

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	Group		Bank	
		30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
ASSETS					
Cash and balances with banks		16,912,750	10,684,092	9,526,473	5,059,890
Reverse repurchase agreements		1,148,708	2,793,563	298,238	2,268,564
Financial assets held-for-trading	A8	3,462,514	1,178,884	2,221,100	576,329
Derivative financial assets	A27	233,137	618,141	257,400	628,145
Financial investments available-for-sale	A9	30,282,623	33,345,205	19,810,505	23,655,309
Financial investments held-to-maturity	A10	25,758,320	22,173,926	20,529,954	17,044,541
Loans, advances and financing	A11	297,013,943	292,429,184	236,386,951	232,794,693
Other assets	A12	2,432,333	2,994,523	2,412,251	3,028,257
Statutory deposits with Central Banks		9,007,322	8,900,566	6,413,293	6,586,569
Deferred tax assets		75,125	65,189	-	-
Collective investments		-	-	5,226,076	5,140,765
Investment in subsidiary companies		-	-	5,955,494	5,655,494
Investment in associated companies		34,307	38,137	30,000	30,000
Investment properties		693,016	699,469	-	-
Property and equipment		1,485,786	1,528,326	634,883	645,794
Intangible assets		2,522,488	2,603,621	695,393	695,393
TOTAL ASSETS		391,062,372	380,052,826	310,398,011	303,809,743
LIABILITIES					
Deposits from customers	A13	317,268,696	309,973,568	244,026,439	241,957,458
Deposits from banks	A14	12,487,237	11,810,823	13,257,968	12,289,026
Obligations on securities sold under repurchase agreements		20,472	2,469,834	20,472	2,469,834
Bills and acceptances payable		371,481	327,272	370,833	325,597
Recourse obligations on loans and financing sold to Cagamas		3,422,007	1,922,023	3,422,007	1,422,007
Derivative financial liabilities	A27	708,710	1,328,691	703,951	1,322,747
Debt securities issued and other borrowed funds	B9	15,011,487	11,514,274	13,910,123	10,383,129
Other liabilities	A15	4,226,337	4,624,169	3,083,390	3,371,725
Provision for tax expense and zakat		740,775	563,114	579,266	376,065
Deferred tax liabilities		152,292	155,287	116,439	118,653
TOTAL LIABILITIES		354,409,494	344,689,055	279,490,888	274,036,241

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 2016.

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UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
EQUITY				
Share capital	9,417,653	3,882,138	9,417,653	3,882,138
Reserves	26,256,118	30,480,514	21,638,807	26,040,701
Treasury shares	(149,337)	(149,337)	(149,337)	(149,337)
Equity attributable to equity holders of the Bank	35,524,434	34,213,315	30,907,123	29,773,502
Non-controlling interests	1,128,444	1,150,456	-	-
TOTAL EQUITY	36,652,878	35,363,771	30,907,123	29,773,502
TOTAL LIABILITIES AND EQUITY	391,062,372	380,052,826	310,398,011	303,809,743
COMMITMENTS AND CONTINGENCIES				
	A26 108,732,547	105,592,459	100,926,194	97,032,508
CAPITAL ADEQUACY				
Before deducting interim dividends *	A29			
Common Equity Tier I Capital Ratio	12.240%	11.864%	11.473%	11.725%
Tier I Capital Ratio	13.031%	12.718%	12.421%	12.751%
Total Capital Ratio	16.856%	15.976%	16.127%	15.248%
After deducting interim dividends *				
Common Equity Tier I Capital Ratio	11.830%	11.373%	10.966%	11.117%
Tier I Capital Ratio	12.621%	12.227%	11.914%	12.143%
Total Capital Ratio	16.446%	15.485%	15.620%	14.640%
Net assets per share attributable to ordinary equity holders of the Bank (RM)	9.20	8.86	8.00	7.71

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

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PUBLIC BANK BERHAD
(6463 - H)
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

Group	Note	2nd Quarter Ended		Half Year Ended	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Operating revenue		5,167,147	4,980,256	10,195,332	9,987,557
Interest Income	A16	3,802,210	3,771,928	7,535,036	7,453,031
Interest expense	A17	(1,961,166)	(2,072,380)	(3,869,812)	(4,068,783)
Net interest income		1,841,044	1,699,548	3,665,224	3,384,248
Net income from Islamic banking business	A31b	247,425	233,118	495,143	460,605
		2,088,469	1,932,666	4,160,367	3,844,853
Fee and commission income	A18 (a)	636,331	560,103	1,235,543	1,131,097
Fee and commission expense	A18 (b)	(200,255)	(177,527)	(392,318)	(366,840)
Net fee and commission income	A18	436,076	382,576	843,225	764,257
Net gains and losses on financial instruments	A19	22,046	18,226	26,003	59,113
Other operating income	A20	103,554	91,037	206,911	260,459
Net income		2,650,145	2,424,505	5,236,506	4,928,682
Other operating expenses	A21	(881,845)	(802,839)	(1,768,713)	(1,591,316)
Operating profit		1,768,300	1,621,666	3,467,793	3,337,366
Allowance for impairment on loans, advances and financing	A22	(26,518)	(69,901)	(93,609)	(137,385)
(Allowance) / Writeback of allowance for impairment on other assets		(2,148)	963	(2,596)	1,430
		1,739,634	1,552,728	3,371,588	3,201,411
Share of (loss) / profit after tax of equity accounted associated companies		(3,625)	(1,207)	(4,107)	1,668
Profit before tax expense and zakat		1,736,009	1,551,521	3,367,481	3,203,079
Tax expense and zakat	B5	(384,008)	(280,929)	(750,137)	(687,427)
Profit for the period		1,352,001	1,270,592	2,617,344	2,515,652
Profit for the period attributable to:					
- Equity holders of the Bank		1,331,826	1,256,153	2,579,807	2,485,943
- Non-controlling interests		20,175	14,439	37,537	29,709
		1,352,001	1,270,592	2,617,344	2,515,652
Earnings per share:					
- basic / diluted (sen)	B12	34.5	32.5	66.8	64.4

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PUBLIC BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

Group	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Profit for the period	<u>1,352,001</u>	<u>1,270,592</u>	<u>2,617,344</u>	<u>2,515,652</u>
Other comprehensive (loss) / income:				
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of:				
- Foreign operations	(239,589)	200,767	(341,361)	(384,118)
- Net investment hedge	148,615	(125,261)	215,508	219,732
Revaluation reserves:				
- Net gain on revaluation of financial investments available-for-sale	80,431	43,424	67,250	108,394
Hedging reserves:				
- Net change in cash flow hedges	(15,934)	(7,590)	(19,298)	(37,830)
	<u>(26,477)</u>	<u>111,340</u>	<u>(77,901)</u>	<u>(93,822)</u>
Income tax relating to components of other comprehensive income / (loss):				
- Revaluation reserves	(17,768)	(10,101)	(11,484)	(24,210)
- Hedging reserves	3,823	1,822	4,631	9,079
	<u>(13,945)</u>	<u>(8,279)</u>	<u>(6,853)</u>	<u>(15,131)</u>
Share of profit of equity accounted associated companies				
- Revaluation reserves	6	19	279	232
Other comprehensive (loss) / income for the period, net of tax	<u>(40,416)</u>	<u>103,080</u>	<u>(84,475)</u>	<u>(108,721)</u>
Total comprehensive income for the period	<u>1,311,585</u>	<u>1,373,672</u>	<u>2,532,869</u>	<u>2,406,931</u>
Total comprehensive income for the period attributable to:				
- Equity holders of the Bank	1,327,839	1,331,875	2,546,797	2,448,233
- Non-controlling interests	(16,254)	41,797	(13,928)	(41,302)
	<u>1,311,585</u>	<u>1,373,672</u>	<u>2,532,869</u>	<u>2,406,931</u>

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UNAUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

<u>Bank</u>	Note	2nd Quarter Ended		Half Year Ended	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Operating revenue		3,910,105	3,651,704	7,647,123	7,690,463
Interest income	A16	3,376,830	3,397,187	6,681,296	6,722,710
Interest expense	A17	(1,885,121)	(2,008,066)	(3,719,008)	(3,951,979)
Net interest income		1,491,709	1,389,121	2,962,288	2,770,731
Fee and commission income	A18 (a)	262,148	236,146	507,067	477,590
Fee and commission expense	A18 (b)	(82,821)	(75,906)	(162,971)	(152,512)
Net fee and commission income	A18	179,327	160,240	344,096	325,078
Net gains and losses on financial instruments	A19	15,957	29,273	20,809	54,950
Other operating income	A20	528,001	250,525	798,284	716,738
Net income		2,214,994	1,829,159	4,125,477	3,867,497
Other operating expenses	A21	(559,710)	(530,117)	(1,131,823)	(1,057,848)
Operating profit		1,655,284	1,299,042	2,993,654	2,809,649
Writeback of allowance / (Allowance) for impairment on loans, advances and financing	A22	1,413	(13,607)	(36,869)	(37,475)
(Allowance) / Writeback of allowance for impairment on other assets		(2,160)	943	(2,655)	1,444
Profit before tax expense and zakat		1,654,537	1,286,378	2,954,130	2,773,618
Tax expense and zakat	B5	(322,913)	(239,660)	(607,922)	(586,617)
Profit for the period		1,331,624	1,046,718	2,346,208	2,187,001

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UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<u>Bank</u>				
Profit for the period	<u>1,331,624</u>	<u>1,046,718</u>	<u>2,346,208</u>	<u>2,187,001</u>
Other comprehensive (loss) / income:				
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of foreign operations	(10,834)	7,975	(14,625)	(15,979)
Revaluation reserves:				
- Net gain on revaluation of financial investments available-for-sale	55,975	33,781	37,096	95,337
Hedging reserves:				
- Net change in cash flow hedges	7,749	16,002	12,530	78,341
	<u>52,890</u>	<u>57,758</u>	<u>35,001</u>	<u>157,699</u>
Income tax relating to components of other comprehensive income:				
- Revaluation reserves	(13,434)	(8,107)	(8,903)	(22,881)
- Hedging reserves	(1,860)	(3,840)	(3,007)	(18,802)
	<u>(15,294)</u>	<u>(11,947)</u>	<u>(11,910)</u>	<u>(41,683)</u>
Other comprehensive income for the period, net of tax	<u>37,596</u>	<u>45,811</u>	<u>23,091</u>	<u>116,016</u>
Total comprehensive income for the period	<u>1,369,220</u>	<u>1,092,529</u>	<u>2,369,299</u>	<u>2,303,017</u>

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PUBLIC BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

<u>Group</u>	<----- Attributable to Equity Holders of the Bank ----->							
	Non-distributable			Distributable		Total Shareholders' Equity RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	<u>Reserves</u> Other Reserves RM'000	<u>Reserves</u> Retained Profits RM'000	Treasury Shares RM'000			
At 1 January 2017	3,882,138	5,535,515	8,046,682	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>(4,760,683)</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>3,252,989</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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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

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

<u>Group</u>	Non-distributable			Distributable		Total Shareholders' Equity RM'000	Non- controlling Interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reserves Other Reserves RM'000	Reserves Retained Profits RM'000	Treasury Shares RM'000			
At 1 January 2016	3,882,138	5,535,515	7,700,465	14,262,317	(149,337)	31,231,098	1,076,641	32,307,739
Profit for the period	-	-	-	2,485,943	-	2,485,943	29,709	2,515,652
Other comprehensive loss for the period	-	-	(37,710)	-	-	(37,710)	(71,011) *	(108,721)
Total comprehensive (loss) / income for the period	-	-	(37,710)	2,485,943	-	2,448,233	(41,302)	2,406,931
Transactions with owners / other equity movements:								
Transfer to statutory reserves	-	-	17,160	(17,160)	-	-	-	-
Transfer to regulatory reserves	-	-	139,844	(139,844)	-	-	-	-
Transfer from general reserves	-	-	(2,777)	2,777	-	-	-	-
Transfer to Profit Equalisation Reserve of the Islamic banking institution	-	-	118	(118)	-	-	-	-
Dividends paid	-	-	-	(1,235,678)	-	(1,235,678)	(7,627)	(1,243,305)
	-	-	154,345	(1,390,023)	-	(1,235,678)	(7,627)	(1,243,305)
At 30 June 2016	<u>3,882,138</u>	<u>5,535,515</u>	<u>7,817,100</u>	<u>15,358,237</u>	<u>(149,337)</u>	<u>32,443,653</u>	<u>1,027,712</u>	<u>33,471,365</u>

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UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

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

	Non-distributable		Distributable		Treasury Shares RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reserves Other Reserves RM'000	Reserves Retained Profits RM'000		
Bank						
At 1 January 2017	3,882,138	5,535,515	6,910,852	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)
	5,535,515	(5,535,515)	(4,475,640)	3,239,962	-	(1,235,678)
At 30 June 2017	9,417,653	-	2,458,303	19,180,504	(149,337)	30,907,123

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

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

	Non-distributable			Distributable		Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reserves Other Reserves RM'000	Reserves Retained Profits RM'000	Treasury Shares RM'000	
Bank						
At 1 January 2016	3,882,138	5,535,515	6,636,542	12,040,329	(149,337)	27,945,187
Profit for the period	-	-	-	2,187,001	-	2,187,001
Other comprehensive income for the period	-	-	116,016	-	-	116,016
Total comprehensive income for the period	-	-	116,016	2,187,001	-	2,303,017
Transactions with owners / other equity movements:						
Transfer to regulatory reserves	-	-	114,290	(114,290)	-	-
Transfer from general reserves	-	-	(2,777)	2,777	-	-
Dividends paid	-	-	-	(1,235,678)	-	(1,235,678)
	-	-	111,513	(1,347,191)	-	(1,235,678)
At 30 June 2016	3,882,138	5,535,515	6,864,071	12,880,139	(149,337)	29,012,526

