PUBLIC BANK

Still Surging Ahead

2015 ANNUAL REPORT
FINANCIAL STATEMENTS

STILL SURGING AHEAD

Public Bank opened its door for business five decades ago in 1966. It was the Year of the Horse and a banking thoroughbred was born. Led by visionary leadership, Public Bank has evolved to become an indomitable force in Malaysia's banking industry as we grew in strength and stature over the years, driven by our spirit and will to succeed. Today, we stand tall as we continue to build on our legacy of excellence.

The theme 'Still Surging Ahead' reflects the Group's commitment to keep the momentum going to achieve even more success in the future. To commemorate Public Bank's 50 years in the financial industry, this year's annual report showcases a collection of equine paintings from the Bank's collections depicting the energy, strength and resilient nature of horses.

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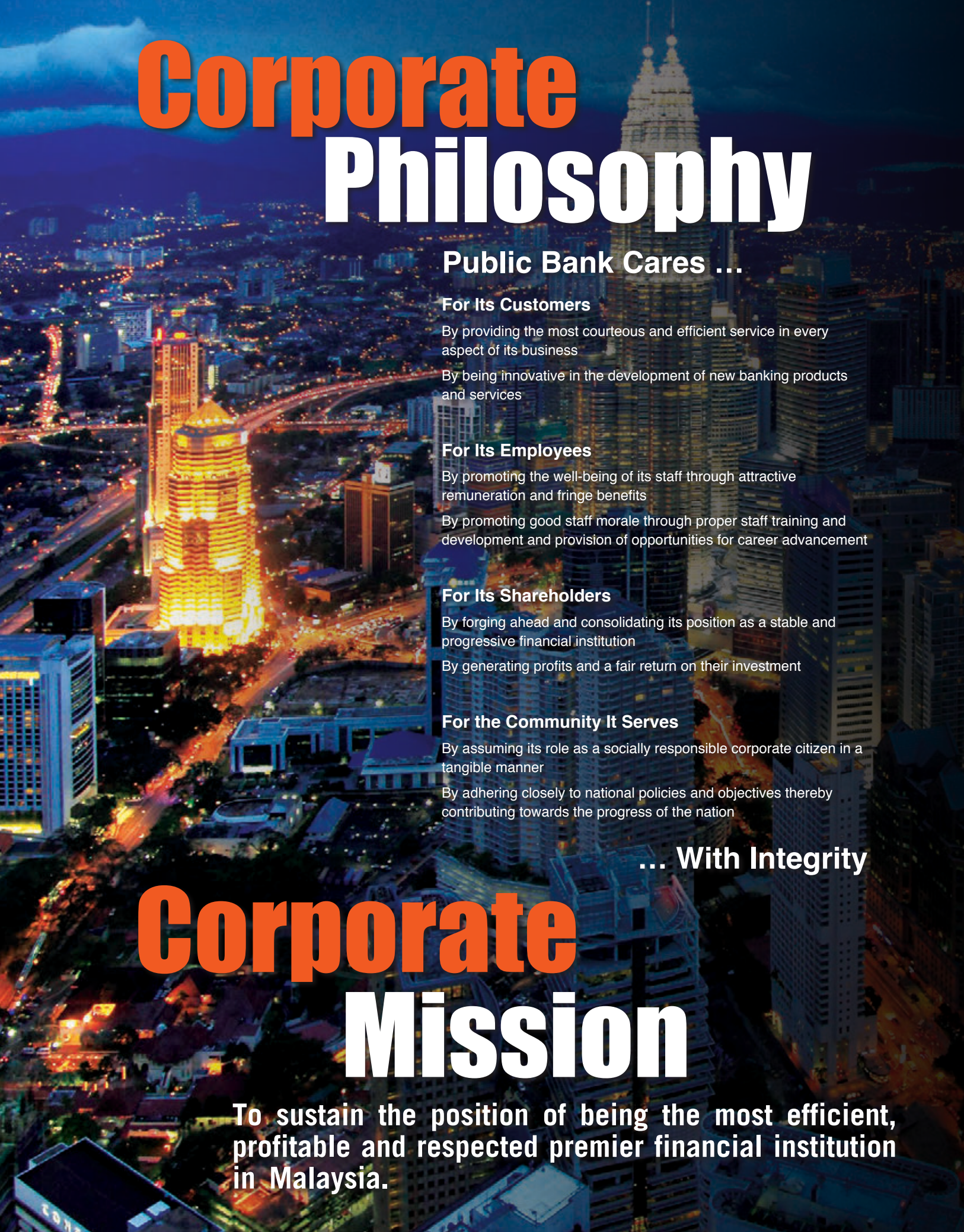


Corporate Philosophy

Public Bank Cares ...

For Its Customers

By providing the most courteous and efficient service in every aspect of its business

By being innovative in the development of new banking products and services

For Its Employees

By promoting the well-being of its staff through attractive remuneration and fringe benefits

By promoting good staff morale through proper staff training and development and provision of opportunities for career advancement

For Its Shareholders

By forging ahead and consolidating its position as a stable and progressive financial institution

By generating profits and a fair return on their investment

For the Community It Serves

By assuming its role as a socially responsible corporate citizen in a tangible manner

By adhering closely to national policies and objectives thereby contributing towards the progress of the nation

... With Integrity

Corporate Mission

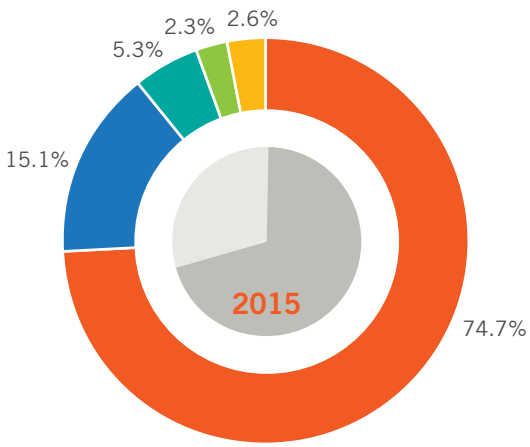
To sustain the position of being the most efficient, profitable and respected premier financial institution in Malaysia.

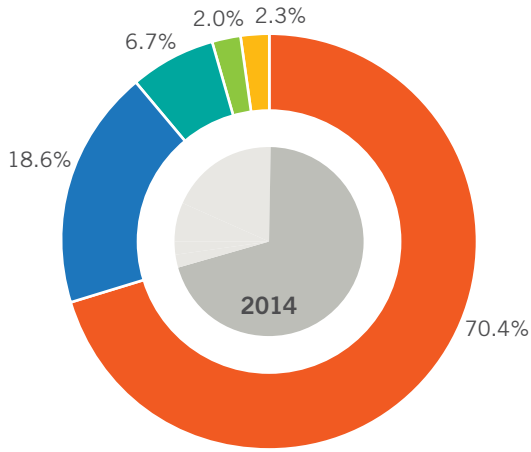
Financial Highlights

	GROUP		BANK	
	2015	**2014**	**2015**	**2014**
PROFITABILITY (RM'Million)				
Operating revenue	**19,182**	16,860	**13,942**	12,732
Operating profit	**6,631**	6,067	**4,986**	5,118
Profit before tax expense and zakat	**6,491**	5,814	**5,000**	5,019
Net profit attributable to equity holders of the Bank	**5,062**	4,519	**3,989**	4,030
KEY BALANCE SHEET DATA (RM'Million)				
Total assets	**363,758**	345,722	**292,272**	286,668
Loans, advances and financing	**271,814**	243,222	**219,872**	201,928
Deposits from customers	**301,157**	276,540	**236,460**	226,217
Shareholders' equity	**31,231**	28,025	**27,945**	25,943
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest bearing assets	**2.2**	2.2	**2.0**	2.1
Net return on equity[1]	**17.8**	19.9[#]	**15.5**	19.3[#]
Return on average assets	**1.8**	1.8	**1.7**	1.9
Return on average risk-weighted assets	**2.8**	2.8	**2.7**	2.9
Capital Adequacy Ratios				
Common Equity Tier I capital ratio	**11.4**	11.3	**12.2**	12.7
Tier I capital ratio	**12.6**	12.8	**13.6**	14.4
Total capital ratio	**16.0**	16.4	**15.9**	16.3
Asset Quality Ratio				
Gross impaired loans ratio	**0.5**	0.6	**0.5**	0.6

[1] *Based on average equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.*
[#] *Average equity is adjusted with weighted average of net proceeds from rights issue.*

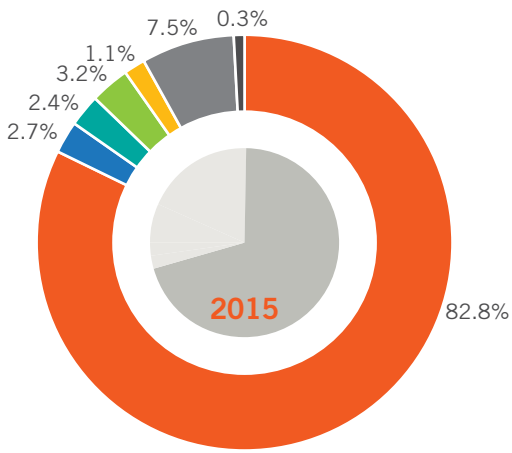
Simplified Group Balance Sheet

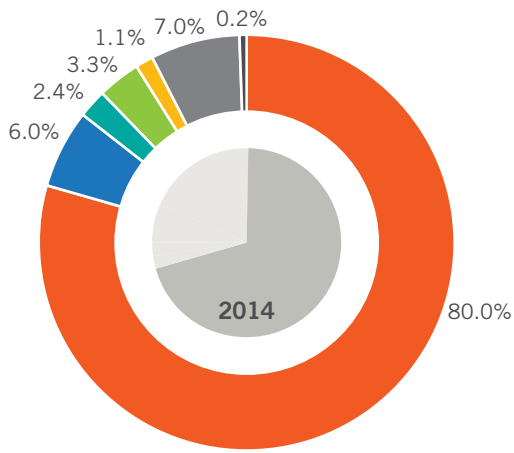




ASSETS

- Cash and balances with banks and reverse repurchase agreements
- Portfolio of financial investments
- Loans, advances and financing
- Statutory deposits with Central Banks
- Other assets (including intangible assets)





LIABILITIES & EQUITY

- Deposits from customers
- Deposits from banks
- Bills and acceptances payable and other liabilities
- Debt securities issued and other borrowed funds
- Share capital
- Reserves
- Non-controlling interests

Five-Year Group Financial Summary

RM6.49 billion
PROFIT BEFORE TAX

0.5 percent
GROSS IMPAIRED LOANS RATIO

YEAR ENDED 31 DECEMBER	2015	2014	2013	2012	2011
OPERATING RESULTS (RM'Million)					
Operating profit	**6,631**	6,067	5,655	5,329	5,200
Profit before tax expense and zakat	**6,491**	5,814	5,310	5,047	4,878
Net profit attributable to equity holders of the Bank	**5,062**	4,519	4,065	3,827	3,684
KEY BALANCE SHEET DATA (RM'Million)					
Total assets	**363,758**	345,722	305,725	274,824	250,773
Loans, advances and financing	**271,814**	243,222	219,416	196,052	175,953
Total liabilities	**331,450**	316,847	284,528	256,106	234,262
Deposits from customers	**301,157**	276,540	250,873	225,042	200,371
Core customer deposits	**245,171**	216,707	201,258	177,035	157,297
Paid-up capital	**3,882**	3,882	3,532	3,532	3,532
Shareholders' equity	**31,231**	28,025	20,424	18,018	15,813
Commitments and contingencies	**107,533**	95,813	87,986	79,458	70,847
SHARE INFORMATION AND VALUATION					
Share Information					
Per share (sen)					
Basic/Diluted earnings	**131.1**	123.7	116.1	109.3	105.2
Net dividend	**56.0**	54.0	52.0	50.0	48.0
Net assets	**808.8**	725.7	583.2	514.5	451.5
Share price as at 31 December (RM)	**18.52**	18.30	19.40	16.28	13.38
Market capitalisation (RM'Million)	**71,897**	71,043	68,668	57,521	47,066
Valuations					
Net dividend yield (%)	**3.0**	3.0	2.7	3.1	3.6
Dividend payout ratio (%)	**42.7**	46.1	44.8	45.3	48.3
Price to earnings multiple (times)	**14.1**	14.8	16.7	14.9	12.7
Price to book multiple (times)	**2.3**	2.5	3.3	3.2	3.0

Five-Year Group Financial Summary

8.9 percent
CUSTOMER DEPOSITS

11.6 percent
GROSS LOANS

YEAR ENDED 31 DECEMBER	2015	2014	2013	2012	2011
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest bearing assets	**2.2**	2.2	2.4	2.5	2.7
Net return on equity[1]	**17.8**	19.9[#]	22.4	24.1	26.8
Return on average assets	**1.8**	1.8	1.8	1.9	2.0
Return on average risk-weighted assets	**2.8**	2.8	2.8	2.9	3.2
Cost/income ratio	**30.5**	30.0	30.7	31.2	29.8
Asset Quality Ratios					
Net loan to deposit ratio	**90.3**	88.0	87.5	87.1	87.8
Gross impaired loans ratio	**0.5**	0.6	0.7	0.7	0.9
Loan loss coverage					
– Exclude regulatory reserve	**120.8**	122.4	118.5	126.0	113.8
– Include regulatory reserve	**258.6**	218.6	127.1	135.3	122.1
Capital Adequacy Ratios					
Common Equity Tier I ("CET I") capital ratio	**11.4**	11.3	9.3	N/A	N/A
Tier I capital ratio	**12.6**	12.8	11.1	11.4	11.2
Total capital ratio	**16.0**	16.4	14.3	14.7	15.6
CET I capital (RM'Million)	**27,329**	24,775	18,527	N/A	N/A
Tier I capital (RM'Million)	**30,118**	27,942	22,079	20,512	18,341
Tier II capital (RM'Million)	**8,202**	7,891	6,458	5,861	7,166
Total capital (RM'Million)	**38,320**	35,833	28,537	26,373	25,507
PRODUCTIVITY RATIOS					
No. of employees	**18,373**	18,198	17,924	17,625	17,511
Gross loans per employee (RM'000)	**14,883**	13,465	12,340	11,222	10,148
Deposits per employee (RM'000)	**16,391**	15,196	13,996	12,768	11,443
Profit before tax per employee (RM'000)	**353**	320	296	286	279
MARKET SHARE (%)					
Domestic market share					
Loans, advances & financing	**17.5**	17.1	16.9	16.7	16.4
Deposits from customers	**16.6**	15.9	15.7	15.2	14.9
Core customer deposits	**16.9**	16.6	17.5	16.6	16.1

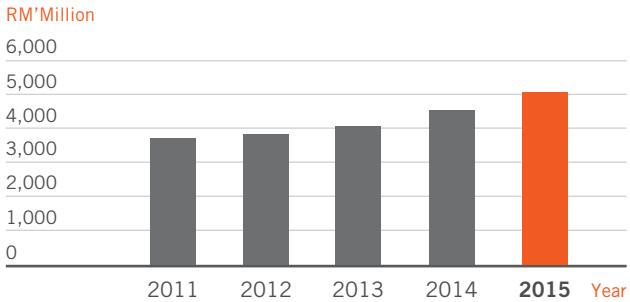
[1] *Based on average equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.*
[#] *Average equity is adjusted with weighted average of net proceeds from rights issue.*

Summary of Five-Year Group Growth

NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

RM5,062.2 Million

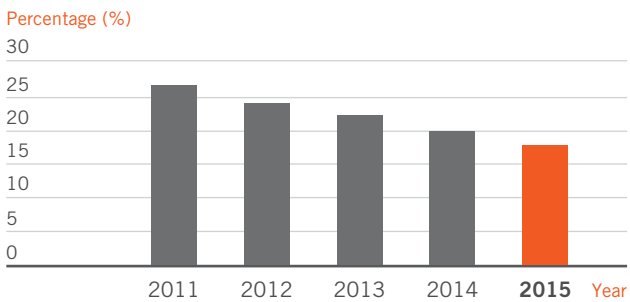
2011	2012	2013	2014	2015
3,684.3	3,826.8	4,064.7	4,518.8	**5,062.2**



NET RETURN ON EQUITY

17.8%

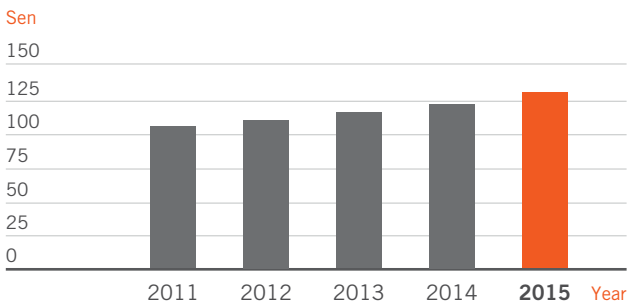
2011	2012	2013	2014	2015
26.8	24.1	22.4	19.9	**17.8%**



EARNINGS PER SHARE

131.1 Sen

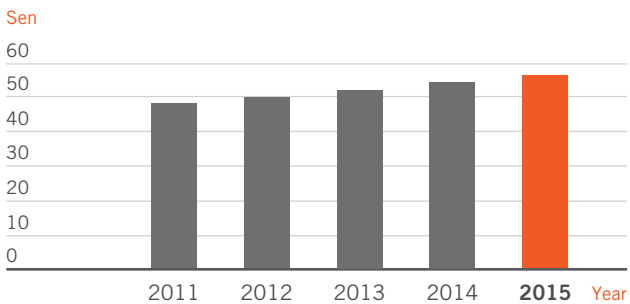
2011	2012	2013	2014	2015
105.2	109.3	116.1	123.7	**131.1**



DIVIDEND PER SHARE

56.0 Sen

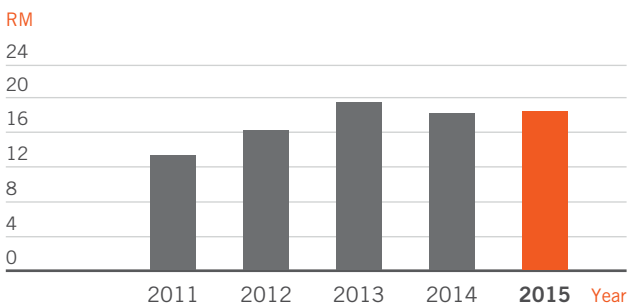
2011	2012	2013	2014	2015
48.0	50.0	52.0	54.0	**56.0**



SHARE PRICE

RM18.52

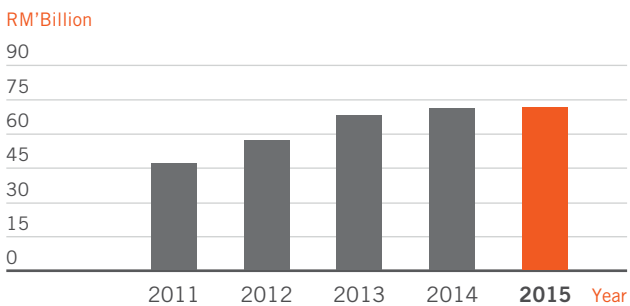
2011	2012	2013	2014	2015
13.38	16.28	19.40	18.30	**18.52**



MARKET CAPITALISATION

RM71.90 Billion

2011	2012	2013	2014	2015
47.07	57.52	68.67	71.04	**71.90**



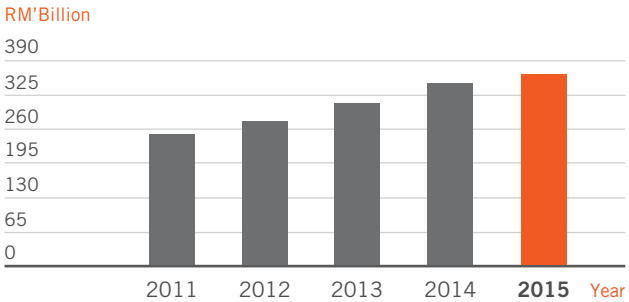
PUBLIC BANK'S RANKING BY MARKET CAPITALISATION ON BURSA MALAYSIA SECURITIES BERHAD

