

PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Group		Bank	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
ASSETS					
Cash and balances with banks		14,006,541	10,684,092	6,387,571	5,059,890
Reverse repurchase agreements		651,065	2,793,563	-	2,268,564
Financial assets held-for-trading	A8	1,376,541	1,178,884	699,796	576,329
Derivative financial assets	A27	226,319	618,141	240,215	628,145
Financial investments available-for-sale	A9	30,325,057	33,345,205	20,210,743	23,655,309
Financial investments held-to-maturity	A10	28,578,336	22,173,926	23,331,493	17,044,541
Loans, advances and financing	A11	303,044,127	292,429,184	240,576,248	232,794,693
Other assets	A12	2,751,745	2,994,523	2,536,423	3,028,257
Statutory deposits with Central Banks		9,525,927	8,900,566	6,940,438	6,586,569
Deferred tax assets		70,984	65,189	-	-
Collective investments		-	-	5,319,009	5,140,765
Investment in subsidiary companies		-	-	5,955,494	5,655,494
Investment in associated companies		35,068	38,137	30,000	30,000
Investment properties		688,052	699,469	-	-
Property and equipment		1,564,427	1,528,326	741,942	645,794
Intangible assets		2,432,058	2,603,621	695,393	695,393
TOTAL ASSETS		395,276,247	380,052,826	313,664,765	303,809,743
LIABILITIES					
Deposits from customers	A13	319,259,426	309,973,568	245,331,728	241,957,458
Deposits from banks	A14	11,446,057	11,810,823	12,966,893	12,289,026
Obligations on securities sold under repurchase agreements		1,237,528	2,469,834	1,237,528	2,469,834
Bills and acceptances payable		286,949	327,272	286,584	325,597
Recourse obligations on loans and financing sold to Cagamas		5,922,006	1,922,023	5,922,006	1,422,007
Derivative financial liabilities	A27	568,129	1,328,691	569,439	1,322,747
Debt securities issued and other borrowed funds	B9	12,328,073	11,514,274	10,759,998	10,383,129
Other liabilities	A15	4,915,701	4,624,169	3,320,082	3,371,725
Provision for tax expense and zakat		702,063	563,114	500,330	376,065
Deferred tax liabilities		164,655	155,287	128,997	118,653
TOTAL LIABILITIES		356,830,587	344,689,055	281,023,585	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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(6463 - H)
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AUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
EQUITY				
Share capital	9,417,653	3,882,138	9,417,653	3,882,138
Reserves	28,096,390	30,480,514	23,372,864	26,040,701
Treasury shares	(149,337)	(149,337)	(149,337)	(149,337)
Equity attributable to equity holders of the Bank	37,364,706	34,213,315	32,641,180	29,773,502
Non-controlling interests	1,080,954	1,150,456	-	-
TOTAL EQUITY	38,445,660	35,363,771	32,641,180	29,773,502
TOTAL LIABILITIES AND EQUITY	395,276,247	380,052,826	313,664,765	303,809,743
COMMITMENTS AND CONTINGENCIES				
	A26	95,442,831	105,592,459	88,624,817
		97,032,508		
CAPITAL ADEQUACY	A29			
<u>Before deducting interim dividends *</u>				
Common Equity Tier I Capital Ratio	12.758%	11.864%	12.136%	11.725%
Tier I Capital Ratio	13.538%	12.718%	13.072%	12.751%
Total Capital Ratio	16.494%	15.976%	15.577%	15.248%
<u>After deducting interim dividends *</u>				
Common Equity Tier I Capital Ratio	12.248%	11.373%	11.506%	11.117%
Tier I Capital Ratio	13.028%	12.227%	12.442%	12.143%
Total Capital Ratio	15.984%	15.485%	14.947%	14.640%
Net assets per share attributable to ordinary equity holders of the Bank (RM)	9.68	8.86	8.45	7.71

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

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PUBLIC BANK BERHAD
(6463 - H)
(Incorporated in Malaysia)
CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Note	4th Quarter Ended		Financial Year Ended	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Operating revenue		5,350,550	5,084,083	20,858,174	20,102,740
Interest Income	A16	3,869,835	3,813,958	15,278,416	15,067,528
Interest expense	A17	(1,982,189)	(2,014,076)	(7,861,297)	(8,147,121)
Net interest income		1,887,646	1,799,882	7,417,119	6,920,407
Net income from Islamic banking business	A31b	252,866	231,977	998,717	941,638
		2,140,512	2,031,859	8,415,836	7,862,045
Fee and commission income	A18 (a)	669,648	595,013	2,560,668	2,289,015
Fee and commission expense	A18 (b)	(223,901)	(183,177)	(824,128)	(724,025)
Net fee and commission income	A18	445,747	411,836	1,736,540	1,564,990
Net gains and losses on financial instruments	A19	11,117	153	90,431	74,022
Other operating income	A20	189,214	116,905	503,999	455,394
Net income		2,786,590	2,560,753	10,746,806	9,956,451
Other operating expenses	A21	(813,683)	(805,460)	(3,428,178)	(3,211,470)
Operating profit		1,972,907	1,755,293	7,318,628	6,744,981
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	A22	(23,798)	37,106	(203,292)	(192,740)
Writeback of allowance for impairment on other assets		8,003	218	5,625	430
		1,957,112	1,792,617	7,120,961	6,552,671
Share of profit / (loss) after tax of equity accounted associated companies		125	94	(3,289)	1,361
Profit before tax expense and zakat		1,957,237	1,792,711	7,117,672	6,554,032
Tax expense and zakat	B5	(451,872)	(293,442)	(1,570,693)	(1,286,597)
Profit for the period / year		1,505,365	1,499,269	5,546,979	5,267,435
Profit for the period / year attributable to:					
- Equity holders of the Bank		1,485,468	1,482,782	5,470,035	5,206,875
- Non-controlling interests		19,897	16,487	76,944	60,560
		1,505,365	1,499,269	5,546,979	5,267,435
Earnings per share:					
- basic / diluted (sen)	B13	38.5	38.4	141.7	134.8

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PUBLIC BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Profit for the period / year	<u>1,505,365</u>	<u>1,499,269</u>	<u>5,546,979</u>	<u>5,267,435</u>
Other comprehensive income / (loss):				
<u>Items that will not be reclassified to profit or loss:</u>				
Defined benefit reserves:				
- Gain on remeasurements of defined benefit plans	<u>40,444</u>	<u>54,814</u>	<u>40,444</u>	<u>54,814</u>
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of:				
- Foreign operations	(304,635)	530,706	(761,477)	347,126
- Net investment hedge	<u>176,147</u>	<u>(347,444)</u>	<u>466,881</u>	<u>(253,118)</u>
Revaluation reserves:				
- Net change in revaluation of financial investments available-for-sale	<u>4,848</u>	<u>(375,265)</u>	<u>128,333</u>	<u>(111,955)</u>
Hedging reserves:				
- Net change in cash flow hedges	<u>25,898</u>	<u>66,899</u>	<u>8,987</u>	<u>5,625</u>
	<u>(97,742)</u>	<u>(125,104)</u>	<u>(157,276)</u>	<u>(12,322)</u>
Income tax relating to components of other comprehensive income / (loss):				
- Defined benefit reserves	(9,686)	(13,128)	(9,686)	(13,128)
- Revaluation reserves	(2,347)	86,834	(26,364)	30,962
- Hedging reserves	(6,216)	(16,056)	(2,157)	(1,350)
	<u>(18,249)</u>	<u>57,650</u>	<u>(38,207)</u>	<u>16,484</u>
Share of (loss) / profit of equity accounted associated companies				
- Revaluation reserves	(67)	(466)	222	(108)
Other comprehensive (loss) / income for the period / year, net of tax	<u>(75,614)</u>	<u>(13,106)</u>	<u>(154,817)</u>	<u>58,868</u>
Total comprehensive income for the period / year	<u>1,429,751</u>	<u>1,486,163</u>	<u>5,392,162</u>	<u>5,326,303</u>
Total comprehensive income / (loss) for the period / year attributable to:				
- Equity holders of the Bank	1,456,427	1,386,996	5,429,672	5,221,884
- Non-controlling interests	(26,676)	99,167	(37,510)	104,419
	<u>1,429,751</u>	<u>1,486,163</u>	<u>5,392,162</u>	<u>5,326,303</u>

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PUBLIC BANK BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2017

<u>Bank</u>	Note	4th Quarter Ended		Financial Year Ended	
		31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Operating revenue		4,063,830	3,464,754	15,668,540	14,834,374
Interest income	A16	3,441,211	3,402,312	13,566,413	13,537,566
Interest expense	A17	(1,913,587)	(1,951,746)	(7,569,308)	(7,903,957)
Net interest income		1,527,624	1,450,566	5,997,105	5,633,609
Fee and commission income	A18 (a)	267,003	258,918	1,041,880	972,727
Fee and commission expense	A18 (b)	(92,332)	(81,677)	(343,025)	(310,623)
Net fee and commission income	A18	174,671	177,241	698,855	662,104
Net gains and losses on financial instruments	A19	7,259	12,324	85,462	82,171
Other operating income	A20	715,436	109,304	1,754,382	840,964
Net income		2,424,990	1,749,435	8,535,804	7,218,848
Other operating expenses	A21	(499,550)	(516,522)	(2,170,222)	(2,113,580)
Operating profit		1,925,440	1,232,913	6,365,582	5,105,268
Writeback of allowance / (Allowance) for impairment on loans, advances and financing	A22	7,589	48,293	(74,832)	(26,439)
Writeback of allowance for impairment on other assets		7,965	212	5,492	426
Profit before tax expense and zakat		1,940,994	1,281,418	6,296,242	5,079,255
Tax expense and zakat	B5	(340,104)	(228,590)	(1,235,703)	(1,055,350)
Profit for the period / year		1,600,890	1,052,828	5,060,539	4,023,905

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AUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2017

	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Bank				
Profit for the period / year	<u>1,600,890</u>	<u>1,052,828</u>	<u>5,060,539</u>	<u>4,023,905</u>
Other comprehensive income / (loss):				
<u>Items that will not be reclassified to profit or loss:</u>				
Defined benefit reserves:				
- Gain on remeasurements of defined benefit plans	<u>39,842</u>	<u>53,997</u>	<u>39,842</u>	<u>53,997</u>
<u>Items that may be reclassified to profit or loss:</u>				
Foreign currency translation reserves:				
- Currency translation differences in respect of foreign operations	<u>(11,822)</u>	<u>20,716</u>	<u>(31,333)</u>	<u>12,199</u>
Revaluation reserves:				
- Net change in revaluation of financial investments available-for-sale	<u>10,906</u>	<u>(277,624)</u>	<u>87,250</u>	<u>(80,451)</u>
Hedging reserves:				
- Net change in cash flow hedges	<u>7,745</u>	<u>(5,694)</u>	<u>26,530</u>	<u>68,399</u>
	<u>6,829</u>	<u>(262,602)</u>	<u>82,447</u>	<u>147</u>
Income tax relating to components of other comprehensive income / (loss):				
- Defined benefit reserves	<u>(9,562)</u>	<u>(12,959)</u>	<u>(9,562)</u>	<u>(12,959)</u>
- Revaluation reserves	<u>(2,618)</u>	<u>66,630</u>	<u>(20,940)</u>	<u>19,308</u>
- Hedging reserves	<u>(1,859)</u>	<u>1,366</u>	<u>(6,367)</u>	<u>(16,416)</u>
	<u>(14,039)</u>	<u>55,037</u>	<u>(36,869)</u>	<u>(10,067)</u>
Other comprehensive income / (loss) for the period / year, net of tax	<u>32,632</u>	<u>(153,568)</u>	<u>85,420</u>	<u>44,077</u>
Total comprehensive income for the period / year	<u>1,633,522</u>	<u>899,260</u>	<u>5,145,959</u>	<u>4,067,982</u>

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PUBLIC BANK BERHAD
(6463 - H)
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CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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	<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 year	-	-	-	5,470,035	-	5,470,035	76,944	5,546,979
Other comprehensive loss for the year	-	-	(40,363)	-	-	(40,363)	(114,454) *	(154,817)
Total comprehensive (loss) / income for the year	-	-	(40,363)	5,470,035	-	5,429,672	(37,510)	5,392,162
Transactions with owners / other equity movements:								
Transfer pursuant to Companies Act 2016	5,535,515	(5,535,515)	-	-	-	-	-	-
Transfer from statutory reserves	-	-	(4,919,565)	4,919,565	-	-	-	-
Transfer to regulatory reserves	-	-	205,528	(205,528)	-	-	-	-
Transfer to general reserves	-	-	81,050	(81,050)	-	-	-	-
Transfer from Profit Equalisation Reserve of the Islamic banking institution	-	-	(1)	1	-	-	-	-
Dividends paid	-	-	-	(2,278,281)	-	(2,278,281)	(31,992)	(2,310,273)
	5,535,515	(5,535,515)	(4,632,988)	2,354,707	-	(2,278,281)	(31,992)	(2,310,273)
At 31 December 2017	9,417,653	-	3,373,331	24,723,059	(149,337)	37,364,706	1,080,954	38,445,660