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PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

	Group		Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Cash Flows from Operating Activities				
Profit before tax expense and zakat	3,367,481	3,203,079	2,954,130	2,773,618
Adjustments for non-cash items:				
Share of loss / (profit) after tax of equity accounted associated companies	4,107	(1,668)	-	-
Allowance for impaired loans and financing	209,242	240,782	95,808	85,988
Depreciation of property and equipment	107,600	98,147	84,284	77,813
Net gain on financial instruments	(20,371)	(27,963)	(16,001)	(24,480)
Dividend income	(2,468)	(19,160)	(443,854)	(363,742)
Transfer to profit equalisation reserves	-	71	-	-
Impairment loss / (written back) on other assets	2,596	(1,430)	2,655	(1,444)
Other non-cash items	(1,755)	614	735	300
Operating profit before working capital changes	<u>3,666,432</u>	<u>3,492,472</u>	<u>2,677,757</u>	<u>2,548,053</u>
Changes in working capital:				
Increase in operating assets	(5,377,515)	(10,127,324)	(2,718,120)	(9,514,691)
Increase in operating liabilities	6,631,771	12,421,830	2,043,994	13,369,199
Cash generated from operations	<u>4,920,688</u>	<u>5,786,978</u>	<u>2,003,631</u>	<u>6,402,561</u>
Tax expense and zakat paid	(592,162)	(474,880)	(418,845)	(339,049)
Net cash generated from operating activities	<u>4,328,526</u>	<u>5,312,098</u>	<u>1,584,786</u>	<u>6,063,512</u>
Cash Flows from Investing Activities				
Purchase of property and equipment	(92,490)	(147,622)	(75,079)	(100,632)
Addition to investment properties	-	(65,498)	-	-
Proceeds from disposal of properties	16,723	5,760	16,495	5,709
Net (purchase) / sale of financial investments	(429,436)	(795,754)	418,692	(1,051,555)
Investment in collective investments	-	-	(85,311)	(2,460,637)
Additional investment in subsidiary companies	-	-	(300,000)	(879,654)
Acquisition of Public Bank Vietnam Limited, net of cash acquired	-	531,529	-	-
Dividends received	2,468	18,192	471,422	354,907
Net cash (used in) / generated from investing activities	<u>(502,735)</u>	<u>(453,393)</u>	<u>446,219</u>	<u>(4,131,862)</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 2016.

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL HALF YEAR ENDED 30 JUNE 2017

	Group		Bank	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Cash Flows from Financing Activities				
Dividends paid	(1,243,762)	(1,243,305)	(1,235,678)	(1,235,678)
Net drawdown of borrowings	1,572,395	1,193	1,571,286	-
Net proceeds from issuance of debt securities	1,999,970	999,500	1,999,970	999,500
Net cash generated from / (used in) financing activities	<u>2,328,603</u>	<u>(242,612)</u>	<u>2,335,578</u>	<u>(236,178)</u>
Net change in cash and cash equivalents	6,154,394	4,616,093	4,366,583	1,695,472
Cash and cash equivalents at beginning of the year	9,862,471	14,041,018	4,959,890	8,798,632
Exchange differences on translation of opening balances	<u>(308,519)</u>	<u>(234,746)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at end of the period	<u>15,708,346</u>	<u>18,422,365</u>	<u>9,326,473</u>	<u>10,494,104</u>
Note:				
Cash and balances with banks	16,912,750	18,935,731	9,526,473	10,581,907
Less: Balances with banks with original maturity more than three months	<u>(1,204,404)</u>	<u>(513,366)</u>	<u>(200,000)</u>	<u>(87,803)</u>
Cash and cash equivalents at end of the period	<u>15,708,346</u>	<u>18,422,365</u>	<u>9,326,473</u>	<u>10,494,104</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 2016.

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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 2017 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale, derivative financial instruments and investment properties.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad. The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and of the Bank for the financial year ended 31 December 2016. 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 2016.

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 2016, except for the adoption or early adoption of the following Amendments to MFRSs during the current financial period:

- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"

Effective for annual periods commencing on or after 1 January 2017

- Amendments to MFRS 12 Disclosure of Interests in Other Entities

Effective for annual periods commencing on or after 1 January 2018 (Early adoption)

- Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
- Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2014 - 2016 Cycle". The Annual Improvements consist of the following amendments:

- (i) Amendments to MFRS 12 Disclosure of Interests in Other Entities

These amendments clarify that an entity is not required to disclose summarised financial information for subsidiary, joint venture or associate when it is classified as held for sale in accordance with MFRS 5.

- (ii) Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

The amendments remove certain provisions from the Standard that have served their intended purposes and are no longer required.

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A1. Basis of Preparation (continued)

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2014 - 2016 Cycle". The Annual Improvements consist of the following amendments (continued):

(iii) Amendments to MFRS 128 Investments in Associates and Joint Ventures

The amendments clarify that when an investment in an associate or a joint venture is held by an entity which is a venture capital organisation, or a mutual fund, unit trust or similar entities, the entity may elect to measure that investment at fair value on an investment by investment basis in accordance with the Standard.

The adoption of Annual Improvements to MFRS Standards 2014 - 2016 Cycle did not have any financial impact on the financial statements of the Group and of the Bank.

Companies Act 2016

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 with the objectives to create a legal and regulatory structure that will facilitate business, and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representative) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, will be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and of the Bank upon the commencement of the New Act on 31 January 2017 includes:

- (a) removal of the authorised share capital;
- (b) shares of the Bank will cease to have par or nominal value; and
- (c) the Bank's share premium account will become part of the Bank's share capital.

During the period, the Bank had transferred a total of RM5,535,515,367 from its share premium account to the share capital pursuant to the New Act.

The adoption of the New Act did not have any financial impact on the Group and the Bank for the current financial year and the effect of adoption mainly will be on disclosures to the annual report and financial statements for the financial year ending 31 December 2017.

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A1. Basis of Preparation (continued)

Capital Adequacy Framework (Basel II - Risk-Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets)

On 2 March 2017, Bank Negara Malaysia ("BNM") reissued the Capital Adequacy Framework (Basel II - Risk-Weighted Assets) and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) (collectively referred to as "Frameworks") with the date of application to be effective immediately. The Frameworks set out the requirements on the computation of the risk-weighted assets developed based on the Basel Committee on Banking Supervision (BCBS) and the Islamic Financial Services Board (IFSB) papers entitled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" and "Capital Adequacy Standard (CAS)" issued in June 2006 and December 2005 respectively. As the updates to the Frameworks focused mainly on the Internal Rating Based Approach whilst the Group and the Bank adopt the Standardised Approach for credit and market risk, therefore, the application of these Frameworks did not have any impact on the capital adequacy ratios of the Group and of the Bank.

BNM's Revised Policy Document on Capital Funds and Capital Funds for Islamic Banks

On 3 May 2017, BNM issued the revised policy document on Capital Funds and Capital Funds for Islamic Banks whereby the previous requirement to maintain a reserve fund is no longer required given the implementation of the Capital Conservation Buffer under the Capital Adequacy Framework. Therefore, statutory reserves which were previously maintained by the Bank and its domestic banking subsidiary companies are no longer required. During the period, the Group and the Bank had transferred RM4,925,879,000 and RM4,537,536,000 respectively from statutory reserves to retained profits.

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

Effective for annual periods commencing on or after 1 January 2018

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

- MFRS 16 Leases

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

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

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A1. Basis of Preparation (continued)

A brief description of the new MFRSs, Amendments to MFRSs and IC Interpretation above that have been issued but not yet effective to the Group and the Bank is set out below (continued):

- (b) **MFRS 9 Financial Instruments (2014)** - This final version of MFRS 9 replaces all previous versions of MFRS 9. Retrospective application is required, but comparative information is not compulsory. The standard introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The approach for classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held with two measurement categories – amortised cost and fair value. For impairment, MFRS 9 introduces an expected-loss impairment model which will require more timely recognition of expected credit losses to reflect changes of credit risk of financial instruments. For hedge accounting, the general hedge accounting requirements have been simplified for hedge effectiveness testing and permit hedge accounting to be applied to a greater variety of hedging instruments and risks.

MFRS 9 introduces significant changes in the way the Group accounts for financial instruments. The preparation for MFRS 9 by the Group and the Bank had started in 2015 with the setting up of a MFRS 9 Project Team headed by the Chief Financial Officer of the Bank, and with assistance from consultants on the implementation of MFRS 9. Currently, the Group and the Bank had completed the gap assessment and in the process of developing MFRS 9 compliant impairment models for all impacted credit exposures.

- (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 is not expected to 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 is not expected to 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. The expiration date of the temporary exemption from MFRS 9 coincide with the tentative effective date of MFRS 17, as decided by IASB in November 2016. In addition, 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 is not expected to have any material financial impact on the financial statements of the Group and of the Bank.
- (f) **MFRS 16 Leases** - MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Group and the Bank are required to account for major part of their operating leases in the balance sheet by recognising the 'right-of-use' assets and the lease liability, thus increasing the assets and liabilities of the Group and of the Bank. The financial effects arising from the adoption of this standard are still being assessed by the Group.

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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 2016 was not qualified.

A3. Comments about Seasonal or Cyclical Factors

The operations of the Group and of the Bank were not materially affected by any seasonal or cyclical factors in the 2nd quarter and financial half year ended 30 June 2017.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank in the 2nd quarter and financial half year ended 30 June 2017.

A5. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the 2nd quarter and financial half year ended 30 June 2017.

A6. Debt and Equity Securities

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

(a) USD370.0 Million 5-Year Unsecured Syndicated Term Loan

On 27 March 2017, the Bank entered into a USD370 million 5-Year Unsecured Syndicated Term Loan Facility. The USD370 million term loan bears interest rate at LIBOR plus spread and was drawdown on 30 March 2017.

(b) RM10.0 Billion Basel III - Compliant Tier II Subordinated Medium Term Notes Programme ("the Programme")

On 25 April 2017, the Bank issued the fourth tranche of RM2,000 million in aggregate nominal amount of Subordinated Medium Term Notes under the Programme. The Notes bear interest at 4.85% per annum which will be due on 23 April 2027 and are callable on 25 April 2022.

A7. Dividends Paid and Distributed

During the financial half year ended 30 June 2017, a second interim dividend of 32 sen per share in respect of the financial year ended 31 December 2016, amounting to RM1,235,678,094 was paid on 28 February 2017.

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A8. Financial Assets Held-for-trading

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	1,682,023	158,134	1,682,023	158,134
Malaysian Government Securities	291,455	202,195	291,455	202,195
Malaysian Government Investment Issues	213,662	141,292	213,662	130,979
	<u>2,187,140</u>	<u>501,621</u>	<u>2,187,140</u>	<u>491,308</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	<u>1,143,558</u>	495,364	-	-
Non-money market instruments:				
Debt securities:				
- Cagamas bonds	-	70,037	-	60,031
- Unquoted corporate bonds / sukuk	131,816	111,862	33,960	24,990
	<u>131,816</u>	<u>181,899</u>	<u>33,960</u>	<u>85,021</u>
Total financial assets held-for-trading	<u>3,462,514</u>	<u>1,178,884</u>	<u>2,221,100</u>	<u>576,329</u>

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A9. Financial Investments Available-for-sale

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	40,555	73,266	40,555	73,266
Malaysian Government Securities	6,411,194	5,899,049	5,859,008	5,305,888
Malaysian Government Investment Issues	12,210,960	14,133,503	5,806,530	7,710,185
Other foreign government securities	112,708	168,223	-	-
	<u>18,775,417</u>	<u>20,274,041</u>	<u>11,706,093</u>	<u>13,089,339</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	6,162,805	8,544,128	5,843,137	8,293,626
Bankers' acceptances and Islamic accepted bills	226,236	118,830	226,236	118,830
	<u>6,389,041</u>	<u>8,662,958</u>	<u>6,069,373</u>	<u>8,412,456</u>
Non-money market instruments:				
Equity securities:				
- Quoted shares and convertible loan stocks outside Malaysia	4,002	3,167	-	-
- Unquoted shares #	118,877	120,534	114,022	115,481
Debt securities:				
- Cagamas bonds	442,353	340,406	340,968	340,406
- Unquoted corporate bonds / sukuk	4,540,160	3,931,522	1,580,049	1,697,627
Unit trust funds	12,773	12,577	-	-
	<u>5,118,165</u>	<u>4,408,206</u>	<u>2,035,039</u>	<u>2,153,514</u>
Total financial investments available-for-sale	<u>30,282,623</u>	<u>33,345,205</u>	<u>19,810,505</u>	<u>23,655,309</u>

Stated at cost, net of impairment loss.