Year	2011	2012	2013	2014	2015
Ranking	5th	2nd	2nd	3rd	**3rd**

Summary of Five-Year Group Growth

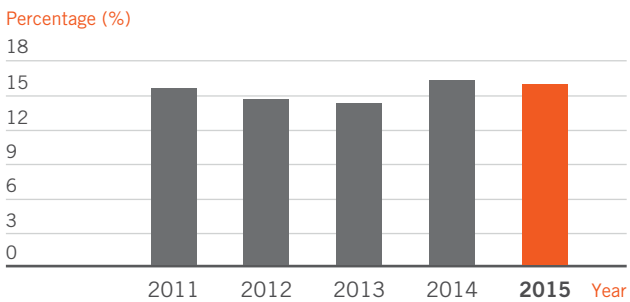
TOTAL ASSETS
RM363.76 Billion

2011	2012	2013	2014	**2015**
250.77	274.82	305.73	345.72	**363.76**



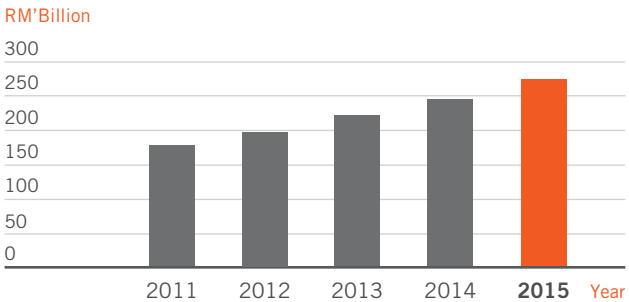
TOTAL CAPITAL RATIO
16.0%

2011	2012	2013	2014	**2015**
15.6	14.7	14.3	16.4	**16.0**



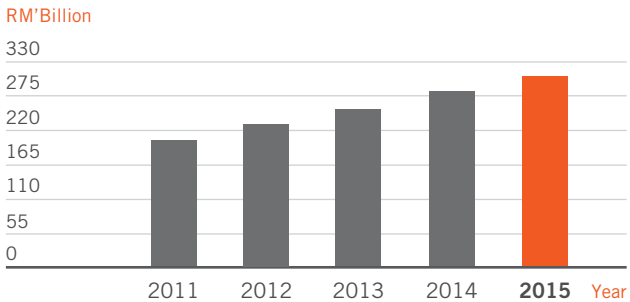
GROSS LOANS, ADVANCES AND FINANCING
RM273.45 Billion

2011	2012	2013	2014	**2015**
177.69	197.78	221.18	245.04	**273.45**



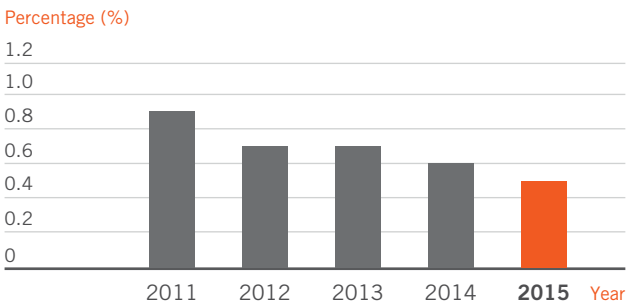
CUSTOMER DEPOSITS
RM301.16 Billion

2011	2012	2013	2014	**2015**
200.37	225.04	250.87	276.54	**301.16**



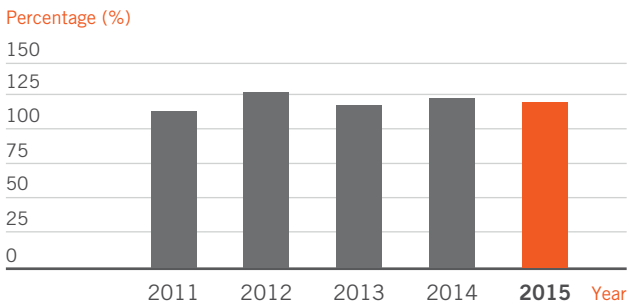
GROSS IMPAIRED LOANS RATIO
0.5%

2011	2012	2013	2014	**2015**
0.9	0.7	0.7	0.6	**0.5**



LOAN LOSS COVERAGE
120.8%

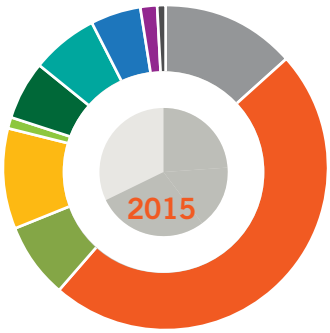
2011	2012	2013	2014	**2015**
113.8	126.0	118.5	122.4	**120.8**



Segmental Analysis

2015

OPERATING REVENUE



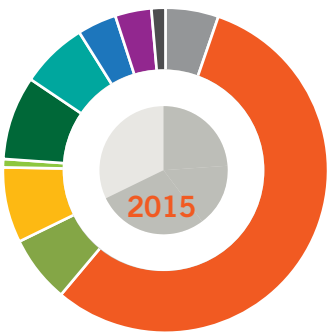
Domestic

13.5%	Hire purchase
47.9%	Retail operations
7.7%	Corporate lending
9.9%	Treasury and capital market operations
1.1%	Investment banking
6.0%	Fund management
6.4%	Others

Overseas

5.0%	Hong Kong SAR
1.9%	Cambodia
0.6%	Other Countries

PROFIT BEFORE TAX



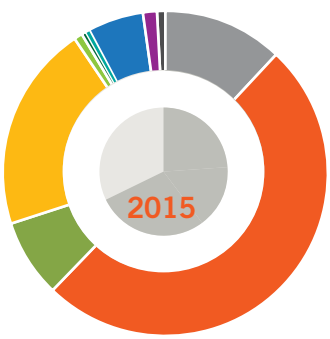
Domestic

5.4%	Hire purchase
55.8%	Retail operations
6.6%	Corporate lending
7.6%	Treasury and capital market operations
0.9%	Investment banking
8.3%	Fund management
6.6%	Others

Overseas

3.9%	Hong Kong SAR
3.6%	Cambodia
1.3%	Other Countries

TOTAL ASSETS



Domestic

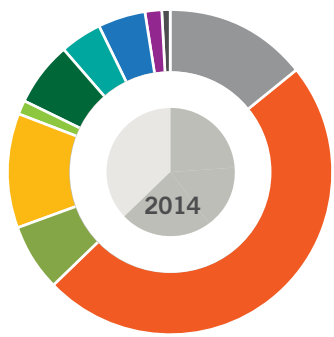
12.1%	Hire purchase
51.0%	Retail operations
7.8%	Corporate lending
20.7%	Treasury and capital market operations
0.7%	Investment banking
0.1%	Fund management
0.2%	Others

Overseas

5.5%	Hong Kong SAR
1.5%	Cambodia
0.4%	Other Countries

2014

OPERATING REVENUE



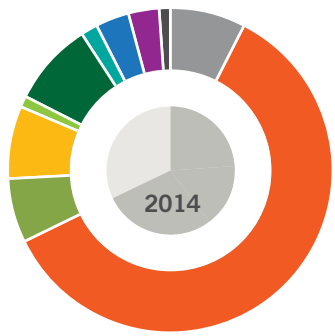
Domestic

14.4%	Hire purchase
48.6%	Retail operations
6.9%	Corporate lending
11.4%	Treasury and capital market operations
1.3%	Investment banking
6.4%	Fund management
4.2%	Others

Overseas

4.6%	Hong Kong SAR
1.7%	Cambodia
0.5%	Other Countries

PROFIT BEFORE TAX



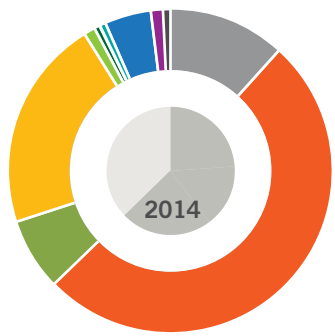
Domestic

7.7%	Hire purchase
60.1%	Retail operations
6.4%	Corporate lending
7.2%	Treasury and capital market operations
1.2%	Investment banking
8.4%	Fund management
1.6%	Others

Overseas

3.4%	Hong Kong SAR
2.9%	Cambodia
1.1%	Other Countries

TOTAL ASSETS



Domestic

11.9%	Hire purchase
51.9%	Retail operations
7.3%	Corporate lending
21.5%	Treasury and capital market operations
1.0%	Investment banking
0.1%	Fund management
0.1%	Others

Overseas

4.6%	Hong Kong SAR
1.3%	Cambodia
0.3%	Other Countries

Analysis of the Financial Statements

ANALYSIS OF THE INCOME STATEMENT

Net Income

The Public Bank Group's net income increased by 10.1% or RM872.4 million to RM9.55 billion in 2015, mainly due to increase in net interest income by 7.5% and other operating income by 22.4%.

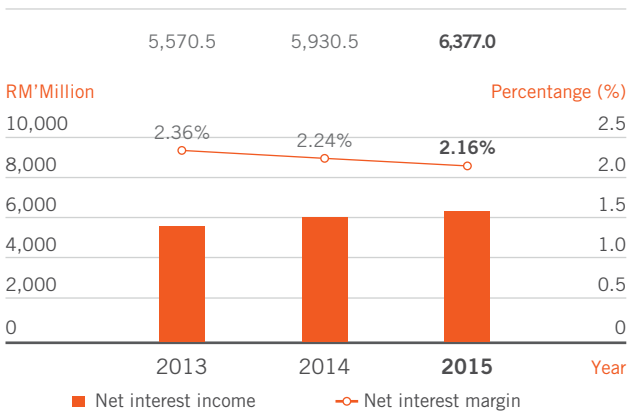
			Variance		
	2015 RM'000	**2014 RM'000**	**RM'000**	**%**	**Contribution %**
Net interest income	**6,377,023**	5,930,473	446,550	7.5	66.8
Net income from Islamic Banking Business	**828,638**	831,196	(2,558)	(0.3)	8.7
Other operating income	**2,340,121**	1,911,688	428,433	22.4	24.5
Net income	**9,545,782**	8,673,357	872,425	10.1	100.0

Net interest income

Net interest income contributed 66.8% to the Public Bank Group's total net income. Net interest income increased by 7.5% or RM446.6 million to RM6.38 billion on the back of strong loans growth.

With market conditions remaining competitive in 2015, the Group's net interest margin declined further by 8 basis points to 2.16% in 2015. The margin compression during the year was mainly due to intense competition for deposits which resulted in higher funding cost.

Net Interest Income and Margins



Net income from Islamic banking business

Net income from Islamic banking business contributed 8.7% to the Public Bank Group's total net income in 2015, marginally lower than its 9.6% contribution in the previous year. The weaker performance was mainly due to margin compression from financing as well as higher cost of deposit-taking.

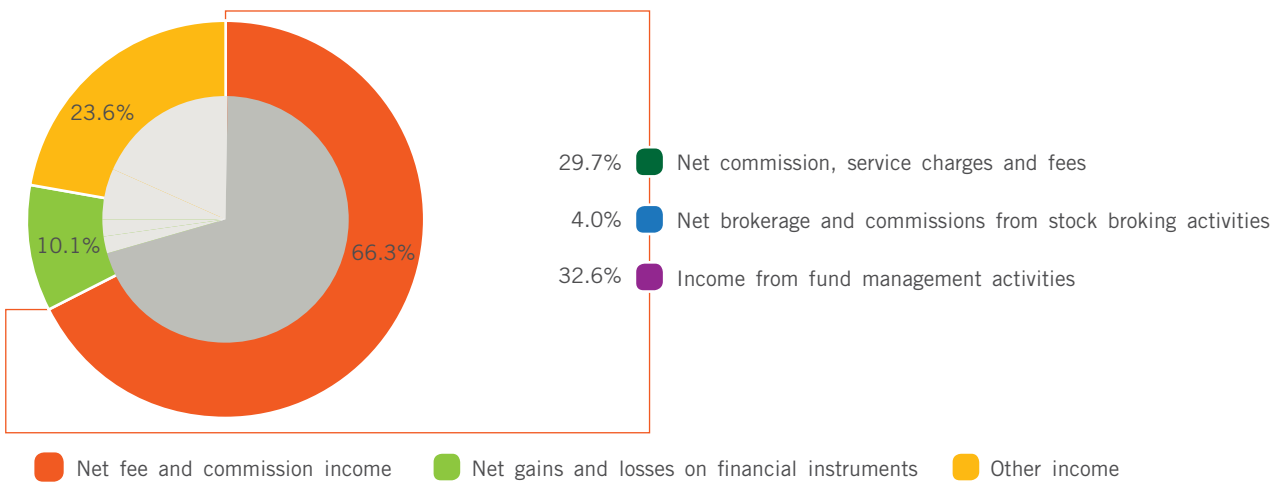
Other operating income

Other operating income recorded a strong double digit growth of 22.4% or RM428.4 million to RM2.34 billion in 2015. Consequently, its contribution to the Public Bank Group's total net income rose to 24.5% in 2015 from 22.0% previously. The increase in other operating income was mainly attributed to 12.4% growth in net fee and commission income, 20.0% increase in net gains on financial instruments and 32.2% increase in profits from foreign exchange business.

Analysis of the Financial Statements

			Variance	
	2015 RM'000	**2014 RM'000**	**RM'000**	**%**
Net fee and commission income	**1,552,843**	1,381,675	171,168	12.4
of which:				
Net commission, service charges and fees	**694,925**	579,583	115,342	19.9
Brokerage and commissions from stock broking activities	**94,463**	88,598	5,865	6.6
Income from fund management activities	**763,455**	713,494	49,961	7.0
Net gains and losses on financial instruments	**236,165**	196,761	39,404	20.0
Other income	**551,113**	333,252	217,861	65.4
of which:				
Profits from foreign exchange business	**355,656**	268,940	86,716	32.2
Net gain from revaluation of investment properties	**107,061**	5,304	101,757	>100.0
Total other operating income	**2,340,121**	1,911,688	428,433	22.4

Other Operating Income Contribution 2015



Net fee and commission income increased by 12.4% or RM171.2 million to RM1,552.8 million in 2015, with increased contribution from loan and trade-related activities, fund management, bancassurance and credit card. The Group's net asset value of unit trust funds under management has increased by 2.9% or RM1.81 billion resulting in a higher income from fund management activities by 7.0% or RM50.0 million to RM763.5 million. Net commission, service charges and fees increased by 19.9% or RM115.3 million to RM694.9 million in 2015, contributing 29.7% to the Group's total other operating income in 2015.

The Group's net gains and losses on financial instruments grew by 20.0% or RM39.4 million to RM236.2 million in 2015, as a result of higher trading and investing activities.

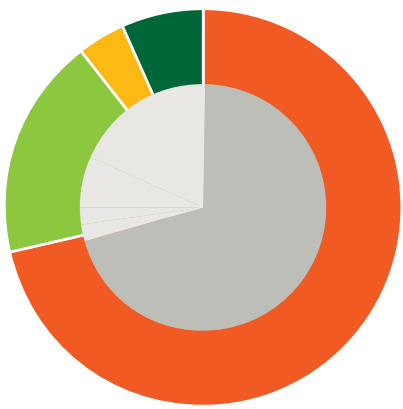
Other income surged by 65.4% or RM217.9 million to RM551.1 million in 2015 on the back of a 32.2% increase in foreign exchange profit as well as higher net gain from revaluation of investment properties by RM101.8 million.

Other Operating Expenses

The Group's other operating expenses increased by 11.9% to RM2,915.2 million in 2015 mainly due to higher staff costs and other expenses to support increased business volume.

			Variance	
	2015 RM'000	2014 RM'000	RM'000	%
Personnel costs	**2,077,956**	1,878,614	199,342	10.6
Establishment costs	**528,096**	472,821	55,275	11.7
Marketing expenses	**116,021**	114,195	1,826	1.6
Administration and general expenses	**193,084**	140,235	52,849	37.7
Total other operating expenses	**2,915,157**	2,605,865	309,292	11.9

Other Operating Expenses Contribution 2015



Personnel costs was the largest contributor to Public Bank Group's total other operating expenses accounting for 71.3% of the Group's total other operating expenses. Personnel costs increased by 10.6% or RM199.3 million to RM2,078.0 million in 2015, mainly attributed to the Group's investment in human resources in tandem with business growth. The Group's staff strength stood at 18,373 as at the end of 2015, up from 18,198 as at the end of 2014.

Establishment costs accounted for 18.1% of the Group's total other operating expenses. The increase in establishment costs by 11.7% or RM55.3 million to RM528.1 million in 2015 was mainly due to higher IT-related depreciation expenses.

Marketing expenses increased marginally by 1.6% or RM1.8 million, and represented 4.0% of the Group's total other operating expenses in 2015.

Administration and general expenses, which accounted for 6.6% of the total other operating expenses of the Group, increased by 37.7% or RM52.8 million in 2015 mainly due to irrecoverable input tax on Goods & Services Tax of RM15.2 million, higher regulatory and compliance costs as well as general inflationary effect.

Allowance for Impairment on Loans, Advances and Financing

			Variance	
	2015 RM'000	2014 RM'000	RM'000	%
Collective assessment allowance	**169,085**	358,852	(189,767)	(52.9)
Individual assessment allowance	**201,602**	167,701	33,901	20.2
Bad debts recovered from stock broking activities	**(5)**	(152)	147	96.7
Impaired loans and financing written off	**157**	107	50	46.7
Impaired loans and financing recovered	**(224,608)**	(267,508)	42,900	16.0
Total allowance for impairment on loans, advances and financing	**146,231**	259,000	(112,769)	(43.5)

The Public Bank Group's total impairment charges of RM146.2 million in 2015 represented a decrease of 43.5% or RM112.8 million as compared to 2014. The decrease was mainly contributed by lower collective assessment allowance of RM189.8 million, partially offset by lower credit recoveries of RM42.9 million and higher individual assessment allowance of RM33.9 million.

Impairment Loss

An impairment loss of RM0.6 million was recorded in 2015 as compared to a writeback of RM0.8 million in 2014.

Tax Expenses and Zakat

The Public Bank Group's tax expense increased to RM1,370.2 million in 2015, in line with the higher reported pre-tax profit of the Group.

The Group's effective tax rate was 21.1% in 2015, lower than Malaysia's statutory tax rate of 25% mainly due to certain income not subject to tax and the effects of lower tax rates in jurisdictions outside Malaysia.

ANALYSIS OF THE STATEMENT OF FINANCIAL POSITION

			Variance	
	2015 RM'Million	2014 RM'Million	RM'Million	%
Assets				
Cash and balances with banks	**14,831**	16,817	(1,986)	(11.8)
Reverse repurchase agreements	**4,379**	6,314	(1,935)	(30.6)
Financial assets held-for-trading	**3,103**	18,364	(15,261)	(83.1)
Financial investments available-for-sale	**29,908**	25,459	4,449	17.5
Financial investments held-to-maturity	**21,944**	20,414	1,530	7.5
Loans, advances and financing	**271,814**	243,222	28,592	11.8
Statutory deposits with Central Banks	**9,514**	8,064	1,450	18.0
Other assets	**8,265**	7,068	1,197	16.9
Total Assets	**363,758**	345,722	18,036	5.2
Liabilities				
Deposits from customers	**301,157**	276,540	24,617	8.9
Deposits from banks	**9,970**	20,670	(10,700)	(51.8)
Debt securities issued and other borrowed funds	**11,667**	11,428	239	2.1
Other liabilities	**8,656**	8,209	447	5.4
Total Liabilities	**331,450**	316,847	14,603	4.6
Total Equity	**32,308**	28,875	3,433	11.9
Total Liabilities and Equity	**363,758**	345,722	18,036	5.2

Total Assets

The Public Bank Group's total assets grew by 5.2% or RM18.04 billion to RM363.76 billion as at 31 December 2015, which was mainly funded by the growth in deposits from customers of 8.9% or RM24.62 billion.

As at the end of 2015, loans, advances and financing remained as the largest component of the Group's total assets at 74.7%, followed by financial investments which accounted for 15.1% of the Group's total assets. The proportion of interest-bearing assets remained high at 93.6%.

Cash and balances with banks

The excess liquidity in the Group was mainly held in short-term money market placements. As at 31 December 2015, cash and balances with banks decreased by 11.8% or RM1.99 billion which was mainly due to reallocation of excess funds into higher yielding assets.

Reverse repurchase agreements

Reverse repurchase agreements, an alternative avenue for the placement of liquid funds, decreased by RM1.94 billion.

Financial investments

The Group's financial investments portfolio are mainly held for the purpose of better yield and liquidity. Holdings of trading book positions, which are classified under financial assets held-for-trading, consist mainly of money market instruments and private debt securities. The Group's trading book position decreased by RM15.26 billion mainly due to disposals to take advantage of favourable market conditions.

The Group's banking book positions are classified under financial investments available-for-sale and financial investments held-to-maturity and are held as part of the Group's on-going effort to improve its overall yield as well as meeting the regulatory liquidity requirements. The financial investments of the Group's banking book positions consist mainly of Malaysian Government-related securities and money market instruments. As at 31 December 2015, the Group's banking book positions grew by 13.0% or RM5.98 billion and accounted for 94.4% of the Group's total financial investments.

Loans, advances and financing

The Group's loan book grew by 11.8% or RM28.59 billion to RM271.81 billion as at the end of 2015, outpacing the banking system's loans growth of 7.9%. The growth in loan book was contributed by both domestic and overseas operations. Domestic operations recorded a growth of 10.3% with market share increasing to 17.5% as at the end of 2015 whilst overseas operations recorded a growth of 29.6% which was partly due to the favourable foreign exchange movement. The Group's lending focus has remained on its retail banking segment with extension of credit mainly to residential properties, purchase of passenger vehicles and small and medium enterprises, which grew by 12.8%, 8.0% and 15.2% respectively.

