	<u>713,264</u>	<u>750,007</u>
Zakat	65	65	130	130
	<u><u>342,214</u></u>	<u><u>384,008</u></u>	<u><u>713,394</u></u>	<u><u>750,137</u></u>

The Group's effective tax rate for the 2nd quarter and financial half year ended 30 June 2018 and 30 June 2017 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.

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
<b><u>Bank</u></b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax	255,259	329,974	640,724	617,181
Overseas income tax	995	2,657	3,011	4,784
	<u>256,254</u>	<u>332,631</u>	<u>643,735</u>	<u>621,965</u>
(Over) / Under provision in prior years				
- Malaysian income tax	(21,118)	-	(41,118)	1
- Overseas income tax	-	-	361	80
	<u>235,136</u>	<u>332,631</u>	<u>602,978</u>	<u>622,046</u>
Deferred tax income				
- Relating to origination and reversal of temporary differences	(4,129)	(9,718)	(47,676)	(14,124)
	<u>231,007</u>	<u>322,913</u>	<u>555,302</u>	<u>607,922</u>

The Bank's effective tax rate for the 2nd quarter and financial half year ended 30 June 2018 and 30 June 2017 were lower than the statutory tax rate mainly due to certain income not subject to tax.

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**B6. Status of Corporate Proposals Announced but Not Completed**

There were no corporate proposals announced but not completed as at 30 June 2018.

**B7. Status of Utilisation of Proceeds Raised from Corporate Proposals**

The proceeds raised from the issuances of all debt securities and borrowings have been used for working capital, general banking and other corporate purposes, as intended.

**B8. Financial Risk Management**

There have been no significant changes since the end of the previous financial year in respect of the following:

- i) risk management policies in place for mitigating and controlling the risks associated with foreign exchange, interest/profit rate, liquidity and funding.
- ii) the hedging policies in respect of foreign exchange and interest/profit rate exposures.

The above information are discussed in the Financial Risk Management section of the audited annual financial statements for the financial year ended 31 December 2017 and Pillar 3 Disclosures section of the 2017 Annual Report.

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**B9. Debt Securities Issued and Other Borrowed Funds**

Group	More Than 1 Year		Less Than 1 Year		Sub-total		Total RM'000
	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	
<b>Unsecured</b>							
<b>As At 30 June 2018</b>							
Hong Kong Dollar ("HKD") term loan	559,655	-	-	-	559,655	-	559,655
United States Dollar ("USD") term loan	806,735	-	-	-	806,735	-	806,735
USD syndicated term loan	1,480,815	-	-	-	1,480,815	-	1,480,815
RM Senior Medium Term notes	-	2,798,871	-	1,001,430	-	3,800,301	3,800,301
RM Subordinated notes / sukuk murabahah	-	2,499,977	-	2,449,714	-	4,949,691	4,949,691
RM Additional Tier I capital securities	-	99,501	-	-	-	99,501	99,501
RM Non-innovative Tier I stapled securities	-	2,103,739	-	-	-	2,103,739	2,103,739
	<b>2,847,205</b>	<b>7,502,088</b>	<b>-</b>	<b>3,451,144</b>	<b>2,847,205</b>	<b>10,953,232</b>	<b>13,800,437</b>
<b>As At 31 December 2017</b>							
HKD term loan	-	-	568,444	-	568,444	-	568,444
USD term loan	809,496	-	-	-	809,496	-	809,496
USD syndicated term loan	1,484,742	-	-	-	1,484,742	-	1,484,742
RM Senior Medium Term notes	-	2,003,072	-	399,927	-	2,402,999	2,402,999
RM Subordinated notes / sukuk murabahah	-	2,999,605	-	1,949,863	-	4,949,468	4,949,468
RM Non-innovative Tier I stapled securities	-	2,112,924	-	-	-	2,112,924	2,112,924
	<b>2,294,238</b>	<b>7,115,601</b>	<b>568,444</b>	<b>2,349,790</b>	<b>2,862,682</b>	<b>9,465,391</b>	<b>12,328,073</b>
<b>As At 30 June 2017</b>							
HKD term loan	601,863	-	-	-	601,863	-	601,863
USD term loan	857,403	-	-	-	857,403	-	857,403
USD syndicated term loan	1,572,167	-	-	-	1,572,167	-	1,572,167
RM Senior Medium Term notes	-	2,005,986	-	399,811	-	2,405,797	2,405,797
RM Subordinated notes / sukuk murabahah	-	4,449,241	-	3,001,143	-	7,450,384	7,450,384
RM Non-innovative Tier I stapled securities	-	2,123,873	-	-	-	2,123,873	2,123,873
	<b>3,031,433</b>	<b>8,579,100</b>	<b>-</b>	<b>3,400,954</b>	<b>3,031,433</b>	<b>11,980,054</b>	<b>15,011,487</b>