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A10. Financial Investments Held-to-maturity

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
At amortised cost				
Government securities and treasury bills:				
Malaysian Government Securities	1,689,532	1,934,046	1,659,383	1,903,918
Malaysian Government Investment Issues	12,463,131	12,157,420	9,990,323	9,683,010
Foreign Government Treasury Bills	848,259	866,566	47,808	24,969
Other foreign government securities	775,717	473,031	-	-
	<u>15,776,639</u>	<u>15,431,063</u>	<u>11,697,514</u>	<u>11,611,897</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	<u>1,311,771</u>	1,464,061	<u>1,741,810</u>	<u>1,709,786</u>
Non-money market instruments:				
Debt securities:				
- Cagamas bonds	3,374,472	1,348,574	3,374,472	1,348,574
- Unquoted corporate bonds / sukuk	5,295,473	3,930,267	3,716,193	2,374,323
	<u>8,669,945</u>	<u>5,278,841</u>	<u>7,090,665</u>	<u>3,722,897</u>
Accumulated impairment losses	(35)	(39)	(35)	(39)
Total financial investments held-to-maturity	<u>25,758,320</u>	<u>22,173,926</u>	<u>20,529,954</u>	<u>17,044,541</u>

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A11. Loans, Advances and Financing

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
At amortised cost				
Overdrafts	11,555,040	11,382,475	8,700,159	8,604,041
Term loans				
- Housing loans / financing	98,952,077	95,617,442	80,453,269	78,193,789
- Syndicated term loans / financing	3,384,379	3,410,498	1,304,357	1,320,488
- Hire purchase receivables	51,265,855	51,984,710	37,476,973	37,757,231
- Other term loans / financing	116,437,581	114,416,510	93,819,705	92,104,366
Credit card receivables	1,833,757	1,894,574	1,806,439	1,864,748
Bills receivables	158,463	193,599	125,389	155,721
Trust receipts	272,842	330,262	186,032	209,009
Claims on customers under acceptance credits	3,900,302	3,848,443	3,712,338	3,613,254
Revolving credits	8,853,414	9,056,513	8,060,548	8,267,793
Staff loans *	1,859,530	1,824,156	1,658,657	1,642,793
Gross loans, advances and financing	<u>298,473,240</u>	<u>293,959,182</u>	<u>237,303,866</u>	<u>233,733,233</u>
Allowance for impaired loans and financing:				
- collective assessment allowance	(1,361,260)	(1,408,104)	(903,937)	(922,954)
- individual assessment allowance	(98,037)	(121,894)	(12,978)	(15,586)
Net loans, advances and financing	<u>297,013,943</u>	<u>292,429,184</u>	<u>236,386,951</u>	<u>232,794,693</u>

* Included in staff loans of the Group and of the Bank are loans to Directors of subsidiary companies amounting to RM5,771,000 (2016: RM5,959,000) and RM5,381,000 (2016 - RM5,540,000) respectively.

A11a. By class

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Retail loans / financing *				
- Housing loans / financing	98,952,077	95,617,442	80,453,269	78,193,789
- Hire purchase	51,265,855	51,984,710	37,476,973	37,757,231
- Credit cards	1,833,757	1,894,574	1,806,439	1,864,748
- Other loans / financing ^	101,865,557	100,416,869	81,393,648	80,608,549
	<u>253,917,246</u>	<u>249,913,595</u>	<u>201,130,329</u>	<u>198,424,317</u>
Corporate loans / financing	44,555,994	44,045,587	36,173,537	35,308,916
	<u>298,473,240</u>	<u>293,959,182</u>	<u>237,303,866</u>	<u>233,733,233</u>

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

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

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A11. Loans, Advances and Financing (continued)

A11b. By type of customer

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Non-bank financial institutions				
- Stock-broking companies	5,620	6,498	5,620	6,498
- Others	8,193,569	7,973,937	7,961,132	7,745,345
Business enterprises				
- Small and medium enterprises	73,228,787	71,293,237	61,862,258	60,332,253
- Others	24,745,596	25,727,268	18,452,745	18,957,941
Government and statutory bodies	1,324,286	1,317,470	11,533	3,511
Individuals	187,966,760	184,602,651	146,216,803	143,843,020
Other entities	39,781	40,766	34,107	35,892
Foreign entities	2,968,841	2,997,355	2,759,668	2,808,773
	298,473,240	293,959,182	237,303,866	233,733,233

A11c. By interest / profit rate sensitivity

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Fixed rate				
- Housing loans / financing	827,402	561,483	242,340	25,198
- Hire purchase receivables	48,742,637	49,383,643	37,210,871	37,465,523
- Other fixed rate loans / financing	18,371,505	18,923,138	7,864,281	8,313,755
Variable rate				
- Base rate / base lending rate plus	183,887,370	178,704,491	160,554,767	157,900,595
- Cost plus	31,092,582	29,921,800	29,994,966	28,465,197
- Other variable rates	15,551,744	16,464,627	1,436,641	1,562,965
	298,473,240	293,959,182	237,303,866	233,733,233

A11d. By residual contractual maturity

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Maturity within one year	34,030,336	32,140,003	25,745,716	24,150,809
More than one year to three years	24,443,912	26,761,672	19,316,665	21,397,613
More than three years to five years	28,162,380	27,763,714	22,829,422	22,283,094
More than five years	211,836,612	207,293,793	169,412,063	165,901,717
	298,473,240	293,959,182	237,303,866	233,733,233

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A11. Loans, Advances and Financing (continued)

A11e. By geographical distribution

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Malaysia	275,716,684	269,915,021	236,252,165	232,568,210
Hong Kong SAR and the People's Republic of China	15,916,133	16,884,678	-	-
Cambodia	4,245,159	4,500,886	-	-
Other countries	2,595,264	2,658,597	1,051,701	1,165,023
	298,473,240	293,959,182	237,303,866	233,733,233

A11f. Gross loans, advances and financing by economic purpose

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Purchase of securities	2,062,022	2,023,713	1,719,583	1,686,519
Purchase of transport vehicles	51,522,540	52,252,411	37,736,944	38,029,309
Purchase of landed properties	179,234,761	174,914,751	149,109,422	146,261,128
(of which: - residential	102,356,157	98,752,335	83,432,380	80,983,504
- non-residential)	76,878,604	76,162,416	65,677,042	65,277,624
Purchase of fixed assets (excluding landed properties)	596,432	620,058	205,022	221,244
Personal use	12,038,696	11,757,996	6,465,266	6,194,844
Credit card	1,833,757	1,894,574	1,806,439	1,864,748
Purchase of consumer durables	1,826	1,869	139	113
Construction	6,392,857	6,162,820	5,299,155	5,069,312
Mergers and acquisitions	116,010	130,526	116,010	130,526
Working capital	39,821,862	39,354,135	30,049,892	29,526,976
Other purpose	4,852,477	4,846,329	4,795,994	4,748,514
	298,473,240	293,959,182	237,303,866	233,733,233

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A11. Loans, Advances and Financing (continued)

A11g. Gross loans, advances and financing by sectors

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Agriculture, hunting, forestry and fishing	3,988,904	3,852,323	2,915,398	2,844,114
Mining and quarrying	238,009	233,419	191,924	197,969
Manufacturing	10,464,151	10,432,034	8,592,839	8,520,922
Electricity, gas and water	71,643	78,912	21,518	19,657
Construction	9,714,349	8,907,302	7,779,184	7,044,402
Wholesale & retail trade and restaurants & hotels	25,914,623	25,679,947	21,769,308	21,579,904
Transport, storage and communication	3,936,613	3,957,937	2,853,710	2,851,662
Finance, insurance and business services	16,927,576	16,826,372	14,646,907	14,700,442
Real estate	34,446,964	34,520,861	29,020,397	28,863,937
Community, social and personal services	3,456,305	3,445,030	1,900,887	1,906,585
Households	187,846,242	184,485,685	147,529,907	145,125,969
Others	1,467,861	1,539,360	81,887	77,670
	<u>298,473,240</u>	<u>293,959,182</u>	<u>237,303,866</u>	<u>233,733,233</u>

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

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Bankers' acceptances rediscounted	<u>43,264</u>	<u>32,405</u>	<u>43,264</u>	<u>32,405</u>

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

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
At 1 January	1,489,381	1,351,816	1,041,579	1,002,520
Impaired during the period / year	1,496,966	2,984,569	1,011,586	2,026,986
Reclassified as non-impaired	(1,012,695)	(1,913,691)	(747,168)	(1,440,167)
Recoveries	(189,408)	(392,027)	(135,510)	(287,984)
Amount written off	(269,093)	(548,106)	(116,620)	(231,663)
Amount arising from acquisition of Public Bank Vietnam Limited	-	26,855	-	-
Loans converted to foreclosed properties / investments	(14,474)	(30,598)	(13,707)	(29,032)
Exchange differences	(13,577)	10,563	(2,741)	919
Closing balance	<u>1,487,100</u>	<u>1,489,381</u>	<u>1,037,419</u>	<u>1,041,579</u>
Gross impaired loans as a percentage of gross loans, advances and financing	<u>0.50%</u>	<u>0.51%</u>	<u>0.44%</u>	<u>0.45%</u>

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A11. Loans, Advances and Financing (continued)

A11j. Impaired loans, advances and financing by geographical distribution

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Malaysia	1,218,037	1,208,752	971,844	980,743
Hong Kong SAR and the People's Republic of China	111,868	150,052	-	-
Cambodia	58,078	37,604	-	-
Other countries	99,117	92,973	65,575	60,836
	<u>1,487,100</u>	<u>1,489,381</u>	<u>1,037,419</u>	<u>1,041,579</u>

A11k. Impaired loans, advances and financing by economic purpose

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Purchase of securities	736	3,435	736	3,435
Purchase of transport vehicles	310,292	317,926	213,341	221,725
Purchase of landed properties	745,600	735,199	576,426	570,775
(of which: - residential	583,866	570,019	430,572	427,743
- non-residential)	161,734	165,180	145,854	143,032
Purchase of fixed assets (excluding landed properties)	10,080	7,043	27	43
Personal use	140,622	152,479	49,844	46,161
Credit card	21,196	22,087	20,949	21,925
Construction	33,310	28,611	23,979	17,359
Working capital	217,128	211,541	144,006	149,110
Other purpose	8,136	11,060	8,111	11,046
	<u>1,487,100</u>	<u>1,489,381</u>	<u>1,037,419</u>	<u>1,041,579</u>

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A11. Loans, Advances and Financing (continued)

A11l. Impaired loans, advances and financing by sectors

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Agriculture, hunting, forestry and fishing	42,269	29,097	10,638	16,088
Mining and quarrying	1,383	768	768	725
Manufacturing	32,493	42,218	26,367	28,690
Electricity, gas and water	2,413	2,454	-	-
Construction	79,142	77,267	67,295	59,814
Wholesale & retail trade and restaurants & hotels	138,432	132,155	101,699	99,144
Transport, storage and communication	14,816	22,801	13,563	20,605
Finance, insurance and business services	32,232	36,411	25,671	29,345
Real estate	36,611	38,677	33,609	27,825
Community, social and personal services	9,340	8,510	8,863	8,165
Households	1,097,132	1,098,423	748,841	751,053
Others	837	600	105	125
	1,487,100	1,489,381	1,037,419	1,041,579

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

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
<u>Collective Assessment Allowance</u>				
At 1 January	1,408,104	1,510,637	922,954	1,001,839
Allowance made during the period / year	119,138	203,158	97,982	145,239
Amount written off	(162,386)	(317,365)	(116,186)	(224,758)
Amount arising from acquisition of Public Bank Vietnam Limited	-	7,742	-	-
Exchange differences	(3,596)	3,932	(813)	634
Closing balance	1,361,260	1,408,104	903,937	922,954

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A11. Loans, Advances and Financing (continued)

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

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
<u>Individual Assessment Allowance</u>				
At 1 January	121,894	121,947	15,586	34,837
Allowance made during the period / year	99,999	240,200	5,142	17,511
Amount written back in respect of recoveries	(9,895)	(32,481)	(7,316)	(28,167)
Amount written off	(106,707)	(230,741)	(434)	(6,905)
Amount transferred to allowance for impairment loss on foreclosed properties	-	(1,690)	-	(1,690)
Amount arising from acquisition of Public Bank Vietnam Limited	-	3,372	-	-
Exchange differences	(7,254)	21,287	-	-
Closing balance	<u>98,037</u>	<u>121,894</u>	<u>12,978</u>	<u>15,586</u>

A12. Other Assets

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Deferred handling fees	242,087	252,828	178,956	185,575
Interest / Income receivable	52,016	61,899	12,848	24,076
Other receivables, deposits and prepayments	1,392,984	1,942,992	1,273,861	1,821,453
Employee benefits	283,423	302,904	279,206	298,391
Amount due from trust funds	162,179	146,871	-	-
Foreclosed properties	86,015	88,265	83,498	86,472
Outstanding contracts on clients' accounts	213,629	198,764	-	-
Amount due from subsidiary companies	-	-	38,320	39,160
Dividend receivable from collective investments	-	-	-	27,154
Dividend receivable from subsidiary companies	-	-	545,562	545,976
	<u>2,432,333</u>	<u>2,994,523</u>	<u>2,412,251</u>	<u>3,028,257</u>

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A13. Deposits from Customers

a) By type of deposit

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
At amortised cost				
Core deposits:				
- Demand deposits	46,778,593	45,470,463	38,488,124	37,646,794
- Savings deposits	34,506,343	32,502,203	22,852,821	21,869,236
- Fixed deposits	183,461,871	180,182,676	133,167,604	134,533,805
	<u>264,746,807</u>	<u>258,155,342</u>	<u>194,508,549</u>	<u>194,049,835</u>
- Negotiable instruments of deposit	19,070	-	17,204	-
- Money market deposits	52,468,253	51,735,008	49,476,387	47,838,063
	<u>52,487,323</u>	<u>51,735,008</u>	<u>49,493,591</u>	<u>47,838,063</u>
Other deposits	34,566	83,218	24,299	69,560
	<u>317,268,696</u>	<u>309,973,568</u>	<u>244,026,439</u>	<u>241,957,458</u>

b) By type of customer

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Federal and state governments	8,001,241	5,928,559	614,261	637,431
Local government and statutory authorities	3,413,131	3,181,497	2,590,177	2,297,882
Business enterprises	83,508,125	85,908,497	67,592,172	69,374,203
Individuals	161,418,087	159,080,957	127,606,354	128,109,932
Foreign customers	5,661,368	5,895,401	3,634,536	3,727,463
Others	55,266,744	49,978,657	41,988,939	37,810,547
	<u>317,268,696</u>	<u>309,973,568</u>	<u>244,026,439</u>	<u>241,957,458</u>