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

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CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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	<u>Reserves</u> Other Reserves RM'000	<u>Reserves</u> 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 year	-	-	-	5,206,875	-	5,206,875	60,560	5,267,435
Other comprehensive income for the year	-	-	15,009	-	-	15,009	43,859 *	58,868
Total comprehensive income for the year	-	-	15,009	5,206,875	-	5,221,884	104,419	5,326,303
Transactions with owners / other equity movements:								
Transfer to statutory reserves	-	-	26,281	(26,281)	-	-	-	-
Transfer to regulatory reserves	-	-	307,618	(307,618)	-	-	-	-
Transfer from general reserves	-	-	(2,777)	2,777	-	-	-	-
Transfer to Profit Equalisation Reserve of the Islamic banking institution	-	-	86	(86)	-	-	-	-
Dividends paid	-	-	-	(2,239,667)	-	(2,239,667)	(30,604)	(2,270,271)
	-	-	331,208	(2,570,875)	-	(2,239,667)	(30,604)	(2,270,271)
At 31 December 2016	3,882,138	5,535,515	8,046,682	16,898,317	(149,337)	34,213,315	1,150,456	35,363,771

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

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 year	-	-	-	5,060,539	-	5,060,539
Other comprehensive income for the year	-	-	85,420	-	-	85,420
Total comprehensive income for the year	-	-	85,420	5,060,539	-	5,145,959
Transactions with owners / other equity movements:						
Transfer pursuant to Companies Act 2016	5,535,515	(5,535,515)	-	-	-	-
Transfer from statutory reserves	-	-	(4,536,712)	4,536,712	-	-
Transfer to regulatory reserves	-	-	152,701	(152,701)	-	-
Dividends paid	-	-	-	(2,278,281)	-	(2,278,281)
	5,535,515	(5,535,515)	(4,384,011)	2,105,730	-	(2,278,281)
At 31 December 2017	9,417,653	-	2,612,261	20,760,603	(149,337)	32,641,180

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 year	-	-	-	4,023,905	-	4,023,905
Other comprehensive income for the year	-	-	44,077	-	-	44,077
Total comprehensive income for the year	-	-	44,077	4,023,905	-	4,067,982
Transactions with owners / other equity movements:						
Transfer to regulatory reserves	-	-	233,010	(233,010)	-	-
Transfer from general reserves	-	-	(2,777)	2,777	-	-
Dividends paid	-	-	-	(2,239,667)	-	(2,239,667)
	-	-	230,233	(2,469,900)	-	(2,239,667)
At 31 December 2016	<u>3,882,138</u>	<u>5,535,515</u>	<u>6,910,852</u>	<u>13,594,334</u>	<u>(149,337)</u>	<u>29,773,502</u>

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PUBLIC BANK BERHAD
(6463 - H)
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CONDENSED INTERIM FINANCIAL STATEMENTS
AUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Cash Flows from Operating Activities				
Profit before tax expense and zakat	7,117,672	6,554,032	6,296,242	5,079,255
Adjustments for non-cash items:				
Share of loss / (profit) after tax of equity accounted associated companies	3,289	(1,361)	-	-
Allowance for impaired loans and financing	419,044	410,877	182,916	134,583
Depreciation of property and equipment	219,362	202,995	171,376	159,386
Net gain on financial instruments	(83,403)	(31,420)	(79,680)	(41,107)
Dividend income	(4,400)	(24,522)	(945,933)	(755,967)
Transfer to profit equalisation reserves	-	96	-	-
Impairment written back on other assets	(5,625)	(430)	(5,492)	(426)
Other non-cash items	589	(79,128)	3,127	513
Operating profit before working capital changes	<u>7,666,528</u>	<u>7,031,139</u>	<u>5,622,556</u>	<u>4,576,237</u>
Changes in working capital:				
Increase in operating assets	(9,728,339)	(15,706,982)	(5,526,720)	(9,513,374)
Increase in operating liabilities	<u>11,881,348</u>	<u>11,650,824</u>	<u>6,609,767</u>	<u>10,042,274</u>
Cash generated from operations	<u>9,819,537</u>	<u>2,974,981</u>	<u>6,705,603</u>	<u>5,105,137</u>
Tax expense and zakat paid	<u>(1,466,500)</u>	<u>(1,396,698)</u>	<u>(1,137,963)</u>	<u>(1,091,464)</u>
Net cash generated from operating activities	<u>8,353,037</u>	<u>1,578,283</u>	<u>5,567,640</u>	<u>4,013,673</u>
Cash Flows from Investing Activities				
Purchase of property and equipment	(311,549)	(404,969)	(269,934)	(155,161)
Addition to investment properties	-	(28,432)	-	-
Proceeds from disposal of properties	19,755	14,588	19,293	14,344
Net purchase of financial investments	(3,179,047)	(3,590,634)	(2,673,654)	(1,896,049)
Investment in collective investments	-	-	(178,244)	(3,213,150)
Additional investment in subsidiary companies	-	-	(300,000)	(879,654)
Additional investment in an associated company	-	(20,000)	-	(10,000)
Acquisition of Public Bank Vietnam Limited, net of cash acquired	-	531,531	-	-
Dividends / Distributions received	<u>4,400</u>	<u>24,522</u>	<u>918,160</u>	<u>706,069</u>
Net cash used in investing activities	<u>(3,466,441)</u>	<u>(3,473,394)</u>	<u>(2,484,379)</u>	<u>(5,433,601)</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
AUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Cash Flows from Financing Activities				
Dividends paid	(2,310,273)	(2,270,271)	(2,278,281)	(2,239,667)
Net drawdown of borrowings	1,622,676	830,741	1,620,311	827,953
Net proceeds from issuance of debt securities	2,499,970	999,500	1,999,970	999,500
Redemption of debt securities	<u>(3,000,000)</u>	<u>(2,006,600)</u>	<u>(3,000,000)</u>	<u>(2,006,600)</u>
Net cash used in financing activities	<u>(1,187,627)</u>	<u>(2,446,630)</u>	<u>(1,658,000)</u>	<u>(2,418,814)</u>
Net change in cash and cash equivalents	3,698,969	(4,341,741)	1,425,261	(3,838,742)
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>(662,994)</u>	163,194	-	-
Cash and cash equivalents at end of the year	<u>12,898,446</u>	<u>9,862,471</u>	<u>6,385,151</u>	<u>4,959,890</u>
Note:				
Cash and balances with banks	14,006,541	10,684,092	6,387,571	5,059,890
Less: Balances with banks with original maturity more than three months	<u>(1,108,095)</u>	<u>(821,621)</u>	<u>(2,420)</u>	<u>(100,000)</u>
Cash and cash equivalents at end of the year	<u>12,898,446</u>	<u>9,862,471</u>	<u>6,385,151</u>	<u>4,959,890</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 audited condensed interim financial statements for the 4th quarter and financial year ended 31 December 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 audited 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 audited 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 audited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the year ended 31 December 2016.

The audited 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 audited 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 year:

Effective for annual periods commencing on or after 1 January 2017

- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"
 - 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 MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2014 - 2016 Cycle"
 - Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards
 - Amendments to MFRS 128 Investments in Associates and Joint Ventures

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

- Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)

The main effects of the adoption of Amendments to MFRSs above are summarised below:

- a) 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.

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A1. Basis of Preparation (continued)

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

a) 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):

(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.

(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.

b) Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128) - The amendments clarify that companies shall apply MFRS 9 to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in associate or joint venture to which the equity method is not applied. The Group accounts for its investments in associates using equity method and therefore, the adoption of these amendments did not have any financial impact on the Group.

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 Representatives) 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 include:

- (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 year, 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 other financial impact on the Group and the Bank for the current financial year except on some disclosures to the annual report and financial statements for the financial year ended 31 December 2017.

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A1. Basis of Preparation (continued)

Capital Adequacy Frameworks and Capital Adequacy Frameworks for Islamic Banks

The Capital Adequacy Frameworks and Capital Adequacy Frameworks for Islamic Banks in relation to Basel II - Risk-Weighted Assets and Capital Components were updated and reissued by Bank Negara Malaysia ("BNM") on the following dates:

(a) Basel II - Risk-Weighted Assets updated on 2 March 2017 for immediate application:

The updates focused mainly on the Internal Rating Based Approach. 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.

(b) Capital Components updated on 4 August 2017 for immediate application:

The updates focused mainly on Additional Tier I and Tier II Islamic Capital instruments that are structured using equity-based Shariah Contracts such as Wakalah, Musharakah or Mudarabah. There is no impact on the Group as the Group's Tier II Islamic Capital instruments are structured based on exchange-based Murabahah contract.

(c) Basel II - Risk-Weighted Assets and Capital Components updated on 2 February 2018 for application with effect from 1 January 2018:

The updates focused mainly on the following changes:

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

BNM's Revised Policy Documents

(a) 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 year, the Group and the Bank had transferred RM4,925,879,000 and RM4,537,536,000 respectively from statutory reserves to retained profits.

(b) Financial Reporting and Financial Reporting for Islamic Banking Institutions

On 2 February 2018, BNM issued the revised policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions which prescribes the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank and its domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. The adoption of this requirement is expected to have minimal impact to the capital ratios of the Group and of the Bank as the Bank and its domestic banking subsidiary companies are currently maintaining, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment provisions.

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A1. Basis of Preparation (continued)

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

Effective for annual periods commencing on or after 1 January 2021

- MFRS 17 Insurance Contracts

A brief description of the new MFRSs, Amendments to MFRSs and IC Interpretations 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 'Revenue from Contracts with Customers' replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and their related interpretations. MFRS 15 provides a principles based approach for revenue recognition, and introduces the concept of recognising revenue for performance obligations as they are satisfied. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The key provisions of MFRS 15 are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules pertaining to, amongst others, licenses, warranties, non-refundable upfront fees, and consignment arrangements.

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A1. Basis of Preparation (continued)

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

- Extended disclosure requirements in line with the new standard.

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

- (b) **MFRS 9 Financial Instruments (2014)** - The International Accounting Standards Board (“IASB”) issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. Retrospective application is required, but restatement of comparative information is not compulsory.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective dates. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting as summarised below.

Classification and measurement

MFRS 9 establishes three primary measurement categories for financial assets: Amortised Cost, Fair Value Through Profit or Loss (“FVTPL”) and Fair Value Through Other Comprehensive Income (“FVOCI”). The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset.

Financial assets will be measured at amortised cost if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest. Financial assets will be measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual cash flows represent solely payments of principal and interest. Financial assets which are neither held at amortised cost nor at FVOCI will be measured at FVTPL.

Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes as FVOCI (provided the instrument is not held for trading). A debt instrument such as loans, advances and financing and investment securities are measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For financial liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch.

Impairment

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

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A1. Basis of Preparation (continued)

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

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

i) Stage 1: 12-month ECL

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

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

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

iii) Stage 3: Lifetime ECL - credit impaired

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

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

Hedge accounting

Under MFRS 9, 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.

Impairment model development and validation

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. A MFRS 9 Steering Committee has also been established to monitor the progress of the preparatory work. During the year, the progress of the MFRS 9 implementation project has been regularly reported to the Board Executive Committee, Audit Committee and the Board of Directors of the Bank. The Group and the Bank had completed gap assessment and development of MFRS 9 compliant ECL models for applicable credit exposures as well as model implementation into information systems. Independent validation has been completed to ensure the MFRS 9 models are fit for purpose and comply with the requirements of MFRS 9.

Impact as a result of the adoption of MFRS 9

MFRS 9 introduces significant changes in the way the Group and the Bank account for financial instruments, particularly on the accounting policy on impairment allowance for loans, advances and financing and financial assets.

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A1. Basis of Preparation (continued)

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

The key areas which would impact the financial results of the Group and of the Bank as a result of the adoption of MFRS 9 are:

- i) Classification and measurement of financial assets
 - Certain equity investments which are currently measured at cost will be measured at fair value.
 - Certain debt instruments which are currently classified as held-to-maturity and measured at amortised cost will be redesignated and measured at fair value.

Upon the initial adoption of MFRS 9, positive adjustments will be made to fair value through other comprehensive income reserves to reflect the reclassification and re-measurement of the above financial assets, which will enhance the equity and net assets of the Group and of the Bank.

- ii) Recognition and measurement of impairment

The recognition and measurement of impairment under MFRS 9 will be more forward-looking and will result in earlier recognition of credit losses as compared to MFRS 139.

Hence, the total ECL allowances computed under MFRS 9 is expected to be higher than the total allowance for impairment on loans, advances and financing under MFRS 139 as more forward looking approach is adopted as well as more financial assets (MFRS 9 includes loan commitments and financial guarantee contracts) will be assessed for impairment and allowances for impairment will be made for at least 12 month ECL. Upon the initial adoption of MFRS 9, a negative adjustment will be made to opening retained profits, which will decrease the equity and net assets of the Group and of the Bank. As certain basis and assumptions are still being refined, the quantitative impact to the overall financial statements has not been finalised at this juncture. However, the impact to the capital ratios of the Group and of the Bank are not expected to be significant on the basis that regulatory reserves would be allowed to mitigate the higher impairment allowance and due to positive adjustment arising from the remeasurement of certain equity investments.

The adoption of the requirements on classification and measurement is not expected to have any impact on the classification and measurement of the financial liabilities of the Group and of the Bank.

The Group and the Bank will elect an accounting policy choice allowed under MFRS 9 to continue applying existing hedge accounting requirements in MFRS 139 upon the adoption of MFRS 9.

The adoption of MFRS 9 will also result in changes to the presentation and disclosures of financial instruments in the financial statements of the Group and of the Bank. Under the new requirements, the disclosures of financial instruments and its related risks will be more extensive.

- (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.