Despite the strong loans growth achieved during the year, the Group's gross impaired loans ratio further improved to 0.5% as compared to the domestic banking industry's gross impaired loans ratio of 1.6%.

Total Liabilities and Equity

The Public Bank Group's total liabilities grew by RM14.60 billion in 2015, mainly due to the growth in customer deposits of RM24.62 billion, offset by a decrease in deposits from banks of RM10.70 billion. The Group's equity grew by 11.9% or RM3.43 billion to RM32.31 billion as at the end of 2015, due to strong profits of RM5.12 billion registered during the year, net of payment of dividends amounting to RM2.15 billion.

Deposits from customers

In tandem with the loans growth, the Group's deposits from customers grew by 8.9% or RM24.62 billion to RM301.16 billion, supported by both domestic and overseas operations. The growth in domestic customer deposits of 7.5% outpaced the banking system's deposit growth of 1.8%, resulting in customer deposits market share improving to 16.6% as at the end of 2015. The strong growth in deposits from overseas operations of 28.5% was partly contributed by the favourable foreign exchange movement. With steady inflow of customer deposits, the Group remained well funded with net loan to deposit ratio of 90.3% as at the end of 2015.

Deposits from banks

Deposits from banks consisting mainly of interbank borrowings, decreased by RM10.70 billion as part of the Group's liquidity management strategy.

Debt securities issued and other borrowed funds

The Group's debt instruments consisting of Subordinated Notes, Subordinated Sukuk Murabahah, Innovative Tier I Capital Securities, Non-innovative Tier I Stapled Securities, Senior Medium Term Notes and other borrowings, increased marginally by 2.1% or RM239.1 million during the year. Besides diversifying its funding base and growing its balance sheet, these funds have also strengthened the Group's capital base as part of the Group's capital management strategy.

Statement of Responsibility by Directors

In respect of the preparation of the annual audited financial statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and the Bank are drawn up in accordance with the requirements of the Malaysian Financial Reporting Standards, International Financial Reporting Standards, Companies Act, 1965 in Malaysia and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and the Bank are prepared with reasonable accuracy from the accounting records of the Group and the Bank so as to give a true and fair view of the financial position of the Group and the Bank as of 31 December 2015 and of their financial performance and cash flows for the year then ended.

In preparing the annual audited financial statements, the Directors have:

(a) applied the appropriate and relevant accounting policies on a consistent basis;

(b) made judgements and estimates that are reasonable and prudent; and

(c) prepared the audited financial statements on a going concern basis.

The Directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and the Bank to prevent and detect fraud and other irregularities.

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Directors' Report

For The Financial Year Ended 31 December 2015

The Directors have pleasure in presenting to the members their report together with the audited financial statements of the Group and of the Bank for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking and the provision of related financial services.

The principal activities of the subsidiary and associated companies are as disclosed in Notes 14 and 15 to the financial statements respectively.

There have been no significant changes to these principal activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before tax expense and zakat	**6,491,395**	**5,000,080**
Tax expense and zakat	**(1,370,156)**	**(1,011,451)**
Profit for the year	**5,121,239**	**3,988,629**
Attributable to:		
Equity holders of the Bank	**5,062,152**	**3,988,629**
Non-controlling interests	**59,087**	**–**
Profit for the year	**5,121,239**	**3,988,629**

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2014 were as follows:

	RM'000
In respect of financial year ended 31 December 2014:	
Second interim dividend of 31.0% on 3,861,494,043 ordinary shares of RM1.00 each, paid on 5 March 2015	**1,197,063**
In respect of financial year ended 31 December 2015:	
First interim dividend of 24.0% on 3,861,494,043 ordinary shares of RM1.00 each, paid on 24 August 2015	**926,759**
	2,123,822

DIVIDENDS (CONTINUED)

Subsequent to the financial year end, on 3 February 2016, the Directors declared a second interim dividend of 32.0%, with the total amounting to approximately RM1,235,678,094 in respect of the current financial year. This is computed based on the issued and paid-up capital as at 31 December 2015, excluding treasury shares held by the Bank, of 3,861,494,043 ordinary shares of RM1.00 each, to be paid and distributed to shareholders whose names appear in the Record of Depositors at the close of business on 22 February 2016. The financial statements for the current financial year do not reflect these dividends. Upon declaration, this dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2016.

The Directors do not propose any final dividend for the financial year ended 31 December 2015.

ISSUE OF SHARES

There were no changes to the authorised, issued and paid-up capital of the Bank during the year.

SHARE BUY-BACK

The Bank did not make any purchase of its own shares and none of the treasury shares held were cancelled during the year.

As at 31 December 2015, the Bank held 20,644,304 Public Bank Berhad ("PBB") Shares as treasury shares out of its total issued and paid-up share capital of 3,882,138,347 PBB Shares. Such treasury shares are held at a carrying amount of RM149,336,528. Further information is disclosed in Note 27 to the financial statements.

RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves or provisions or allowances during the year other than those disclosed in Note 9, Note 10 and Note 28 to the financial statements.

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the statements of profit or loss and statements of financial position of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts and financing, or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and of the Bank, inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of profit or loss and statements of financial position of the Group and of the Bank were made out, the Directors took reasonable steps to ensure that current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Bank have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets and liabilities in the financial statements of the Group and of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business of the Group and of the Bank.

No contingent liability or other liability of the Group and of the Bank has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or of the Bank to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Bank, which would render any amount stated in the financial statements misleading.

ITEMS OF UNUSUAL NATURE

The results of the operations of the Group and of the Bank during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the financial year are as disclosed in Note 53 to the financial statements.

SUBSEQUENT EVENTS

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

DIRECTORS OF THE BANK

The Directors who served since the date of the last report are:

Tan Sri Dato' Sri Dr. Teh Hong Piow
Tan Sri Dato' Sri Tay Ah Lek
Dato' Sri Lee Kong Lam
Tang Wing Chew
Lai Wan
Lai Wai Keen
Cheah Kim Ling
Tan Sri Datuk Seri Utama Thong Yaw Hong (demised on 28 May 2015)

In accordance with Article 111 of the Bank's Articles of Association, Lai Wai Keen retires by rotation at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

Tan Sri Dato' Sri Dr. Teh Hong Piow, Tan Sri Dato' Sri Tay Ah Lek, Dato' Sri Lee Kong Lam, Tang Wing Chew and Lai Wan retire pursuant to Section 129 of the Companies Act, 1965 at the forthcoming Annual General Meeting and offer themselves for re-appointment in accordance with Section 129 of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting of the Bank.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares of the Bank, and in shares and in options of its subsidiary company during the financial year were as follows:

Shares Held in the Bank

	Number of Ordinary Shares of RM1.00 Each			
Direct interests:	**Balance at 1.1.2015**	**Acquired**	**Disposed**	**Balance at 31.12.2015**
Tan Sri Dato' Sri Dr. Teh Hong Piow	24,711,282	–	–	**24,711,282**
Tan Sri Dato' Sri Tay Ah Lek	4,888,845	–	–	**4,888,845**
Dato' Sri Lee Kong Lam	418,952	–	–	**418,952**

	Number of Ordinary Shares of RM1.00 Each			
Deemed interests:	**Balance at 1.1.2015**	**Acquired**	**Disposed**	**Balance at 31.12.2015**
Tan Sri Dato' Sri Dr. Teh Hong Piow	898,918,771	–	(5,000,000)	**893,918,771**
Tan Sri Dato' Sri Tay Ah Lek	1,389,745	–	–	**1,389,745**
Dato' Sri Lee Kong Lam	78,452	–	–	**78,452**
Lai Wan	18,654	–	–	**18,654**
Cheah Kim Ling	12,392	–	–	**12,392**

Shares Held in a Subsidiary Company
– Shares Held in Public Financial Holdings Limited ("PFHL")

	Number of Ordinary Shares of HKD0.10 Each			
Direct interests:	**Balance at 1.1.2015**	**Acquired**	**Disposed**	**Balance at 31.12.2015**
Tan Sri Dato' Sri Tay Ah Lek	350,000	–	–	**350,000**

Share Options Held in a Subsidiary Company
– Share Options Held under the PFHL's Share Option Scheme ("PFHL Share Options")

		Number of PFHL Share Options				
	Option Price HKD	**Balance at 1.1.2015**	**Granted**	**Exercised**	**Lapsed**	**Balance at 31.12.2015**
Tan Sri Dato' Sri Tay Ah Lek	6.35	1,230,000	–	–	(1,230,000)	**–**

DIRECTORS' INTERESTS (CONTINUED)

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and deemed interests of 918,630,053 shares in the Bank, and pursuant to Section 6A(4)(c) of the Companies Act, 1965, is deemed interested in the shares in all of the Bank's subsidiary and associated companies to the extent that the Bank has interests.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiary companies is a party with the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate, other than the PFHL Share Options.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Bank as disclosed in Note 35 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has substantial financial interest except for those transactions arising in the ordinary course of business as disclosed in Note 41(a) to the financial statements.

REMUNERATION COMMITTEE

The Remuneration Committee carries out the annual review of the overall remuneration policy for Directors, Chief Executive Officer, Deputy Chief Executive Officer and key Senior Management Officers whereupon recommendations are made to the Board of Directors for approval.

The members of the Remuneration Committee comprising of Non-Executive Directors of the Bank are:

Lai Wan (Independent)
Dato' Sri Lee Kong Lam (Non-Independent)
Tang Wing Chew (Independent)
Lai Wai Keen (Independent)
Tan Sri Datuk Seri Utama Thong Yaw Hong (Non-Independent) (demised on 28 May 2015)

BUSINESS REVIEW 2015

Although the macro economic environment was challenging, the banking sector remained resilient in 2015 with continued profitability, strong capitalisation, ample liquidity and sound asset quality. Loans growth moderated on the back of slower growth in household loans amid weaker consumer sentiment and stringent lending rules. Intense competition in the banking sector also led to continued price war for loans and deposits, resulting in compression on net interest margins.

The Public Bank Group continued to achieve favourable results in 2015 despite the challenges in the operating environment. Backed by its strength in home mortgages, passenger vehicle hire purchase financing and retail commercial lending to small and medium enterprises, the Group recorded total loans growth of 11.6% in 2015. On the domestic front, the Group recorded lending growth of 10.3% and sustained its leading position in the domestic financing for the purchase of residential properties, commercial properties and passenger vehicles, with market shares of 19.2%, 33.8% and 29.6% respectively.

The Public Bank Group rolled out various deposit campaigns to acquire fresh deposits and increase market share. In 2015, the Group achieved healthy deposits growth of 8.9%, mainly contributed by steady inflows of fixed deposits, and low-cost current account and savings deposits. Consequently, the Group's market share of domestic customer deposits increased further to 16.6%, from 15.9% a year ago. The Group's liquidity position remained healthy with a net loan to deposit ratio of 90.3%. Backed by its resilient retail core deposits base, the Group's Liquidity Coverage Ratio ("LCR") as at the end of 2015 was well in excess of the transitional requirements under the Bank Negara Malaysia's Basel III liquidity standards requirements on LCR which became effective on 1 June 2015.

Underpinned by its prudent lending policies and strong risk management practices, the Public Bank Group's asset quality continued to improve. As at the end of 2015, the Group's gross impaired loans ratio improved to 0.5% from 0.6% as at the end of 2014. The Group also continued to achieve high efficiency in cost management, as reflected in its low cost to income ratio of 30.5%, which was well below the industry's average of 45.5%.

The Public Bank Group continued to accelerate growth in its fee-based income. During the year, the Group's non-interest income improved further by 22.4% to RM2.34 billion. The Group's unit trust business, undertaken by Public Mutual, a wholly-owned subsidiary of Public Bank, contributed about one-third of the Group's total non-interest income, while income from business activities ranging from credit card, bancassurance, loans-related as well as banking transactions contributed another one-third of the Group's total non-interest income. In its bancassurance business, the Group's partnership with AIA Berhad continued to record higher new premiums in 2015.

As part of its business expansion strategy, the Public Bank Group continues to upgrade and improve service delivery across its branch network in Malaysia. The Group also strenghthened its strong sales and marketing force and enhanced its network of self-service terminals and internet banking as well as mobile banking platforms.

As a responsible corporate, the Group continued to carry out corporate social responsibility programmes which promote a healthy market place and work place, as well as programmes which support customer care, education, community and environmental conservation.

ECONOMIC OUTLOOK AND PROSPECTS FOR 2016

The Malaysian economy is projected to grow at a more moderate pace of between 4.0% and 4.5% in 2016 as headwinds are likely to persist. Domestic demand is expected to continue to support the economy, albeit at a slower pace. Inflation should trend higher as the weak Ringgit is expected to exert upward pressure on imported prices. Inflationary pressure is also likely to emanate from the increase in toll rates and public transportation fares, and reduced tariff rebate for electricity usage. However, the low global inflation and commodity prices will help to cushion some of the upward inflationary pressure.

On the demand side, low consumer confidence and rising cost of living will continue to rein in consumer spending. However, the low unemployment rate, high savings and a series of people-friendly measures introduced in Budget 2016 will support continued growth in private consumption. The ongoing implementation of mega projects under the Eleventh Malaysia Plan 2016 - 2020 should continue to stimulate private investments and capital expenditure. The export sector is expected to remain soft as global commodity prices are projected to stay low while external demand is expected to remain weak.

On the supply side, growth is expected to be broad-based, led by the construction and services sectors. Ongoing infrastructure projects and construction activities in the residential property sector should continue to support the construction sector. Growth in private consumption will continue to support the services sector while the weak ringgit could benefit manufactured exports.

Monetary policy is expected to remain accommodative due to the increased downside risks to economic growth. On the fiscal front, the Government will remain on the path of consolidating its finances to reduce the budget deficit. The Government's budget will continue to be constrained by plunging oil prices.

BUSINESS OUTLOOK FOR 2016

The domestic banking sector will continue on its steady growth path capitalising on the Malaysian economy which is expected to grow between 4.0% and 4.5% in 2016. Low unemployment, manageable inflation, ongoing implementation of mega projects under the Government's transformation programme and a series of Government's pragmatic measures will continue to support private consumptions and investments.

However, headwinds such as weak external demand, low consumer and business sentiments, as well as subdued commodity prices are likely to linger in 2016, exerting pressure on banks' earnings and asset quality. Amid the more challenging operating environment, domestic banks are expected to further build their capacity and capability to compete and differentiate their business strategies to strengthen their market share. Product pricing will remain highly competitive.

In 2016, the Public Bank Group will continue to focus on its organic growth strategies in Malaysia to grow both its retail loans and customer deposits. Loans growth will continue to be supported by home mortgages, passenger vehicles hire purchase financing and retail commercial loans to small and medium enterprises. For its funding base, the Group will continue to roll out campaigns to increase its deposit base to maintain a healthy and liquid balance sheet.

To sustain its strong asset quality, the Public Bank Group will remain focus on prudent lending practices, and efficient credit origination and recovery processes. Amid the headwinds in the operating environment, the Group will remain vigilant and ensure consistent pursuit of cost efficiency in its business operations.

BUSINESS OUTLOOK FOR 2016 (CONTINUED)

As part of its strategies to drive profitability and enhance its return on assets, fee-based income will continue to be the Public Bank Group's strategic focus. These include business ranging from unit trust funds, bancassurance products, structured investment products, trade finance, remittances and card business. The Group will continue to emphasise on product innovation and introduction of new products to meet evolving customer expectations, while pursuing cross-selling initiatives.

The Public Bank Group's strong sales and marketing force, and wide distribution network of branches and self-service terminals will continue to drive the delivery of superior banking experience to customers. The Group will also continue to invest in the internet and mobile banking platforms in view of the greater utilisation of electronic payments.

AUDITORS

The retiring auditors, Messrs. Ernst & Young, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

TAN SRI DATO' SRI TAY AH LEK
Managing Director

Kuala Lumpur
Date: 3 February 2016

Statement by Directors

We, TAN SRI DATO' SRI DR. TEH HONG PIOW and TAN SRI DATO' SRI TAY AH LEK, being two of the Directors of PUBLIC BANK BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 29 to 266 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2015 and of their financial performance and cash flows for the year then ended.

The supplementary information set out in Note 56 on pages 267 to 268 has been prepared in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

TAN SRI DATO' SRI TAY AH LEK
Managing Director

Kuala Lumpur
Date: 3 February 2016

Statutory Declaration

I, YIK SOOK LING, being the officer primarily responsible for the financial management of PUBLIC BANK BERHAD, do solemnly and sincerely declare that the financial statements and supplementary information set out on pages 29 to 268, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed YIK SOOK LING at KUALA LUMPUR
in WILAYAH PERSEKUTUAN this 3 February 2016

BEFORE ME:

Commissioner for Oaths
Kuala Lumpur

Independent Auditors' Report

To The Members of Public Bank Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Public Bank Berhad, which comprise the statements of financial position as at 31 December 2015 of the Group and of the Bank, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 29 to 266.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiary companies of which we have not acted as auditors, which are indicated in Note 14 to the financial statements, being financial statements that have been included in the consolidated financial statements.

(c) We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Bank are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

(d) The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification, and in respect of the subsidiary companies incorporated in Malaysia, did not include any comment required to be made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 56 on pages 267 to 268 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

1. This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

2. The financial statements of the Group and of the Bank for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on 5 February 2015.

Ernst & Young
AF: 0039
Chartered Accountants

Yap Seng Chong
No. 2190/12/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
Date: 3 February 2016

Statements of Financial Position

As at 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
ASSETS					
Cash and balances with banks	3	**14,831,059**	16,816,838	**9,098,632**	11,008,446
Reverse repurchase agreements	4	**4,379,161**	6,314,493	**3,740,691**	5,564,858
Financial assets held-for-trading	5	**3,102,761**	18,364,018	**1,442,617**	14,478,780
Derivative financial assets	6	**688,086**	703,072	**677,630**	691,014
Financial investments available-for-sale	7	**29,907,707**	25,458,820	**23,086,012**	20,391,822
Financial investments held-to-maturity	8	**21,944,049**	20,414,387	**17,685,187**	17,866,819
Loans, advances and financing	9	**271,814,471**	243,221,839	**219,872,074**	201,928,027
Other assets	10	**3,035,964**	2,472,233	**3,071,000**	2,450,489
Statutory deposits with Central Banks	12	**9,514,419**	8,063,746	**7,455,845**	6,375,578
Deferred tax assets	13	**65,666**	69,325	**–**	–
Investment in subsidiary companies	14	**–**	–	**4,674,545**	4,436,050
Investment in associated companies	15	**190,920**	157,415	**121,295**	121,325
Investment properties	16	**485,175**	107,028	**–**	–
Property and equipment	17	**1,422,853**	1,475,578	**651,470**	658,965
Intangible assets	18	**2,375,915**	2,083,142	**695,393**	695,393
TOTAL ASSETS		**363,758,206**	345,721,934	**292,272,391**	286,667,566
LIABILITIES					
Deposits from customers	19	**301,157,089**	276,540,176	**236,460,158**	226,216,991
Deposits from banks	20	**9,969,521**	20,669,732	**10,563,090**	17,696,650
Bills and acceptances payable	21	**362,892**	661,718	**362,043**	661,168
Recourse obligations on loans and financing sold to Cagamas	22	**1,922,021**	1,922,020	**1,422,005**	1,422,004
Derivative financial liabilities	6	**1,007,580**	488,193	**1,045,621**	523,725
Debt securities issued and other borrowed funds	23	**11,666,880**	11,427,765	**10,565,149**	10,440,383
Other liabilities	24	**4,520,303**	4,496,646	**3,388,373**	3,363,265
Provision for tax expense and zakat	25	**689,131**	554,594	**413,764**	340,988
Deferred tax liabilities	13	**155,050**	86,309	**107,001**	59,231
TOTAL LIABILITIES		**331,450,467**	316,847,153	**264,327,204**	260,724,405

Statements of Financial Position

	Note	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
EQUITY					
Share capital	26	**3,882,138**	3,882,138	**3,882,138**	3,882,138
Reserves		**27,498,297**	24,291,867	**24,212,386**	22,210,360
Treasury shares	27	**(149,337)**	(149,337)	**(149,337)**	(149,337)
Equity attributable to equity holders of the Bank		**31,231,098**	28,024,668	**27,945,187**	25,943,161
Non-controlling interests		**1,076,641**	850,113	**–**	–
TOTAL EQUITY		**32,307,739**	28,874,781	**27,945,187**	25,943,161
TOTAL LIABILITIES AND EQUITY		**363,758,206**	345,721,934	**292,272,391**	286,667,566
COMMITMENTS AND CONTINGENCIES	48	**107,533,269**	95,812,661	**100,614,706**	91,048,625
Net assets per share attributable to equity holders of the Bank (RM)		**8.09**	7.26	**7.24**	6.72