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A13. Deposits from Customers (continued)

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

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Due within six months	211,148,558	209,013,661	165,337,357	163,604,944
More than six months to one year	23,924,464	22,235,344	17,231,210	18,566,767
More than one year to three years	871,016	663,602	87,985	195,888
More than three years to five years	5,156	5,077	4,643	4,269
	<u>235,949,194</u>	<u>231,917,684</u>	<u>182,661,195</u>	<u>182,371,868</u>

A14. Deposits from Banks

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
At amortised cost				
Licensed banks	7,172,859	8,027,292	5,042,176	6,188,719
Licensed investment banks	28,431	23,340	49,260	78,755
Bank Negara Malaysia	509,273	544,280	488,681	525,829
Other financial institutions	4,776,674	3,215,911	7,677,851	5,495,723
	<u>12,487,237</u>	<u>11,810,823</u>	<u>13,257,968</u>	<u>12,289,026</u>

A15. Other Liabilities

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Interest / Income payable	1,722,018	1,613,157	1,349,718	1,349,479
Other payables and accruals	2,189,828	2,580,373	1,689,580	1,949,877
Amount due to trust funds	41,150	37,184	-	-
Unprocessed sales and / or redemptions	39,318	142,784	-	-
Profit Equalisation Reserve				
of the investment account holder	108	111	-	-
Finance lease liabilities	13,045	38,740	13,045	38,740
Outstanding contracts on				
clients' accounts	211,357	188,551	-	-
Dividend payable to shareholders	9,513	23,269	1,429	1,166
Amount due to subsidiary				
companies	-	-	29,618	32,463
	<u>4,226,337</u>	<u>4,624,169</u>	<u>3,083,390</u>	<u>3,371,725</u>

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A16. Interest Income

	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<u>Group</u>				
Loans and advances	3,242,341	3,194,355	6,455,901	6,328,265
Balances with banks	77,167	128,286	140,288	209,690
Financial investments available-for-sale	222,714	219,653	445,211	448,944
Financial investments held-to-maturity	211,390	179,890	396,699	359,542
Others	25,112	35,531	55,546	70,277
	<u>3,778,724</u>	<u>3,757,715</u>	<u>7,493,645</u>	<u>7,416,718</u>
Financial assets held-for-trading	23,486	14,213	41,391	36,313
	<u>3,802,210</u>	<u>3,771,928</u>	<u>7,535,036</u>	<u>7,453,031</u>
Of which:				
Interest income earned on impaired loans and advances	<u>15,113</u>	<u>13,773</u>	<u>30,066</u>	<u>26,966</u>
	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<u>Bank</u>				
Loans and advances	2,915,315	2,891,112	5,792,896	5,731,519
Balances with banks	43,405	106,679	69,548	175,349
Financial investments available-for-sale	181,910	187,468	369,880	382,549
Financial investments held-to-maturity	194,149	168,069	364,060	338,372
Others	25,110	35,441	55,543	70,185
	<u>3,359,889</u>	<u>3,388,769</u>	<u>6,651,927</u>	<u>6,697,974</u>
Financial assets held-for-trading	16,941	8,418	29,369	24,736
	<u>3,376,830</u>	<u>3,397,187</u>	<u>6,681,296</u>	<u>6,722,710</u>
Of which:				
Interest income earned on impaired loans and advances	<u>12,909</u>	<u>12,680</u>	<u>25,472</u>	<u>25,115</u>

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A17. Interest Expense

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits from banks	118,281	104,255	240,032	220,981
Deposits from customers	1,659,511	1,817,659	3,308,765	3,552,006
Loans sold to Cagamas	35,460	14,374	55,068	28,694
Debt securities issued and other borrowed funds	147,447	134,626	264,503	263,606
Others	467	1,466	1,444	3,496
	1,961,166	2,072,380	3,869,812	4,068,783

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits from banks	115,227	98,130	235,154	207,891
Deposits from customers	1,590,259	1,762,914	3,170,538	3,455,192
Loans sold to Cagamas	35,460	14,374	55,068	28,694
Debt securities issued and other borrowed funds	143,725	131,413	256,848	257,023
Others	450	1,235	1,400	3,179
	1,885,121	2,008,066	3,719,008	3,951,979

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A18. Net Fee and Commission Income

	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<u>Group</u>				
(a) Fee and commission income:				
Commissions	130,220	121,201	252,180	240,300
Service charges and fees	88,239	81,956	173,644	162,883
Guarantee fees	10,602	10,678	18,881	19,969
Processing fees	5,247	5,171	11,256	9,881
Commitment fees	23,079	21,954	43,686	44,134
Unit trust management fees	242,567	213,396	471,774	423,198
Fee on sale of trust units	95,777	71,468	184,799	158,907
Brokerage and commissions from stockbroking activities	28,401	20,375	52,954	40,843
Other fee and commission income	12,199	13,904	26,369	30,982
	<u>636,331</u>	<u>560,103</u>	<u>1,235,543</u>	<u>1,131,097</u>
(b) Fee and commission expense:				
Unit trust agency fee	(113,490)	(96,355)	(220,264)	(204,139)
Debit / credit card related fee	(78,589)	(70,406)	(154,644)	(143,034)
Loan related fee	(3,750)	(4,605)	(6,506)	(8,226)
Other fee and commission expense	(4,426)	(6,161)	(10,904)	(11,441)
	<u>(200,255)</u>	<u>(177,527)</u>	<u>(392,318)</u>	<u>(366,840)</u>
Net fee and commission income	<u>436,076</u>	<u>382,576</u>	<u>843,225</u>	<u>764,257</u>
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<u>Bank</u>				
(a) Fee and commission income:				
Commissions	155,351	134,265	299,437	270,027
Service charges and fees	63,916	58,712	124,916	119,175
Guarantee fees	9,880	9,855	17,466	18,625
Processing fees	2,278	2,172	4,471	3,693
Commitment fees	21,453	20,571	40,567	41,390
Other fee and commission income	9,270	10,571	20,210	24,680
	<u>262,148</u>	<u>236,146</u>	<u>507,067</u>	<u>477,590</u>
(b) Fee and commission expense:				
Debit / credit card related fee	(77,005)	(68,200)	(151,132)	(138,231)
Loan related fee	(3,096)	(3,116)	(5,231)	(5,611)
Other fee and commission expense	(2,720)	(4,590)	(6,608)	(8,670)
	<u>(82,821)</u>	<u>(75,906)</u>	<u>(162,971)</u>	<u>(152,512)</u>
Net fee and commission income	<u>179,327</u>	<u>160,240</u>	<u>344,096</u>	<u>325,078</u>

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A19. Net Gains and Losses on Financial Instruments

	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Group				
Net gain / (loss) arising on financial assets held-for-trading:				
- net gain on disposal	1,840	2,758	3,164	11,990
- unrealised revaluation (loss) / gain	(258)	1,095	(665)	1,636
	1,582	3,853	2,499	13,626
Net gain / (loss) arising on trading derivatives				
- unrealised revaluation gain / (loss)	4,879	(12,630)	4,491	983
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	16,445	15,567	20,645	30,342
- gross dividend income	2,337	10,997	2,468	19,160
	18,782	26,564	23,113	49,502
Net gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge	533	1,806	1,140	3,589
- cash flow hedge	(3,730)	(1,367)	(5,240)	(8,587)
	(3,197)	439	(4,100)	(4,998)
Net gains and losses on financial instruments	22,046	18,226	26,003	59,113

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

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Net gain / (loss) arising on financial assets held-for-trading:				
- net gain on disposal	1,821	2,758	3,138	11,983
- unrealised revaluation (loss) / gain	<u>(268)</u>	<u>995</u>	<u>(642)</u>	<u>1,541</u>
	<u>1,553</u>	<u>3,753</u>	<u>2,496</u>	<u>13,524</u>
Net gain arising on trading derivatives				
- unrealised revaluation gain	<u>6</u>	<u>3</u>	<u>13</u>	<u>3</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	15,979	14,768	20,691	27,746
- gross dividend income	<u>1,670</u>	<u>10,420</u>	<u>1,670</u>	<u>18,487</u>
	<u>17,649</u>	<u>25,188</u>	<u>22,361</u>	<u>46,233</u>
Net gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge	479	1,696	1,179	3,777
- cash flow hedge	<u>(3,730)</u>	<u>(1,367)</u>	<u>(5,240)</u>	<u>(8,587)</u>
	<u>(3,251)</u>	<u>329</u>	<u>(4,061)</u>	<u>(4,810)</u>
Net gains and losses on financial instruments	<u>15,957</u>	<u>29,273</u>	<u>20,809</u>	<u>54,950</u>

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A20. Other Operating Income

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Other income:				
Foreign exchange profit	77,990	46,507	157,036	192,903
Rental income from:				
- investment properties	3,233	3,173	6,619	6,340
- other properties	3,420	3,437	6,722	6,780
Net gain on disposal of property and equipment	106	121	375	147
Net gain on disposal of foreclosed properties	190	382	1,755	803
Net gain / (loss) on revaluation of investment properties	2,540	(231)	2,540	(231)
Others	16,075	37,648	31,864	53,717
Total other operating income	<u>103,554</u>	<u>91,037</u>	<u>206,911</u>	<u>260,459</u>
	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Gross dividend income from:				
- collective investments	44,528	37,614	86,304	66,389
- subsidiary companies				
- quoted outside Malaysia	22,115	20,866	22,115	20,866
- unquoted in Malaysia	250,000	236,000	333,765	258,000
	<u>316,643</u>	<u>294,480</u>	<u>442,184</u>	<u>345,255</u>
Other income:				
Foreign exchange profit / (loss)	195,242	(59,287)	322,584	340,531
Rental income from other properties	3,334	3,348	6,543	6,546
Net gain on disposal of property and equipment	138	71	294	102
Net gain on disposal of foreclosed properties	190	382	1,755	803
Others	12,454	11,531	24,924	23,501
	<u>211,358</u>	<u>(43,955)</u>	<u>356,100</u>	<u>371,483</u>
Total other operating income	<u>528,001</u>	<u>250,525</u>	<u>798,284</u>	<u>716,738</u>

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A21. Other Operating Expenses

<u>Group</u>	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Personnel costs				
- Salaries, allowances and bonuses	513,158	457,729	1,024,820	918,115
- Pension costs	65,195	61,121	131,197	122,413
- Others	38,505	40,368	78,436	79,003
	616,858	559,218	1,234,453	1,119,531
Establishment costs				
- Depreciation	54,158	50,454	107,600	98,147
- Rental	31,181	29,335	61,777	57,397
- Insurance	5,937	5,257	11,794	10,383
- Water and electricity	13,535	14,157	25,653	26,506
- General repairs and maintenance	25,940	23,353	53,424	45,659
- Information technology expenses	13,222	10,935	26,607	21,751
- Others	16,698	16,073	34,684	29,509
	160,671	149,564	321,539	289,352
Marketing expenses				
- Advertisement and publicity	14,913	15,057	30,105	28,834
- Others	18,088	14,863	34,662	30,227
	33,001	29,920	64,767	59,061
Administration and general expenses				
- Communication expenses	16,616	15,577	35,920	26,200
- Legal and professional fees	11,309	13,742	22,493	26,244
- Others	43,390	34,818	89,541	70,928
	71,315	64,137	147,954	123,372
Total other operating expenses	881,845	802,839	1,768,713	1,591,316

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A21. Other Operating Expenses (continued)

<u>Bank</u>	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Personnel costs				
- Salaries, allowances and bonuses	377,809	344,218	759,504	694,527
- Pension costs	56,207	53,587	113,201	107,199
- Others	30,635	33,385	62,852	65,756
	<u>464,651</u>	<u>431,190</u>	<u>935,557</u>	<u>867,482</u>
Establishment costs				
- Depreciation	42,365	39,631	84,284	77,813
- Rental	24,201	23,696	48,060	47,037
- Insurance	5,004	4,531	9,864	8,926
- Water and electricity	9,548	10,190	18,172	19,625
- General repairs and maintenance	22,285	21,196	46,344	41,954
- Information technology expenses	6,451	5,555	12,807	11,105
- Others	10,774	10,957	22,349	20,201
	<u>120,628</u>	<u>115,756</u>	<u>241,880</u>	<u>226,661</u>
Marketing expenses				
- Advertisement and publicity	5,967	7,650	11,540	14,200
- Others	11,754	10,313	22,690	21,607
	<u>17,721</u>	<u>17,963</u>	<u>34,230</u>	<u>35,807</u>
Administration and general expenses				
- Communication expenses	12,776	13,820	28,399	23,145
- Legal and professional fees	7,970	9,909	16,148	19,412
- Others	25,595	20,786	52,738	42,589
	<u>46,341</u>	<u>44,515</u>	<u>97,285</u>	<u>85,146</u>
Shared service cost charged to Public Islamic Bank Berhad	(89,631)	(79,307)	(177,129)	(157,248)
Total other operating expenses	<u>559,710</u>	<u>530,117</u>	<u>1,131,823</u>	<u>1,057,848</u>