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A1. Basis of Preparation (continued)

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

- (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. 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 as the Group's insurance business is immaterial.
- (f) **MFRS 16 Leases** - MFRS 16 'Leases' supersedes MFRS 117 'Leases' and its related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 introduces a single accounting model for a lessee and eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet).
- i) Lessee
At the commencement date of a lease, a lessee will recognise a lease liability to make lease payments and an asset representing the "right to use" of the underlying asset during the lease term. Subsequently, the "right-of-use" asset is depreciated in accordance with the principle in MFRS 116 "Property, Plant and Equipment" and the lease liability is accreted over time with interest expense recognised in the profit or loss.
- ii) Lessor
Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group has initiated the assessment of the potential effect arising from the adoption of MFRS 16. Due to the complexity of the requirements, the financial effects are still being assessed by the Group and the Bank.

- (g) **IC Interpretation 23 Uncertainty over Income Tax Treatments** - The IC Interpretation provides clarification on the application of recognition and measurement requirements in MFRS 112 Income Taxes when there is uncertainty over income tax treatments. The IC Interpretation clarifies that an entity shall:
- i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.
- ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount method or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

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.

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A1. Basis of Preparation (continued)

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

- (h) **Prepayment Features with Negative Compensation (Amendments to MFRS 9)** - The amendments allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met. The adoption of the amendments is not expected to have any financial impact on the financial statements of the Group and of the Bank.
- (i) **Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2015 - 2017 Cycle"** - The amendments are summarised below:
 - (i) **Previously Held Interest in a Joint Operation (Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements)** - The amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it shall remeasure its previously held interest in the joint operation at fair value. The amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the previously held interest is not remeasured.
 - (ii) **Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to MFRS 112 Income Taxes)** - The amendments clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits i.e. in profit or loss, other comprehensive income or equity.
 - (iii) **Borrowing Costs Eligible for Capitalisation (Amendments to MFRS 123 Borrowing Costs)** - The amendments clarify that when a qualifying asset is ready for its intended use or sale, an entity shall treat any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

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

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

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

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 4th quarter and financial year ended 31 December 2017.

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and of the Bank in the 4th quarter and financial year ended 31 December 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 4th quarter and financial year ended 31 December 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

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.

(c) RM5.0 Billion Subordinated Medium Term Note Programme

On 3 August 2017, the Bank had early redeemed its RM3,000 million Subordinated Note together with accrued interest.

(d) RM5.0 Billion Sukuk Murabahah Programme by a Wholly-owned Subsidiary Company, Public Islamic Bank Berhad ("PIBB")

On 3 August 2017, PIBB issued the second tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah under the Programme which are due on 3 August 2027 and callable on 3 August 2022. The Subordinated Sukuk Murabahah bear profit at 4.65% per annum payable semi-annually.

A7. Dividends Paid and Distributed

During the financial year ended 31 December 2017:

- a) A second interim dividend of 32.0 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.
- b) A first interim dividend of 27.0 sen per share for the financial year ended 31 December 2017, amounting to RM1,042,603,392 was paid on 17 August 2017.

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A8. Financial Assets Held-for-trading

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	-	158,134	-	158,134
Malaysian Government Securities	-	202,195	-	202,195
Malaysian Government Investment Issues	100,592	141,292	100,592	130,979
Bank Negara Malaysia Monetary Notes	599,204	-	599,204	-
	699,796	501,621	699,796	491,308
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	646,834	495,364	-	-
Non-money market instruments:				
Debt securities:				
- Cagamas bonds	-	70,037	-	60,031
- Unquoted corporate bonds / sukuk	29,911	111,862	-	24,990
	29,911	181,899	-	85,021
Total financial assets held-for-trading	1,376,541	1,178,884	699,796	576,329

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A9. Financial Investments Available-for-sale

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	-	73,266	-	73,266
Malaysian Government Securities	7,725,456	5,899,049	7,187,916	5,305,888
Malaysian Government Investment Issues	12,638,717	14,133,503	6,469,401	7,710,185
Other foreign government securities	39,246	168,223	-	-
	<u>20,403,419</u>	<u>20,274,041</u>	<u>13,657,317</u>	<u>13,089,339</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	4,869,087	8,544,128	4,619,007	8,293,626
Bankers' acceptances and Islamic accepted bills	98,095	118,830	98,095	118,830
	<u>4,967,182</u>	<u>8,662,958</u>	<u>4,717,102</u>	<u>8,412,456</u>
Non-money market instruments:				
Equity securities:				
- Quoted shares and convertible loan stocks outside Malaysia	3,441	3,167	-	-
- Unquoted shares #	159,701	120,534	155,068	115,481
Debt securities:				
- Cagamas bonds	441,916	340,406	340,962	340,406
- Unquoted corporate bonds / sukuk	4,336,401	3,931,522	1,340,294	1,697,627
Unit trust funds	12,997	12,577	-	-
	<u>4,954,456</u>	<u>4,408,206</u>	<u>1,836,324</u>	<u>2,153,514</u>
Total financial investments available-for-sale	<u>30,325,057</u>	<u>33,345,205</u>	<u>20,210,743</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	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
At amortised cost				
Government securities and treasury bills:				
Malaysian Government Securities	1,591,135	1,934,046	1,591,135	1,903,918
Malaysian Government Investment Issues	11,327,147	12,157,420	8,835,621	9,683,010
Foreign Government Treasury Bills	772,076	866,566	18,684	24,969
Other foreign government securities	1,004,790	473,031	-	-
	<u>14,695,148</u>	<u>15,431,063</u>	<u>10,445,440</u>	<u>11,611,897</u>
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	<u>1,135,400</u>	1,464,061	<u>1,774,769</u>	<u>1,709,786</u>
Non-money market instruments:				
Debt securities:				
- Cagamas bonds	5,847,851	1,348,574	5,847,851	1,348,574
- Unquoted corporate bonds / sukuk	6,899,972	3,930,267	5,263,468	2,374,323
	<u>12,747,823</u>	<u>5,278,841</u>	<u>11,111,319</u>	<u>3,722,897</u>
Accumulated impairment losses	(35)	(39)	(35)	(39)
Total financial investments held-to-maturity	<u>28,578,336</u>	<u>22,173,926</u>	<u>23,331,493</u>	<u>17,044,541</u>

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A11. Loans, Advances and Financing

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
At amortised cost				
Overdrafts	11,335,807	11,382,475	8,353,229	8,604,041
Term loans / financing				
- Housing loans / financing	103,656,930	95,617,442	83,801,900	78,193,789
- Syndicated term loans / financing	2,846,269	3,410,498	728,682	1,320,488
- Hire purchase receivables	50,424,367	51,984,710	37,131,115	37,757,231
- Other term loans / financing	118,917,854	114,416,510	95,661,738	92,104,366
Credit card receivables	1,965,180	1,894,574	1,932,950	1,864,748
Bills receivables	146,692	193,599	125,209	155,721
Trust receipts	254,011	330,262	192,569	209,009
Claims on customers under acceptance credits	4,014,388	3,848,443	3,668,165	3,613,254
Revolving credits	8,992,614	9,056,513	8,189,759	8,267,793
Staff loans *	1,899,165	1,824,156	1,685,636	1,642,793
Gross loans, advances and financing	<u>304,453,277</u>	<u>293,959,182</u>	<u>241,470,952</u>	<u>233,733,233</u>
Allowance for impaired loans and financing:				
- collective assessment allowance	(1,317,960)	(1,408,104)	(862,911)	(922,954)
- individual assessment allowance	(91,190)	(121,894)	(31,793)	(15,586)
Net loans, advances and financing	<u>303,044,127</u>	<u>292,429,184</u>	<u>240,576,248</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 RM5,222,000 (2016: RM5,392,000) and RM4,861,000 (2016 - RM4,973,000) respectively.

A11a. By class

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Retail loans / financing *				
- Housing loans / financing	103,656,930	95,617,442	83,801,900	78,193,789
- Hire purchase	50,424,367	51,984,710	37,131,115	37,757,231
- Credit cards	1,965,180	1,894,574	1,932,950	1,864,748
- Other loans / financing ^	102,945,559	100,416,869	81,757,909	80,608,549
	<u>258,992,036</u>	<u>249,913,595</u>	<u>204,623,874</u>	<u>198,424,317</u>
Corporate loans / financing	45,461,241	44,045,587	36,847,078	35,308,916
	<u>304,453,277</u>	<u>293,959,182</u>	<u>241,470,952</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	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Non-bank financial institutions				
- Stock-broking companies	4,740	6,498	4,740	6,498
- Others	7,745,470	7,973,937	7,517,104	7,745,345
Business enterprises				
- Small and medium enterprises	75,655,938	71,293,237	63,731,965	60,332,253
- Others	24,047,749	25,727,268	17,567,021	18,957,941
Government and statutory bodies	1,322,989	1,317,470	11,534	3,511
Individuals	192,734,820	184,602,651	149,915,238	143,843,020
Other entities	39,159	40,766	33,448	35,892
Foreign entities	2,902,412	2,997,355	2,689,902	2,808,773
	<u>304,453,277</u>	<u>293,959,182</u>	<u>241,470,952</u>	<u>233,733,233</u>

A11c. By interest / profit rate sensitivity

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Fixed rate				
- Housing loans / financing	4,877,880	561,483	3,453,143	25,198
- Hire purchase receivables	47,913,213	49,383,643	36,885,384	37,465,523
- Other fixed rate loans / financing	21,895,178	18,923,138	10,901,304	8,313,755
Variable rate				
- Base rate / base lending rate plus	183,107,532	178,704,491	158,705,896	157,900,595
- Cost plus	32,608,651	29,921,800	31,078,708	28,465,197
- Other variable rates	14,050,823	16,464,627	446,517	1,562,965
	<u>304,453,277</u>	<u>293,959,182</u>	<u>241,470,952</u>	<u>233,733,233</u>

A11d. By residual contractual maturity

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Maturity within one year	33,814,979	32,140,003	25,360,503	24,150,809
More than one year to three years	24,733,045	26,761,672	19,430,778	21,397,613
More than three years to five years	28,856,199	27,763,714	23,606,022	22,283,094
More than five years	217,049,054	207,293,793	173,073,649	165,901,717
	<u>304,453,277</u>	<u>293,959,182</u>	<u>241,470,952</u>	<u>233,733,233</u>

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A11. Loans, Advances and Financing (continued)

A11e. By geographical distribution

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Malaysia	282,325,991	269,915,021	240,504,514	232,568,210
Hong Kong SAR and the People's Republic of China	15,377,949	16,884,678	-	-
Cambodia	4,160,208	4,500,886	-	-
Other countries	2,589,129	2,658,597	966,438	1,165,023
	304,453,277	293,959,182	241,470,952	233,733,233

A11f. Gross loans, advances and financing by economic purpose

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Purchase of securities	2,179,614	2,023,713	1,780,714	1,686,519
Purchase of transport vehicles	50,669,140	52,252,411	37,380,260	38,029,309
Purchase of landed properties	185,979,950	174,914,751	154,240,634	146,261,128
(of which: - residential	107,288,543	98,752,335	86,942,841	80,983,504
- non-residential)	78,691,407	76,162,416	67,297,793	65,277,624
Purchase of fixed assets (excluding landed properties)	532,839	620,058	158,332	221,244
Personal use	12,359,777	11,757,996	6,628,601	6,194,844
Credit card	1,965,180	1,894,574	1,932,950	1,864,748
Purchase of consumer durables	972	1,869	138	113
Construction	6,592,837	6,162,820	5,494,054	5,069,312
Mergers and acquisitions	101,498	130,526	101,498	130,526
Working capital	38,947,042	39,354,135	28,688,846	29,526,976
Other purpose	5,124,428	4,846,329	5,064,925	4,748,514
	304,453,277	293,959,182	241,470,952	233,733,233

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A11. Loans, Advances and Financing (continued)

A11g. Gross loans, advances and financing by sectors

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Agriculture, hunting, forestry and fishing	3,914,938	3,852,323	2,814,699	2,844,114
Mining and quarrying	214,858	233,419	170,596	197,969
Manufacturing	10,663,327	10,432,034	8,609,724	8,520,922
Electricity, gas and water	123,041	78,912	22,871	19,657
Construction	9,214,346	8,907,302	7,223,868	7,044,402
Wholesale & retail trade and restaurants & hotels	25,969,541	25,679,947	21,778,008	21,579,904
Transport, storage and communication	3,977,380	3,957,937	2,887,521	2,851,662
Finance, insurance and business services	17,433,156	16,826,372	14,772,934	14,700,442
Real estate	35,431,901	34,520,861	29,945,799	28,863,937
Community, social and personal services	3,460,289	3,445,030	1,912,066	1,906,585
Households	192,774,845	184,485,685	151,251,046	145,125,969
Others	1,275,655	1,539,360	81,820	77,670
	<u>304,453,277</u>	<u>293,959,182</u>	<u>241,470,952</u>	<u>233,733,233</u>

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

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Bankers' acceptances rediscounted	<u>2,700</u>	<u>32,405</u>	<u>2,700</u>	<u>32,405</u>

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

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 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 year	3,106,587	2,984,569	2,125,721	2,026,986
Reclassified as non-impaired	(2,198,835)	(1,913,691)	(1,586,551)	(1,440,167)
Recoveries	(351,167)	(392,027)	(256,360)	(287,984)
Amount written off	(510,583)	(548,106)	(224,629)	(231,663)
Amount arising from acquisition of Public Bank Vietnam Limited	-	26,855	-	-
Loans / financing converted to foreclosed properties / investments	(30,798)	(30,598)	(29,746)	(29,032)
Exchange differences	(28,919)	10,563	(6,005)	919
Closing balance	<u>1,475,666</u>	<u>1,489,381</u>	<u>1,064,009</u>	<u>1,041,579</u>
Gross impaired loans and financing as a percentage of gross loans, advances and financing	<u>0.48%</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	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Malaysia	1,188,012	1,208,752	941,478	980,743
Hong Kong SAR and the People's Republic of China	81,425	150,052	-	-
Cambodia	53,947	37,604	-	-
Other countries	152,282	92,973	122,531	60,836
	<u>1,475,666</u>	<u>1,489,381</u>	<u>1,064,009</u>	<u>1,041,579</u>