The accompanying notes form an integral part of the financial statements

Statements of Profit or Loss

For the year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Operating revenue	2(iv)(x)	**19,181,550**	16,860,071	**13,941,929**	12,731,516
Interest income	29	**14,218,486**	12,636,087	**12,964,990**	11,602,472
Interest expense	30	**(7,841,463)**	(6,705,614)	**(7,571,270)**	(6,450,314)
Net interest income		**6,377,023**	5,930,473	**5,393,720**	5,152,158
Net income from Islamic banking business	55	**828,638**	831,196	**–**	–
		7,205,661	6,761,669	**5,393,720**	5,152,158
Fee and commission income	31(a)	**2,261,790**	2,034,196	**937,033**	810,811
Fee and commission expense	31(b)	**(708,947)**	(652,521)	**(295,692)**	(271,011)
Net fee and commission income	31	**1,552,843**	1,381,675	**641,341**	539,800
Net gains and losses on financial instruments	32	**236,165**	196,761	**232,404**	193,631
Other operating income	33	**551,113**	333,252	**658,030**	988,472
Net income		**9,545,782**	8,673,357	**6,925,495**	6,874,061
Other operating expenses	34	**(2,915,157)**	(2,605,865)	**(1,939,050)**	(1,755,708)
Operating profit before impairment losses		**6,630,625**	6,067,492	**4,986,445**	5,118,353
(Allowance)/Writeback of allowance for impairment on loans, advances and financing	36	**(146,231)**	(259,000)	**14,163**	(100,227)
(Impairment)/Writeback of impairment on other assets	37	**(556)**	782	**(528)**	875
		6,483,838	5,809,274	**5,000,080**	5,019,001
Share of profit after tax of equity accounted associated companies		**7,557**	4,981	**–**	–
Profit before tax expense and zakat		**6,491,395**	5,814,255	**5,000,080**	5,019,001
Tax expense and zakat	38	**(1,370,156)**	(1,250,915)	**(1,011,451)**	(989,399)
Profit for the year		**5,121,239**	4,563,340	**3,988,629**	4,029,602
Attributable to:					
Equity holders of the Bank		**5,062,152**	4,518,830	**3,988,629**	4,029,602
Non-controlling interests		**59,087**	44,510	**–**	–
Profit for the year		**5,121,239**	4,563,340	**3,988,629**	4,029,602
Earnings per RM1.00 share:					
– basic/diluted (sen)	39	**131.1**	123.7		

The accompanying notes form an integral part of the financial statements

Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Profit for the year		**5,121,239**	4,563,340	**3,988,629**	4,029,602
Other comprehensive income/(loss):					
Items that will not be reclassified to profit or loss:					
Defined benefit reserves:					
– Gain on remeasurements of defined benefit plans	28	**52,635**	8,091	**60,586**	7,907
Items that may be reclassified to profit or loss:					
Foreign currency translation reserves:					
– Currency translation differences in respect of					
– Foreign operations		**1,119,926**	302,165	**25,338**	–
– Net investment hedge	28	**(765,259)**	(206,460)	**–**	–
Revaluation reserves:					
– Net change in revaluation of financial investments available-for-sale	28	**97,470**	(48,839)	**85,143**	(47,540)
– Share of loss of equity accounted associated companies	28	**(50)**	(76)	**–**	–
Hedging reserves:					
– Net change in cash flow hedges	28	**1,288**	17,311	**1,525**	87,675
		453,375	64,101	**112,006**	40,135
Income tax relating to components of other comprehensive income/(loss):					
– Defined benefit reserves	28	**(13,469)**	4,281	**(14,541)**	3,038
– Revaluation reserves	28	**(27,370)**	11,962	**(20,466)**	11,601
– Hedging reserves	28	**(309)**	(4,363)	**(366)**	(22,558)
		(41,148)	11,880	**(35,373)**	(7,919)
Other comprehensive income for the year, net of tax		**464,862**	84,072	**137,219**	40,123
Total comprehensive income for the year		**5,586,101**	4,647,412	**4,125,848**	4,069,725
Total comprehensive income for the year attributable to:					
– Equity holders of the Bank		**5,330,252**	4,549,693	**4,125,848**	4,069,725
– Non-controlling interests		**255,849**	97,719	**–**	–
		5,586,101	4,647,412	**4,125,848**	4,069,725

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

		Attributable to Equity Holders of the Bank							
			Non-distributable Reserves		Distributable Reserves				
2015 Group	Note	Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 1 January 2015		3,882,138	5,535,515	6,883,560	11,872,792	(149,337)	28,024,668	850,113	28,874,781
Profit for the year		–	–	–	5,062,152	–	5,062,152	59,087	5,121,239
Other comprehensive income for the year		–	–	268,100	–	–	268,100	196,762*	464,862
Total comprehensive income for the year		–	–	268,100	5,062,152	–	5,330,252	255,849	5,586,101
Transactions with owners/other equity movements:									
Transfer to statutory reserves		–	–	32,214	(32,214)	–	–	–	–
Transfer to regulatory reserves		–	–	430,618	(430,618)	–	–	–	–
Transfer to general reserves		–	–	85,940	(85,940)	–	–	–	–
Transfer to Profit Equalisation Reserves of Islamic banking institution		–	–	33	(33)	–	–	–	–
Dividends paid	40	–	–	–	(2,123,822)	–	(2,123,822)	(29,321)	(2,153,143)
		–	–	548,805	(2,672,627)	–	(2,123,822)	(29,321)	(2,153,143)
At 31 December 2015		3,882,138	5,535,515	7,700,465	14,262,317	(149,337)	31,231,098	1,076,641	32,307,739
		Note 26		Note 28		Note 27			

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

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity

2014 Group	Note	Attributable to Equity Holders of the Bank						Non-controlling Interests RM'000	Total Equity RM'000
		Non-distributable Reserves			Distributable Reserves				
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total Shareholders' Equity RM'000		
At 1 January 2014		3,531,926	1,073,310	4,526,365	11,507,565	(215,572)	20,423,594	773,602	21,197,196
Profit for the year		–	–	–	4,518,830	–	4,518,830	44,510	4,563,340
Other comprehensive income for the year		–	–	30,863	–	–	30,863	53,209*	84,072
Total comprehensive income for the year		–	–	30,863	4,518,830	–	4,549,693	97,719	4,647,412
Transactions with owners/other equity movements:									
Issue of shares pursuant to rights issue exercise		350,212	4,462,205	–	–	–	4,812,417	–	4,812,417
Disposal of treasury shares	27	–	–	–	109,404	66,235	175,639	–	175,639
Transfer to statutory reserves		–	–	1,020,860	(1,020,860)	–	–	–	–
Transfer to regulatory reserves		–	–	1,305,418	(1,305,418)	–	–	–	–
Transfer to Profit Equalisation Reserves of Islamic banking institution		–	–	54	(54)	–	–	–	–
Dividends paid	40	–	–	–	(1,936,675)	–	(1,936,675)	(21,208)	(1,957,883)
		350,212	4,462,205	2,326,332	(4,153,603)	66,235	3,051,381	(21,208)	3,030,173
At 31 December 2014		3,882,138	5,535,515	6,883,560	11,872,792	(149,337)	28,024,668	850,113	28,874,781
		Note 26		Note 28		Note 27			

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

The accompanying notes form an integral part of the financial statements

Statement of Changes in Equity

For the year ended 31 December 2015

2015 Bank	Note	Attributable to Equity Holders of the Bank					
		Non-distributable Reserves			Distributable Reserves		
		Share Capital RM'000	Share Premium RM'000	Other Reserves RM'000	Retained Profits RM'000	Treasury Shares RM'000	Total Equity RM'000
At 1 January 2015		**3,882,138**	**5,535,515**	**6,144,009**	**10,530,836**	**(149,337)**	**25,943,161**
Profit for the year		**–**	**–**	**–**	**3,988,629**	**–**	**3,988,629**
Other comprehensive income for the year		**–**	**–**	**137,219**	**–**	**–**	**137,219**
Total comprehensive income for the year		**–**	**–**	**137,219**	**3,988,629**	**–**	**4,125,848**
Transactions with owners/ other equity movements:							
Transfer to regulatory reserves		**–**	**–**	**355,314**	**(355,314)**	**–**	**–**
Dividends paid	40	**–**	**–**	**–**	**(2,123,822)**	**–**	**(2,123,822)**
		–	**–**	**355,314**	**(2,479,136)**	**–**	**(2,123,822)**
At 31 December 2015		**3,882,138**	**5,535,515**	**6,636,542**	**12,040,329**	**(149,337)**	**27,945,187**
		Note 26		Note 28		Note 27	
2014 Bank							
At 1 January 2014		3,531,926	1,073,310	3,803,152	10,629,239	(215,572)	18,822,055
Profit for the year		–	–	–	4,029,602	–	4,029,602
Other comprehensive income for the year		–	–	40,123	–	–	40,123
Total comprehensive income for the year		–	–	40,123	4,029,602	–	4,069,725
Transactions with owners/ other equity movements:							
Issue of shares pursuant to rights issue exercise		350,212	4,462,205	–	–	–	4,812,417
Disposal of treasury shares	27	–	–	–	109,404	66,235	175,639
Transfer to statutory reserves		–	–	1,007,400	(1,007,400)	–	–
Transfer to regulatory reserves		–	–	1,293,334	(1,293,334)	–	–
Dividends paid	40	–	–	–	(1,936,675)	–	(1,936,675)
		350,212	4,462,205	2,300,734	(4,128,005)	66,235	3,051,381
At 31 December 2014		3,882,138	5,535,515	6,144,009	10,530,836	(149,337)	25,943,161
		Note 26		Note 28		Note 27	

The accompanying notes form an integral part of the financial statements

Statements of Cash Flows

For the year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Cash flows from operating activities					
Profit before tax expense and zakat		**6,491,395**	5,814,255	**5,000,080**	5,019,001
Adjustments for:					
Share of profit after tax of equity accounted associated companies		**(7,557)**	(4,981)	**–**	–
Depreciation of property and equipment	17, 34	**181,116**	159,049	**140,847**	123,090
Net gain on disposal of property and equipment	33	**(1,506)**	(996)	**(1,514)**	(973)
Net gain on disposal of foreclosed properties	33	**(1,393)**	(777)	**(1,393)**	(777)
Allowance for impaired loans and financing		**370,687**	526,553	**105,456**	253,368
Net gain arising from disposal of financial investments available-for-sale	32	**(31,990)**	(12,509)	**(30,619)**	(8,999)
Net gain arising from disposal of trading derivatives	32	**–**	(10,447)	**–**	(10,447)
Amortisation of cost and accretion of discount relating to debt securities issued		**2,408**	2,318	**2,151**	2,173
Unrealised loss/(gain) on revaluation of financial assets held-for-trading	32	**1,071**	(3,878)	**1,129**	(3,929)
Unrealised (gain)/loss on revaluation of trading derivatives	32	**(1,649)**	11,605	**(1)**	9,364
Gain representing ineffective portions of hedging derivatives	32	**(12,199)**	(7,531)	**(12,230)**	(7,784)
Transfer to Profit Equalisation Reserves	55	**76**	340	**–**	–
Dividends from financial investments available-for-sale	32	**(178,837)**	(165,623)	**(178,150)**	(163,604)
Dividends from subsidiary companies	33	**–**	–	**(824,241)**	(843,406)
Dividends from associated companies	33	**–**	–	**–**	(6,101)
Property and equipment written off		**102**	72	**102**	72
Gain on revaluation of investment properties	16, 33	**(107,061)**	(5,304)	**–**	–
Impairment loss on financial investments available-for-sale	37	**23**	–	**23**	–
Impairment loss/(written back) on foreclosed properties	37	**533**	(782)	**505**	(875)
Operating profit before working capital changes		**6,705,219**	6,301,364	**4,202,145**	4,360,173

	Note	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Cash flows from operating activities (continued)					
Decrease/(Increase) in operating assets:					
Placements with banks maturing after one month		**1,751,996**	(1,042,269)	**1,562,417**	(670,627)
Reverse repurchase agreements		**1,935,332**	3,227,476	**1,824,167**	3,073,730
Financial assets held-for-trading		**15,260,186**	(2,548,177)	**13,035,034**	(488,425)
Loans, advances and financing		**(28,991,675)**	(24,354,323)	**(18,077,588)**	(19,798,364)
Derivative financial assets		**–**	16,916	**–**	16,916
Other assets		**(497,800)**	83,131	**(525,429)**	(1,608)
Statutory deposits with Central Banks		**(1,450,673)**	(1,138,914)	**(1,080,267)**	(809,632)
Increase/(Decrease) in operating liabilities:					
Deposits from customers		**24,616,913**	25,666,987	**10,243,167**	24,345,399
Deposits from banks		**(10,700,211)**	4,493,896	**(7,133,560)**	773,602
Bills and acceptances payable		**(298,826)**	(911,725)	**(299,125)**	(966,347)
Recourse obligations on loans and financing sold to Cagamas		**1**	1,422,009	**1**	1,422,004
Other liabilities		**87,422**	110,370	**727,774**	389,176
Cash generated from operations		**8,417,884**	11,326,741	**4,478,736**	11,645,997
Income tax expense and zakat paid		**(1,204,337)**	(1,278,197)	**(926,278)**	(1,010,810)
Net cash generated from operating activities		**7,213,547**	10,048,544	**3,552,458**	10,635,187
Cash flows from investing activities					
Purchase of property and equipment	17	**(278,790)**	(304,192)	**(131,977)**	(214,685)
Proceeds from disposal of property and equipment		**1,571**	1,825	**1,544**	2,231
Proceeds from disposal of foreclosed properties		**16,935**	24,092	**16,222**	23,555
Net purchase of financial investments		**(5,843,307)**	(20,541,611)	**(2,404,003)**	(17,417,522)
Additional investment in subsidiary companies		**–**	–	**(238,465)**	–
Acquisition of PB Trustee Services Berhad, net of cash acquired	14(d)	**(11,308)**	–	**–**	–
Dividends received from associated companies		**–**	6,101	**–**	6,101
Dividends received from subsidiary companies		**–**	–	**802,496**	811,381
Dividends received from financial investments available-for-sale		**178,837**	165,623	**178,150**	163,604
Net cash used in investing activities		**(5,936,062)**	(20,648,162)	**(1,776,033)**	(16,625,335)

Statements of Cash Flows

	Note	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Cash flows from financing activities					
Dividends paid to equity holders of the Bank		**(2,123,822)**	(1,936,675)	**(2,123,822)**	(1,936,675)
Dividends paid to non-controlling interests		**(29,321)**	(21,208)	**–**	–
Net proceeds from rights issue		**–**	4,812,417	**–**	4,812,417
Net proceeds from disposal of treasury shares		**–**	175,639	**–**	175,639
Net drawdown of borrowings		**2,244**	25,131	**–**	–
Net proceeds from issuance of debt securities		**–**	1,498,215	**–**	999,500
Redemption of debt securities		**–**	(473,000)	**–**	(473,000)
Net cash (used in)/generated from financing activities		**(2,150,899)**	4,080,519	**(2,123,822)**	3,577,881
Net decrease in cash and cash equivalents		**(873,414)**	(6,519,099)	**(347,397)**	(2,412,267)
Cash and cash equivalents at beginning of year		**13,877,375**	20,183,223	**8,974,149**	11,386,416
Exchange differences on translation of opening balances		**639,631**	213,251	**–**	–
Cash and cash equivalents at end of year		**13,643,592**	13,877,375	**8,626,752**	8,974,149
Note:					
Cash and balances with banks	**3**	**14,831,059**	16,816,838	**9,098,632**	11,008,446
Less: Balances with banks with maturity more than one month		**(1,187,467)**	(2,939,463)	**(471,880)**	(2,034,297)
Cash and cash equivalents at end of year		**13,643,592**	13,877,375	**8,626,752**	8,974,149

The accompanying notes form an integral part of the financial statements

Notes to the Financial Statements
– 31 December 2015

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Group is principally engaged in all aspects of commercial banking, investment banking, financing and Islamic banking business, stock-broking, provision of related financial services, management of unit trust funds and sale of trust units, underwriting of general insurance, trustee services and investment holding.

The Bank is principally engaged in all aspects of commercial banking and the provision of related financial services.

There have been no significant changes to these principal activities during the financial year.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 27th Floor, Menara Public Bank, 146, Jalan Ampang, 50450 Kuala Lumpur.

The financial statements were approved and authorised for issue by the Board of Directors on 3 February 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years except for the early adoption of the following Amendments to Malaysian Financial Reporting Standards ("MFRS"):

(i) Amendments to MFRSs that were Early Adopted by the Group and the Bank

The Group and the Bank have chosen to early adopt the following in the current financial year:

Effective for annual periods commencing on or after 1 January 2016 (Early adoption)

- Equity Method in Separate Financial Statements (Amendments to MFRS 127)
- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 – 2014 Cycle"
- Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)

Effective date to be determined at a later date (Early adoption)

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(i) Amendments to MFRSs that were Early Adopted by the Group and the Bank (continued)

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

(a) ***Equity Method in Separate Financial Statements (Amendments to MFRS 127)*** – The amendments to MFRS 127 allow an entity to use the equity method in its separate financial statements to account for investments in subsidiary companies, joint ventures and associated companies, in addition to the existing cost method. The adoption of these amendments did not have any impact on the financial statements of the Bank as the Bank will continue to use its existing cost method to account for its investments in subsidiary companies and associated companies.

(b) ***Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRSs 2012 – 2014 Cycle"*** – The Annual Improvements to MFRSs 2012 – 2014 Cycle consist of the following amendments:

(i) MFRS 5 Non-current Assets Held-for-Sale and Discontinued Operations
The amendment introduces specific guidance in MFRS 5 for cases in which an entity reclassifies an asset from held-for-sale to held-for-distribution or vice versa and cases in which held-for-distribution is discontinued. The amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal and that changing the disposal method does not change the date of classification.

(ii) MFRS 7 Financial Instruments: Disclosures
MFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset and an entity must assess the nature of the fee and arrangement in order to assess whether the disclosures are required.

The amendments also clarify the applicability of the amendments to MFRS 7 on offsetting disclosures to condensed interim financial statements.

(iii) MFRS 119 Employee Benefits
The amendment clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. When there is no deep market for high quality corporate bonds, government bonds denominated in similar currency must be used.

(iv) MFRS 134 Interim Financial Reporting
The amendment clarifies the meaning of 'elsewhere in the interim financial report' as used in MFRS 134 and states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and some other statement that is available to users of the financial statements on the same terms and at the same time.

The adoption of the Annual Improvements to MFRSs 2012 – 2014 Cycle did not have any financial impact on the financial statements of the Group and of the Bank.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(i) Amendments to MFRSs that were Early Adopted by the Group and the Bank (continued)

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

(c) ***Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10, MFRS 12 and MFRS 128)*** – The amendments to MFRS 10, MFRS 12 and MFRS 128 address issues that have arisen in the application of the consolidation exception for investment entities and provide relief in certain circumstances. The amendments clarify the exemption from preparing consolidated financial statements for an intermediate parent entity, a subsidiary providing services that support parent's investment activities, application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity, and the disclosures required. The adoption of these amendments did not have any impact on the financial statements of the Group and of the Bank as none of the entities in the Group qualify as an investment entity under MFRS 10.

(d) ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and 128)*** – The amendments to MFRS 10 and MFRS 128 address the inconsistency between the requirements of MFRS 10 and MFRS 128 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The adoption of these amendments did not have any impact on the financial statements of the Group and of the Bank.

(ii) Bank Negara Malaysia's ("BNM") Policy Documents

(a) BNM Policy Document on Transition policy under Islamic Financial Services Act 2013 ("IFSA") ("BNM Policy Document")

On 14 February 2014, BNM issued a policy document on Transition policy under IFSA which is applicable to licensed Islamic banks, licensed banks and licensed investment banks which are approved under the Financial Services Act 2013 to carry on Islamic banking business (collectively referred to as Islamic financial institutions ("IFI")) in Malaysia. IFIs are required to distinguish and classify existing Islamic deposits into either Islamic deposits (which is principal guaranteed) or into investment accounts (which is non-principal guaranteed) as defined under the IFSA. The BNM Policy Document clarifies on the implementation of Islamic deposits and investment accounts during the period of transition as described below.

An IFI is allowed to continue offering and/or accepting Islamic deposits under any Shariah contract which is non-principal guaranteed (hereinafter referred to as "investment deposit products") until 30 June 2015, provided that such investment deposit products have been approved by BNM prior to 30 June 2013. These accounts are reported as Islamic deposits under the IFSA.