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A22. Allowance / (Writeback of allowance) for Impairment on Loans, Advances and Financing

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Group				
Allowance for impaired loans and financing:				
Collective assessment allowance	53,277	63,784	119,138	132,249
Individual assessment allowance	35,060	59,702	90,104	108,533
Allowance for bad debts from stockbroking activities	8	-	8	-
Impaired loans and financing written off	30	27	58	77
Impaired loans and financing recovered	(61,857)	(53,612)	(115,699)	(103,474)
	<u>26,518</u>	<u>69,901</u>	<u>93,609</u>	<u>137,385</u>

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Bank				
Allowance / (Writeback of allowance) for impaired loans:				
Collective assessment allowance	34,189	31,062	97,982	83,770
Individual assessment allowance	(4,602)	6,645	(2,174)	2,218
Impaired loans written off	27	27	55	77
Impaired loans recovered	(31,027)	(24,127)	(58,994)	(48,590)
	<u>(1,413)</u>	<u>13,607</u>	<u>36,869</u>	<u>37,475</u>

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A23. Segment Information

	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
2nd Quarter Ended 30 June 2017												
External revenue	659,827	2,529,196	446,888	329,191	50,013	338,696	1,476	368,322	4,723,609	443,538	-	5,167,147
Revenue from other segments	-	393,094	6,490	487,294	66	10,568	7,565	612,155	1,517,232	7,682	(1,524,914)	-
	<u>659,827</u>	<u>2,922,290</u>	<u>453,378</u>	<u>816,485</u>	<u>50,079</u>	<u>349,264</u>	<u>9,041</u>	<u>980,477</u>	<u>6,240,841</u>	<u>451,220</u>	<u>(1,524,914)</u>	<u>5,167,147</u>
Net interest income and Islamic banking income	203,534	1,172,628	128,609	65,209	5,899	3,705	(5,515)	213,726	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	<u>204,379</u>	<u>1,351,499</u>	<u>141,440</u>	<u>157,963</u>	<u>25,386</u>	<u>209,958</u>	<u>3,478</u>	<u>221,340</u>	<u>2,315,443</u>	<u>352,435</u>	<u>(17,733)</u>	<u>2,650,145</u>
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	<u>119,422</u>	<u>912,323</u>	<u>137,225</u>	<u>148,090</u>	<u>12,664</u>	<u>160,549</u>	<u>(1,790)</u>	<u>70,132</u>	<u>1,558,615</u>	<u>181,019</u>	<u>-</u>	<u>1,739,634</u>
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									<u>1,554,990</u>	<u>181,019</u>	<u>-</u>	<u>1,736,009</u>

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A23. 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					
2nd Quarter Ended 30 June 2016												
External revenue	674,497	2,456,939	414,324	427,710	45,748	285,155	1,564	272,768	4,578,705	401,551	-	4,980,256
Revenue from other segments	-	359,891	1,813	448,104	87	3,374	7,550	545,652	1,366,471	2,894	(1,369,365)	-
	<u>674,497</u>	<u>2,816,830</u>	<u>416,137</u>	<u>875,814</u>	<u>45,835</u>	<u>288,529</u>	<u>9,114</u>	<u>818,420</u>	<u>5,945,176</u>	<u>404,445</u>	<u>(1,369,365)</u>	<u>4,980,256</u>
Net interest income and												
Islamic banking income	194,042	1,116,132	112,855	52,082	6,015	(2,262)	(2,044)	179,067	1,655,887	276,779	-	1,932,666
Other income	1,481	158,853	12,573	77,359	17,066	177,401	9,016	11,700	465,449	43,821	(17,431)	491,839
Net income	<u>195,523</u>	<u>1,274,985</u>	<u>125,428</u>	<u>129,441</u>	<u>23,081</u>	<u>175,139</u>	<u>6,972</u>	<u>190,767</u>	<u>2,121,336</u>	<u>320,600</u>	<u>(17,431)</u>	<u>2,424,505</u>
Other operating expenses	(62,590)	(423,549)	(3,029)	(7,810)	(10,261)	(42,923)	(3,436)	(131,080)	(684,678)	(135,592)	17,431	(802,839)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(29,797)	678	(849)	-	(31)	-	-	-	(29,999)	(39,902)	-	(69,901)
Writeback of allowance for impairment on other assets	-	963	-	-	-	-	-	-	963	-	-	963
Profit by segments	<u>103,136</u>	<u>853,077</u>	<u>121,550</u>	<u>121,631</u>	<u>12,789</u>	<u>132,216</u>	<u>3,536</u>	<u>59,687</u>	<u>1,407,622</u>	<u>145,106</u>	<u>-</u>	<u>1,552,728</u>
Reconciliation of segment profits to consolidated profits:												
Share of loss after tax of equity accounted associated companies									(1,207)	-		(1,207)
Profit before tax expense and zakat									<u>1,406,415</u>	<u>145,106</u>		<u>1,551,521</u>

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A23. 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	1,325,080	5,001,601	881,888	688,105	92,657	657,282	3,006	646,359	9,295,978	899,354	-	10,195,332
Revenue from other segments	-	776,228	12,932	978,406	965	21,708	15,104	1,229,639	3,034,982	14,516	(3,049,498)	-
	<u>1,325,080</u>	<u>5,777,829</u>	<u>894,820</u>	<u>1,666,511</u>	<u>93,622</u>	<u>678,990</u>	<u>18,110</u>	<u>1,875,998</u>	<u>12,330,960</u>	<u>913,870</u>	<u>(3,049,498)</u>	<u>10,195,332</u>
Net interest income and Islamic banking income	412,519	2,306,144	254,629	138,755	11,659	8,138	(10,871)	431,191	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>414,306</u>	<u>2,652,909</u>	<u>278,356</u>	<u>308,877</u>	<u>46,758</u>	<u>409,083</u>	<u>7,149</u>	<u>444,891</u>	<u>4,562,329</u>	<u>710,814</u>	<u>(36,637)</u>	<u>5,236,506</u>
Other operating expenses (Allowance) / Writeback of allowance for impairment on loans, advances and financing	(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 for impairment on other assets	(62,033)	15,001	(1,803)	-	(36)	-	-	-	(48,871)	(44,738)	-	(93,609)
Profit / (loss) by segments	-	(2,596)	-	-	-	-	-	-	(2,596)	-	-	(2,596)
	<u>224,289</u>	<u>1,768,253</u>	<u>269,912</u>	<u>288,953</u>	<u>23,636</u>	<u>311,627</u>	<u>(2,818)</u>	<u>144,917</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	30.9%	33.8%	2.4%	6.5%	49.4%	23.8%	139.4%	67.4%	32.5%	45.5%		33.8%

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A23. **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 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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A23. Segment Information (continued)

Half Year Ended 30 June 2016	----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
External revenue	1,345,817	4,860,607	818,264	861,914	90,275	582,699	3,116	640,420	9,203,112	784,445	-	9,987,557
Revenue from other segments	-	727,645	6,014	984,399	644	13,779	15,082	1,169,944	2,917,507	5,435	(2,922,942)	-
	<u>1,345,817</u>	<u>5,588,252</u>	<u>824,278</u>	<u>1,846,313</u>	<u>90,919</u>	<u>596,478</u>	<u>18,198</u>	<u>1,810,364</u>	<u>12,120,619</u>	<u>789,880</u>	<u>(2,922,942)</u>	<u>9,987,557</u>
Net interest income and												
Islamic banking income	381,085	2,208,579	217,032	129,182	12,451	3,947	(4,133)	348,659	3,296,802	548,051	-	3,844,853
Other income	2,235	320,763	27,164	188,638	32,979	351,214	18,018	91,805	1,032,816	87,208	(36,195)	1,083,829
Net income	<u>383,320</u>	<u>2,529,342</u>	<u>244,196</u>	<u>317,820</u>	<u>45,430</u>	<u>355,161</u>	<u>13,885</u>	<u>440,464</u>	<u>4,329,618</u>	<u>635,259</u>	<u>(36,195)</u>	<u>4,928,682</u>
Other operating expenses	(125,568)	(836,457)	(6,213)	(16,081)	(19,724)	(87,016)	(7,062)	(265,647)	(1,363,768)	(263,743)	36,195	(1,591,316)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(62,123)	(7,196)	2,831	-	1,672	-	-	-	(64,816)	(72,569)	-	(137,385)
Writeback of allowance for impairment on other assets	-	1,430	-	-	-	-	-	-	1,430	-	-	1,430
Profit by segments	<u>195,629</u>	<u>1,687,119</u>	<u>240,814</u>	<u>301,739</u>	<u>27,378</u>	<u>268,145</u>	<u>6,823</u>	<u>174,817</u>	<u>2,902,464</u>	<u>298,947</u>	<u>-</u>	<u>3,201,411</u>
Reconciliation of segment profits to consolidated profits:												
Share of (loss) / profit after tax of equity accounted associated companies									(785)	2,453		1,668
Profit before tax expense and zakat									<u>2,901,679</u>	<u>301,400</u>		<u>3,203,079</u>
Cost income ratio	32.8%	33.1%	2.5%	5.1%	43.4%	24.5%	50.9%	60.3%	31.5%	41.5%		32.3%

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A23. Segment Information (continued)

Half Year Ended 30 June 2016	<----- Operating Segments ----->							Head Office RM'000	Total Domestic Operations RM'000	Total Overseas Operations RM'000	Inter- segment Elimination RM'000	Group Total RM'000
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000					
Gross loans, advances and financing	50,151,799	176,365,826	35,195,129	-	406,826	73,662	2,016	-	262,195,258	21,264,987		283,460,245
Loan growth	0.1%	4.4%	8.9%	-	3.9%	8.3%	-9.0%	-	4.1%	-1.8%		3.7%
Impaired loans, advances and financing	312,143	792,798	48,844	-	-	-	-	-	1,153,785	229,166		1,382,951
Impaired loan ratio	0.6%	0.4%	0.1%	-	-	-	-	-	0.4%	1.1%		0.5%
Deposits from customers	-	216,709,224	256,369	69,629,968	1,689,517	-	-	-	288,285,078	23,249,989		311,535,067
Deposit growth	-	6.6%	4.4%	-4.6%	15.8%	-	-	-	3.7%	0.2%		3.4%
Segment assets	<u>49,858,270</u>	<u>223,621,483</u>	<u>35,140,185</u>	<u>85,515,362</u>	<u>2,920,915</u>	<u>506,096</u>	<u>651,326</u>	<u>33,570,850</u>	<u>431,784,487</u>	<u>31,328,668</u>	<u>(86,773,373)</u>	<u>376,339,782</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									18,765	16		18,781
Unallocated assets									1,039,512	-		1,039,512
Intangible assets									775,493	1,665,465		2,440,958
Total assets									<u>433,618,257</u>	<u>32,994,149</u>		<u>379,839,033</u>

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A23. Segment Information (continued)

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

A24. Subsequent Events

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the unaudited interim financial statements.

A25. Changes in the Composition of the Group

There were no changes in the composition of the Group during the 2nd quarter and financial half year ended 30 June 2017.

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A26. Commitments and Contingencies

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

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

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Contingent liabilities				
Direct credit substitutes	1,283,489	1,703,043	1,264,194	1,282,300
Transaction-related contingent items	1,718,683	1,725,868	1,478,047	1,484,252
Short term self-liquidating trade-related contingencies	713,605	536,889	158,578	136,490
	3,715,777	3,965,800	2,900,819	2,903,042
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	27,310,092	27,105,843	21,939,059	21,587,512
- not exceeding one year	24,259,400	23,590,356	21,014,129	19,877,268
Unutilised credit card lines	6,349,530	6,147,960	6,120,724	5,932,134
Forward asset purchases	431,576	10,472	368,581	10,472
	58,350,598	56,854,631	49,442,493	47,407,386
Derivative financial instruments				
Foreign exchange related contracts:				
- less than one year	30,726,512	29,108,843	29,641,323	28,280,704
- one year to less than five years	1,301,569	1,577,428	1,301,569	1,577,428
Interest / Profit rate related contracts:				
- less than one year	5,120,000	4,874,400	5,220,000	4,674,400
- one year to less than five years	9,104,320	8,663,188	9,819,645	9,468,875
- five years and above	413,426	547,496	2,600,000	2,720,000
Commodity related contracts:				
- less than one year	345	673	345	673
	46,666,172	44,772,028	48,582,882	46,722,080
	108,732,547	105,592,459	100,926,194	97,032,508

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A27. 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 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
Trading derivatives:												
Foreign exchange contracts												
- Forwards	2,052,969	13,519	-	2,066,488	7,918	94	-	8,012	5,940	56	-	5,996
- Swaps	27,993,473	-	-	27,993,473	151,490	-	-	151,490	217,287	-	-	217,287
- Options	36,045	-	-	36,045	-	-	-	-	-	-	-	-
Interest rate related contracts												
- Swaps	120,000	-	-	120,000	8	-	-	8	-	-	-	-
Precious metal contracts												
- Forwards	345	-	-	345	1	-	-	1	-	-	-	-
	30,202,832	13,519	-	30,216,351	159,417	94	-	159,511	223,227	56	-	223,283
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	2,400,000	3,216,805	619,296	6,236,101	992	43,862	5,544	50,398	-	5,431	876	6,307
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	644,025	858,700	429,350	1,932,075	-	-	-	-	187,280	217,163	46,048	450,491
Interest / Profit rate related contracts												
- Swaps	2,600,000	3,138,700	2,542,945	8,281,645	156	11,836	11,236	23,228	2,270	12,792	13,567	28,629
	5,644,025	7,214,205	3,591,591	16,449,821	1,148	55,698	16,780	73,626	189,550	235,386	60,491	485,427
Total	35,846,857	7,227,724	3,591,591	46,666,172	160,565	55,792	16,780	233,137	412,777	235,442	60,491	708,710