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**B9. Debt Securities Issued and Other Borrowed Funds (continued)**

Bank	More Than 1 Year		Less Than 1 Year		Sub-total		Total RM'000
	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	
<b>Unsecured</b>							
<b>As At 30 June 2018</b>							
USD term loan	806,735	-	-	-	806,735	-	806,735
USD syndicated term loan	1,480,815	-	-	-	1,480,815	-	1,480,815
RM Senior Medium Term notes	-	2,798,871	-	1,001,430	-	3,800,301	3,800,301
RM Subordinated notes	-	1,999,977	-	1,949,956	-	3,949,933	3,949,933
RM Additional Tier I capital securities	-	99,501	-	-	-	99,501	99,501
RM Non-innovative Tier I stapled securities	-	2,103,739	-	-	-	2,103,739	2,103,739
	<b>2,287,550</b>	<b>7,002,088</b>	<b>-</b>	<b>2,951,386</b>	<b>2,287,550</b>	<b>9,953,474</b>	<b>12,241,024</b>
<b>As At 31 December 2017</b>							
USD term loan	809,496	-	-	-	809,496	-	809,496
USD syndicated term loan	1,484,742	-	-	-	1,484,742	-	1,484,742
RM Senior Medium Term notes	-	2,003,072	-	399,927	-	2,402,999	2,402,999
RM Subordinated notes	-	1,999,974	-	1,949,863	-	3,949,837	3,949,837
RM Non-innovative Tier I stapled securities	-	2,112,924	-	-	-	2,112,924	2,112,924
	<b>2,294,238</b>	<b>6,115,970</b>	<b>-</b>	<b>2,349,790</b>	<b>2,294,238</b>	<b>8,465,760</b>	<b>10,759,998</b>
<b>As At 30 June 2017</b>							
USD term loan	857,403	-	-	-	857,403	-	857,403
USD syndicated term loan	1,572,167	-	-	-	1,572,167	-	1,572,167
RM Senior Medium Term notes	-	2,005,986	-	399,811	-	2,405,797	2,405,797
RM Subordinated notes	-	3,949,740	-	3,001,143	-	6,950,883	6,950,883
RM Non-innovative Tier I stapled securities	-	2,123,873	-	-	-	2,123,873	2,123,873
	<b>2,429,570</b>	<b>8,079,599</b>	<b>-</b>	<b>3,400,954</b>	<b>2,429,570</b>	<b>11,480,553</b>	<b>13,910,123</b>
Exchange rates used:	HKD	USD					
As at 30 June 2018	0.51445	4.03725					
As at 31 December 2017	0.51835	4.05250					
As at 30 June 2017	0.55010	4.29350					

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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 32.0 sen per share for the financial year ending 31 December 2018, amounting to RM1,242,284,271 computed based on 3,882,138,347 ordinary shares as at 30 June 2018, has been declared by the directors.

(ii) Amount per share : 32.0 sen.

(iii) Entitlement date: 7 September 2018.

(iv) Payment date: 19 September 2018.

(b) Total dividend paid for the previous financial half year ended 30 June 2017:  
- First interim dividend of 27.0 sen.

**B12. Earnings Per Share**

	<b>2nd Quarter Ended</b>		<b>Half Year Ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net profit attributable to equity holders (RM'000)	<u><b>1,396,220</b></u>	<u>1,331,826</u>	<u><b>2,801,600</b></u>	<u>2,579,807</u>
Weighted average number of PBB Shares ('000)	<u><b>3,863,932</b></u>	<u>3,861,494</u>	<u><b>3,862,720</b></u>	<u>3,861,494</u>
Basic earnings per share (sen)	<u><b>36.1</b></u>	<u>34.5</u>	<u><b>72.5</b></u>	<u>66.8</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.