With effect from 1 July 2015, an IFI will have to classify all of its investment deposit products either into Islamic deposits or investment accounts except for the following investment deposit products which can continue to be reported as Islamic deposits:

(i) any term deposit accepted which has a maturity period beyond 30 June 2015; or
(ii) any term deposit held as security against another financing facility until the settlement of the facility.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(ii) Bank Negara Malaysia's ("BNM") Policy Documents (continued)

(a) BNM Policy Document on Transition policy under Islamic Financial Services Act 2013 ("IFSA") ("BNM Policy Document") (continued)

After the maturity period or settlement of the financing facility, the above investment deposit products will be classified as either Islamic deposits or investment accounts.

The Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad has adopted this BNM Policy Document during the current year. As at to date, all the Group's investment deposit products are classified as Islamic deposits and none is classified as investment accounts as defined under the IFSA as they either have maturity beyond 30 June 2015 or are held as security against financing facilities.

(b) Revised BNM Policy Document on Classification and Impairment Provisions for Loans/Financing ("revised BNM Policy Document")

On 6 April 2015, BNM issued a revised Policy Document on Classification and Impairment Provisions for Loans/Financing which is applicable to licensed banks, licensed Islamic banks and licensed investment banks (collectively referred to as "banking institutions") in Malaysia. The revised BNM Policy Document replaces two previous guidelines issued by BNM namely Classification and Impairment Provisions for Loans/Financing dated 9 November 2011 and Classification and Impairment Provisions for Loans/Financing - Maintenance of Regulatory Reserves dated 4 February 2014. Some of the key changes introduced in the revised BNM Policy Document include classification of a loan/financing as impaired when the loan/financing is classified as rescheduled and restructured ("R&R") in BNM's Central Credit Reference Information System ("CCRIS") and reclassification of a R&R loan/financing from impaired to non-impaired when repayments based on revised and/or restructured terms have been observed continuously for a period of at least 6 months.

The requirements in the revised BNM Policy Document are effective on 1 January 2015, except for the following:

(i) The requirements to classify a loan/financing described in Paragraph 9 of the revised BNM Policy Document as R&R in the CCRIS, which will be effective on or after 1 April 2015; and

(ii) The requirement for a banking institution to maintain, in aggregate, collective impairment provisions and regulatory reserves of not less than 1.2% of total outstanding loans/financing, net of individual impairment provisions, which will be effective beginning 31 December 2015.

The Group and the Bank have early adopted the classification of a loan/financing as impaired when the loan/financing is classified as R&R and the requirement to maintain, in aggregate, collective impairment provisions and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment provisions in the previous financial year ended 31 December 2014. The adoption of the remaining requirements of the revised BNM Policy Document has resulted in a change in the reclassification policy of R&R loans/financing from impaired to non-impaired. Previously, where a loan is in arrears for less than ninety (90) days and has been R&R, the loan will be reclassified from impaired to non-impaired when repayments based on the revised and/or restructured terms have been observed continuously for a period of ninety (90) days. With effect from April 2015, the observation period for such loans/financing have been extended to six (6) months in line with the requirements of the revised BNM Policy Document.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) MFRSs and Amendments to MFRS that have been Issued but Not Yet Effective to the Group and the Bank

The following MFRSs and Amendments to MFRS have been issued by Malaysian Accounting Standards Board ("MASB") but are not yet effective to the Group and the Bank:

Effective for annual periods commencing on or after 1 January 2016

– Disclosure Initiative (Amendments to MFRS 101)

Effective for annual periods commencing on or after 1 January 2018

– MFRS 15 Revenue from Contracts with Customers

– MFRS 9 Financial Instruments (2014)

A brief description of the new MFRSs and Amendments to MFRS above that have been issued is set out below:

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

(b) ***MFRS 15 Revenue from Contracts with Customers*** – MFRS 15 establishes principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with customers. The core principle of MFRS 15 is that an entity recognises revenue in a manner which reflects the consideration an entity expects to be entitled in exchange for goods or services.

The adoption of MFRS 15 is not expected to have any material impact on the financial statements of the Group and of the Bank.

(c) ***MFRS 9 Financial Instruments (2014)*** – This final version of MFRS 9 replaces all previous versions of MFRS 9. Retrospective application is required, but comparative information is not compulsory.

The standard introduces new requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) MFRSs and Amendments to MFRS that have been Issued but Not Yet Effective to the Group and the Bank (continued)

A brief description of the new MFRSs and Amendments to MFRS above that have been issued is set out below (continued):

Classification and measurement

MFRS 9 has two measurement categories – amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is 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

The impairment requirements apply to financial assets measured at amortised cost and fair value through other comprehensive income, lease receivables and certain loan commitments as well as financial guarantee contracts. At initial recognition, allowance for impairment is required for expected credit losses ("ECL") resulting from default events that are possible within the next 12 months ("12 month ECL"). In the event of a significant increase in credit risk, allowance for impairment is required for ECL resulting from all possible default events over the expected life of the financial instrument. The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the probability of default occurring over the remaining life of the financial instrument. 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

MFRS 9 establishes a more principle-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in MFRS 139. The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link between hedge accounting and risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) MFRSs and Amendments to MFRS that have been Issued but Not Yet Effective to the Group and the Bank (continued)

A brief description of the new MFRSs and Amendments to MFRS above that have been issued is set out below (continued):

MFRS 9 introduces significant changes in the way the Group and the Bank account for financial instruments, particularly on the accounting policy on allowance for loans, advances and financing. The adoption of the requirements on classification and measurement will have an effect on the classification and measurement of the financial assets of the Group and of the Bank, but is not expected to have any impact on the classification and measurement of the financial liabilities of the Group and of the Bank. The recognition and measurement of impairment under MFRS 9 is intended to be more forward-looking than under MFRS 139 and will result in an increase in the allowances for loans, advances and financing 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. Due to the complexity of the standard and its requirements, the financial effects of its adoption are still being assessed by the Group and the Bank.

(iv) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Group and of the Bank have been prepared on the historical cost basis (except for the following assets and liabilities which are stated at fair value: financial assets held-for-trading, financial investments available-for-sale, derivative financial instruments, recognised financial assets and liabilities designated as hedged items in qualifying fair value hedge relationships which are adjusted for changes in fair value attributable to the risk being hedged and investment properties, as disclosed in the notes to the financial statements) and are in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements incorporate all 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 financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

In the preparation of the financial statements, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(a) Basis of Accounting (continued)

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

(i) *Fair value estimation of financial instruments (Note 44)* – For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgement is required where market observable data are not available. Such judgement normally incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and prepayment and default rates.

(ii) *Impairment losses on loans, advances and financing (Note 9)* – For impaired loans, advances and financing ("loan(s)") which are individually assessed, judgement by management is required in the estimation of the amount and timing of future cash flows in the determination of impairment losses. In estimating these cash flows, judgements are made about the realisable value of collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual results may differ from these, hence resulting in changes to impairment losses recognised.

For loans of the Bank and its banking subsidiary companies which are collectively assessed, judgements are made based on loan portfolio data (e.g. credit quality, default rates, recovery rates, etc.), credit concentration and economic data (e.g. unemployment rates, GDP growth rates, etc.) in order to arrive at impairment levels appropriate to the portfolio.

(iii) *Impairment of goodwill and intangible assets (Note 18)* – The Group and the Bank perform an annual assessment of the carrying value of its goodwill and intangible assets against the recoverable amount of the cash-generating units ("CGU") to which the goodwill and intangible assets have been allocated. The measurement of the recoverable amount of CGUs are determined based on the value-in-use method, incorporating the present value of estimated future cash flows expected to arise from the respective CGU's ongoing operations. Management judgement is used in the determination of the assumptions made, particularly the cash flow projections, discount rates and the growth rates used. The estimation of pre-tax cash flows is sensitive to the periods for which the forecasts are available and to assumptions regarding the long-term sustainable cash flows, and reflect management's view of future performance.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(a) Basis of Accounting (continued)

(iv) *Impairment of financial investments available-for-sale (Note 7)* – For equity investments classified as available-for-sale, impairment is recognised when there has been a significant or prolonged decline in the fair value below the investment's cost. Management judgement is required to evaluate the duration and extent by which the fair value of these equity investments is below their cost. In making this judgement, management considers the historical price movements of the individual equity investment, as well as that of the benchmark indicators of the market in which the equity is listed.

(v) *Impairment of other assets* – The assessment of impairment of properties held under property and equipment (Note 17) requires management judgement in the assessment of whether negative fluctuations in values of similar properties in the same location represent an indication of impairment in the value of the individual properties.

(vi) *Valuation of investment properties (Note 16)* – The measurement of the fair values for investment properties performed by management are determined with reference to quotations of market value provided by independent professional valuers.

(vii) *Income taxes (Note 38)* – The Group and the Bank are subject to income taxes in many jurisdictions. Significant management judgement is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether taxes will be payable. The estimation process may involve seeking the advise of experts, where appropriate. Where the final liability for taxation assessed by the tax authority is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

(viii) *Deferred tax assets (Note 13)* – Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(ix) *Defined Benefit Plan (Note 11)* – The defined benefit obligation is determined based on an actuarial valuation. The actuarial valuation involves making assumptions regarding the discount rate, future salary increases and attrition rates. Due to the long term nature of the defined benefit plan, such estimates are subject to significant uncertainty. The amount of defined benefit asset recognised in the statement of financial position is limited to the present value of economic benefits in the form of refunds or reductions in future contributions to the fund. The levels of future contributions to the plan which are used to assess this limit is subject to some uncertainty due to other assumptions made regarding fund membership levels and future salary increases.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(b) Basis of Consolidation

(i) Subsidiary Companies

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies made up to the end of the financial year. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from the involvement with the investee; and
- has the ability to affect those returns through its power over investee.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

When the Group has less than a majority of the voting rights but has rights that are sufficient to give it the practical ability to direct the relevant activities unilaterally, the Group considers all facts and circumstances in assessing whether or not the voting rights give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiary companies are consolidated from the date on which the Group controls, and ceases from the date that control ceases. The financial results of the subsidiary companies are included in the consolidated financial statements from the date that control is obtained until the date that the Group loses control.

The acquisition method of accounting is used to account for the purchase of subsidiary companies. The consideration transferred for the acquisition of a subsidiary company is measured at the fair value of the assets given, the equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition-related costs are expensed off in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at fair value as at acquisition date.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(b) Basis of Consolidation (continued)

(i) Subsidiary Companies (continued)

Goodwill is measured as the excess of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest in the subsidiary company over the fair value of the Group's share of the identifiable net assets acquired. The accounting policy on goodwill is set out in Note 2(iv)(l)(i). In the event that the fair value of the Group's share of identifiable net assets acquired exceeds the amount of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest (i.e. a bargain purchase), the entire resulting gain is recognised in profit or loss of the Group. Non-controlling interests represent the portion of profit or loss and net assets of subsidiary companies not attributable, directly or indirectly, to the Group. Non-controlling interests are presented separately in the consolidated statement of profit or loss and statement of profit or loss and other comprehensive income, and within equity in the consolidated statement of financial position, separately from equity holders of the Bank. For each business combination, the Group will elect to measure the amount of non-controlling interests either at fair value or at the non-controlling interest's proportionate share of the subsidiary company's identifiable net assets.

In a business combination achieved in stages, the previously held equity interest is remeasured at the acquisition-date fair value with the resulting gain or loss recognised in profit or loss. Changes in the Group's ownership interest in a subsidiary company which does not result in a loss of control are treated as transactions between equity holders and are reported in equity.

In preparing the consolidated financial statements, intragroup transactions and balances and intragroup gains on transactions between group companies are eliminated in full. Intragroup losses are also eliminated unless the transaction provides evidence of impairment of the relevant asset. Consistent accounting policies are applied by the subsidiary companies for transactions and events in similar circumstances. The non-controlling interests' portion of total comprehensive income is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated statement of profit or loss.

In the Bank's separate financial statements, investment in subsidiary companies is stated at cost less impairment losses, if any. On disposal of such investment, the difference between the net disposal proceeds and the net carrying value of the investment is recognised in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(b) Basis of Consolidation (continued)

(ii) Associated Companies

Associated companies are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control or joint control of those policies.

Investment in associated companies is accounted for in the consolidated financial statements using the equity method. The Group's investment in associated companies is initially recognised in the consolidated statement of financial position at cost. This initial carrying amount is increased or decreased to recognise the Group's share of post-acquisition net results and other changes to comprehensive income of the associated company less impairment loss, if any, determined on an individual basis. The Group's share of results of the associated company is recognised in profit or loss from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company. Consistent accounting policies are applied for transactions and events in similar circumstances.

Goodwill, if any, relating to an associated company is included in the carrying amount of the investment. Any excess of the Group's share of the fair value of the associated company's net identifiable assets and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the results of the associated company in the period in which the investment is acquired.

The gain or loss on disposal of an associated company is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the associated company being disposed. All gains or losses on disposal of associated companies are recognised in profit or loss.

In the Bank's separate financial statements, the investment in associated companies is stated at cost less impairment losses, if any, determined on an individual basis. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount of the instrument is recognised in profit or loss.

(c) Foreign Currency

(i) Functional and Presentation Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates, i.e. the functional currency. The financial statements of the Group and the Bank are presented in Ringgit Malaysia ("RM"), which is also the Bank's functional currency.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(c) Foreign Currency (continued)

(ii) Foreign Currency Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than each entity's functional currency, i.e. foreign currencies, are translated into the functional currency at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate ruling at the reporting date. Exchange differences arising on the settlement of monetary items or on translating monetary items at reporting date are recognised in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at exchange rates at the date when the fair value is determined. Any exchange component of a gain or loss on a non-monetary item is recognised directly in other comprehensive income if the gain or loss on the fair value of the non-monetary item is recognised directly in other comprehensive income. Any exchange component of a gain or loss on a non-monetary item is recognised directly in profit or loss if the gain or loss on the fair value of the non-monetary item is recognised in profit or loss.

(iii) Net Investment in Foreign Operations

In the Bank's separate financial statements, exchange differences arising from monetary items that form part of the Bank's net investment in foreign operations and that are denominated in the functional currency of the Bank or the foreign operations are recognised in profit or loss. In the consolidated financial statements, such exchange differences are recognised initially in other comprehensive income and will be reclassified to profit or loss only upon disposal of the net investment.

(iv) Consolidation of Financial Statements of Foreign Operations

The results and financial position of the Group's foreign operations and its subsidiary companies incorporated in the Federal Territory of Labuan, whose functional currencies are not the presentation currency or the currency of a hyperinflationary economy, are translated into the presentation currency at average exchange rates for the year and at the closing exchange rate as at reporting date respectively. All resulting exchange differences are recognised in other comprehensive income as a foreign currency translation reserve and are subsequently reclassified to profit or loss upon disposal of the foreign operation. Exchange differences arising from foreign currency borrowings designated as hedges of a net investment in a foreign operation are recognised in the foreign currency translation reserve in other comprehensive income until the disposal of the net investment, at which time the accumulated translation differences are taken to profit or loss.

The closing rates used in the translation of foreign currency monetary assets and liabilities and the financial statements of foreign operations are as follows:

	2015	2014
1 USD	**RM4.2970**	RM3.4978
1 HKD	**RM0.5543**	RM0.4510

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances with banks and other financial institutions, and short-term deposits maturing within one (1) month.

(e) Financial Assets and Liabilities

(i) Initial Recognition and Subsequent Measurement

Financial instruments are classified in the following categories - financial instruments at fair value through profit or loss, loans and receivables, financial investments held-to-maturity and financial investments available-for-sale. Management determines the classification of financial instruments at initial recognition.

(1) Financial Instruments at Fair Value through Profit or Loss

Financial assets classified in this category consist of financial assets held-for-trading. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling or repurchasing it in the near term. Derivative financial instruments not designated in an effective hedge transaction are also classified in this category.

Financial instruments included in this category are recognised initially at fair value and transaction costs are taken directly to profit or loss. Gains and losses from changes in fair value and dividend income are included directly in "Net gains and losses on financial instruments" in the statement of profit or loss. Interest income is recognised as "Interest income" in the statement of profit or loss. Regular way purchases and sales of financial assets held-for-trading are recognised at settlement date.

(2) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified in this category include cash and balances with banks, reverse repurchase agreements and loans, advances and financing. These financial assets are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest income on loans and receivables is recognised in "Interest income" in the statement of profit or loss. Impairment losses on loans, advances and financing are recognised in the statement of profit or loss as "Allowance for impairment on loans, advances and financing". Regular way recognition of loans, advances and financing is recorded on settlement date, when all the conditions under the loan contract have been fulfilled.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(e) Financial Assets and Liabilities (continued)

(i) Initial Recognition and Subsequent Measurement (continued)

(3) Financial Investments Held-to-Maturity

Financial investments held-to-maturity are non-derivative financial assets with fixed or determinable payments that management has the intention and ability to hold to maturity. These financial assets are initially recognised at fair value including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest on investments held-to-maturity is included in "Interest income" in the statement of profit or loss. Impairment losses, if any, are recognised in the statement of profit or loss as "Impairment on other assets". Regular way purchases and sales of financial investments held-to-maturity are recognised at settlement date.

If the Group or the Bank were to sell or reclassify more than an insignificant amount of financial investments held-to-maturity before maturity, the entire category would be tainted and be reclassified to available-for-sale. Furthermore, the Group and the Bank would be prohibited from classifying any financial assets as held-to-maturity for the following two years.

(4) Financial Investments Available-for-Sale

Financial investments available-for-sale are non-derivative financial assets that are designated as available-for-sale and are not categorised into any of the other categories above. Financial investments available-for-sale include financial assets that are intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in market conditions.

These financial assets are initially recognised at fair value including direct and incremental transaction costs, and subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in the other comprehensive income, except for impairment losses and foreign exchange gains and losses (for monetary items), which are recognised in profit or loss. If an investment available-for-sale is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss. Likewise, upon disposal of investments available-for-sale, the cumulative fair value gain or loss recognised in other comprehensive income is also transferred to profit or loss. Interest income on financial investments available-for-sale is included in "Interest income" and dividend income is recognised in "Net gains and losses on financial instruments" in the statement of profit or loss. Regular way purchases and sales of financial investments available-for-sale are recognised at settlement date.

Investments in unquoted equity instruments which are classified as available-for-sale and whose fair value cannot be reliably measured are measured at cost. These investments are assessed for impairment at each reporting date.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(e) Financial Assets and Liabilities (continued)

(i) Initial Recognition and Subsequent Measurement (continued)

(5) Financial Liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost. The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and debt securities issued and other borrowed funds. Certain debt securities issued by the Group and the Bank have been designated in effective hedges of interest rate risk, and the carrying value of these financial liabilities have been adjusted for changes in fair value related to the hedged exposure.

(ii) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or when the rights to receive further cash flows from the assets have been transferred to a third party and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they are redeemed or extinguished.

Collateral furnished by the Group and the Bank under repurchase agreements are not derecognised as the Group and the Bank retain substantially all the risks and rewards on the basis of the pre-determined repurchase price, and hence the criteria for derecognition are not met.

(iii) Reclassification of Financial Assets

The Group and the Bank may choose to reclassify non-derivative assets out from the held-for-trading category, in rare circumstances, where the financial assets are no longer held for the purpose of selling or repurchasing in the short term. In addition, the Group and the Bank may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group and the Bank have the intention and ability to hold the financial asset for the foreseeable future or until maturity.

Reclassifications are made at fair value as at the reclassification date, whereby the fair value becomes the new cost or amortised cost, as applicable. Any fair value gains or losses previously recognised in profit or loss is not reversed.

During the reporting period, the Group and the Bank have not made any such reclassification of financial assets.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(e) Financial Assets and Liabilities (continued)

(iv) Determination of Fair Value

All financial instruments are recognised initially at fair value. At initial recognition, the fair value of a financial instrument is generally the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments measured at fair value are measured in accordance with the valuation methodologies as set out in Note 44.

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at each reporting date.

(v) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and to settle the liability simultaneously. This is not generally the case for financial instruments with master netting agreements and therefore, the related assets and liabilities are presented on a gross basis in the statement of financial position.

(f) Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value. Derivatives are classified as financial assets when their fair values are positive and financial liabilities when their fair values are negative.

Derivatives which are not designated in an effective hedge transaction are classified as held-for-trading, with changes in fair value recognised in "Net gains and losses on financial instruments" in the statement of profit or loss. For derivative transactions which meet the specific criteria for hedge accounting, the Group and the Bank apply either fair value, cash flow or net investment hedge accounting.

At inception of the hedge relationship, the Group and the Bank formally document the relationship between the hedged item and the hedging instruments, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge relationship. Hedges are expected to be highly effective in offsetting the designated risk in the hedged item, and are assessed at inception of the hedge relationship and on an ongoing basis to ensure that they remain highly effective throughout the hedge period. A hedge is deemed as highly effective if the cumulative changes in the fair value or cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the period for which the hedge is designated.

The Group and the Bank will discontinue hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(f) Derivative Financial Instruments and Hedge Accounting (continued)

(i) Fair Value Hedge

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment that is attributable to a particular risk, and could affect profit or loss. For designated and qualifying fair value hedges, changes in the fair value of the hedging instrument are recognised in profit or loss, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The net result is reported as hedge ineffectiveness under "Net gains and losses on financial instruments" in the statement of profit or loss.