A11k. Impaired loans, advances and financing by economic purpose

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Purchase of securities	738	3,435	738	3,435
Purchase of transport vehicles	292,519	317,926	198,244	221,725
Purchase of landed properties	709,881	735,199	559,262	570,775
(of which: - residential	560,264	570,019	420,688	427,743
- non-residential)	149,617	165,180	138,574	143,032
Purchase of fixed assets (excluding landed properties)	12,096	7,043	317	43
Personal use	138,065	152,479	51,801	46,161
Credit card	21,078	22,087	20,725	21,925
Construction	27,039	28,611	17,410	17,359
Working capital	265,147	211,541	206,420	149,110
Other purpose	9,103	11,060	9,092	11,046
	<u>1,475,666</u>	<u>1,489,381</u>	<u>1,064,009</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	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Agriculture, hunting, forestry and fishing	34,527	29,097	10,623	16,088
Mining and quarrying	1,405	768	656	725
Manufacturing	39,004	42,218	35,079	28,690
Electricity, gas and water	2,148	2,454	-	-
Construction	65,162	77,267	51,852	59,814
Wholesale & retail trade and restaurants & hotels	141,280	132,155	109,501	99,144
Transport, storage and communication	15,667	22,801	13,373	20,605
Finance, insurance and business services	93,524	36,411	85,860	29,345
Real estate	27,920	38,677	26,449	27,825
Community, social and personal services	9,631	8,510	9,499	8,165
Households	1,045,127	1,098,423	721,001	751,053
Others	271	600	116	125
	1,475,666	1,489,381	1,064,009	1,041,579

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

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 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 year	230,844	203,158	164,981	145,239
Amount written off	(312,992)	(317,365)	(223,277)	(224,758)
Amount arising from acquisition of Public Bank Vietnam Limited	-	7,742	-	-
Exchange differences	(7,996)	3,932	(1,747)	634
Closing balance	1,317,960	1,408,104	862,911	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	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 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 year	222,342	242,459	29,012	17,511
Amount written back in respect of recoveries	(34,142)	(34,740)	(11,077)	(28,167)
Amount written off	(197,591)	(230,741)	(1,352)	(6,905)
Amount transferred to allowance for impairment loss on foreclosed properties	(376)	(1,690)	(376)	(1,690)
Amount arising from acquisition of Public Bank Vietnam Limited	-	3,372	-	-
Exchange differences	(20,937)	21,287	-	-
Closing balance	<u>91,190</u>	<u>121,894</u>	<u>31,793</u>	<u>15,586</u>

A12. Other Assets

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Deferred handling fees	229,662	252,828	171,437	185,575
Interest / Income receivable	54,816	61,899	11,918	24,076
Other receivables, deposits and prepayments	1,417,320	1,942,992	1,307,073	1,821,453
Employee benefits	304,397	302,904	299,862	298,391
Amount due from trust funds	246,029	146,871	-	-
Foreclosed properties	108,190	88,265	105,375	86,472
Outstanding contracts on clients' accounts	391,331	198,764	-	-
Amount due from subsidiary companies	-	-	39,855	39,160
Distribution receivable from collective investments	-	-	29,421	27,154
Dividend receivable from subsidiary companies	-	-	571,482	545,976
	<u>2,751,745</u>	<u>2,994,523</u>	<u>2,536,423</u>	<u>3,028,257</u>

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A13. Deposits from Customers

a) By type of deposit

	Group		Bank	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Core deposits:				
- Demand deposits	47,611,744	45,470,463	38,752,425	37,646,794
- Savings deposits	35,507,539	32,502,203	23,162,008	21,869,236
- Fixed deposits	186,603,269	180,182,676	138,765,157	134,533,805
	<u>269,722,552</u>	<u>258,155,342</u>	<u>200,679,590</u>	<u>194,049,835</u>
- Negotiable instruments of deposit	36,439	-	17,204	-
- Money market deposits	49,452,587	51,735,008	44,598,778	47,838,063
	<u>49,489,026</u>	<u>51,735,008</u>	<u>44,615,982</u>	<u>47,838,063</u>
Other deposits	47,848	83,218	36,156	69,560
	<u>319,259,426</u>	<u>309,973,568</u>	<u>245,331,728</u>	<u>241,957,458</u>

b) By type of customer

	Group		Bank	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Federal and state governments	6,947,108	5,928,559	1,459,380	637,431
Local government and statutory authorities	2,760,408	3,181,497	2,203,477	2,297,882
Business enterprises	84,134,411	85,908,497	68,036,469	69,374,203
Individuals	165,201,059	159,080,957	131,634,989	128,109,932
Foreign customers	5,811,875	5,895,401	3,495,381	3,727,463
Others	54,404,565	49,978,657	38,502,032	37,810,547
	<u>319,259,426</u>	<u>309,973,568</u>	<u>245,331,728</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	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Due within six months	195,111,517	209,013,661	150,463,889	163,604,944
More than six months to one year	40,343,897	22,235,344	32,831,078	18,566,767
More than one year to three years	631,060	663,602	80,815	195,888
More than three years to five years	5,821	5,077	5,357	4,269
	<u>236,092,295</u>	<u>231,917,684</u>	<u>183,381,139</u>	<u>182,371,868</u>

A14. Deposits from Banks

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
At amortised cost				
Licensed banks	7,078,526	8,027,292	4,983,891	6,188,719
Licensed investment banks	30,107	23,340	43,814	78,755
Bank Negara Malaysia	965,817	544,280	943,494	525,829
Other financial institutions	3,371,607	3,215,911	6,995,694	5,495,723
	<u>11,446,057</u>	<u>11,810,823</u>	<u>12,966,893</u>	<u>12,289,026</u>

A15. Other Liabilities

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Interest / Income payable	1,716,502	1,613,157	1,282,983	1,349,479
Other payables and accruals	2,428,355	2,580,373	1,861,724	1,949,877
Amount due to trust funds	110,377	37,184	-	-
Unprocessed sales and / or redemptions	129,675	142,784	-	-
Profit Equalisation Reserve of the investment account holder	108	111	-	-
Finance lease liabilities	147,672	38,740	147,672	38,740
Outstanding contracts on clients' accounts	381,966	188,551	-	-
Dividend payable to shareholders	1,046	23,269	1,046	1,166
Amount due to subsidiary companies	-	-	26,657	32,463
	<u>4,915,701</u>	<u>4,624,169</u>	<u>3,320,082</u>	<u>3,371,725</u>

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A16. Interest Income

	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<u>Group</u>				
Loans and advances	3,295,237	3,235,163	13,024,604	12,782,059
Balances with banks	63,264	100,307	286,894	428,957
Financial investments available-for-sale	224,265	250,442	900,429	934,438
Financial investments held-to-maturity	246,946	184,426	881,218	726,890
Others	27,951	36,217	113,389	140,616
	<u>3,857,663</u>	<u>3,806,555</u>	<u>15,206,534</u>	<u>15,012,960</u>
Financial assets held-for-trading	12,172	7,403	71,882	54,568
	<u>3,869,835</u>	<u>3,813,958</u>	<u>15,278,416</u>	<u>15,067,528</u>
Of which:				
Interest income earned on impaired loans and advances	<u>14,593</u>	<u>13,823</u>	<u>59,532</u>	<u>56,040</u>
	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<u>Bank</u>				
Loans and advances	2,969,592	2,907,753	11,711,796	11,550,018
Balances with banks	28,108	68,808	146,886	335,666
Financial investments available-for-sale	181,475	218,202	737,213	802,860
Financial investments held-to-maturity	228,992	168,847	811,590	676,277
Others	27,953	36,216	113,387	140,363
	<u>3,436,120</u>	<u>3,399,826</u>	<u>13,520,872</u>	<u>13,505,184</u>
Financial assets held-for-trading	5,091	2,486	45,541	32,382
	<u>3,441,211</u>	<u>3,402,312</u>	<u>13,566,413</u>	<u>13,537,566</u>
Of which:				
Interest income earned on impaired loans and advances	<u>13,029</u>	<u>12,133</u>	<u>51,787</u>	<u>51,044</u>

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A17. Interest Expense

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Group				
Deposits from banks	92,166	101,540	439,393	429,373
Deposits from customers	1,712,140	1,764,157	6,739,655	7,126,235
Loans sold to Cagamas	50,322	14,873	151,616	58,045
Debt securities issued and other borrowed funds	125,906	130,225	527,035	525,680
Others	1,655	3,281	3,598	7,788
	<u>1,982,189</u>	<u>2,014,076</u>	<u>7,861,297</u>	<u>8,147,121</u>

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Bank				
Deposits from banks	91,796	98,894	430,300	410,270
Deposits from customers	1,648,379	1,708,354	6,472,743	6,916,403
Loans sold to Cagamas	50,322	14,873	151,616	58,045
Debt securities issued and other borrowed funds	121,435	126,299	511,051	511,827
Others	1,655	3,326	3,598	7,412
	<u>1,913,587</u>	<u>1,951,746</u>	<u>7,569,308</u>	<u>7,903,957</u>

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A18. Net Fee and Commission Income

	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<u>Group</u>				
(a) Fee and commission income:				
Commissions	156,062	143,152	549,064	503,991
Service charges and fees	85,142	86,472	339,963	334,485
Guarantee fees	7,786	10,628	35,591	38,942
Processing fees	7,246	6,447	25,720	21,877
Commitment fees	22,351	22,679	88,825	87,623
Unit trust management fees	260,347	225,368	984,867	872,241
Fee on sale of trust units	95,349	68,610	377,704	295,661
Brokerage and commissions from stockbroking activities	25,835	16,928	103,209	75,712
Other fee and commission income	9,530	14,729	55,725	58,483
	<u>669,648</u>	<u>595,013</u>	<u>2,560,668</u>	<u>2,289,015</u>
(b) Fee and commission expense:				
Unit trust agency fee	(127,301)	(99,032)	(463,594)	(396,082)
Debit / credit card related fee	(88,260)	(78,596)	(326,055)	(293,156)
Loan related fee	(2,935)	(1,126)	(12,716)	(13,576)
Other fee and commission expense	(5,405)	(4,423)	(21,763)	(21,211)
	<u>(223,901)</u>	<u>(183,177)</u>	<u>(824,128)</u>	<u>(724,025)</u>
Net fee and commission income	<u>445,747</u>	<u>411,836</u>	<u>1,736,540</u>	<u>1,564,990</u>
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<u>Bank</u>				
(a) Fee and commission income:				
Commissions	167,638	152,716	631,214	557,665
Service charges and fees	62,327	62,018	242,646	243,181
Guarantee fees	7,129	9,865	32,814	36,126
Processing fees	2,703	2,268	9,772	8,119
Commitment fees	20,666	21,214	82,359	81,966
Other fee and commission income	6,540	10,837	43,075	45,670
	<u>267,003</u>	<u>258,918</u>	<u>1,041,880</u>	<u>972,727</u>
(b) Fee and commission expense:				
Debit / credit card related fee	(86,678)	(75,745)	(319,535)	(283,363)
Loan related fee	(2,220)	(2,733)	(9,963)	(11,345)
Other fee and commission expense	(3,434)	(3,199)	(13,527)	(15,915)
	<u>(92,332)</u>	<u>(81,677)</u>	<u>(343,025)</u>	<u>(310,623)</u>
Net fee and commission income	<u>174,671</u>	<u>177,241</u>	<u>698,855</u>	<u>662,104</u>

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A19. Net Gains and Losses on Financial Instruments

	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Group				
Net (loss) / gain arising on financial assets held-for-trading:				
- net (loss) / gain on disposal	(554)	(655)	2,628	18,080
- unrealised revaluation gain / (loss)	477	(406)	310	39
	<u>(77)</u>	<u>(1,061)</u>	<u>2,938</u>	<u>18,119</u>
Net gain / (loss) arising on trading derivatives				
- unrealised revaluation gain / (loss)	2,019	(12,986)	1,337	(12,191)
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	5,124	1,241	82,712	39,412
- gross dividend income	1,662	1,311	4,400	24,522
	<u>6,786</u>	<u>2,552</u>	<u>87,112</u>	<u>63,934</u>
Net (loss) / gain representing ineffective portions of hedging derivatives:				
- fair value hedge	(158)	1,137	1,445	6,196
- cash flow hedge	2,547	10,511	(2,401)	(2,036)
	<u>2,389</u>	<u>11,648</u>	<u>(956)</u>	<u>4,160</u>
Net gains and losses on financial instruments	<u>11,117</u>	<u>153</u>	<u>90,431</u>	<u>74,022</u>