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A27. 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 2016	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,932,902	7,240	-	1,940,142	26,524	118	-	26,642	9,611	108	-	9,719
- Swaps	25,110,102	-	-	25,110,102	495,676	-	-	495,676	249,205	-	-	249,205
- Options	47,027	-	-	47,027	-	-	-	-	-	-	-	-
Precious metal contracts												
- Forwards	673	-	-	673	-	-	-	-	4	-	-	4
	<u>27,090,704</u>	<u>7,240</u>	<u>-</u>	<u>27,097,944</u>	<u>522,200</u>	<u>118</u>	<u>-</u>	<u>522,318</u>	<u>258,820</u>	<u>108</u>	<u>-</u>	<u>258,928</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	2,400,000	3,222,588	637,221	6,259,809	4,523	47,067	11,029	62,619	-	7,003	278	7,281
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	2,018,812	1,121,563	448,625	3,589,000	-	-	-	-	652,457	330,191	65,921	1,048,569
Interest / Profit rate related contracts												
- Swaps	2,474,400	3,447,250	1,903,625	7,825,275	2,060	15,052	16,092	33,204	1,927	6,720	5,266	13,913
	<u>6,893,212</u>	<u>7,791,401</u>	<u>2,989,471</u>	<u>17,674,084</u>	<u>6,583</u>	<u>62,119</u>	<u>27,121</u>	<u>95,823</u>	<u>654,384</u>	<u>343,914</u>	<u>71,465</u>	<u>1,069,763</u>
Total	<u>33,983,916</u>	<u>7,798,641</u>	<u>2,989,471</u>	<u>44,772,028</u>	<u>528,783</u>	<u>62,237</u>	<u>27,121</u>	<u>618,141</u>	<u>913,204</u>	<u>344,022</u>	<u>71,465</u>	<u>1,328,691</u>

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A27. 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 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
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,606,564	13,519	-	1,620,083	7,623	94	-	7,717	5,653	56	-	5,709
- Swaps	27,354,689	-	-	27,354,689	145,283	-	-	145,283	215,621	-	-	215,621
- Options	36,045	-	-	36,045	-	-	-	-	-	-	-	-
Interest rate related contracts												
- Swaps	120,000	-	-	120,000	8	-	-	8	-	-	-	-
Precious metal contracts												
- Forwards	345	-	-	345	1	-	-	1	-	-	-	-
	<u>29,117,643</u>	<u>13,519</u>	<u>-</u>	<u>29,131,162</u>	<u>152,915</u>	<u>94</u>	<u>-</u>	<u>153,009</u>	<u>221,274</u>	<u>56</u>	<u>-</u>	<u>221,330</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	2,400,000	3,088,000	220,000	5,708,000	992	43,862	1,302	46,156	-	-	-	-
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	644,025	858,700	429,350	1,932,075	-	-	-	-	187,280	217,163	46,048	450,491
Interest rate related contracts												
- Swaps	2,700,000	4,068,700	5,042,945	11,811,645	368	18,424	39,443	58,235	2,270	12,792	17,068	32,130
	<u>5,744,025</u>	<u>8,015,400</u>	<u>5,692,295</u>	<u>19,451,720</u>	<u>1,360</u>	<u>62,286</u>	<u>40,745</u>	<u>104,391</u>	<u>189,550</u>	<u>229,955</u>	<u>63,116</u>	<u>482,621</u>
Total	<u>34,861,668</u>	<u>8,028,919</u>	<u>5,692,295</u>	<u>48,582,882</u>	<u>154,275</u>	<u>62,380</u>	<u>40,745</u>	<u>257,400</u>	<u>410,824</u>	<u>230,011</u>	<u>63,116</u>	<u>703,951</u>

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A27. 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 2016	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,864,065	7,240	-	1,871,305	26,513	118	-	26,631	9,592	108	-	9,700
- Swaps	24,350,800	-	-	24,350,800	493,320	-	-	493,320	235,075	-	-	235,075
- Options	47,027	-	-	47,027	-	-	-	-	-	-	-	-
Precious metal contracts												
- Forwards	673	-	-	673	-	-	-	-	4	-	-	4
	<u>26,262,565</u>	<u>7,240</u>	<u>-</u>	<u>26,269,805</u>	<u>519,833</u>	<u>118</u>	<u>-</u>	<u>519,951</u>	<u>244,671</u>	<u>108</u>	<u>-</u>	<u>244,779</u>
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	2,400,000	3,088,000	220,000	5,708,000	4,523	47,067	2,711	54,301	-	-	-	-
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	2,018,812	1,121,563	448,625	3,589,000	-	-	-	-	652,457	330,191	65,921	1,048,569
Interest rate related contracts												
- Swaps	2,274,400	4,347,250	4,533,625	11,155,275	1,872	19,440	32,581	53,893	1,927	6,720	20,752	29,399
	<u>6,693,212</u>	<u>8,556,813</u>	<u>5,202,250</u>	<u>20,452,275</u>	<u>6,395</u>	<u>66,507</u>	<u>35,292</u>	<u>108,194</u>	<u>654,384</u>	<u>336,911</u>	<u>86,673</u>	<u>1,077,968</u>
Total	<u>32,955,777</u>	<u>8,564,053</u>	<u>5,202,250</u>	<u>46,722,080</u>	<u>526,228</u>	<u>66,625</u>	<u>35,292</u>	<u>628,145</u>	<u>899,055</u>	<u>337,019</u>	<u>86,673</u>	<u>1,322,747</u>

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A27. Derivative Financial Instruments (continued)

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

Market Risk

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

Credit Risk

Credit risk arises from the possibility that a counter-party may be unable to meet the terms of a contract in which the Group and the Bank has a gain in a contract. As at 30 June 2017, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM233,137,000 (2016: RM618,141,000) and RM257,400,000 (2016: RM628,145,000) respectively. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

Liquidity Risk

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

- iii) Cash Requirements of the Derivatives

Cash requirements of the derivatives may arise from margin requirements to post cash collateral with counterparties as the fair value moves beyond the agreed upon threshold limits in the counterparties' favour, or upon downgrade in the Bank's credit ratings. As at 30 June 2017, the Group and the Bank had posted cash collateral of RM549,666,000 (2016: RM1,064,151,000) 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 2016 and Pillar 3 Disclosures section of the 2016 Annual Report.

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A28. Fair Value Measurements

Determination of Fair Value and Fair Value Hierarchy

The Group and the Bank classify its financial instruments and non-financial assets which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 - Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 - Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments and non-financial assets.

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

Group	Level 1	Level 2	Level 3	Total
30 June 2017	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	2,187,140	-	2,187,140
- Money market instruments	-	1,143,558	-	1,143,558
- Non-money market instruments	-	131,816	-	131,816
	-	<u>3,462,514</u>	-	<u>3,462,514</u>
Financial investments available-for-sale				
- Government securities and treasury bills	-	18,775,417	-	18,775,417
- Money market instruments	-	6,389,041	-	6,389,041
- Non-money market instruments #	16,775	4,982,513	-	4,999,288
	<u>16,775</u>	<u>30,146,971</u>	-	<u>30,163,746</u>
Derivative financial assets	-	233,137	-	233,137
Total financial assets measured at fair value	<u>16,775</u>	<u>33,842,622</u>	-	<u>33,859,397</u>
Non-financial assets				
Investment properties	-	-	693,016	693,016
Financial liabilities				
Derivative financial liabilities	-	708,710	-	708,710
Total financial liabilities measured at fair value	-	<u>708,710</u>	-	<u>708,710</u>

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A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

Group	Level 1	Level 2	Level 3	Total
31 December 2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	501,621	-	501,621
- Money market instruments	-	495,364	-	495,364
- Non-money market instruments	-	181,899	-	181,899
	-	1,178,884	-	1,178,884
Financial investments available-for-sale				
- Government securities and treasury bills	-	20,274,041	-	20,274,041
- Money market instruments	-	8,662,958	-	8,662,958
- Non-money market instruments #	3,167	4,284,505	-	4,287,672
	3,167	33,221,504	-	33,224,671
Derivative financial assets	-	618,141	-	618,141
Total financial assets measured at fair value	3,167	35,018,529	-	35,021,696
Non-financial assets				
Investment properties	-	-	699,469	699,469
Financial liabilities				
Derivative financial liabilities	-	1,328,691	-	1,328,691
Total financial liabilities measured at fair value	-	1,328,691	-	1,328,691

Excluding the carrying amount of equity securities - unquoted shares held by the Group of RM118,877,000 (2016: RM120,534,000) which are not carried at fair value.

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A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

Bank	Level 1	Level 2	Level 3	Total
30 June 2017	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	2,187,140	-	2,187,140
- Non-money market instruments	-	33,960	-	33,960
	-	2,221,100	-	2,221,100
Financial investments available-for-sale				
- Government securities and treasury bills	-	11,706,093	-	11,706,093
- Money market instruments	-	6,069,373	-	6,069,373
- Non-money market instruments #	-	1,921,017	-	1,921,017
	-	19,696,483	-	19,696,483
Derivative financial assets	-	257,400	-	257,400
Total financial assets measured at fair value	-	22,174,983	-	22,174,983
Financial liabilities				
Derivative financial liabilities	-	703,951	-	703,951
Total financial liabilities measured at fair value	-	703,951	-	703,951

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A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

Bank	Level 1	Level 2	Level 3	Total
31 December 2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets held-for-trading				
- Government securities and treasury bills	-	491,308	-	491,308
- Non-money market instruments	-	85,021	-	85,021
	-	<u>576,329</u>	-	<u>576,329</u>
Financial investments available-for-sale				
- Government securities and treasury bills	-	13,089,339	-	13,089,339
- Money market instruments	-	8,412,456	-	8,412,456
- Non-money market instruments #	-	2,038,033	-	2,038,033
	-	<u>23,539,828</u>	-	<u>23,539,828</u>
Derivative financial assets	-	628,145	-	628,145
Total financial assets measured at fair value	-	<u>24,744,302</u>	-	<u>24,744,302</u>
Financial liabilities				
Derivative financial liabilities	-	1,322,747	-	1,322,747
Total financial liabilities measured at fair value	-	<u>1,322,747</u>	-	<u>1,322,747</u>

Excluding the carrying amount of equity securities - unquoted shares held by the Bank of RM114,022,000 (2016: RM115,481,000) 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 (2016: Nil).

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A28. Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The 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.

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A29. Capital Adequacy

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

	Group		Bank	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
<u>Before deducting interim dividends *</u>				
Common equity Tier I ("CET I") capital ratio	12.240%	11.864%	11.473%	11.725%
Tier I capital ratio	13.031%	12.718%	12.421%	12.751%
Total capital ratio	<u>16.856%</u>	<u>15.976%</u>	<u>16.127%</u>	<u>15.248%</u>
<u>After deducting interim dividends *</u>				
CET I capital ratio	11.830%	11.373%	10.966%	11.117%
Tier I capital ratio	12.621%	12.227%	11.914%	12.143%
Total capital ratio	<u>16.446%</u>	<u>15.485%</u>	<u>15.620%</u>	<u>14.640%</u>

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

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Components of CET I, Tier I and Tier II capital:				
<u>CET I / Tier I capital:</u>				
Share capital	9,417,653	3,882,138	9,417,653	3,882,138
Share premium	-	5,535,515	-	5,535,515
Other reserves	998,356	5,873,014	619,003	5,158,625
Retained profits	22,977,718	16,898,317	19,119,542	13,533,372
Treasury shares	(149,337)	(149,337)	(149,337)	(149,337)
Qualifying non-controlling interests	707,249	752,070	-	-
Less: Goodwill and other intangible assets	(2,522,488)	(2,603,621)	(695,393)	(695,393)
Less: Deferred tax assets, net	(75,125)	(65,189)	-	-
Less: Defined benefit pension fund assets	(215,544)	(230,359)	(212,734)	(227,351)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	<u>(48,768)</u>	<u>(36,576)</u>	<u>(4,503,553)</u>	<u>(3,197,665)</u>
Total CET I capital	31,089,714	29,855,972	23,595,181	23,839,904
Non-innovative Tier I stapled securities	1,949,800	2,086,169	1,949,800	2,086,169
Qualifying CET I and additional Tier I capital instruments held by third parties	59,807	64,824	-	-
Total Tier I capital	<u>33,099,321</u>	<u>32,006,965</u>	<u>25,544,981</u>	<u>25,926,073</u>

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A29. Capital Adequacy (continued)

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

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
<u>Tier II capital</u>				
Collective assessment allowance and regulatory reserves #	2,907,767	2,887,573	2,362,022	2,336,302
Subordinated notes				
- meeting all relevant criteria	3,949,740	1,949,677	3,949,740	1,949,677
- subject to gradual phase-out treatment	2,436,500	2,923,800	2,436,500	2,923,800
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	434,164	461,568	-	-
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from Tier II capital	(12,192)	(24,384)	(1,125,888)	(2,131,776)
Total Tier II capital	9,715,979	8,198,234	7,622,374	5,078,003
Total capital	42,815,300	40,205,199	33,167,355	31,004,076

Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and of the Bank of RM464,249,000 (2016: RM472,411,000) and RM331,497,000 (2016: RM333,901,000) respectively.