If the hedging instrument is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised to profit or loss over the remaining period to maturity using the effective interest rate.

(ii) Cash Flow Hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged forecast cash flows affect the profit or loss. If the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gain or loss previously recognised in other comprehensive income is adjusted to the initial cost of the asset or liability.

When a hedging instrument expires or is sold, terminated, exercised or where the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss as hedge ineffectiveness.

(iii) Net Investment Hedge

Net investment hedges are hedges against the exposure to exchange rate fluctuations on the net assets of the Group's foreign operations and are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in the foreign currency translation reserve in equity via other comprehensive income while any gain or loss relating to the ineffective portion is recognised directly in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(g) Embedded Derivatives

Some hybrid financial instruments contain both an embedded derivative and a non-derivative component. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and separately accounted for at fair value, with changes in fair value recognised in profit or loss.

(h) Impairment of Financial Assets

(i) Loans, Advances and Financing

Loans, advances and financing ("loan(s)") of the Group and of the Bank are classified as impaired when they fulfil any of the following criteria:

(1) principal or interest/profit or both are past due for ninety (90) days or more; or
(2) where a loan is in arrears for less than ninety (90) days, the loan exhibits indications of significant credit weaknesses; or
(3) where a loan, irregardless of impaired or non-impaired, has been rescheduled or restructured, the loan will be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

For the determination of impairment on loans, the Group and the Bank assess at each reporting date whether there is any objective evidence that a loan or a group of loans is impaired. A loan or a group of loans is impaired and impairment losses are recognised only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (i.e. an "incurred loss event") and that loss event has an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The criteria that the Group and the Bank use to determine that there is objective evidence of an impairment include:

(1) any significant financial difficulty of the obligor;
(2) a breach of contract, such as a default or delinquency in interest/profit or principal payments;
(3) a high probability of bankruptcy or other financial reorganisation of the obligor;
(4) concerns over the viability of the obligor's business operations and its capacity to trade successfully out of financial difficulties and to generate sufficient cash flows to service its debt obligations; and
(5) any adverse news or developments affecting the local economic conditions or business environment which will adversely affect the repayment capacity of the borrower.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(h) Impairment of Financial Assets (continued)

(i) Loans, Advances and Financing (continued)

The Group and the Bank first assess individually whether objective evidence of impairment exists for loans which are individually significant, or collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is then included in a group of loans with similar credit risk characteristics and collectively assessed for impairment, where applicable. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the loan's carrying amount and the present value of the estimated future cash flows. The carrying amount of the loan is reduced through the use of an allowance account and the amount of loss is recognised in profit or loss. Where appropriate, the calculation of the present value of estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Collective assessment of loans is performed via grouping of loans on the basis of similar credit risk characteristics. Future cash flows of each of these groups of loans are estimated on the basis of historical loss experience for such assets and discounted to present value. Collective assessment impairment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans.

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in profit or loss.

Where a loan shows evidence of significant credit weaknesses, the Group and the Bank may seek to renegotiate the loan rather than to take possession of collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new loan terms and conditions via restructuring. Management monitors the renegotiated loan to ensure that all the revised terms are met and that the repayments are made promptly for a continuous period. Where a loan, irregardless impaired or non-impaired has been renegotiated, the borrower must adhere to the revised and/or restructured repayment terms for a continuous period of six (6) months before the loan is classified as non-impaired. These loans continue to be subject to individual or collective impairment assessment.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(h) Impairment of Financial Assets (continued)

(ii) Financial Investments Available-for-Sale

The Group and the Bank assess at each reporting date whether there is objective evidence that a financial investment classified as available-for-sale is impaired.

In the case of quoted equity investments, a significant or prolonged decline in the fair value of the security below its cost is also considered in determining whether objective evidence of impairment exists. Where such evidence exists, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised) is removed from equity and recognised in profit or loss. For unquoted equity investments which are measured at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

For debt instruments, impairment is assessed based on the same criteria as other financial investments available-for-sale. Where impairment losses have been previously recognised in profit or loss, if there is a subsequent increase in the fair value of the debt instrument that can be objectively related to a credit event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss.

(iii) Financial Investments Held-to-Maturity

The Group and the Bank assess at each reporting date whether objective evidence of impairment of financial investments held-to-maturity exists as a result of one or more loss events and that loss event has an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

Where there is objective evidence of impairment, an impairment loss is recognised as the difference between the acquisition cost and the present value of the estimated future cash flows, less any impairment loss previously recognised. If, in a subsequent period, the amount of the impairment loss decrease and the decrease can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(i) Investment Properties

Investment properties are properties which are held to earn rental income or for capital appreciation or both. Properties that are occupied by companies in the Group for conduct of business operations are accounted for as owner-occupied rather than as investment properties upon consolidation.

In accordance with MFRS 140 Investment Properties, investment properties can be measured using either the cost or fair value method. The Group has adopted the fair value method in measuring investment properties. Investment properties are measured initially at its cost, including transaction cost. Subsequent to initial recognition, all properties are measured at fair value, with any changes recognised in profit or loss. When an item of property and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in other comprehensive income as a revaluation reserve. If a fair value gain reverses a previously recognised impairment loss, the gain is recognised in profit or loss. Upon disposal of the investment property, any surplus previously recorded in revaluation reserve is transferred to retained profits.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. Fair values of investment properties are determined with reference to quotations of market value provided by independent professional valuers.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss.

(j) Assets Acquired Under Lease

Leases in which the Group is a lessee and assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases in which the Group is a lessee are classified as operating leases.

(i) Finance Lease

Upon initial recognition, the leased asset and the corresponding lease obligations are measured at an amount equal to the lower of the fair value of the leased asset at the beginning of the lease term and the present value of the minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise the incremental borrowing rate of the Group or of the Bank is used. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to property and equipment. Depreciation is provided at rates which write off the cost or valuation of the asset over the term of the relevant lease or, where it is likely that the Group and the Bank will obtain ownership of the asset, the life of the asset. Finance charges implicit in the lease payments are charged to profit or loss over the period of the lease so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(j) Assets Acquired Under Lease (continued)

(ii) Operating Lease

All assets under operating leases are not recognised on the statement of financial position. All lease rentals payable are accounted for on a straight-line basis over the lease term and are charged to profit or loss. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised in profit or loss in the period the termination takes place.

(k) Property and Equipment and Depreciation

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of replaced parts are derecognised. All other repairs and maintenance are charged to profit or loss when they are incurred.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent to initial recognition, property and equipment other than freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(iv)(n).

Freehold land with an indefinite useful life and work-in-progress which are not yet available for use are not depreciated. Depreciation of other property and equipment is provided on a straight line basis calculated to write off the cost of each asset to its residual value over the term of its estimated useful lives at the following principal annual rates:

Leasehold land	Over the remaining leasehold period
Buildings	2.0%
Renovations	Over the term of the leases ranging from 2-7 years
Office equipment, furniture and fittings	10.0% – 33.3%
Computer equipment and software	20.0% – 33.3%
Motor vehicles	20.0%

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(k) Property and Equipment and Depreciation (continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property.

(l) Goodwill and Intangible Assets

(i) Goodwill

Goodwill is measured as the excess of consideration transferred, any non-controlling interests and the acquisition-date fair value of any previously-held equity interest over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. For the purpose of impairment assessment, goodwill is allocated to cash-generating units ("CGU") which are expected to benefit from the synergies of the business combination. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with MFRS 8 Operating Segments. The carrying amount of goodwill is assessed annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, by comparing the recoverable amount from the CGU against the carrying amount of its net assets, including attributable goodwill. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where the fair value of the Group's share of identifiable net assets acquired exceeds the amount of consideration transferred, any non-controlling interests and the acquisition-date fair value of any previously-held equity interest, the entire resulting gain is recognised immediately in profit or loss.

(ii) Intangible Assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Intangible assets are recognised only when the identifiability and economic benefit probability criterion are met.

Intangible assets with an indefinite useful life are not amortised but are reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Intangible assets with an indefinite useful life are reviewed annually to determine whether the indefinite useful life assumption continues to be supportable.

Intangible assets with a finite useful life will be amortised on a straight line basis over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(m) Foreclosed Properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

(n) Impairment of Non-Financial Assets

Non-financial assets other than goodwill, such as property and equipment, investments in subsidiary and associated companies and foreclosed properties, are assessed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such indications exist, the carrying amount of the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and the value-in-use.

The impairment loss is recognised in profit or loss, and is reversed only if there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised for the asset in prior years.

Impairment of goodwill is discussed under the accounting policy on goodwill in Note 2(iv)(l)(i).

(o) Repurchase and Reverse Repurchase Agreements

Securities purchased under resale agreements (i.e. reverse repurchase agreements) at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recognised in 'reverse repurchase agreements' in the statement of financial position, reflecting the transaction's economic substance as a collateralised loan by the Group and the Bank. The difference between the purchase and resale prices is recognised in 'Interest income' in the statement of profit or loss and is accrued over the life of the agreement using the effective interest method.

Securities sold under repurchase agreements (i.e. repurchase agreements) at a specified future date are not derecognised from the statement of financial position as the Group and the Bank retain substantially all the risks and rewards of ownership. The consideration received is recognised as an asset with the corresponding obligation, including accrued interest as a liability, reflecting the transaction's economic substance as a collateralised loan given to the Group and the Bank. The difference between the sale and the repurchase prices is recognised in 'Interest expense' in the statement of profit or loss and is accrued over the life of the agreement using the effective interest method.

(p) Bills and Acceptances Payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(q) General Insurance

General insurance underwriting results are determined after taking into account reinsurances, unearned premium reserves, net commissions and net claims incurred.

Unearned premium reserves ("UPR") represent the unexpired risks at the end of the financial year. A fixed percentage method or time apportionment method is used in determining the UPR at reporting date.

Provision is made for outstanding claims based on the estimated costs of all claims together with related expenses less reinsurance recoveries in respect of claims notified but not settled at reporting date. Provision is also made for the cost of claims together with related expenses incurred but not reported at reporting date using a mathematical method of estimation determined by the management on a case by case basis.

(r) Profit Equalisation Reserve ("PER")

PER is the amount appropriated out of the total Islamic banking gross income in order to maintain a certain level of return to Investment Account Holders ("IAH") which is as stipulated by Bank Negara Malaysia's Guidelines on Profit Equalisation Reserve. The amount appropriated is shared by the IAH and the Group. The PER of the IAH is classified as a liability and is recognised at cost, with subsequent apportionments being recognised in profit or loss. The eventual distribution of PER as profit distributable to the IAH is treated as an outflow of funds due to the settlement of the obligation to the IAH. The PER of the Group is classified as a separate reserve in equity and subsequent apportionments to and distributions from retained profits are treated as a transfer between reserves.

(s) Provisions

A provision is recognised when there is a present legal or constructive obligation where as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation and the amount can be reliably estimated.

Provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(t) Debt Securities Issued

Debt securities issued are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's debt securities issued consist mainly of senior medium term notes, subordinated notes, subordinated sukuk murabahah, Innovative Tier I capital securities and borrowings. These debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group to make cash payments of either principal or interest/profit or both to holders of the debt securities and that the Group is contractually obliged to settle the financial instrument in cash or another financial instrument.

The Group has also issued Non-Innovative Tier I stapled securities which are potentially perpetual debt instruments, subject to the occurrence of certain events. This debt security is classified as a liability in the statement of financial position as there is a contractual obligation to deliver cash or other financial instruments to its holders in the form of regular interest payments, potentially extending into the indefinite future.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost. Generally, it is the Group's policy to hedge the fixed interest rate risk on these debt securities, and apply fair value hedge accounting. When hedge accounting is applied to fixed-rate debt instruments, the carrying values of the debt securities are adjusted for changes in fair value related to the hedged exposure, instead of being carried at amortised cost.

(u) Share Capital

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Costs directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

(v) Treasury Shares

When the Bank re-acquires its own equity shares, the amount of the consideration paid, including directly attributable costs, is recognised in equity. Shares re-acquired are held as treasury shares and presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, re-issuance or cancellation of the treasury shares. Should such treasury shares be reissued by re-sale in the open market, the difference between the sales consideration and the carrying amount are shown as a movement in equity, as appropriate. Where treasury shares are distributed as share dividends, the cost of the treasury shares are applied in the reduction of the share premium reserve or distributable retained profits or both.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(w) Contingent Liabilities and Contingent Assets

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(x) Operating Revenue

Operating revenue of the Group comprises all types of revenue derived from commercial banking, investment banking, financing and other Islamic banking activities, stock-broking, general insurance, trustee services, management of unit trust funds and sale of trust units but excluding all related company transactions.

Operating revenue of the Bank comprises gross interest income, commissions earned and other income derived from commercial banking operations.

(y) Interest and Financing Income and Expense

For all financial instruments measured at amortised cost and interest/profit-bearing financial assets classified as held-for-trading and available-for-sale, interest and financing income and expense are recognised under "Interest income", "Interest expense" and "Net income from Islamic banking business" respectively in the statement of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest/financing income or expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. Significant fees and transaction costs integral to the effective interest rate, as well as premiums or discounts are also considered.

For impaired financial assets where the value of the financial asset has been written down as a result of an impairment loss, interest/financing income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(z) Fee and Commission Income

The Group and the Bank earn fee and commission income from a diverse range of services provided to its customers. Such income are generally recognised on an accrual basis when the services have been provided.

Fees earned for the provision of services over a period of time, such as asset management and loan arrangement and management, are accrued over the period. Fee income from the provision of transaction services, such as funds remittances and stock-broking, are recognised upon completion of the underlying transaction. Fees that are linked to the performance of a certain activity or service, such as corporate advisory services, are recognised upon completion of the performance criteria.

(aa) Dividend Income

Dividend income is recognised when the right to receive payment is established.

(ab) Employee Benefits

(i) Short Term Employee Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Bank. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increases their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund ("EPF"). Overseas subsidiary companies make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in profit or loss as incurred.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(ab) Employee Benefits (continued)

(iii) Defined Benefit Plan

The Bank and certain subsidiary companies contribute to a fully-funded defined benefit plan approved by the Inland Revenue Board known as the Public Bank Group Officers' Retirement Benefits Fund (the "Fund") for its eligible employees. The obligations under the Fund are determined based on actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years are estimated. The benefit is calculated using the Projected Unit Credit Method in order to determine its present value. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognised immediately in defined benefit reserve via other comprehensive income and are not subsequently recycled to profit or loss. Past service costs, whether unvested or already vested, are recognised immediately in profit or loss as incurred. Net interest cost is calculated by applying the discount rate to the net defined benefit asset or liability. The Group recognises the changes in the net defined benefit obligation which includes current service costs, past service costs and net interest expense or income under "Personnel costs" in the statement of profit or loss.

The amount recognised in the statement of financial position represents the actual deficit or surplus in the Fund. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from or reductions in future contributions to the Fund.

(iv) Share-based Compensation Benefits

The Group operates a share-based compensation scheme which allows the eligible directors and employees of Public Financial Holdings Limited ("PFHL") and its subsidiary companies to acquire shares in PFHL.

Where the Group pays for services of its employees using share options, the fair value of the transaction is recognised as an expense in profit or loss over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share option at the date of the grant and the number of share options to be vested by the vesting date taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. The Group could revise its estimate of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(ac) Tax Expense

Tax expense comprises current and deferred tax. Tax expense is calculated on the basis of the applicable tax law in the respective jurisdictions and is recognised as an expense in profit or loss except to the extent that it relates to items that are charged or credited in other comprehensive income or directly to equity. In such cases, tax expense is charged or credited to other comprehensive income or to equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred tax is not provided for goodwill not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. Deferred tax relating to fair value remeasurement of financial investments available-for-sale and cash flow hedges, which are recognised in other comprehensive income, is also charged or credited directly to other comprehensive income, and is subsequently recognised in profit or loss when the deferred fair value gain or loss is recognised in profit or loss.

For investment properties which are carried at fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set off under the same taxable entity and taxation authority. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

(ad) Dividends

Dividends declared on ordinary shares are accounted for as an appropriation of retained profits in the period in which they are approved.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iv) Summary of Significant Accounting Policies (continued)

(ae) Earnings Per Share

The Group presents basic and diluted (where applicable) earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period net of treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

(af) Segment Reporting

Segment reporting in the financial statements are presented on the same basis as it is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Operating segments are distinguishable components of the Group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance, and for which discrete financial information is available.

All transactions between operating segments are conducted based on mutually agreed allocation bases, with intra-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

3. CASH AND BALANCES WITH BANKS

	Group		Bank	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Cash and bank balances	**3,988,715**	3,212,559	**2,104,286**	1,922,948
Money market deposit placements:				
– maturing within one month	**9,654,877**	10,664,816	**6,522,466**	7,051,201
– maturing after one month	**1,187,467**	2,939,463	**471,880**	2,034,297
	10,842,344	13,604,279	**6,994,346**	9,085,498
	14,831,059	16,816,838	**9,098,632**	11,008,446

4. REVERSE REPURCHASE AGREEMENTS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysian Government Securities	**3,065,423**	5,939,865	**2,426,953**	5,190,230
Malaysian Government Investment Certificates	**1,308,443**	89,561	**1,308,443**	89,561
Unquoted private debt securities	**–**	249,223	**–**	249,223
Foreign government treasury bills	**5,295**	35,844	**5,295**	35,844
	4,379,161	6,314,493	**3,740,691**	5,564,858

The fair value of securities accepted as collateral under reverse repurchase agreements that the Group and the Bank are permitted to sell or repledge in the absence of default by their owners was RM4,542,570,000 (2014 – RM6,477,010,000) and RM3,839,891,000 (2014 – RM5,717,354,000) respectively, of which none (2014 – none) has been resold.

5. FINANCIAL ASSETS HELD-FOR-TRADING

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	**–**	77,292	**–**	77,292
Malaysian Government Securities	**10,251**	971,970	**10,251**	971,970
Malaysian Government Investment Issues	**10,051**	91,272	**10,051**	91,272
Bank Negara Malaysia Monetary Notes	**–**	1,053,737	**–**	1,053,737
	20,302	2,194,271	**20,302**	2,194,271
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	**1,739,611**	15,705,105	**151,231**	12,242,739
Bankers' acceptances and Islamic accepted bills	**–**	367,994	**–**	–
	1,739,611	16,073,099	**151,231**	12,242,739
Non-money market instruments:				
Debt securities				
– Cagamas bonds	**231,822**	–	**231,822**	–
– Unquoted private debt securities	**1,111,026**	96,648	**1,039,262**	41,770
	1,342,848	96,648	**1,271,084**	41,770
	3,102,761	18,364,018	**1,442,617**	14,478,780

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and equity prices) of the underlying instruments. These instruments further allow the Group and the Bank to transfer, modify or reduce its foreign exchange and interest rate risks via designated hedge relationships. Derivative financial instruments that are entered into for hedging purposes but which do not meet the hedge effectiveness criteria or which relate to customers' transactions are classified as trading derivatives. The Group and the Bank may also take conservative positions, within certain pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates via its trading derivatives.

The table below shows the Group's and the Bank's derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts as at the reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract value on which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end but are not indicative of either the market risk or credit risk inherent in the derivative contracts. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 43 to the financial statements.

	2015			2014		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
Group	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
At fair value						
Trading derivatives:						
Foreign exchange contracts						
– Currency forwards	**1,088,798**	**27,913**	**4,090**	1,062,357	17,135	15,777
– Currency swaps	**26,787,898**	**559,117**	**122,581**	19,942,011	543,550	128,529
– Currency options	**64,119**	**133**	**133**	79,437	52	52
Precious metal contracts						
– Forwards	**169**	**1**	**–**	148	–	1
	27,940,984	**587,164**	**126,804**	21,083,953	560,737	144,359
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
– Interest rate swaps	**7,645,536**	**74,562**	**10,461**	8,034,454	106,469	20,716
Cash flow hedge						
Foreign exchange contracts						
– Cross currency interest rate swaps	**3,007,900**	**–**	**869,784**	2,448,425	–	322,516
Interest/profit rate related contracts						
– Interest/profit rate swaps	**5,954,400**	**26,360**	**531**	3,724,400	35,866	602
	16,607,836	**100,922**	**880,776**	14,207,279	142,335	343,834
Total	**44,548,820**	**688,086**	**1,007,580**	35,291,232	703,072	488,193

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

	2015			2014		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
Bank	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
At fair value						
Trading derivatives:						
Foreign exchange contracts						
– Currency forwards	**1,012,169**	**27,791**	**3,973**	1,009,062	16,980	15,669
– Currency swaps	**25,565,298**	**557,098**	**122,372**	19,694,997	542,726	125,933
– Currency options	**64,119**	**133**	**133**	79,437	52	52
Precious metal contracts						
– Forwards	**169**	**1**	**–**	148	–	1
	26,641,755	**585,023**	**126,478**	20,783,644	559,758	141,655
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
– Interest rate swaps	**7,267,400**	**72,096**	**294**	7,684,679	106,469	9,285
Cash flow hedge						
Foreign exchange contracts						
– Cross currency interest rate swaps	**3,007,900**	**–**	**869,784**	2,448,425	–	322,516
Interest rate related contracts						
– Interest rate swaps	**9,284,400**	**20,511**	**49,065**	5,824,400	24,787	50,269
	19,559,700	**92,607**	**919,143**	15,957,504	131,256	382,070
Total	**46,201,455**	**677,630**	**1,045,621**	36,741,148	691,014	523,725

With the exception of options contracts, the fair values of derivative financial instruments are normally zero or negligible at inception. The subsequent change in fair value is either favourable or unfavourable as a result of fluctuations in the underlying market interest rates and/or foreign exchange rates relative to the terms of the respective contracts.