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

	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<u>Bank</u>				
Net (loss) / gain arising on financial assets held-for-trading:				
- net (loss) / gain on disposal	(556)	(1,161)	2,595	17,563
- unrealised revaluation gain / (loss)	<u>480</u>	<u>(187)</u>	<u>337</u>	<u>20</u>
	<u>(76)</u>	<u>(1,348)</u>	<u>2,932</u>	<u>17,583</u>
Net loss arising on trading derivatives				
- unrealised revaluation loss	<u>(760)</u>	<u>(4)</u>	<u>(108)</u>	<u>(5)</u>
Net gain arising on financial investments available-for-sale:				
- net gain on disposal	4,015	1,024	80,364	36,599
- gross dividend income	<u>1,518</u>	<u>1,166</u>	<u>3,187</u>	<u>23,501</u>
	<u>5,533</u>	<u>2,190</u>	<u>83,551</u>	<u>60,100</u>
Net gain / (loss) representing ineffective portions of hedging derivatives:				
- fair value hedge	15	975	1,488	6,529
- cash flow hedge	<u>2,547</u>	<u>10,511</u>	<u>(2,401)</u>	<u>(2,036)</u>
	<u>2,562</u>	<u>11,486</u>	<u>(913)</u>	<u>4,493</u>
Net gains and losses on financial instruments	<u><u>7,259</u></u>	<u><u>12,324</u></u>	<u><u>85,462</u></u>	<u><u>82,171</u></u>

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A20. Other Operating Income

	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<u>Group</u>				
Other income:				
Foreign exchange profit	100,324	31,225	342,436	273,621
Rental income from:				
- investment properties	3,243	3,421	13,162	13,123
- other properties	3,564	3,431	13,742	13,650
Net (loss) / gain on disposal of property and equipment	(21)	932	521	1,437
Net gain on disposal of foreclosed properties	225	1,136	2,176	2,109
Net gain on revaluation of investment properties	5,452	60,659	7,965	60,428
Others	76,427	16,101	123,997	91,026
Total other operating income	<u>189,214</u>	<u>116,905</u>	<u>503,999</u>	<u>455,394</u>
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<u>Bank</u>				
Distribution income from collective investments	47,475	43,813	180,511	152,124
Dividend income from subsidiary companies				
- quoted outside Malaysia	66,681	60,466	88,796	81,332
- unquoted in Malaysia	293,430	241,010	673,439	499,010
	<u>407,586</u>	<u>345,289</u>	<u>942,746</u>	<u>732,466</u>
Other income:				
Foreign exchange profit / (loss)	232,039	(253,977)	687,110	37,606
Rental income from other properties	3,474	3,280	13,382	13,227
Net gain on disposal of property and equipment	33	774	360	1,240
Net gain on disposal of foreclosed properties	225	1,136	2,176	2,109
Others	72,079	12,802	108,608	54,316
	<u>307,850</u>	<u>(235,985)</u>	<u>811,636</u>	<u>108,498</u>
Total other operating income	<u>715,436</u>	<u>109,304</u>	<u>1,754,382</u>	<u>840,964</u>

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A21. Other Operating Expenses

<u>Group</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Personnel costs				
- Salaries, allowances and bonuses	463,772	465,453	1,973,170	1,847,711
- Pension costs	63,001	57,293	255,624	241,109
- Others	40,555	36,052	157,133	162,174
	<u>567,328</u>	<u>558,798</u>	<u>2,385,927</u>	<u>2,250,994</u>
Establishment costs				
- Depreciation	59,455	53,718	219,362	202,995
- Rental	32,084	28,764	124,964	118,160
- Insurance	4,899	4,882	22,026	20,343
- Water and electricity	12,933	14,555	51,720	54,215
- General repairs and maintenance	19,157	27,355	99,352	95,765
- Information technology expenses	11,353	14,451	50,681	47,351
- Others	17,123	15,592	68,109	61,021
	<u>157,004</u>	<u>159,317</u>	<u>636,214</u>	<u>599,850</u>
Marketing expenses				
- Advertisement and publicity	11,732	11,004	56,347	54,618
- Others	16,837	14,005	71,937	60,816
	<u>28,569</u>	<u>25,009</u>	<u>128,284</u>	<u>115,434</u>
Administration and general expenses				
- Communication expenses	7,092	15,830	57,018	53,505
- Legal and professional fees	12,316	12,048	47,019	50,975
- Others	41,374	34,458	173,716	140,712
	<u>60,782</u>	<u>62,336</u>	<u>277,753</u>	<u>245,192</u>
Total other operating expenses	<u>813,683</u>	<u>805,460</u>	<u>3,428,178</u>	<u>3,211,470</u>

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A21. Other Operating Expenses (continued)

<u>Bank</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Personnel costs				
- Salaries, allowances and bonuses	343,096	348,501	1,461,313	1,396,515
- Pension costs	53,984	48,863	219,930	209,484
- Others	33,235	33,591	127,047	138,466
	<u>430,315</u>	<u>430,955</u>	<u>1,808,290</u>	<u>1,744,465</u>
Establishment costs				
- Depreciation	44,179	41,366	171,376	159,386
- Rental	25,313	22,240	97,793	94,984
- Insurance	4,147	4,328	18,469	17,609
- Water and electricity	8,743	10,173	36,030	39,237
- General repairs and maintenance	18,349	24,277	87,783	86,631
- Information technology expenses	4,350	5,611	22,338	21,770
- Others	10,859	9,846	43,642	40,069
	<u>115,940</u>	<u>117,841</u>	<u>477,431</u>	<u>459,686</u>
Marketing expenses				
- Advertisement and publicity	1,142	1,444	17,186	20,837
- Others	9,171	10,720	44,525	45,830
	<u>10,313</u>	<u>12,164</u>	<u>61,711</u>	<u>66,667</u>
Administration and general expenses				
- Communication expenses	4,995	12,621	44,269	45,222
- Legal and professional fees	7,243	7,097	31,044	35,797
- Others	19,741	18,242	98,321	82,652
	<u>31,979</u>	<u>37,960</u>	<u>173,634</u>	<u>163,671</u>
Shared service cost charged to Public Islamic Bank Berhad	(88,997)	(82,398)	(350,844)	(320,909)
Total other operating expenses	<u>499,550</u>	<u>516,522</u>	<u>2,170,222</u>	<u>2,113,580</u>

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A22. Allowance for Impairment on Loans, Advances and Financing

	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<u>Group</u>				
Allowance / (Writeback of allowance) for impaired loans and financing:				
Collective assessment allowance	38,116	(22,745)	230,844	203,158
Individual assessment allowance	36,522	45,633	188,200	207,719
Writeback of allowance for bad debts from stockbroking activities	-	-	(2)	(2)
Impaired loans and financing written off	17	26	125	119
Impaired loans and financing recovered	(50,857)	(60,020)	(215,875)	(218,254)
	<u>23,798</u>	<u>(37,106)</u>	<u>203,292</u>	<u>192,740</u>
	4th Quarter Ended	31 December	Financial Year Ended	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Allowance / (Writeback of allowance) for impaired loans and financing:				
Collective assessment allowance	16,320	(6,597)	164,981	145,239
Individual assessment allowance	128	(10,806)	17,935	(10,656)
Impaired loans written off	17	26	122	119
Impaired loans recovered	(24,054)	(30,916)	(108,206)	(108,263)
	<u>(7,589)</u>	<u>(48,293)</u>	<u>74,832</u>	<u>26,439</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					
4th Quarter Ended												
31 December 2017												
External revenue	645,223	2,685,451	456,738	319,970	41,497	355,869	1,788	396,379	4,902,915	447,635	-	5,350,550
Revenue from other segments	-	390,521	6,776	506,059	279	11,528	8,381	572,992	1,496,536	9,086	(1,505,622)	-
	<u>645,223</u>	<u>3,075,972</u>	<u>463,514</u>	<u>826,029</u>	<u>41,776</u>	<u>367,397</u>	<u>10,169</u>	<u>969,371</u>	<u>6,399,451</u>	<u>456,721</u>	<u>(1,505,622)</u>	<u>5,350,550</u>
Net interest income and												
Islamic banking income	200,823	1,219,993	136,299	60,512	6,245	4,264	(5,532)	214,538	1,837,142	303,370	-	2,140,512
Other income	1,078	240,711	7,677	82,455	14,402	220,737	9,667	28,944	605,671	58,317	(17,910)	646,078
Net income	<u>201,901</u>	<u>1,460,704</u>	<u>143,976</u>	<u>142,967</u>	<u>20,647</u>	<u>225,001</u>	<u>4,135</u>	<u>243,482</u>	<u>2,442,813</u>	<u>361,687</u>	<u>(17,910)</u>	<u>2,786,590</u>
Other operating expenses	(60,658)	(422,627)	(3,529)	(10,366)	(10,141)	(47,544)	(5,284)	(113,822)	(673,971)	(157,622)	17,910	(813,683)
(Allowance) / Writeback of allowance												
for impairment on												
loans, advances and financing	(27,789)	27,154	(1,694)	-	(16)	-	-	-	(2,345)	(21,453)	-	(23,798)
Writeback of allowance for												
impairment on other assets	-	8,003	-	-	-	-	-	-	8,003	-	-	8,003
Profit / (loss) by segments	<u>113,454</u>	<u>1,073,234</u>	<u>138,753</u>	<u>132,601</u>	<u>10,490</u>	<u>177,457</u>	<u>(1,149)</u>	<u>129,660</u>	<u>1,774,500</u>	<u>182,612</u>	<u>-</u>	<u>1,957,112</u>
Reconciliation of segment profits												
to consolidated profits:												
Share of profit after tax												
of equity accounted associated												
companies									125	-		125
Profit before tax expense and zakat									<u>1,774,625</u>	<u>182,612</u>	<u>-</u>	<u>1,957,237</u>

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A23. Segment Information (continued)

4th Quarter Ended 31 December 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	673,561	2,502,742	433,503	304,245	38,466	294,303	73,129	327,448	4,647,397	436,686	-	5,084,083
Revenue from other segments	-	377,872	3,119	413,247	291	14,987	7,742	543,771	1,361,029	3,638	(1,364,667)	-
	673,561	2,880,614	436,622	717,492	38,757	309,290	80,871	871,219	6,008,426	440,324	(1,364,667)	5,084,083
Net interest income and												
Islamic banking income	202,767	1,149,757	123,724	65,445	6,250	7,906	(1,958)	181,461	1,735,352	296,507	-	2,031,859
Other income	945	176,266	14,237	65,536	13,862	185,886	67,132	(31,193)	492,671	53,775	(17,552)	528,894
Net income	203,712	1,326,023	137,961	130,981	20,112	193,792	65,174	150,268	2,228,023	350,282	(17,552)	2,560,753
Other operating expenses	(63,033)	(418,735)	(2,983)	(8,563)	(9,865)	(39,483)	(3,361)	(125,031)	(671,054)	(151,958)	17,552	(805,460)
Writeback of allowance / (Allowance)												
for impairment on												
loans, advances and financing	19,408	43,895	(1,646)	-	37	-	-	-	61,694	(24,588)	-	37,106
Writeback of allowance for												
impairment on other assets	-	218	-	-	-	-	-	-	218	-	-	218
Profit by segments	160,087	951,401	133,332	122,418	10,284	154,309	61,813	25,237	1,618,881	173,736	-	1,792,617
Reconciliation of segment profits												
to consolidated profits:												
Share of profit after tax												
of equity accounted associated												
companies									94	-		94
Profit before tax expense and zakat									1,618,975	173,736	-	1,792,711

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A23. Segment Information (continued)

Financial Year Ended 31 December 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	2,623,512	10,272,582	1,793,653	1,366,183	179,199	1,363,814	6,334	1,453,750	19,059,027	1,799,147	-	20,858,174
Revenue from other segments	-	1,577,056	26,188	2,035,330	1,382	45,322	31,447	2,438,510	6,155,235	32,339	(6,187,574)	-
	<u>2,623,512</u>	<u>11,849,638</u>	<u>1,819,841</u>	<u>3,401,513</u>	<u>180,581</u>	<u>1,409,136</u>	<u>37,781</u>	<u>3,892,260</u>	<u>25,214,262</u>	<u>1,831,486</u>	<u>(6,187,574)</u>	<u>20,858,174</u>
Net interest income and Islamic banking income	811,771	4,745,006	521,778	262,621	24,524	17,482	(21,938)	840,065	7,201,309	1,214,527	-	8,415,836
Other income	3,944	762,497	49,099	331,429	64,451	836,184	37,129	100,619	2,185,352	217,945	(72,327)	2,330,970
Net income	<u>815,715</u>	<u>5,507,503</u>	<u>570,877</u>	<u>594,050</u>	<u>88,975</u>	<u>853,666</u>	<u>15,191</u>	<u>940,684</u>	<u>9,386,661</u>	<u>1,432,472</u>	<u>(72,327)</u>	<u>10,746,806</u>
Other operating expenses (Allowance) / Writeback of allowance for impairment on loans, advances and financing	(242,759)	(1,747,161)	(13,370)	(40,271)	(42,771)	(192,786)	(20,419)	(564,379)	(2,863,916)	(636,589)	72,327	(3,428,178)
Writeback of allowance for impairment on other assets	(121,834)	30,596	(3,974)	-	-	-	-	-	(95,212)	(108,080)	-	(203,292)
Profit / (loss) by segments	-	5,625	-	-	-	-	-	-	5,625	-	-	5,625
	<u>451,122</u>	<u>3,796,563</u>	<u>553,533</u>	<u>553,779</u>	<u>46,204</u>	<u>660,880</u>	<u>(5,228)</u>	<u>376,305</u>	<u>6,433,158</u>	<u>687,803</u>	<u>-</u>	<u>7,120,961</u>
Reconciliation of segment profits to consolidated profits: Share of loss after tax of equity accounted associated companies									(3,289)	-		(3,289)
Profit before tax expense and zakat									<u>6,429,869</u>	<u>687,803</u>		<u>7,117,672</u>
Cost income ratio	29.8%	31.7%	2.3%	6.8%	48.1%	22.6%	134.4%	60.0%	30.5%	44.4%		31.9%