Includes the qualifying regulatory reserves of the Group and of the Bank of RM2,010,756,000 (2016: RM1,951,880,000) and RM1,789,234,000 (2016: RM1,746,886,000) respectively.

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

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A29. Capital Adequacy (continued)

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

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

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

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) reissued on 13 October 2015 and Capital Adequacy Framework (Basel II - Risk-Weighted Assets) reissued on 2 March 2017. 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>
2017	1.250%
2018	1.875%
2019 onwards	2.500%

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Group and the Bank have applied CCyB on its exposures in Hong Kong in line with Hong Kong Monetary Authority's requirement to maintain CCyB of 1.250% in Hong Kong. The Group's and the Bank's CCyB determined based on the weighted average of prevailing CCyB rates of its Hong Kong exposures are insignificant due to its immaterial Hong Kong exposures. The CCyB 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:

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
Credit risk	232,621,394	231,005,869	188,961,756	186,904,199
Market risk	3,344,274	3,291,584	4,673,616	4,899,220
Operational risk	18,033,423	17,364,426	12,028,727	11,525,983
	<u>253,999,091</u>	<u>251,661,879</u>	<u>205,664,099</u>	<u>203,329,402</u>

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A29. Capital Adequacy (continued)

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

	Public Islamic Bank Berhad¹	Public Investment Bank Berhad²	Public Bank (L) Ltd.³	Public Bank (Hong Kong) Limited⁴	Public Finance Limited⁴	Cambodian Public Bank Plc⁵	Public Bank Vietnam Limited⁶
30 June 2017							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	11.940%	39.308%	N/A	15.788%	24.466%	N/A	N/A
Tier I capital ratio	11.940%	39.308%	25.466%	15.788%	24.466%	N/A	N/A
Total capital ratio	14.555%	39.847%	25.493%	16.934%	25.488%	19.390%	36.328%
<u>After deducting interim dividends: *</u>							
CET I capital ratio	11.796%	39.308%	N/A	15.788%	22.203%	N/A	N/A
Tier I capital ratio	11.796%	39.308%	25.466%	15.788%	22.203%	N/A	N/A
Total capital ratio	14.411%	39.847%	25.493%	16.934%	23.225%	19.390%	36.328%
31 December 2016							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	11.138%	40.789%	N/A	14.338%	24.728%	N/A	N/A
Tier I capital ratio	11.138%	40.789%	23.153%	14.338%	24.728%	N/A	N/A
Total capital ratio	13.746%	41.316%	23.178%	15.490%	25.739%	18.136%	46.920%
<u>After deducting interim dividends: *</u>							
CET I capital ratio	10.923%	38.728%	N/A	14.338%	22.868%	N/A	N/A
Tier I capital ratio	10.923%	38.728%	23.153%	14.338%	22.868%	N/A	N/A
Total capital ratio	13.531%	39.255%	23.178%	15.490%	23.878%	18.136%	46.920%

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

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A29. Capital Adequacy (continued)

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

- ¹ The risk-weighted assets of Public Islamic Bank Berhad ("PIBB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) reissued on 13 October 2015 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) reissued on 2 March 2017. 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.
- ² The risk-weighted assets of Public Investment Bank Berhad ("PIVB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components) reissued on 13 October 2015 and Capital Adequacy Framework (Basel II - Risk-Weighted Assets) reissued on 2 March 2017. 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.
- ³ The capital adequacy ratios of Public Bank (L) Ltd. for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-Weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier I capital ratio and total capital ratio respectively.
- ⁴ These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The capital adequacy ratios of these two subsidiary companies are computed in accordance with the provisions of the Banking (Amendment) Ordinance 2012 relating to Basel III capital standards and the amended Banking Capital Rules.
- ⁵ The amount presented here is the solvency ratio of Cambodian Public Bank Plc ("Campu Bank"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-010-182 and B7-00-46 issued by the National Bank of Cambodia. This ratio is derived as Campu Bank's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.

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A29. Capital Adequacy (continued)

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

⁶ The amount presented here is the Capital Adequacy Ratio of Public Bank Vietnam Limited ("PBVN"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with SBV Circular No.36/2014/TT-NHNN and Circular No.06/2016/TT-NHNN issued by the State Bank of Vietnam. This ratio is derived as PBVN's capital divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory capital adequacy ratio requirement is 9.0%.

A30. Credit Exposures Arising From Credit Transactions With Connected Parties

	Group		Bank	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Outstanding credit exposures with connected parties (RM'000)	2,411,760	1,909,185	3,180,515	3,092,376
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures	0.73%	0.59%	1.21%	1.20%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	0.04%	0.06%	0.03%	0.03%

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A31. Operations of Islamic Banking

A31a. Statement of Financial Position As At 30 June 2017

	Note	Group	
		30 June 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and balances with banks		2,989,651	651,382
Financial assets held-for-trading		1,143,558	495,364
Derivative financial assets		4,940	18,153
Financial investments available-for-sale		6,041,169	6,140,438
Financial investments held-to-maturity		2,983,558	2,985,266
Financing and advances	A31d	39,335,497	37,235,682
Other assets		80,535	85,913
Statutory deposits with Bank Negara Malaysia		1,733,600	1,518,000
Deferred tax assets		9,606	4,242
Collective investments		505,043	497,836
Investment in an associated company		30,000	30,000
Property and equipment		1,186	1,250
Total Assets		54,858,343	49,663,526
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	A31e	48,185,605	42,473,074
Deposits from banks		1,770,641	2,322,128
Bills and acceptances payable		648	1,675
Recourse obligations on financing sold to Cagamas		-	500,016
Derivative financial liabilities		36,446	23,356
Subordinated Sukuk Murabahah		499,501	499,374
Other liabilities		309,099	215,490
Provision for zakat and taxation		56,725	43,251
Total Liabilities		50,858,665	46,078,364
Islamic Banking Funds		3,999,678	3,585,162
Total Liabilities and Islamic Banking Funds		54,858,343	49,663,526
COMMITMENTS AND CONTINGENCIES		11,004,501	11,222,116

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A31b. Statement of Profit or Loss for the 2nd Quarter and Financial Half Year Ended 30 June 2017

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Group				
Income derived from investment of depositors' funds and others	566,799	528,659	1,121,355	1,032,635
Income derived from investment of Islamic Banking Funds	44,465	41,720	87,249	83,599
Allowance for impairment on financing and advances	(21,728)	(27,512)	(39,361)	(40,545)
Writeback of impairment / (Impairment) on other assets	12	20	59	(14)
Profit Equalisation Reserves	-	(33)	-	(71)
Total distributable income	589,548	542,854	1,169,302	1,075,604
Income attributable to depositors and others	(360,113)	(334,403)	(706,185)	(651,181)
Total net income	229,435	208,451	463,117	424,423
Other overheads and expenditures	(105,197)	(90,348)	(206,305)	(178,681)
Profit before zakat and taxation	124,238	118,103	256,812	245,742
Zakat	(65)	(52)	(130)	(105)
Taxation	(29,147)	(27,057)	(60,265)	(57,549)
Profit for the period	95,026	90,994	196,417	188,088

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	30 June	30 June	30 June
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	566,799	528,659	1,121,355	1,032,635
Income derived from investment of Islamic Banking Funds	44,465	41,720	87,249	83,599
Income attributable to depositors and others	(360,113)	(334,403)	(706,185)	(651,181)
Profit Equalisation Reserves	-	(33)	-	(71)
Elimination of dividends from collective investment	(3,726)	(2,825)	(7,276)	(4,377)
Net income from Islamic banking business	247,425	233,118	495,143	460,605

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A31c. Statement of Profit or Loss and Other Comprehensive Income for the 2nd Quarter and Financial Half Year Ended 30 June 2017

	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
<u>Group</u>				
Profit for the period	95,026	90,994	196,417	188,088
Other comprehensive income / (loss):				
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net gain on revaluation of financial investments available-for-sale	16,809	8,126	10,597	4,300
Hedging reserves:				
- Net change in cash flow hedges	(23,683)	(23,592)	(31,828)	(116,171)
	(6,874)	(15,466)	(21,231)	(111,871)
Income tax relating to components of other comprehensive income / (loss):				
- Revaluation reserves	(4,034)	(1,950)	(2,543)	(1,032)
- Hedging reserves	5,683	5,662	7,638	27,881
	1,649	3,712	5,095	26,849
Other comprehensive loss for the period, net of tax	(5,225)	(11,754)	(16,136)	(85,022)
Total comprehensive income for the period	89,801	79,240	180,281	103,066

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A31d. Financing and Advances

By type and contract

30 June 2017	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Ujrah RM'000	Total Financing and Advances RM'000
At amortised cost							
Cash line	1,337,253	-	-	-	-	-	1,337,253
Term financing							
- House financing	4,008,038	-	-	9,008,278	-	-	13,016,316
- Syndicated financing	1,358,938	-	-	-	-	-	1,358,938
- Hire purchase receivables	-	11,367,868	-	-	-	-	11,367,868
- Other term financing	2,780,423	-	1,817,670	7,558,873	-	-	12,156,966
Credit card receivables	-	-	-	-	-	11,709	11,709
Bills receivables	-	-	-	-	1,602	-	1,602
Trust receipts	-	-	-	-	4,451	-	4,451
Claims on customers under acceptance credits	-	-	-	-	125,219	-	125,219
Revolving credits	206,443	-	-	-	-	-	206,443
Staff financing	-	5,837	-	48,180	-	-	54,017
Gross financing and advances	9,691,095	11,373,705	1,817,670	16,615,331	131,272	11,709	39,640,782
Allowance for impaired financing and advances:							
- collective assessment allowance							(305,285)
Net financing and advances							<u>39,335,497</u>

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A31d. Financing and Advances (continued)

By type and contract (continued)

31 December 2016	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Ujrah RM'000	Total Financing and Advances RM'000
At amortised cost							
Cash line	1,200,076	-	-	-	-	-	1,200,076
Term financing							
- House financing	4,074,478	-	-	7,406,025	-	-	11,480,503
- Syndicated financing	1,344,515	-	-	-	-	-	1,344,515
- Hire purchase receivables	-	11,732,886	-	-	-	-	11,732,886
- Other term financing	2,953,281	-	1,895,438	6,572,426	-	-	11,421,145
Credit card receivables	-	-	-	-	-	10,530	10,530
Bill receivables	-	-	-	-	3,270	-	3,270
Trust receipts	-	-	-	-	2,478	-	2,478
Claims on customers under acceptance credits	-	-	-	-	104,197	-	104,197
Revolving credits	197,789	-	-	-	-	-	197,789
Staff financing	-	4,746	-	35,215	-	-	39,961
Gross financing and advances	9,770,139	11,737,632	1,895,438	14,013,666	109,945	10,530	37,537,350
Allowance for impaired financing and advances:							
- collective assessment allowance							(301,634)
- individual assessment allowance							(34)
Net financing and advances							<u>37,235,682</u>

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A31d. Financing and Advances (continued)

Movements in impaired financing and advances are as follows:

	Group	
	30 June 2017 RM'000	31 December 2016 RM'000
At 1 January	225,667	211,804
Impaired during the period / year	318,384	593,015
Reclassified as non-impaired	(232,720)	(440,075)
Recoveries	(20,472)	(44,904)
Amount written off	(46,200)	(92,607)
Financing converted to foreclosed properties	(767)	(1,566)
Closing balance	<u>243,892</u>	<u>225,667</u>
 Impaired financing and advances as a percentage of gross financing and advances	 <u>0.62%</u>	 <u>0.60%</u>

A31e. Deposits from Customers

	Group	
	30 June 2017 RM'000	31 December 2016 RM'000
By type of deposit and contract		
At amortised cost		
Savings deposit		
- Wadiah	6,132,397	5,855,625
Demand deposit		
- Wadiah	3,963,613	3,839,873
Term deposit		
- Commodity Murabahah	34,013,725	27,684,903
- General investment account		
- Mudharabah	-	90,115
- Wakalah	-	110,184
	<u>-</u>	<u>200,299</u>
- Special term deposit account		
- Wadiah	4,075,870	4,892,374
	<u>48,185,605</u>	<u>42,473,074</u>

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

B1. Performance Review

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

The Group's pre-tax profit for the financial half year ended 30 June 2017 of RM3,367.5 million was RM164.4 million or 5.1% higher than the previous corresponding half year of RM3,203.1 million. Net profit attributable to equity holders improved by RM93.9 million or 3.8% to RM2,579.8 million. The higher earnings was mainly due to higher net interest income of RM281.0 million (8.3%), higher net fee and commission income of RM79.0 million (10.3%), lower loan impairment allowance of RM43.8 million (31.9%) and higher income from Islamic banking business of RM34.5 million (7.5%). These were partially offset by higher operating overheads due to higher business volume, lower investment and non-operational foreign exchange income.

The Group's profit was mainly supported by continued loans and customer deposits growth coupled with stable asset quality. Gross loans grew by RM15.0 billion or 5.3% to RM298.5 billion as at 30 June 2017 as compared to RM283.5 billion as at 30 June 2016, mainly driven by growth in property financing, lending to small and medium enterprises ("SMEs") and corporate lending. Total deposits from customers increased by 1.8% or RM5.7 billion to RM317.3 billion as at 30 June 2017 which partly contributed to the higher net interest income for the current period. The Group's impaired loan ratio remained stable at 0.5% as at 30 June 2017. This was attributed to the Group's consistent adoption of strict and prudent credit policies and proactive recovery processes.