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A23. **Segment Information** (continued)

Financial Year Ended	<----- 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						
31 December 2017													
Gross loans, advances and financing	48,144,824	194,394,644	39,303,005	-	393,027	88,898	1,593	-	282,325,991	22,127,286			304,453,277
Loan growth	-2.9%	6.6%	4.9%	-	2.5%	9.1%	-19.1%	-	4.6%	-8.0%			3.6%
Impaired loans, advances and financing	290,909	860,211	36,891	-	-	-	-	-	1,188,011	287,655			1,475,666
Impaired loan and financing ratio	0.6%	0.4%	0.1%	-	-	-	-	-	0.4%	1.3%			0.5%
Deposits from customers	-	235,519,162	255,046	56,429,980	973,801	-	-	-	293,177,989	26,081,437			319,259,426
Deposit growth	-	7.4%	0.8%	-8.9%	-36.2%	-	-	-	3.6%	-3.4%			3.0%
Segment assets	47,911,280	243,870,178	39,248,323	76,742,643	2,392,959	427,567	852,588	35,487,797	446,933,335	34,975,826	(90,262,900)		391,646,261
Reconciliation of segment assets to consolidated assets:													
Investment in associated companies									35,052	16			35,068
Unallocated assets									1,162,860	-			1,162,860
Intangible assets									775,493	1,656,565			2,432,058
Total assets									448,906,740	36,632,407			395,276,247

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A23. Segment Information (continued)

Financial Year Ended 31 December 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	2,696,435	9,841,129	1,676,072	1,586,681	169,618	1,169,119	77,762	1,254,762	18,471,578	1,631,162	-	20,102,740
Revenue from other segments	-	1,463,823	12,080	1,802,052	1,000	37,942	30,365	2,243,800	5,591,062	11,902	(5,602,964)	-
	<u>2,696,435</u>	<u>11,304,952</u>	<u>1,688,152</u>	<u>3,388,733</u>	<u>170,618</u>	<u>1,207,061</u>	<u>108,127</u>	<u>3,498,562</u>	<u>24,062,640</u>	<u>1,643,064</u>	<u>(5,602,964)</u>	<u>20,102,740</u>
Net interest income and												
Islamic banking income	780,925	4,466,283	462,663	259,893	25,448	14,646	(8,089)	737,501	6,739,270	1,122,775	-	7,862,045
Other income	4,688	660,326	50,315	332,203	59,748	724,045	94,136	54,286	1,979,747	185,742	(71,083)	2,094,406
Net income	<u>785,613</u>	<u>5,126,609</u>	<u>512,978</u>	<u>592,096</u>	<u>85,196</u>	<u>738,691</u>	<u>86,047</u>	<u>791,787</u>	<u>8,719,017</u>	<u>1,308,517</u>	<u>(71,083)</u>	<u>9,956,451</u>
Other operating expenses	(249,023)	(1,679,287)	(12,245)	(33,885)	(37,994)	(165,788)	(14,135)	(531,766)	(2,724,123)	(558,430)	71,083	(3,211,470)
(Allowance) / Writeback of allowance for impairment on loans, advances and financing	(82,820)	18,446	1,813	-	1,711	-	-	-	(60,850)	(131,890)	-	(192,740)
Writeback of allowance for impairment on other assets	-	430	-	-	-	-	-	-	430	-	-	430
Profit by segments	<u>453,770</u>	<u>3,466,198</u>	<u>502,546</u>	<u>558,211</u>	<u>48,913</u>	<u>572,903</u>	<u>71,912</u>	<u>260,021</u>	<u>5,934,474</u>	<u>618,197</u>	<u>-</u>	<u>6,552,671</u>
Reconciliation of segment profits to consolidated profits:												
Share of (loss) / profit after tax of equity accounted associated companies									(1,092)	2,453		1,361
Profit before tax expense and zakat									<u>5,933,382</u>	<u>620,650</u>		<u>6,554,032</u>
Cost income ratio	31.7%	32.8%	2.4%	5.7%	44.6%	22.4%	16.4%	67.2%	31.2%	42.7%		32.3%

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A23. Segment Information (continued)

Financial Year Ended	<----- Operating Segments ----->							Head Office	Total Domestic Operations	Total Overseas Operations	Inter-segment Elimination	Group Total
	Hire Purchase	Retail Operations	Corporate Lending	Treasury and Capital Market Operations	Investment Banking	Fund Management	Others					
31 December 2016	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross loans, advances and financing	49,600,781	182,383,346	37,464,027	-	383,421	81,478	1,968	-	269,915,021	24,044,161	-	293,959,182
Loan growth	-1.0%	8.0%	15.9%	-	-2.1%	19.8%	-11.2%	-	7.2%	11.1%	-	7.5%
Impaired loans, advances and financing	310,360	862,797	35,595	-	-	-	-	-	1,208,752	280,629	-	1,489,381
Impaired loan and financing ratio	0.6%	0.5%	0.1%	-	-	-	-	-	0.4%	1.2%	-	0.5%
Deposits from customers	-	219,239,718	253,089	61,946,997	1,527,111	-	-	-	282,966,915	27,006,653	-	309,973,568
Deposit growth	-	7.9%	3.1%	-15.2%	4.6%	-	-	-	1.8%	16.3%	-	2.9%
Segment assets	<u>49,357,435</u>	<u>228,387,446</u>	<u>37,408,952</u>	<u>78,862,597</u>	<u>2,736,100</u>	<u>309,884</u>	<u>850,114</u>	<u>31,543,478</u>	<u>429,456,006</u>	<u>36,140,442</u>	<u>(89,193,842)</u>	<u>376,402,606</u>
Reconciliation of segment assets to consolidated assets:												
Investment in associated companies									38,119	18		38,137
Unallocated assets									1,008,462	-		1,008,462
Intangible assets									775,493	1,828,128		2,603,621
Total assets									<u>431,278,080</u>	<u>37,968,588</u>		<u>380,052,826</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 audited interim financial statements.

A25. Changes in the Composition of the Group

There were no changes in the composition of the Group during the 4th quarter and financial year ended 31 December 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	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Contingent liabilities				
Direct credit substitutes	1,012,069	1,703,043	978,443	1,282,300
Transaction-related contingent items	1,697,926	1,725,868	1,469,720	1,484,252
Short term self-liquidating trade-related contingencies	558,181	536,889	139,041	136,490
	3,268,176	3,965,800	2,587,204	2,903,042
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	27,556,467	27,105,843	22,521,236	21,587,512
- not exceeding one year	24,373,275	23,590,356	21,142,579	19,877,268
Unutilised credit card lines	6,462,047	6,147,960	6,230,704	5,932,134
Forward asset purchases	383,815	10,472	383,815	10,472
	58,775,604	56,854,631	50,278,334	47,407,386
Derivative financial instruments				
Foreign exchange related contracts:				
- less than one year	20,822,638	29,108,843	20,151,324	28,280,704
- one year to less than five years	1,649,368	1,577,428	1,649,368	1,577,428
Interest / Profit rate related contracts:				
- less than one year	1,450,000	4,874,400	2,050,000	4,674,400
- one year to less than five years	9,180,800	8,663,188	9,908,175	9,468,875
- five years and above	295,833	547,496	2,000,000	2,720,000
Commodity related contracts:				
- less than one year	412	673	412	673
	33,399,051	44,772,028	35,759,279	46,722,080
	95,442,831	105,592,459	88,624,817	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 31 December 2017	Contract / Notional Amount				Positive Fair Value				Negative Fair Value			
	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000	Up To 1 Year RM'000	> 1 - 3 Years RM'000	> 3 Years RM'000	Total RM'000
Trading derivatives:												
Foreign exchange contracts												
- Forwards	1,563,602	28,368	-	1,591,970	5,571	-	-	5,571	9,974	1,818	-	11,792
- Swaps	18,424,270	-	-	18,424,270	88,544	-	-	88,544	299,570	-	-	299,570
- Options	24,266	-	-	24,266	-	-	-	-	-	-	-	-
Interest rate related contracts												
- Swaps	450,000	-	-	450,000	-	-	-	-	113	-	-	113
Precious metal contracts												
- Forwards	412	-	-	412	1	-	-	1	-	-	-	-
	20,462,550	28,368	-	20,490,918	94,116	-	-	94,116	309,657	1,818	-	311,475
Hedging Derivatives:												
Fair Value Hedge												
Interest rate related contracts												
- Swaps	-	3,209,575	596,883	3,806,458	-	29,517	10,113	39,630	-	3,125	101	3,226
Cash Flow Hedge												
Foreign exchange contracts												
- Cross currency interest rate swaps	810,500	202,625	1,418,375	2,431,500	-	-	55,952	55,952	179,122	40,162	24,965	244,249
Interest / Profit rate related contracts												
- Swaps	1,000,000	2,840,500	2,829,675	6,670,175	613	14,259	21,749	36,621	380	7,353	1,446	9,179
	1,810,500	6,252,700	4,844,933	12,908,133	613	43,776	87,814	132,203	179,502	50,640	26,512	256,654
Total	22,273,050	6,281,068	4,844,933	33,399,051	94,729	43,776	87,814	226,319	489,159	52,458	26,512	568,129

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

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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 the reporting date, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM226,319,000 (2016: RM618,141,000) and RM240,215,000 (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 the reporting date, the Group and the Bank had posted cash collateral of RM371,846,000 (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. a) Fair Value Measurements

Determination of Fair Value and Fair Value Hierarchy

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

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

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

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

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

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

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A28. a) Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

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 RM159,701,000 (2016: RM120,534,000) which are not carried at fair value.

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A28. a) Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

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

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A28. a) Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

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 RM155,068,000 (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: None).

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A28. a) Fair Value Measurements (continued)

Determination of Fair Value and Fair Value Hierarchy (continued)

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

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgment and estimation, due to the low complexity of the financial instruments held.

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

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

Other than derivative financial instruments where the fair value changes are recognised as derivative financial assets or liabilities, as disclosed in Note A27, there were no gains or losses arising from fair value changes of other financial liabilities.

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A29. Capital Adequacy

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

	Group		Bank	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<u>Before deducting interim dividends *</u>				
Common Equity Tier I ("CET I") capital ratio	12.758%	11.864%	12.136%	11.725%
Tier I capital ratio	13.538%	12.718%	13.072%	12.751%
Total capital ratio	<u>16.494%</u>	<u>15.976%</u>	<u>15.577%</u>	<u>15.248%</u>
<u>After deducting interim dividends *</u>				
CET I capital ratio	12.248%	11.373%	11.506%	11.117%
Tier I capital ratio	13.028%	12.227%	12.442%	12.143%
Total capital ratio	<u>15.984%</u>	<u>15.485%</u>	<u>14.947%</u>	<u>14.640%</u>

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

	Group		Bank	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 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	945,620	5,873,014	625,430	5,158,625
Retained profits	24,723,059	16,898,317	20,811,292	13,533,372
Treasury shares	(149,337)	(149,337)	(149,337)	(149,337)
Qualifying non-controlling interests	673,372	752,070	-	-
Less: Goodwill and other intangible assets	(2,432,058)	(2,603,621)	(695,393)	(695,393)
Less: Deferred tax assets, net	(70,984)	(65,189)	-	-
Less: Defined benefit pension fund assets	(231,496)	(230,359)	(228,475)	(227,351)
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from CET I capital	<u>(41,816)</u>	<u>(36,576)</u>	<u>(4,503,553)</u>	<u>(3,197,665)</u>
Total CET I capital	32,834,013	29,855,972	25,277,617	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	57,550	64,824	-	-
Total Tier I capital	<u>34,841,363</u>	<u>32,006,965</u>	<u>27,227,417</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	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<u>Tier II capital</u>				
Collective assessment allowance and regulatory reserves #	2,947,576	2,887,573	2,393,535	2,336,302
Subordinated notes				
- meeting all relevant criteria	3,949,837	1,949,677	3,949,837	1,949,677
- subject to gradual phase-out treatment	-	2,923,800	-	2,923,800
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	718,418	461,568	-	-
Less: Investment in banking / insurance subsidiary companies and associated companies deducted from Tier II capital	(10,454)	(24,384)	(1,125,888)	(2,131,776)
Total Tier II capital	7,605,377	8,198,234	5,217,484	5,078,003
Total capital	42,446,740	40,205,199	32,444,901	31,004,076

Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and of the Bank of RM446,667,000 (2016: RM472,411,000) and RM313,351,000 (2016: RM333,901,000) respectively.

Includes the qualifying regulatory reserves of the Group and of the Bank of RM2,076,283,000 (2016: RM1,951,880,000) and RM1,843,663,000 (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 4 August 2017 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	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Credit risk	235,806,066	231,005,869	191,482,831	186,904,199
Market risk	2,925,168	3,291,584	4,126,123	4,899,220
Operational risk	18,620,545	17,364,426	12,678,955	11,525,983
	<u>257,351,779</u>	<u>251,661,879</u>	<u>208,287,909</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
31 December 2017							
<u>Before deducting interim dividends: *</u>							
CET I capital ratio	11.992%	40.290%	N/A	16.172%	24.022%	N/A	N/A
Tier I capital ratio	11.992%	40.290%	23.521%	16.172%	24.022%	N/A	N/A
Total capital ratio	16.114%	40.799%	23.544%	17.319%	25.061%	18.385%	30.776%
<u>After deducting interim dividends: *</u>							
CET I capital ratio	11.852%	37.592%	N/A	16.172%	21.769%	N/A	N/A
Tier I capital ratio	11.852%	37.592%	23.521%	16.172%	21.769%	N/A	N/A
Total capital ratio	15.975%	38.101%	23.544%	17.319%	22.808%	18.385%	30.776%
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 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 4 August 2017 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 4 August 2017 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	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Outstanding credit exposures with connected parties (RM'000)	2,435,806	1,909,185	3,274,127	3,092,376
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures	0.72%	0.59%	1.22%	1.20%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	0.05%	0.06%	0.03%	0.03%

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A31. Operations of Islamic Banking

A31a. Statement of Financial Position As At 31 December 2017

	Note	Group	
		31 December 2017 RM'000	31 December 2016 RM'000
ASSETS			
Cash and balances with banks		3,636,868	651,382
Financial assets held-for-trading		646,834	495,364
Derivative financial assets		7,468	18,153
Financial investments available-for-sale		5,825,046	6,140,438
Financial investments held-to-maturity		3,002,331	2,985,266
Financing and advances	A31d	41,705,965	37,235,682
Other assets		76,090	85,913
Statutory deposits with Bank Negara Malaysia		1,674,050	1,518,000
Deferred tax assets		4,172	4,242
Collective investments		513,071	497,836
Investment in an associated company		30,000	30,000
Property and equipment		1,016	1,250
Total Assets		57,122,911	49,663,526
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	A31e	49,504,109	42,473,074
Deposits from banks		1,993,695	2,322,128
Bills and acceptances payable		365	1,675
Recourse obligations on financing sold to Cagamas		-	500,016
Derivative financial liabilities		27,351	23,356
Subordinated Sukuk Murabahah		999,631	499,374
Other liabilities		367,272	215,490
Provision for zakat and taxation		43,536	43,251
Total Liabilities		52,935,959	46,078,364
Islamic Banking Funds		4,186,952	3,585,162
Total Liabilities and Islamic Banking Funds		57,122,911	49,663,526
COMMITMENTS AND CONTINGENCIES		10,784,272	11,222,116

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A31b. Statement of Profit or Loss for the 4th Quarter and Financial Year Ended 31 December 2017

	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Group				
Income derived from investment of depositors' funds and others	578,310	539,945	2,285,636	2,109,906
Income derived from investment of Islamic Banking Funds	49,352	42,368	184,286	167,592
Allowance for impairment on financing and advances	(11,621)	3,288	(68,960)	(58,426)
Writeback of impairment on other assets	38	6	133	4
Profit Equalisation Reserves	-	(23)	-	(96)
Total distributable income	616,079	585,584	2,401,095	2,218,980
Income attributable to depositors and others	(370,704)	(346,542)	(1,455,829)	(1,323,908)
Total net income	245,375	239,042	945,266	895,072
Other overheads and expenditures	(104,215)	(95,489)	(410,365)	(366,358)
Profit before zakat and taxation	141,160	143,553	534,901	528,714
Zakat	(65)	(52)	(260)	(210)
Taxation	(32,688)	(33,820)	(124,163)	(124,042)
Profit for the period / year	108,407	109,681	410,478	404,462

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

	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
Income derived from investment of depositors' funds and others	578,310	539,945	2,285,636	2,109,906
Income derived from investment of Islamic Banking Funds	49,352	42,368	184,286	167,592
Income attributable to depositors and others	(370,704)	(346,542)	(1,455,829)	(1,323,908)
Profit Equalisation Reserves	-	(23)	-	(96)
Elimination of distribution income from collective investment	(4,092)	(3,771)	(15,376)	(11,856)
Net income from Islamic banking business	252,866	231,977	998,717	941,638

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A31c. Statement of Profit or Loss and Other Comprehensive Income for the 4th Quarter and Financial Year Ended 31 December 2017

	4th Quarter Ended		Financial Year Ended	
	31 December 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	31 December 2016 RM'000
<u>Group</u>				
Profit for the period / year	108,407	109,681	410,478	404,462
Other comprehensive income / (loss):				
<u>Items that will not be reclassified to profit or loss:</u>				
Defined benefit reserves:				
- Gain on remeasurements of defined benefit plans	400	543	400	543
<u>Items that may be reclassified to profit or loss:</u>				
Revaluation reserves:				
- Net change in revaluation of financial investments available-for-sale	(1,154)	(78,560)	21,513	(46,988)
Hedging reserves:				
- Net change in cash flow hedges	18,153	72,593	(17,543)	(62,774)
	16,999	(5,967)	3,970	(109,762)
Income tax relating to components of other comprehensive income / (loss):				
- Defined benefit reserves	(96)	(130)	(96)	(130)
- Revaluation reserves	277	18,854	(5,163)	11,277
- Hedging reserves	(4,357)	(17,422)	4,210	15,066
	(4,176)	1,302	(1,049)	26,213
Other comprehensive income / (loss) for the period / year, net of tax	13,223	(4,122)	3,321	(83,006)
Total comprehensive income for the period / year	121,630	105,559	413,799	321,456

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A31d. Financing and Advances

By type and contract

31 December 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	1,380,952	-	-	-	-	-	1,380,952
Term financing							
- House financing	4,131,197	-	-	10,550,865	-	-	14,682,062
- Syndicated financing	1,306,278	-	-	-	-	-	1,306,278
- Hire purchase receivables	-	10,875,598	-	-	-	-	10,875,598
- Other term financing	3,183,612	-	1,777,632	8,379,688	-	-	13,340,932
Credit card receivables	-	-	-	-	-	14,158	14,158
Bills receivables	-	-	-	-	604	-	604
Trust receipts	-	-	-	-	5,000	-	5,000
Claims on customers under acceptance credits	-	-	-	-	135,388	-	135,388
Revolving credits	204,923	-	-	-	-	-	204,923
Staff financing	-	6,597	-	56,441	-	-	63,038
Gross financing and advances	10,206,962	10,882,195	1,777,632	18,986,994	140,992	14,158	42,008,933
Allowance for impaired financing and advances:							
- collective assessment allowance							(302,968)
Net financing and advances							41,705,965

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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	
	31 December 2017 RM'000	31 December 2016 RM'000
At 1 January	225,667	211,804
Impaired during the year	656,378	593,015
Reclassified as non-impaired	(503,479)	(440,075)
Recoveries	(43,413)	(44,904)
Amount written off	(89,715)	(92,607)
Financing converted to foreclosed properties	(1,052)	(1,566)
Closing balance	<u>244,386</u>	<u>225,667</u>
Impaired financing and advances as a percentage of gross financing and advances	<u>0.58%</u>	<u>0.60%</u>

A31e. Deposits from Customers

	Group	
	31 December 2017 RM'000	31 December 2016 RM'000
By type of deposit and contract		
At amortised cost		
Savings deposit		
- Wadiah	6,162,278	5,855,625
Demand deposit		
- Wadiah	4,165,878	3,839,873
Term deposit		
- Negotiable Islamic Debt Certificate		
- Bai' Inah	17,473	-
- Commodity Murabahah	33,021,079	27,684,903
- General investment account		
- Mudharabah	-	90,115
- Wakalah	-	110,184
	<u>-</u>	<u>200,299</u>
- Special term deposit account		
- Wadiah	6,137,401	4,892,374
	<u>49,504,109</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

Key Profit or Loss Items:	Group			
	Financial Year Ended			
	31 December	31 December		
	2017	2016	Variance	
	RM'000	RM'000	RM'000	%
Profit before tax expense and zakat	7,117,672	6,554,032	563,640	8.6
Net profit attributable to equity holders of the Bank	5,470,035	5,206,875	263,160	5.1
Other comprehensive (loss) / income (net)	(154,817)	58,868	(213,685)	(363.0)

Key Balance Sheet Items:	Group			
	As At			
	31 December	31 December		
	2017	2016	Variance	
	RM'000	RM'000	RM'000	%
Gross loans, advances and financing	304,453,277	293,959,182	10,494,095	3.6
Gross impaired loan and financing (%)	0.48%	0.51%	n/a	(0.03)
Deposits from customers	319,259,426	309,973,568	9,285,858	3.0

The Group's pre-tax profit for the financial year ended 31 December 2017 of RM7,117.7 million was RM563.6 million or 8.6% higher than the previous year of RM6,554.0 million. Net profit attributable to equity holders improved by RM263.2 million or 5.1% to RM5,470.0 million. The higher earnings was mainly due to higher net interest income of RM496.7 million (7.2%), higher net fee and commission income of RM171.6 million (11.0%), higher income from Islamic banking business of RM57.1 million (6.1%) and higher other operating income of RM48.6 million (10.7%). These were partially offset by higher operating overheads of RM216.7 million (6.7%) in line with higher business volume and higher loan impairment allowance of RM10.6 million (5.5%).

Other comprehensive loss (net) of the Group for the financial year ended 31 December 2017 was RM154.8 million as compared to other comprehensive income (net) of RM58.9 million in the previous year, mainly due to foreign currency translation loss in respect of foreign operations as a result of the strengthening of Ringgit Malaysia partially offset by higher net gain on revaluation of financial investments available-for-sale.

The Group's profit was mainly supported by continued loans and customer deposits growth coupled with stable asset quality. Gross loans grew by RM10.5 billion or 3.6% to RM304.5 billion as at 31 December 2017 as compared to RM294.0 billion as at 31 December 2016, mainly driven by growth in property financing, lending to small and medium enterprises ("SMEs") and corporate lending. Total deposits from customers increased by 3.0% or RM9.3 billion to RM319.3 billion as at 31 December 2017 which partly contributed to the higher net interest income for the current year. The Group's gross impaired loan ratio remained stable at 0.5% as at 31 December 2017. This was attributed to the Group's consistent adoption of stringent credit underwriting and proactive recovery processes.

The Group's Common Equity Tier I capital ratio, Tier I capital ratio and total capital ratio stood at a healthy level of 12.2%, 13.0% and 16.0% respectively. The Group's liquidity position also remained stable and healthy with gross loans to fund and equity ratio standing at 80.7% as at 31 December 2017.

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B1. Performance Review (continued)

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

The performance of the respective operating segments for the financial year ended 31 December 2017 as compared to the previous year is analysed as follows:-

	Group		Variance	
	31 December 2017	31 December 2016	RM'000	%
Profit Before Tax by Segments:	RM'000	RM'000		
Retail operations	3,796,563	3,466,198	330,365	9.5
Hire purchase	451,122	453,770	(2,648)	(0.6)
Corporate lending	553,533	502,546	50,987	10.1
Treasury and capital market operations	553,779	558,211	(4,432)	(0.8)
Investment banking	46,204	48,913	(2,709)	(5.5)
Fund management	660,880	572,903	87,977	15.4
Head office and others	367,788	330,841	36,947	11.2
Total domestic operations	6,429,869	5,933,382	496,487	8.4
Overseas operations	687,803	620,650	67,153	10.8
	7,117,672	6,554,032	563,640	8.6

- 1) Retail Operations – Pre-tax profit increased by RM330.4 million (9.5%) to RM3,796.6 million mainly due to higher net interest income on higher average loan and deposit balances and higher fee and other operating income, partially offset by higher other operating expenses.
- 2) Hire purchase – Pre-tax profit decreased marginally by RM2.6 million (-0.6%) to RM451.1 million.
- 3) Corporate lending – Pre-tax profit increased by RM51.0 million (10.1%) to RM553.5 million mainly due to higher net interest income on higher average loan balances partially offset by higher loan impairment allowance.
- 4) Treasury and capital market operations – Pre-tax profit decreased marginally by RM4.4 million (-0.8%) to RM553.8 million.
- 5) Investment banking – The decrease in pre-tax profit of RM2.7 million (-5.5%) to RM46.2 million was mainly due to higher other operating expenses and writeback of loan impairment allowance in the previous year, partially offset by higher brokerage income from stock-broking activities.
- 6) Fund management – Pre-tax profit increased by RM88.0 million (15.4%) to RM660.9 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, partially offset by higher other operating expenses.
- 7) Other operating segments – Pre-tax profit increased by RM36.9 million (11.2%) to RM367.8 million mainly due to higher net interest income from investments partially offset by lower other operating income on lower gain on revaluation of investment properties and higher other operating expenses.
- 8) Overseas operations – Pre-tax profit increased by RM67.2 million (10.8%) to RM687.8 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

Key Profit or Loss Items:	Group			
	4th Quarter Ended			
	31 December 2017 RM'000	31 December 2016 RM'000	Variance RM'000	%
Profit before tax expense and zakat	1,957,237	1,792,711	164,526	9.2
Net profit attributable to equity holders of the Bank	1,485,468	1,482,782	2,686	0.2
Other comprehensive loss (net)	(75,614)	(13,106)	(62,508)	(476.9)

For the 4th quarter ended 31 December 2017, the Group registered a pre-tax profit of RM1,957.2 million, an improvement of RM164.5 million or 9.2% as compared to the previous year corresponding quarter. The improved pre-tax profit was mainly due to higher net interest income, higher other operating income, higher net fee and commission income and higher income from Islamic banking business, which were partially offset by higher loan impairment allowance. Net profit attributable to equity holders grew marginally by RM2.7 million or 0.2% over the same period to RM1,485.5 million.