The performance of the respective operating business segments for the financial half year ended 30 June 2017 as compared to the previous corresponding half year is analysed as follows:-

- 1) Retail Operations – Pre-tax profit increased by RM81.1 million (4.8%) to RM1,768.3 million mainly due to higher net interest income on higher average loan and deposit balances, net writeback of loan impairment allowance and higher fee income, partially offset by higher other operating expenses.
- 2) Hire purchase – Pre-tax profit increased by RM28.7 million (14.7%) to RM224.3 million mainly due to higher net interest income partially offset by higher other operating expenses.
- 3) Corporate lending – Pre-tax profit increased by RM29.1 million (12.1%) to RM269.9 million mainly due to higher net interest income on higher average loan balances.
- 4) Treasury and capital market operations – The decrease in pre-tax profit of RM12.8 million (-4.2%) to RM289.0 million was mainly due to lower investment income, partially offset by higher net interest income on treasury gapping, funding and liquidity management activities.
- 5) Investment banking – The decrease in pre-tax profit of RM3.7 million (-13.7%) to RM23.6 million was mainly due to higher other operating expenses and higher loan impairment allowance, partially offset by higher brokerage income from stock-broking activities.
- 6) Fund management – Pre-tax profit increased by RM43.5 million (16.2%) to RM311.6 million mainly due to higher management fee earned on higher average net asset value of funds under management and higher fee income from sale of trust units.
- 7) Overseas operations – Pre-tax profit increased by RM41.4 million (13.7%) to RM342.8 million mainly due to favourable foreign exchange movements, higher net interest income, lower loan impairment allowance and higher other operating income, partially offset by higher other operating expenses.

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B1. Performance Review (continued)

Current Quarter vs. Previous Year Corresponding Quarter

For the 2nd quarter ended 30 June 2017, the Group registered a pre-tax profit of RM1,736.0 million, an improvement of RM184.5 million or 11.9% as compared to the previous corresponding quarter. The improved pre-tax profit was mainly due to higher net interest income, lower loan impairment allowance and higher net fee and commission income, which were partially offset by higher other operating expenses. Net profit attributable to equity holders grew by RM75.7 million or 6.0% over the same period to RM1,331.8 million.

Performance of the respective operating business segments for the 2nd quarter ended 30 June 2017 as compared to the previous corresponding quarter is analysed as follows:-

- 1) Retail operations – The increase in pre-tax profit of RM59.2 million (6.9%) to RM912.3 million was mainly due to higher net interest income, higher fee income and higher net writeback of loan impairment allowance, partially offset by higher other operating expenses.
- 2) Hire purchase – Pre-tax profit increased by RM16.3 million (15.8%) to RM119.4 million mainly due to higher net interest income and lower loan impairment allowance.
- 3) Corporate lending – Pre-tax profit increased by RM15.7 million (12.9%) to RM137.2 million, mainly due to higher net interest income on higher average loan balances.
- 4) Treasury and capital market operations – The increase in pre-tax profit of RM26.5 million (21.8%) to RM148.1 million was mainly due to higher investment income and higher net interest income.
- 5) Investment banking – Pre-tax profit decreased marginally by RM0.1 million (-1.0%) to RM12.7 million.
- 6) Fund management business – Pre-tax profit increased by RM28.3 million (21.4%) to RM160.5 million mainly due to higher management fee earned on higher average net asset value of funds under management.
- 7) Overseas Operations – The increase in pre-tax profit of RM35.9 million (24.7%) to RM181.0 million was mainly due to higher net interest income, lower loan impairment allowance and higher other operating income, partially offset by higher other operating expenses.

B2. Variation of Results Against Preceding Quarter

For the 2nd quarter ended 30 June 2017, the Group registered a pre-tax profit of RM1,736.0 million, an increase of RM104.5 million or 6.4% as compared to the pre-tax profit of RM1,631.5 million for the preceding quarter ended 31 March 2017. Net profit attributable to equity holders improved by 6.7% over the same period. The increase in pre-tax profit was mainly due to lower loan impairment allowance, higher net fee and commission income, higher investment income and higher net interest income.

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B3. Prospects for 2017

Global economic recovery is expected to sustain in 2017. Activities in the advanced economies have gained traction, driven by progress of the US economy to achieve maximum employment and price stability. Supported by accommodative monetary conditions, the ongoing recovery in the euro area will persist. Japan is also showing signs of improvement, buoyed by expansionary fiscal and monetary policies, and a rebound in exports. Amidst the firming global backdrop, emerging markets and developing countries are expected to benefit from the spillover of the recovery.

Domestically, the Malaysian economy expanded by 5.6% in the first quarter of 2017, supported by domestic demand and recovery in exports. Growth momentum is expected to be sustained for the rest of the year and GDP could potentially register an expansion of 4.3% - 4.8% in 2017 (2016: 4.2%). Private consumption will sustain due to continued growth for both wage and employment, as well as ongoing policy measures to raise disposable income. As for investment activity, Malaysia is enhancing its investment ecosystem within the manufacturing and services sectors to facilitate growth. Also, Malaysia's exports have benefited from the improvement in global growth.

Meanwhile, inflation has moderated since second quarter of 2017 as transport prices and cost-push pressure taper. Despite elevated prices in the first quarter and inflation rate of 5.1% in March, the projection for full-year inflation is between 3.0% - 4.0%.

With domestic demand as the anchor of growth, the Malaysian banking system remains healthy with strong capitalisation, stable funding and liquidity positions, and sustained profitability. Credit conditions in the domestic banking system remains conducive for businesses and households.

Amid headwinds, the Public Bank Group seeks to ride on its strengths to further develop its business and sustain its market position. The Group is highly focused on sustaining its operational excellence and efficiency. The Public Bank Group remains prudent and responsible in its lending practices, as it upholds strong governance and compliance culture and sound risk management practices.

The Group is expected to maintain its leading market position in the domestic retail segment, driven by stable loans growth for home mortgages and the small and medium enterprises ("SME"). The Group will sustain financing growth in the residential property segment as it focuses on the broader mass market and home mortgages for owner occupation. The Group will continue to prudently grow its hire purchase business with enhanced asset quality, considering the downbeat outlook for the automotive industry.

To sustain its market leadership position in SME financing, the Public Bank Group will continue to tap on market opportunities by offering products and services to meet the needs of SMEs. The SME segment will continue to benefit from the ongoing measures and implementations of key Government initiatives under the national transformation programmes, Eleventh Malaysia Plan and SME Masterplan.

Within the corporate lending business, the Public Bank Group will continue to support the existing corporate portfolio while acquiring new corporate clients.

In the face of heightened market uncertainties, the Public Bank Group's treasury and capital market operations will continue to be vigilant and maintain strong liquidity positions to weather potential headwinds in the market.

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B3. Prospects for 2017 (continued)

The private retail unit trust industry is expected to grow moderately due to volatile market conditions. To maintain its strong branding and leading position in the private unit trust industry in Malaysia, the Public Bank Group will remain focused on offering superior financial products and efficient services as well as broadening the range of investment products to meet the needs of various investors.

The Public Bank Group will continue to work closely with AIA Bhd to ensure that the products of bancassurance remain consistently competitive and relevant to customers' needs. The Group will also expand its fee income segment through foreign exchange related transactions and transactional banking services.

The Group has been leveraging on its strong corporate branding as a prudent, safe and efficient commercial bank while expanding its businesses organically. The Group will continue to capitalise on opportunities in its overseas operations to enhance further the Group's overall business performance.

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 2017 are as follows:

	2nd Quarter Ended		Half Year Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	359,788	243,930	699,677	629,290
Overseas income tax	31,690	27,260	60,987	56,258
	391,478	271,190	760,664	685,548
Under / (Over) provision in prior years				
- Malaysian income tax	-	-	6	(6)
- Overseas income tax	8,943	728	9,023	1,020
	400,421	271,918	769,693	686,562
Deferred tax expense				
- Relating to changes in tax rate	-	-	-	661
- Relating to origination and reversal of temporary differences	(16,478)	8,959	(19,686)	99
Tax expense	383,943	280,877	750,007	687,322
Zakat	65	52	130	105
	384,008	280,929	750,137	687,427

The Group's effective tax rate for the 2nd quarter and financial half year ended 30 June 2017 and 30 June 2016 were lower than the statutory tax rate mainly due to the effects of lower tax rates in other tax jurisdictions and certain income not subject to tax.

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B5. Tax Expense and Zakat (continued)

<u>Bank</u>	2nd Quarter Ended		Half Year Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Malaysian income tax	329,974	230,523	617,181	582,039
Overseas income tax	2,657	1,989	4,784	5,892
	332,631	232,512	621,965	587,931
Under provision in prior years				
- Malaysian income tax	-	-	1	-
- Overseas income tax	-	-	80	292
	332,631	232,512	622,046	588,223
Deferred tax expense				
- Relating to changes in tax rate	-	-	-	643
- Relating to origination and reversal of temporary differences	(9,718)	7,148	(14,124)	(2,249)
	322,913	239,660	607,922	586,617

The Bank's effective tax rate for the 2nd quarter and financial half year ended 30 June 2017 and 30 June 2016 were lower than the statutory tax rate mainly due to certain income not subject to tax.

B6. Status of Corporate Proposals Announced but Not Completed

There were no corporate proposals announced but not completed as at 30 June 2017.

B7. Status of Utilisation of Proceeds Raised from Corporate Proposals

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

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B8. Realised and Unrealised Profits

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

	Group	
	30 June 2017 RM'000	31 December 2016 RM'000
Total retained profits of Public Bank Berhad and its subsidiary companies:		
- Realised	22,789,516	16,497,750
- Unrealised	307,796	285,473
	23,097,312	16,783,223
Total share of retained losses from associated companies:		
- Realised	(17,360)	(13,253)
- Unrealised	-	-
	23,079,952	16,769,970
Less: Consolidation adjustments	(76,823)	128,347
Total Group retained profits as per consolidated accounts	23,003,129	16,898,317
	Bank	
	30 June 2017 RM'000	31 December 2016 RM'000
Total retained profits of Public Bank Berhad:		
- Realised	19,142,191	13,567,604
- Unrealised	38,313	26,730
Total Bank retained profits as per accounts	19,180,504	13,594,334

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

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

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

	Group		Bank	
	30 June 2017 RM'000	31 December 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000
(a) <u>Deposits from customers</u>				
- Fixed deposits				
One year or less	182,585,699	179,513,997	133,074,976	134,333,648
More than one year	876,172	668,679	92,628	200,157
- Negotiable instruments of deposits				
One year or less	19,070	-	17,204	-
- Money market deposits				
One year or less	52,468,253	51,735,008	49,476,387	47,838,063
- Savings deposits	34,506,343	32,502,203	22,852,821	21,869,236
- Demand deposits	46,778,593	45,470,463	38,488,124	37,646,794
- Others	34,566	83,218	24,299	69,560
	<u>317,268,696</u>	<u>309,973,568</u>	<u>244,026,439</u>	<u>241,957,458</u>
(b) <u>Deposits from banks</u>				
- One year or less	<u>12,487,237</u>	<u>11,810,823</u>	<u>13,257,968</u>	<u>12,289,026</u>
(c) <u>Debt securities issued and other borrowed funds</u>				
Borrowings (unsecured)				
Term loan denominated in HKD				
- More than one year	601,863	631,771	-	-
Term loan denominated in USD				
- More than one year	857,403	895,664	857,403	895,664
Syndicated term loan denominated in USD				
- More than one year	1,572,167	-	1,572,167	-
	<u>3,031,433</u>	<u>1,527,435</u>	<u>2,429,570</u>	<u>895,664</u>
Senior Medium Term notes denominated in RM (unsecured)				
- One year or less	399,811	-	399,811	-
- More than one year	2,005,986	2,405,237	2,005,986	2,405,237
	<u>2,405,797</u>	<u>2,405,237</u>	<u>2,405,797</u>	<u>2,405,237</u>
Subordinated notes / sukuk murabahah denominated in RM (unsecured)				
- More than one year	7,450,384	5,454,552	6,950,883	4,955,178
Non-innovative Tier I stapled securities denominated in RM (unsecured)				
- More than one year	2,123,873	2,127,050	2,123,873	2,127,050
	<u>15,011,487</u>	<u>11,514,274</u>	<u>13,910,123</u>	<u>10,383,129</u>

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B10. Changes in Material Litigation

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

B11. Dividends

(a) (i) A first interim dividend of 27.0 sen per share for the financial year ending 31 December 2017, amounting to RM1,042,603,392 computed based on 3,861,494,043 ordinary shares (excluding treasury shares) as at 30 June 2017, has been declared by the directors.

(ii) Amount per share : 27.0 sen

(iii) Entitlement date: 9 August 2017

(iv) Payment date: 17 August 2017

(b) Total dividend paid for the previous financial half year ended 30 June 2016:
- First interim dividend of 26.0 sen per share.

B12. Earnings Per Share

	2nd Quarter Ended		Half Year Ended	
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
Net profit attributable to equity holders (RM'000)	<u>1,331,826</u>	<u>1,256,153</u>	<u>2,579,807</u>	<u>2,485,943</u>
Weighted average number of PBB Shares ('000)	<u>3,861,494</u>	<u>3,861,494</u>	<u>3,861,494</u>	<u>3,861,494</u>
Basic earnings per share (sen)	<u>34.5</u>	<u>32.5</u>	<u>66.8</u>	<u>64.4</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.