Other comprehensive loss (net) of the Group increased by RM62.5 million for the 4th quarter ended 31 December 2017 mainly due to foreign currency translation loss in respect of foreign operations as a result of the strengthening of Ringgit Malaysia as compared to a foreign currency translation gain in the previous corresponding quarter, partially offset by net gain on revaluation of financial investments available-for-sale as compared to a net loss reported in the previous year corresponding quarter.

Performance of the respective operating segments for the 4th quarter ended 31 December 2017 as compared to the previous corresponding quarter is analysed as follows:-

Profit Before Tax by Segments:	4th Quarter Ended			
	31 December			
	2017 RM'000	2016 RM'000	Variance RM'000	%
Retail operations	1,073,234	951,401	121,833	12.8
Hire purchase	113,454	160,087	(46,633)	(29.1)
Corporate lending	138,753	133,332	5,421	4.1
Treasury and capital market operations	132,601	122,418	10,183	8.3
Investment banking	10,490	10,284	206	2.0
Fund management	177,457	154,309	23,148	15.0
Head office and others	128,636	87,144	41,492	47.6
Total domestic operations	1,774,625	1,618,975	155,650	9.6
Overseas operations	182,612	173,736	8,876	5.1
	<u>1,957,237</u>	<u>1,792,711</u>	<u>164,526</u>	9.2

- 1) Retail operations – The increase in pre-tax profit of RM121.8 million (12.8%) to RM1,073.2 million was mainly due to higher net interest income on higher average loan balances and higher net fee and commission income partially offset by lower net writeback of loan impairment allowance.
- 2) Hire purchase – Pre-tax profit decreased by RM46.6 million (-29.1%) to RM113.5 million, mainly due to higher loan impairment allowance.
- 3) Corporate lending – Pre-tax profit increased by RM5.4 million (4.1%) to RM138.8 million, mainly due to higher net interest income on higher average loan balances partially offset by lower fee income.

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B1. Performance Review (continued)

Current Quarter vs. Previous Year Corresponding Quarter (continued)

- 4) Treasury and capital market operations – Pre-tax profit increased by RM10.2 million (8.3%) to RM132.6 million, mainly due to higher foreign exchange income partially offset by lower net interest income.
- 5) Investment banking – Pre-tax profit increased by RM0.2 million to RM10.5 million.
- 6) Fund management business – Pre-tax profit increased by RM23.1 million (15.0%) to RM177.5 million mainly due to higher management fee earned on higher average net asset value of funds under management and higher fee income on sale of trust units, partially offset by higher other operating expenses.
- 7) Other operating segments – Pre-tax profit increased by RM41.5 million (47.6%) to RM128.6 million, mainly due to higher net interest income from investments and lower other operating expenses.
- 8) Overseas Operations – The increase in pre-tax profit of RM8.9 million (5.1%) to RM182.6 million was mainly due to higher net interest income, higher other income and lower loan impairment allowance, partially offset by higher other operating expenses.

B2. Variation of Results Against Preceding Quarter

Key Profit or Loss Items:	Group		Variance	
	Quarter Ended			
	31 December 2017 RM'000	30 September 2017 RM'000	RM'000	%
Profit before tax expense and zakat	1,957,237	1,792,954	164,283	9.2
Net profit attributable to equity holders of the Bank	1,485,468	1,404,760	80,708	5.7
Other comprehensive (loss) / income (net)	(75,614)	5,272	(80,886)	(1,534.3)

For the 4th quarter ended 31 December 2017, the Group registered a pre-tax profit of RM1,957.2 million, an increase of RM164.3 million or 9.2% as compared to the pre-tax profit of RM1,793.0 million for the preceding quarter ended 30 September 2017. Net profit attributable to equity holders improved by RM80.7 million or 5.7% to RM1,485.5 million. The increase in pre-tax profit was mainly due to lower loan impairment allowance, higher other operating income, lower other operating expenses and higher net interest income, partially offset by lower investment income.

Other comprehensive loss (net) of the Group for the 4th quarter ended 31 December 2017 was RM75.6 million as compared to other comprehensive income (net) of RM5.3 million in the preceding quarter ended 30 September 2017. This was mainly due to higher foreign currency translation loss in respect of foreign operations and lower net revaluation gain on financial investments available-for-sale, partially offset by higher net gain on cash flow hedges.

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B3. Prospects for 2018

The global economy will continue to be driven by accommodative policies within a broadly stable risk environment. The growing US economy coupled with continued growth in the Euro area and Japan as well as ongoing growth-focused policies in China are expected to be supportive of global growth. Meanwhile, emerging economies are expected to benefit from strong external demand and sustained domestic activities.

On the domestic front, the Malaysian real Gross Domestic Product is expected to grow between 5.0% and 5.5% in 2018, driven by stable economic fundamentals. The domestic economy will continue to be supported by sustained private sector activities amid stable labour market conditions. Investment growth is projected to be sustained by existing and new development projects, particularly in the services and manufacturing sectors. The external sector will continue to provide impetus to the economy, underpinned by firmer commodity prices and improvement in global demand.

Headline inflation registered an average of 4.0% during the first ten months of 2017, which is in line with the full year forecast of between 3.0% and 4.0%. The cost pressure during the year was largely due to relatively higher global oil and energy prices as compared to the previous year. The banking sector will remain supportive of economic activities underpinned by strong capitalisation, stable funding and liquidity position, and sustained profitability.

The Public Bank Group will continue to adopt prudent and responsible lending practices, while upholding a strong corporate governance and compliance culture, as well as maintaining operational excellence and sound risk management practices.

The Public Bank Group will continue to capitalise on its strong branding, wide branch network as well as efficient customer service delivery to further develop its business. The Group remains focused on home mortgages particularly for owner occupation. The Group will also continue to grow its hire purchase business prudently. In tandem with its prudent lending culture, the Group will continue to be vigilant in credit underwriting.

As the SME business segment is expected to benefit from the Government's expansionary measures, the Public Bank Group will continue to grow its SME financing portfolio by delivering banking products which meet the needs of SMEs in order to sustain its market leadership position in the SME segment.

The Public Bank Group will continue to expand its corporate lending business by leveraging on its existing clients with good track record while on boarding new corporate clients in growth and resilient sectors.

In the face of heightened market uncertainties, the Public Bank Group's treasury operations will continue to remain vigilant and exercise caution in executing its growth strategy. The investment portfolio will be prudently and selectively managed to cope with any potential market shocks and rising volatility. The Group will also strengthen its customer service delivery and increase customer interactions by leveraging on its wide branch network, overseas operations as well as business partners. To create competitive advantages amid heightened industry competition, the Group will widen its product offerings and client solutions via the development of new investment products.

With the increasingly competitive private unit trust industry, the Public Bank Group will continue to intensify efforts to maintain its strong branding and leading market position in Malaysia, which will be supported by development of new products and enhanced services to cater to the diverse needs of investors.

The Public Bank Group will proactively collaborate with AIA Berhad to develop relevant bancassurance product offerings in order to improve its product penetration while meeting the investment and protection needs of customers. The Group will also continue to leverage on its wide distribution network by working closely with AIA to improve customers' satisfaction and provide relevant product solutions.

For its overseas operations, the Public Bank Group will continue to expand organically and strengthen its regional presence by leveraging on its strong corporate branding as a reputable, safe and efficient commercial bank.

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B4. Profit Forecast or Profit Guarantee

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

B5. Tax Expense and Zakat

The analysis of the tax expense for the 4th quarter and financial year ended 31 December 2017 are as follows:

<u>Group</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	446,518	254,238	1,524,644	1,159,092
Overseas income tax	40,172	28,877	136,160	114,244
	486,690	283,115	1,660,804	1,273,336
(Over) / Under provision in prior years				
- Malaysian income tax	(24,498)	(5,027)	(55,384)	(5,051)
- Overseas income tax	(9,176)	12	(231)	1,032
	453,016	278,100	1,605,189	1,269,317
Deferred tax expense / (income)				
- Relating to changes in tax rate	-	-	-	661
- Relating to origination and reversal of temporary differences	1,972	12,566	(31,575)	13,685
- (Over) / Under provision	(3,181)	2,724	(3,181)	2,724
Tax expense	451,807	293,390	1,570,433	1,286,387
Zakat	65	52	260	210
	451,872	293,442	1,570,693	1,286,597

The Group's effective tax rate for the 4th quarter and financial year ended 31 December 2017 and 31 December 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.

<u>Bank</u>	4th Quarter Ended		Financial Year Ended	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax	364,541	221,416	1,300,274	1,042,613
Overseas income tax	(814)	2,266	5,533	9,877
	363,727	223,682	1,305,807	1,052,490
(Over) / Under provision in prior years				
- Malaysian income tax	(23,921)	983	(43,659)	983
- Overseas income tax	-	-	80	292
	339,806	224,665	1,262,228	1,053,765
Deferred tax expense / (income)				
- Relating to changes in tax rate	-	-	-	643
- Relating to origination and reversal of temporary differences	2,870	1,743	(23,953)	(1,240)
- (Over) / Under provision	(2,572)	2,182	(2,572)	2,182
	340,104	228,590	1,235,703	1,055,350

The Bank's effective tax rate for the 4th quarter and financial year ended 31 December 2017 and 31 December 2016 were lower than the statutory tax rate mainly due to certain income not subject to tax.

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B6. Status of Corporate Proposals Announced but Not Completed

There were no corporate proposals announced but not completed as at 31 December 2017.

B7. Status of Utilisation of Proceeds Raised from Corporate Proposals

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

B8. Financial Risk Management

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

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

The above information are discussed in the Financial Risk Management section of the audited annual financial statements for the financial year ended 31 December 2016 and Pillar 3 Disclosures section of the 2016 Annual Report.

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B9. Debt Securities Issued and Other Borrowed Funds

Group	More Than 1 Year		Less Than 1 Year		Sub-total		Total RM'000
	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	
Unsecured							
As At 31 December 2017							
Hong Kong Dollar ("HKD") term loan	-	-	568,444	-	568,444	-	568,444
United States Dollar ("USD") term loan	809,496	-	-	-	809,496	-	809,496
USD syndicated term loan	1,484,742	-	-	-	1,484,742	-	1,484,742
RM Senior Medium Term notes	-	2,003,072	-	399,927	-	2,402,999	2,402,999
RM Subordinated notes / sukuk murabahah	-	2,999,605	-	1,949,863	-	4,949,468	4,949,468
RM Non-innovative Tier I stapled securities	-	2,112,924	-	-	-	2,112,924	2,112,924
	2,294,238	7,115,601	568,444	2,349,790	2,862,682	9,465,391	12,328,073
As At 31 December 2016							
HKD term loan	631,771	-	-	-	631,771	-	631,771
USD term loan	895,664	-	-	-	895,664	-	895,664
RM Senior Medium Term notes	-	2,405,237	-	-	-	2,405,237	2,405,237
RM Subordinated notes / sukuk murabahah	-	2,449,051	-	3,005,501	-	5,454,552	5,454,552
RM Non-innovative Tier I stapled securities	-	2,127,050	-	-	-	2,127,050	2,127,050
	1,527,435	6,981,338	-	3,005,501	1,527,435	9,986,839	11,514,274

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

Bank	More Than 1 Year		Less Than 1 Year		Sub-total		Total RM'000
	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	Foreign Currency RM'000	Local Currency RM'000	
Unsecured							
As At 31 December 2017							
USD term loan	809,496	-	-	-	809,496	-	809,496
USD syndicated term loan	1,484,742	-	-	-	1,484,742	-	1,484,742
RM Senior Medium Term notes	-	2,003,072	-	399,927	-	2,402,999	2,402,999
RM Subordinated notes / sukuk murabahah	-	1,999,974	-	1,949,863	-	3,949,837	3,949,837
RM Non-innovative Tier I stapled securities	-	2,112,924	-	-	-	2,112,924	2,112,924
	2,294,238	6,115,970	-	2,349,790	2,294,238	8,465,760	10,759,998
As At 31 December 2016							
USD term loan	895,664	-	-	-	895,664	-	895,664
RM Senior Medium Term notes	-	2,405,237	-	-	-	2,405,237	2,405,237
RM Subordinated notes / sukuk murabahah	-	1,949,677	-	3,005,501	-	4,955,178	4,955,178
RM Non-innovative Tier I stapled securities	-	2,127,050	-	-	-	2,127,050	2,127,050
	895,664	6,481,964	-	3,005,501	895,664	9,487,465	10,383,129
Exchange rate used:	HKD	USD					
As at 31 December 2017	0.51835	4.05250					
As at 31 December 2016	0.57850	4.48625					

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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) The Directors had declared a first interim dividend of 27.0 sen in respect of financial year ended 31 December 2017, which was paid on 17 August 2017.

(b) (i) A second interim dividend of 34.0 sen per share for the financial year ended 31 December 2017, amounting to RM1,312,907,975 computed based on 3,861,494,043 ordinary shares (excluding treasury shares) as at 31 December 2017, has been declared by the directors.

(ii) Amount per share : 34.0 sen.

(iii) Entitlement date: 15 March 2018.

(iv) Payment date: 23 March 2018.

(c) Total dividend paid for the previous financial year ended 31 December 2016:

- First interim dividend of 26.0 sen.

- Second interim dividend of 32.0 sen.

B12. Earnings Per Share

	4th Quarter Ended		Financial Year Ended	
	31 December	31 December	31 December	31 December
	2017	2016	2017	2016
Net profit attributable to equity holders (RM'000)	<u>1,485,468</u>	<u>1,482,782</u>	<u>5,470,035</u>	<u>5,206,875</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>38.5</u>	<u>38.4</u>	<u>141.7</u>	<u>134.8</u>

Diluted

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