The fair value at inception of options contracts purchased represents the consideration paid for these contracts, with subsequent changes in the fair value dependent on the movements in the value of the underlying asset and/or index.

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

As at 31 December 2015, the Group and the Bank have positions in the following types of derivative financial instruments:

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest/profit rates.

Options

Options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date during a set period, a specific amount of an underlying asset at a predetermined price. The seller receives a premium from the purchaser in consideration of risk. Options may be either exchange-traded or negotiated between the purchaser and the seller in the over-the-counter market.

Over-the-counter derivatives may expose the Group and the Bank to the risks associated with the absence of an exchange to close out an open position. This credit risk represents the potential cost to replace the derivative contracts if counterparties fail to fulfill their obligation. To control the level of credit risk, the Group and the Bank continually monitor and assess the credit standing of these counterparties.

Where derivatives of the Group and of the Bank have been designated for the purpose of hedging and meet the hedge effectiveness criteria, the accounting treatment of these derivatives will depend on the nature of the instrument hedged and the type of hedge transaction, as described in Note 2(iv)(f). These hedge transactions include:

Fair Value Hedges

The Group and the Bank use fair value hedges to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. The financial instruments hedged for interest rate risk include the Bank's debt securities issued and financial investments available-for-sale. The Group and the Bank primarily use interest rate swaps as hedges of interest rate risk.

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Fair Value Hedges (continued)

The net gains and losses arising from fair value hedges during the year are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(Loss)/gain on hedging instruments	**(15,885)**	17,242	**(19,614)**	6,736
Gain/(loss) on the hedged items attributable to the hedged risk	**20,529**	(11,284)	**24,234**	(541)
Exchange differences	**(55)**	(16)	**–**	–
Ineffectiveness charged to profit or loss (Note 32)	**4,589**	5,942	**4,620**	6,195

The gains and losses on the ineffective portions of the Group's and of the Bank's fair value hedges are recognised immediately in the statement of profit or loss under "Net gains and losses on financial instruments".

Cash Flow Hedges

The Group and the Bank principally use interest/profit rate swaps to protect against exposures to variability in future cash flows on non-trading financial assets and liabilities which bear interest/profit at variable rates.

Set out below is a schedule indicating as at the financial year end, the periods when the hedged cash flows are expected to occur and when they are expected to impact the statement of profit or loss:

	Group			
	Within 1 year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	Over 5 years RM'000
2015				
Cash inflows/(outflows) on assets	**151**	**(55)**	**–**	**–**
Cash inflows/(outflows) on liabilities	**22,879**	**(25,930)**	**(700)**	**–**
Net cash inflows/(outflows)	**23,030**	**(25,985)**	**(700)**	**–**
2014				
Cash inflows/(outflows) on assets	99	(7)	(660)	–
Cash inflows/(outflows) on liabilities	41,823	(13,252)	(31,707)	–
Net cash inflows/(outflows)	41,922	(13,259)	(32,367)	–

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Cash Flow Hedges (continued)

	Bank			
	Within 1 year RM'000	1 – 3 years RM'000	3 – 5 years RM'000	Over 5 years RM'000
2015				
Cash inflows/(outflows) on assets	**5,003**	**6,913**	**(8,527)**	**(50,191)**
Cash inflows/(outflows) on liabilities	**20,491**	**(29,540)**	**(2,188)**	**–**
Net cash inflows/(outflows)	**25,494**	**(22,627)**	**(10,715)**	**(50,191)**
2014				
Cash inflows/(outflows) on assets	638	(531)	(15,049)	(34,926)
Cash inflows/(outflows) on liabilities	39,485	(17,925)	(35,780)	–
Net cash inflows/(outflows)	40,123	(18,456)	(50,829)	(34,926)

There were no cash flow hedges that were discontinued as a result of the hedged cash flows no longer expected to occur.

The net gain on cash flow hedges reclassified from other comprehensive income to profit or loss is recognised in "Net gains and losses on financial instruments". During the financial year, no gain or loss (2014 - net gain of RM41,000) was recognised by the Group and the Bank in profit or loss.

The gains and losses on the ineffective portions of such derivatives are recognised immediately in the statement of profit or loss under "Net gains and losses on financial instruments". During the financial year, a gain of RM7,610,000 (2014 - gain of RM1,589,000) (Note 32) was recognised by the Group and the Bank.

Hedge of Net Investment in Foreign Operations

The Group's statement of financial position is affected by gains and losses as a result of the translation of net assets of its subsidiary companies denominated in currencies other than its functional currency. The Group hedges its exposures to foreign exchange risk via the designation of certain long-term borrowings and short-term interbank borrowing funding pools.

The financial instruments designated as net investment hedges are as follows:

	Group	
	2015 RM'000	2014 RM'000
Long-term borrowings	**253,523**	206,367
Short-term interbank borrowings	**3,480,570**	3,109,500
	3,734,093	3,315,867

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Hedge of Net Investment in Foreign Operations (continued)

The gains and losses on the ineffective portions that was recognised in the statement of profit or loss under "Other operating income" during the financial year arising from hedges of net investment in foreign operations was a loss of RM34,000 (2014 - gain of RM112,000).

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	**58,468**	389,603	**–**	78,452
Malaysian Government Securities	**4,536,150**	5,792,980	**4,457,423**	5,792,980
Malaysian Government Investment Issues	**10,914,900**	6,435,034	**6,125,360**	4,398,611
Bank Negara Malaysia Monetary Notes	**–**	4,935,145	**–**	3,152,223
	15,509,518	17,552,762	**10,582,783**	13,422,266
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	**9,105,939**	1,091,364	**7,820,028**	1,002,749
Non-money market instruments:				
Equity securities				
– Quoted shares and convertible loan stocks outside Malaysia	**3,730**	7,086	**–**	–
– Unquoted shares #	**118,935**	112,086	**114,052**	107,921
Debt securities				
– Cagamas bonds	**100,482**	–	**100,482**	–
– Unquoted private debt securities	**1,997,922**	1,421,176	**1,522,939**	1,052,762
Unit trust funds	**3,071,181**	5,274,346	**2,945,728**	4,806,124
	5,292,250	6,814,694	**4,683,201**	5,966,807
	29,907,707	25,458,820	**23,086,012**	20,391,822
#Stated at cost, net of impairment loss	**5,738**	6,265	**5,738**	6,265

7. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (CONTINUED)

A reconciliation of accumulated impairment loss by class of financial instrument is as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-money market instruments:				
Equity securities – unquoted shares				
At 1 January	**6,265**	6,265	**6,265**	6,265
Impairment made during the year (Note 37)	**23**	–	**23**	–
Amount written off	**(550)**	–	**(550)**	–
At 31 December	**5,738**	6,265	**5,738**	6,265

8. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At amortised cost				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	**–**	174,363	**–**	9,752
Malaysian Government Securities	**2,051,435**	2,317,575	**2,021,357**	2,287,544
Malaysian Government Investment Issues	**12,334,574**	11,160,710	**10,103,680**	10,103,198
Bank Negara Malaysia Monetary Notes	**–**	439,542	**–**	439,542
Foreign government treasury bills	**909,721**	708,132	**65,029**	20,149
Other foreign government securities	**135,131**	131,043	**–**	–
	15,430,861	14,931,365	**12,190,066**	12,860,185
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	**1,561,205**	1,065,018	**1,647,165**	1,586,876
Non-money market instruments:				
Debt securities				
– Cagamas bonds	**1,403,795**	1,247,447	**1,363,718**	1,207,484
– Unquoted private debt securities	**3,548,234**	3,170,638	**2,484,284**	2,212,355
	4,952,029	4,418,085	**3,848,002**	3,419,839
Accumulated impairment losses	**(46)**	(81)	**(46)**	(81)
	21,944,049	20,414,387	**17,685,187**	17,866,819

8. FINANCIAL INVESTMENTS HELD-TO-MATURITY (CONTINUED)

The maturity structure of government securities and treasury bills and money market instruments held is as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Maturity within one year	**2,615,347**	3,275,785	**606,636**	733,656
More than one year to three years	**4,620,203**	3,042,237	**2,337,819**	2,679,592
More than three years to five years	**5,005,716**	4,262,992	**5,265,886**	4,594,855
More than five years	**4,750,800**	5,415,369	**5,626,890**	6,438,958
	16,992,066	15,996,383	**13,837,231**	14,447,061

The indicative market value of government securities and treasury bills and money market instruments is as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysian Government Treasury Bills	**–**	173,583	**–**	9,756
Malaysian Government Securities	**2,075,488**	2,306,534	**2,045,085**	2,276,673
Malaysian Government Investment Issues	**12,332,911**	11,108,480	**10,098,632**	10,051,909
Bank Negara Malaysia Monetary Notes	**–**	439,832	**–**	439,832
Foreign government treasury bills	**912,769**	707,592	**64,974**	20,148
Other foreign government securities	**133,746**	130,659	**–**	–
Negotiable instruments of deposit and negotiable Islamic debt certificates	**1,559,446**	1,064,211	**1,603,119**	1,478,448

A reconciliation of accumulated impairment loss by class of financial instrument is as follows:

	Group and Bank	
	2015 RM'000	2014 RM'000
Non-money Market Instruments:		
Debt Securities		
At 1 January	**81**	107
Amount written off	**(35)**	(26)
At 31 December	**46**	81

9. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At amortised cost				
Overdrafts	**11,362,905**	10,195,284	**8,722,898**	8,394,145
Term loans/financing				
– Housing loans/financing	**87,035,603**	77,610,372	**73,102,157**	67,116,548
– Syndicated term loans/financing	**2,724,983**	1,513,802	**1,229,554**	1,008,885
– Hire purchase receivables	**52,156,547**	48,288,687	**37,937,879**	35,306,545
– Other term loans/financing	**106,600,011**	92,882,403	**86,838,382**	77,281,485
Credit card receivables	**1,781,170**	1,664,137	**1,759,828**	1,651,400
Bills receivables	**182,187**	171,747	**143,843**	153,681
Trust receipts	**292,013**	334,435	**239,365**	253,595
Claims on customers under acceptance credits #	**3,840,427**	4,206,587	**3,668,244**	4,053,227
Revolving credits	**5,806,945**	6,680,739	**5,724,545**	6,510,882
Staff loans *	**1,664,264**	1,495,860	**1,542,055**	1,403,626
Gross loans, advances and financing	**273,447,055**	245,044,053	**220,908,750**	203,134,019
Less: Allowance for impaired loans and financing				
– collective assessment allowance	**(1,510,637)**	(1,682,128)	**(1,001,839)**	(1,143,525)
– individual assessment allowance	**(121,947)**	(140,086)	**(34,837)**	(62,467)
Net loans, advances and financing	**271,814,471**	243,221,839	**219,872,074**	201,928,027

Included in claims on customers under acceptance credits of the Group and of the Bank are bankers' acceptance rediscounted of RM26,412,000 (2014 – RM204,124,000) and RM26,412,000 (2014 – RM204,124,000) respectively.

* Included in staff loans of the Group and of the Bank are loans to directors of subsidiary companies amounting to RM3,323,000 (2014 – RM3,402,000) and RM3,050,000 (2014 – RM3,069,000) respectively.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Gross loans, advances and financing presented by class of financial instruments are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Retail loans/financing *				
– Housing loans/financing	**87,035,603**	77,610,372	**73,102,157**	67,116,548
– Hire purchase	**52,156,547**	48,288,687	**37,937,879**	35,306,545
– Credit cards	**1,781,170**	1,664,137	**1,759,828**	1,651,400
– Other loans/financing ^	**93,544,319**	83,615,227	**77,651,094**	71,399,103
	234,517,639	211,178,423	**190,450,958**	175,473,596
Corporate loans/financing	**38,929,416**	33,865,630	**30,457,792**	27,660,423
	273,447,055	245,044,053	**220,908,750**	203,134,019

* 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.

The maturity structure of gross loans, advances and financing by residual contractual maturity is as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Maturity within one year	**30,141,088**	33,519,550	**23,225,806**	28,173,351
More than one year to three years	**23,815,757**	19,854,855	**19,020,655**	15,876,998
More than three years to five years	**26,592,749**	22,993,262	**21,139,374**	18,037,149
More than five years	**192,897,461**	168,676,386	**157,522,915**	141,046,521
	273,447,055	245,044,053	**220,908,750**	203,134,019

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Gross loans, advances and financing analysed by type of customer are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-bank financial institutions				
– Stock-broking companies	**7,123**	8,803	**7,123**	8,803
– Others	**6,541,865**	6,672,659	**6,310,900**	6,553,083
Business enterprises				
– Small and medium enterprises	**63,968,815**	55,544,630	**55,447,812**	49,161,029
– Others	**25,486,515**	24,310,180	**19,146,647**	18,987,132
Government and statutory bodies	**1,331,532**	331,246	**15,094**	13,663
Individuals	**173,258,223**	155,717,324	**137,114,817**	126,060,649
Other entities	**42,614**	40,369	**39,222**	37,536
Foreign entities	**2,810,368**	2,418,842	**2,827,135**	2,312,124
	273,447,055	245,044,053	**220,908,750**	203,134,019

Gross loans, advances and financing analysed by geographical distribution are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysia	**251,801,712**	228,337,847	**219,842,909**	202,409,537
Hong Kong SAR and the People's Republic of China	**16,466,441**	12,991,337	**–**	–
Cambodia	**4,113,061**	2,990,387	**–**	–
Other countries	**1,065,841**	724,482	**1,065,841**	724,482
	273,447,055	245,044,053	**220,908,750**	203,134,019

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Gross loans, advances and financing analysed by interest rate/rate of return sensitivity are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fixed rate				
– Housing loans/financing	**633,185**	682,813	**55,899**	79,311
– Hire purchase receivables	**50,178,152**	46,454,805	**37,921,383**	35,293,363
– Other fixed rate loans/financing	**18,006,696**	15,788,687	**8,164,456**	8,249,418
Variable rate				
– Base lending rate plus	**164,560,568**	147,647,383	**149,341,274**	136,427,954
– Cost plus	**24,842,983**	22,797,600	**23,978,637**	22,107,737
– Other variable rates	**15,225,471**	11,672,765	**1,447,101**	976,236
	273,447,055	245,044,053	**220,908,750**	203,134,019

Gross loans, advances and financing analysed by economic purpose are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of securities	**2,492,916**	2,735,265	**1,992,194**	2,442,734
Purchase of transport vehicles	**52,423,648**	48,537,246	**38,209,237**	35,557,749
Purchase of landed properties	**159,650,206**	141,982,677	**136,502,609**	124,781,538
(of which: – residential	**89,521,816**	79,378,865	**75,419,517**	68,836,084
– non-residential)	**70,128,390**	62,603,812	**61,083,092**	55,945,454
Purchase of fixed assets (excluding landed properties)	**209,714**	245,063	**170,570**	214,981
Personal use	**10,576,971**	9,401,614	**5,428,772**	4,804,696
Credit card	**1,781,170**	1,664,137	**1,759,828**	1,651,400
Purchase of consumer durables	**2,079**	2,437	**138**	283
Construction	**5,345,580**	3,930,563	**4,541,667**	3,245,636
Mergers and acquisitions	**154,871**	181,552	**154,871**	181,552
Working capital	**36,786,331**	32,695,312	**28,215,858**	26,792,202
Other purpose	**4,023,569**	3,668,187	**3,933,006**	3,461,248
	273,447,055	245,044,053	**220,908,750**	203,134,019

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Gross loans, advances and financing analysed by sector are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Agriculture, hunting, forestry and fishing	**3,343,665**	2,936,114	**2,742,319**	2,357,855
Mining and quarrying	**234,265**	212,118	**197,928**	179,813
Manufacturing	**9,823,981**	9,112,010	**8,452,012**	8,118,522
Electricity, gas and water	**65,785**	46,009	**14,579**	10,832
Construction	**7,957,050**	7,257,376	**6,604,430**	6,148,560
Wholesale & retail trade and restaurants & hotels	**24,289,039**	22,105,505	**21,135,248**	19,774,038
Transport, storage and communication	**3,683,227**	3,534,084	**2,784,138**	2,661,683
Finance, insurance and business services	**15,307,058**	14,977,836	**13,499,709**	13,455,331
Real estate	**30,372,942**	25,230,068	**25,164,142**	21,400,509
Community, social and personal services	**3,411,590**	2,316,978	**1,901,892**	1,851,904
Households	**173,217,520**	155,917,337	**138,324,271**	127,091,475
Others	**1,740,933**	1,398,618	**88,082**	83,497
	273,447,055	245,044,053	**220,908,750**	203,134,019

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	**1,488,699**	1,484,779	**1,153,829**	1,135,737
Impaired during the year	**2,811,865**	2,745,274	**1,968,543**	1,965,840
Reclassified as non-impaired	**(1,958,288)**	(1,921,658)	**(1,511,772)**	(1,481,655)
Recoveries	**(378,690)**	(324,762)	**(306,295)**	(247,577)
Amount written off	**(608,655)**	(482,772)	**(275,487)**	(197,092)
Loans/financing converted to foreclosed properties/investments	**(28,356)**	(21,724)	**(28,085)**	(21,542)
Exchange differences	**25,241**	9,562	**1,787**	118
At 31 December	**1,351,816**	1,488,699	**1,002,520**	1,153,829
Gross impaired loans as % of gross loans, advances and financing	**0.49%**	0.61%	**0.45%**	0.57%

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Impaired loans/financing analysed by geographical distribution are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysia	**1,190,592**	1,375,695	**976,657**	1,141,700
Hong Kong SAR and the People's Republic of China	**104,900**	62,326	**–**	–
Cambodia	**30,461**	38,549	**–**	–
Other countries	**25,863**	12,129	**25,863**	12,129
	1,351,816	1,488,699	**1,002,520**	1,153,829

Impaired loans/financing analysed by economic purpose are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Purchase of securities	**4,029**	3,434	**3,802**	3,434
Purchase of transport vehicles	**358,329**	412,764	**252,158**	299,684
Purchase of landed properties	**599,821**	668,989	**495,514**	593,786
(of which: – residential	**445,406**	504,808	**361,760**	441,735
– non-residential)	**154,415**	164,181	**133,754**	152,051
Purchase of fixed assets (excluding landed properties)	**523**	164	**143**	160
Personal use	**138,792**	146,527	**44,645**	51,070
Credit card	**23,694**	25,409	**23,596**	25,353
Purchase of consumer durables	**57**	75	**–**	–
Construction	**13,418**	12,841	**10,145**	10,449
Working capital	**198,036**	202,794	**157,419**	154,249
Other purpose	**15,117**	15,702	**15,098**	15,644
	1,351,816	1,488,699	**1,002,520**	1,153,829

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Impaired loans/financing analysed by sector are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Agriculture, hunting, forestry and fishing	**23,253**	17,682	**14,162**	10,278
Mining and quarrying	**2,373**	2,220	**868**	1,056
Manufacturing	**66,978**	95,216	**57,944**	86,383
Electricity, gas and water	**2,243**	1,738	**–**	–
Construction	**56,912**	53,219	**52,356**	49,705
Wholesale & retail trade and restaurants & hotels	**116,720**	118,792	**107,264**	92,422
Transport, storage and communication	**42,425**	51,344	**39,410**	49,327
Finance, insurance and business services	**23,000**	26,795	**16,252**	19,137
Real estate	**41,053**	34,991	**32,514**	33,189
Community, social and personal services	**4,542**	16,669	**3,976**	15,976
Households	**966,807**	1,068,180	**677,449**	795,747
Others	**5,510**	1,853	**325**	609
	1,351,816	1,488,699	**1,002,520**	1,153,829

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

A reconciliation of the allowance for impaired loans/financing by class of financial instrument is as follows:

	← Retail Loans/Financing →					
Group	**Housing Loans/ Financing RM'000**	**Hire Purchase RM'000**	**Credit Cards RM'000**	**Other Loans/ Financing RM'000**	**Corporate Loans/ Financing RM'000**	**Total RM'000**
Collective Assessment Allowance						
2015						
At 1 January 2015	**487,324**	**607,340**	**25,869**	**505,080**	**56,515**	**1,682,128**
Allowance (written back)/ made during the year (Note 36)	**(76,752)**	**218,641**	**35,401**	**(5,710)**	**(2,495)**	**169,085**
Amount written off	**(22,582)**	**(231,915)**	**(37,665)**	**(59,749)**	**–**	**(351,911)**
Exchange differences	**241**	**43**	**24**	**10,493**	**534**	**11,335**
At 31 December 2015	**388,231**	**594,109**	**23,629**	**450,114**	**54,554**	**1,510,637**
2014						
At 1 January 2014	495,892	529,493	18,781	489,375	58,544	1,592,085
Allowance made/(written back) during the year (Note 36)	25,470	232,852	43,936	58,792	(2,198)	358,852
Amount written off	(34,075)	(155,010)	(36,853)	(45,791)	–	(271,729)
Exchange differences	37	5	5	2,704	169	2,920
At 31 December 2014	487,324	607,340	25,869	505,080	56,515	1,682,128

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

A reconciliation of the allowance for impaired loans/financing by class of financial instrument is as follows (continued):

	Retail Loans					
Bank	Housing Loans RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Collective Assessment Allowance						
2015						
At 1 January 2015	**422,832**	**431,084**	**25,767**	**221,286**	**42,556**	**1,143,525**
Allowance (written back)/ made during the year (Note 36)	**(74,980)**	**155,213**	**35,357**	**(6,579)**	**3,475**	**112,486**
Amount written off	**(19,988)**	**(173,136)**	**(37,653)**	**(25,722)**	**–**	**(256,499)**
Exchange differences	**–**	**–**	**–**	**2,327**	**–**	**2,327**
At 31 December 2015	**327,864**	**413,161**	**23,471**	**191,312**	**46,031**	**1,001,839**
2014						
At 1 January 2014	435,128	364,275	18,708	209,756	43,222	1,071,089
Allowance made/(written back) during the year (Note 36)	18,478	167,601	43,912	29,828	(666)	259,153
Amount written off	(30,774)	(100,792)	(36,853)	(18,827)	–	(187,246)
Exchange differences	–	–	–	529	–	529
At 31 December 2014	422,832	431,084	25,767	221,286	42,556	1,143,525

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

A reconciliation of the allowance for impaired loans/financing by class of financial instrument is as follows (continued):

	Retail Loans/Financing					
Group	Housing Loans/ Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans/ Financing RM'000	Corporate Loans/ Financing RM'000	Total RM'000
Individual Assessment Allowance						
2015						
At 1 January 2015	**178**	**807**	**–**	**101,347**	**37,754**	**140,086**
Net allowance made during the year (Note 36)	**3,619**	**1,821**	**–**	**194,720**	**1,442**	**201,602**
Allowance made during the year	**3,930**	**1,821**	**–**	**215,038**	**7,906**	**228,695**
Amount written back in respect of recoveries	**(311)**	**–**	**–**	**(20,318)**	**(6,464)**	**(27,093)**
Amount written off	**(1,374)**	**(680)**	**–**	**(242,107)**	**(12,583)**	**(256,744)**
Amount transferred to allowance for impairment loss on foreclosed properties	**–**	**–**	**–**	**(1,612)**	**–**	**(1,612)**
Exchange differences	**257**	**370**	**–**	**36,220**	**1,768**	**38,615**
At 31 December 2015	**2,680**	**2,318**	**–**	**88,568**	**28,381**	**121,947**
2014						
At 1 January 2014	167	1,482	–	110,700	55,576	167,925
Net allowance made/(written back) during the year (Note 36)	–	75	–	173,588	(5,962)	167,701
Allowance made during the year	185	82	–	189,396	769	190,432
Amount written back in respect of recoveries	(185)	(7)	–	(15,808)	(6,731)	(22,731)
Amount written off	–	(853)	–	(199,082)	(11,108)	(211,043)
Amount transferred to allowance for impairment loss on foreclosed properties	–	–	–	(444)	(1,223)	(1,667)
Exchange differences	11	103	–	16,585	471	17,170
At 31 December 2014	178	807	–	101,347	37,754	140,086

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

A reconciliation of the allowance for impaired loans/financing by class of financial instrument is as follows (continued):

	Retail Loans					
Bank	Housing Loans RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Individual Assessment Allowance						
2015						
At 1 January 2015	–	–	–	**30,522**	**31,945**	**62,467**
Net allowance made/(written back) during the year (Note 36)	**1,495**	–	–	**(2,393)**	**(6,132)**	**(7,030)**
Allowance made during the year	**1,806**	–	–	**12,390**	**332**	**14,528**
Amount written back in respect of recoveries	**(311)**	–	–	**(14,783)**	**(6,464)**	**(21,558)**
Amount written off	**(1,322)**	–	–	**(6,604)**	**(11,062)**	**(18,988)**
Amount transferred to allowance for impairment loss on foreclosed properties	–	–	–	**(1,612)**	–	**(1,612)**
At 31 December 2015	**173**	–	–	**19,913**	**14,751**	**34,837**
2014						
At 1 January 2014	–	–	–	37,948	41,817	79,765
Net allowance written back during the year (Note 36)	–	–	–	(3,238)	(2,547)	(5,785)
Allowance made during the year	185	–	–	6,639	2,701	9,525
Amount written back in respect of recoveries	(185)	–	–	(9,877)	(5,248)	(15,310)
Amount written off	–	–	–	(3,744)	(6,102)	(9,846)
Amount transferred to allowance for impairment loss on foreclosed properties	–	–	–	(444)	(1,223)	(1,667)
At 31 December 2014	–	–	–	30,522	31,945	62,467

10. OTHER ASSETS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred handling fees *	**268,842**	254,694	**197,446**	191,097
Interest/Income receivable	**30,415**	89,802	**18,955**	75,681
Other receivables, deposits and prepayments	**2,030,648**	1,514,441	**1,942,399**	1,326,005
Amount due from trust funds ^	**151,408**	107,730	**–**	–
Employee benefits (Note 11(a))	**286,646**	269,797	**282,375**	263,673
Foreclosed properties #	**68,467**	56,089	**67,961**	55,210
Outstanding contracts on clients' accounts @ ##	**199,538**	179,680	**–**	–
Amount due from subsidiary companies ^^	**–**	–	**38,632**	37,336
Dividend receivable from subsidiary companies (Note 41(b))	**–**	–	**523,232**	501,487
	3,035,964	2,472,233	**3,071,000**	2,450,489
# Stated net of accumulated allowance for impairment loss	**36,745**	34,389	**36,128**	33,672
@ Stated net of accumulated allowance for bad and doubtful debts	**1,219**	1,209	**–**	–

* This represents the unamortised balance of handling fees paid to motor vehicle dealers for hire purchase loans/financing.

^ This balance refers to amount due from trust funds managed by the fund management subsidiary company in respect of cancellation and creation of trust units. It also includes management fee receivable from trust funds.

^^ These balances are unsecured, non-interest bearing and are repayable on demand.

This balance represents outstanding purchase contracts in respect of the stock-broking business of the investment banking subsidiary company entered into on behalf of clients where settlements have yet to be made by clients. The trade settlement is three (3) market days according to Bursa Malaysia Securities Berhad's trading rules.

11. EMPLOYEE BENEFITS

(a) Defined Benefit Plan

The Bank and certain subsidiary companies contribute to a defined benefit plan known as the Public Bank Group Officers' Retirement Benefits Fund ("the Fund") for its eligible employees. Under the Fund, eligible employees are entitled to one month of the final or last drawn salary for each completed year of service with the Group upon attainment of retirement age. Effective from 1 July 2013, the normal retirement age was raised from 55 years to 60 years in accordance with Malaysia's Minimum Retirement Age Act 2012, and an optional retirement age, from 55 years to anytime prior to 60 years was introduced. For employees who leave before the attainment of the normal retirement age or the optional retirement age, the retirement benefit will be computed based on the scale rate stipulated in the rules of the Fund.

The defined benefit plan is a tax exempt fund, fully funded by the Bank and certain subsidiary companies which are participating companies of the plan. Employees are not required to contribute to the plan. The funding requirements are based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions as set out below. The latest actuarial valuation for funding purposes was made as at 31 December 2015 by Actuarial Partners Consulting Sdn. Bhd.

As at 31 December 2015, the plan is in surplus of RM286,646,000 (31 December 2014: RM269,797,000) and no contributions are required to be made to the plan in the forthcoming financial year by the participating subsidiary companies and the Bank. However, should there be a significant fall in value of the asset portfolio of the plan, an actuarial valuation will be conducted to re-assess the funding requirement.

The assets of the Fund are held separately from the assets of the Group and the Bank and are administered by a board of trustees. There are three (3) trustees currently, one (1) of whom is a member of the Board of Directors of the Bank and the remaining two (2) trustees are members of senior management of the Bank.

The defined benefit plan exposes the Group and the Bank to actuarial risks such as market (investment) risk, interest rate risk and salary risk. Market risk arises from investments delivering an inadequate return; changes in interest rate would affect the cost of borrowings as well as valuation of plan obligations; salary risk arises from higher than expected salary increase leading to higher plan obligations.

The investments of the plan comply with the requirement of the income tax ruling for tax exempt funds that 80% of the plan assets (gross) are invested in specified assets with at least 20% of plan assets (gross) in government issued securities. The strategic investment policy of the defined benefit plan can be summarised as plan asset mix based on 20% to 30% of investment properties, 20% to 25% of government securities and 45% to 60% in a combination of equities, unit trusts and cash.

Compliance with investment policies is reported quarterly to the Board of Trustees.

11. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (continued)

The amounts recognised in the statements of financial position are determined as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Present value of funded obligations	**(898,985)**	(795,506)	**(885,590)**	(777,448)
Fair value of plan assets	**1,185,631**	1,065,303	**1,167,965**	1,041,121
Net assets (Note 10)	**286,646**	269,797	**282,375**	263,673

Movements in the present value of funded obligations are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Obligation at 1 January	**795,506**	722,167	**777,448**	702,379
Recognised in profit or loss				
– current service cost	**49,951**	48,084	**49,207**	46,994
– interest cost	**41,355**	37,915	**40,739**	37,053
– allocation adjustment	**–**	–	**6,205**	–
Benefits paid – the Fund	**(15,568)**	(12,660)	**(15,336)**	(12,372)
Remeasurements recognised in other comprehensive income				
– effects of changes in demographic assumptions	**(22,046)**	–	**(21,718)**	–
– effects of changes in financial assumptions	**(27,611)**	–	**(27,199)**	–
– effects of experience adjustments	**77,398**	–	**76,244**	–
Transfer from a subsidiary company and an associated company	**–**	–	**–**	3,394
Obligation at 31 December	**898,985**	795,506	**885,590**	777,448

11. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (continued)

Movements in the fair value of plan assets are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fair value at 1 January	**1,065,303**	1,016,506	**1,041,121**	988,685
Recognised in profit or loss				
– interest income	**55,520**	53,366	**54,693**	52,155
– allocation adjustment	**–**	–	**(426)**	(26)
Benefits paid – the Fund	**(15,568)**	(12,660)	**(15,336)**	(12,372)
Remeasurements recognised in other comprehensive income				
– return on plan assets (excluding amounts included in interest income)	**80,376**	8,091	**79,178**	7,907
– allocation adjustment	**–**	–	**8,735**	–
Transfer from a subsidiary company and an associated company	**–**	–	**–**	4,772
Fair value at 31 December	**1,185,631**	1,065,303	**1,167,965**	1,041,121

The fair value of plan assets constitutes the following:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposit placements and cash	**19**	320,007	**19**	312,743
Government Securities	**475,690**	544,815	**468,602**	532,448
Private Debt Securities	**220,923**	–	**217,632**	–
Quoted equity securities [1]	**888,698**	829,361	**875,456**	810,534
Unit trust funds [2]	**131,606**	357,230	**129,645**	349,121
Properties [3]	**571,159**	527,011	**562,648**	515,048
Plan assets (gross)	**2,288,095**	2,578,424	**2,254,002**	2,519,894
Other liabilities (net)	**(6,895)**	(5,696)	**(6,792)**	(5,567)
Borrowings	**(1,095,569)**	(1,507,425)	**(1,079,245)**	(1,473,206)
	1,185,631	1,065,303	**1,167,965**	1,041,121

11. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (continued)

1 Quoted equity securities analysed by sectors are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial institutions *	**537,676**	531,416	**529,665**	519,353
Insurance companies	**251,458**	188,281	**247,711**	184,006
Property companies	**98,944**	108,910	**97,470**	106,438
Commercial/trading companies	**620**	630	**610**	616
Others	**–**	124	**–**	121
	888,698	829,361	**875,456**	810,534

* Included in the fair value of equity securities of the Fund are ordinary shares of the Bank with a fair value of RM535,531,000 (2014 - RM529,170,000).

2 Unit trust funds analysed by type of funds are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Equity funds	**113,185**	117,302	**111,499**	114,640
Bond funds	**–**	167,176	**–**	163,381
Balanced funds	**–**	55,276	**–**	54,021
Dividend funds	**18,421**	17,476	**18,146**	17,079
	131,606	357,230	**129,645**	349,121

11. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (continued)

3 Properties analysed by type of properties are as follows*:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Terraced shop offices	**523,289**	480,421	**515,491**	469,515
Stratified office lots	**28,950**	28,650	**28,519**	28,000
Commercial buildings	**17,850**	16,950	**17,584**	16,565
Residential buildings	**1,070**	990	**1,054**	968
	571,159	527,011	**562,648**	515,048

* All the properties held as plan assets of the Group and the Bank are occupied by the Bank and certain subsidiary companies of the Group. Certain floors in the commercial buildings and terraced shop offices are tenanted by external parties of which they contributed about 2.0% (2014: 2.5%) of the total rental income from properties.

The amounts recognised under other operating expenses in the statement of profit or loss are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Current service cost	**49,951**	48,084	**49,207**	46,994
Interest cost	**41,355**	37,915	**40,739**	37,053
Interest income	**(55,520)**	(53,366)	**(54,693)**	(52,155)
Allocation adjustment	**–**	–	**6,631**	26
Amount included under "personnel costs" (Note 34(a))	**35,786**	32,633	**41,884**	31,918

Actual return on plan assets is as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income on plan assets	**55,520**	53,366	**54,693**	52,155
Remeasurements on plan assets	**80,376**	8,091	**79,178**	7,907
Allocation adjustment	**–**	–	**8,735**	–
Actual return on plan assets	**135,896**	61,457	**142,606**	60,062

11. EMPLOYEE BENEFITS (CONTINUED)

(a) Defined Benefit Plan (continued)

(i) Actuarial Assumptions

Principal actuarial assumptions used at the reporting date (expressed as weighted averages) are as follows:

	Group and Bank	
	2015	**2014**
Discount rate	**5.60%**	5.25%
Expected rate of salary increases	**7.00%**	7.00%

The discount rate used in the actuarial assumptions is based on a blend of yields of long term high quality corporate bonds. The expected rate of salary increases takes into account the increases in salaries from factors such as inflation, productivity and promotions.

The principal actuarial assumptions are based on the latest actuarial valuation performed as of 31 December 2015.

As at 31 December 2015, the weighted average duration of the defined benefit obligation was 10.0 years.

(ii) Sensitivity Analysis

The effect of changes in the principal actuarial assumptions on the present value of funded obligations are as follows:

	2015 Sensitivity		**2014 Sensitivity**	
	+1% RM'000	**–1% RM'000**	**+1% RM'000**	**–1% RM'000**
Group				
(Decrease)/Increase of present value of funded obligations:				
– Discount rate	**(70,767)**	**83,641**	(72,371)	89,861
– Expected salary	**78,923**	**(68,130)**	105,487	(87,224)
Bank				
(Decrease)/Increase of present value of funded obligations:				
– Discount rate	**(69,712)**	**82,395**	(70,728)	87,821
– Expected salary	**77,747**	**(67,115)**	103,092	(85,244)

The sensitivity analysis presented above may not be representative of the actual change in the present value of funded obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

11. EMPLOYEE BENEFITS (CONTINUED)

(b) Equity Compensation Benefits

Public Financial Holdings Limited Group's Share Option Scheme

On 18 May 2005, an offer of options under the Public Financial Holdings Limited Group's Share Option Scheme ("PFHL SOS") was made to eligible participants to subscribe for 66,526,000 ordinary shares of Public Financial Holdings Limited ("PFHL"). The expiry date of granting of share options under the PFHL SOS was 27 February 2012 with the exercise period of ten (10) years from the grant date.

The salient features of the PFHL SOS are as follows:

(i) Eligible participants of the PFHL SOS include directors and employees working under "continuous contracts" for the purposes of the Hong Kong Employment Ordinance;

(ii) The total number of shares to be issued under the PFHL SOS shall not exceed in aggregate thirty percent (30%) of the issued and paid-up share capital of PFHL at any point of time during the tenure of the PFHL SOS.

In addition, any individual director or employee's maximum entitlement shall not exceed one percent (1%) of the ordinary shares of PFHL in issue in the 12 months period up to (and including) the date of the grant. Any substantial shareholder or independent non-executive director's maximum entitlement shall not exceed one tenth percent (0.1%) of the ordinary shares of PFHL in issue and have an aggregate value based on the closing price of the ordinary shares of PFHL at the date of each grant, in excess of HKD5 million in the 12 months period up to (and including) the date of grant;

(iii) The option exercise price for each ordinary share of HKD0.10 each of PFHL shall be determined by the directors at their discretion based on the higher of the closing price of the ordinary shares of PFHL on the Hong Kong Stock Exchange ("HKSE") at the offer date and the average closing price of the ordinary shares of PFHL on the HKSE for five (5) business days immediately preceding the offer date and the nominal value of an ordinary share of PFHL; and

(iv) The Group is not legally bound or obliged to repurchase or settle the options in cash.

11. EMPLOYEE BENEFITS (CONTINUED)

(b) Equity Compensation Benefits (continued)

Public Financial Holdings Limited Group's Share Option Scheme (continued)

A summary of the movements in the number of PFHL SOS and the weighted average exercise prices are as follows:

	2015		2014	
	Number of Share Options '000	Weighted Average Exercise Price HKD	Number of Share Options '000	Weighted Average Exercise Price HKD
At 1 January	**22,961**	**6.35**	24,365	6.35
Lapsed	**(22,961)**	**6.35**	(1,404)	6.35
At 31 December	–	–	22,961	6.35
Options exercisable at end of financial year	–	–	22,961	6.35
Weighted average share price during the financial year		**3.90**		3.71

Details of PFHL SOS outstanding as at the end of the financial year are as follows:

Grant Date	Exercise Period	Exercise Price	Number of share options outstanding '000
18 May 2005	10 June 2005 to 9 June 2015	HKD6.35	–

All outstanding PFHL SOS expired on 10 June 2015.

There were no new PFHL SOS granted during the financial year (2014 – Nil). All share options issued have been vested prior to 1 January 2006 and, as allowed by the transitional provisions in MFRS 2 Share-based Payments, the recognition and measurement principles in MFRS 2 have not been applied.

12. STATUTORY DEPOSITS WITH CENTRAL BANKS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Statutory deposits with Bank Negara Malaysia *	**8,831,954**	7,480,240	**7,407,940**	6,340,040
Statutory deposits with the National Bank of Cambodia #	**634,560**	547,968	**–**	–
Other statutory deposits	**47,905**	35,538	**47,905**	35,538
	9,514,419	8,063,746	**7,455,845**	6,375,578

* The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009. The amount of the Statutory Reserve Requirement is determined based on a set percentage of total eligible liabilities.

\# These statutory deposits are maintained with the National Bank of Cambodia ("NBC") in respect of:

i) Cambodian Public Bank Plc and are maintained in compliance with Article 5 of NBC's Prakas No. B7-01-136 and Prakas No. B7-012-140, the amounts of which are determined as set percentages of Cambodian Public Bank Plc's issued share capital and deposits from customers;

ii) Campu Lonpac Insurance Plc and are maintained in compliance with Article 53 of the Royale Government's Sub-Decree on Insurance dated 22 October 2001 and Article 1 of the Ministry of Economy and Finance's Circular No. 009 SHV dated 9 December 2002, the amounts are determined as a set percentage of the issued share capital of Campu Lonpac Insurance Plc; and

iii) Campu Securities Plc and this represents the non-interest bearing deposit specifically earmarked for Campu Securities Plc in compliance with the Law on the Issuance and Trading of Non-Government Securities and is determined in Article 17 of the Prakas No. 009 SECC/09 dated 18 November 2009 on Licensing of Securities Firms and Securities Representatives issued by the Securities and Exchange Commission of Cambodia.

13. DEFERRED TAX

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At 1 January	**(16,984)**	(25,540)	**(59,231)**	(50,738)
Recognised in profit or loss (net) (Note 38)				
– relating to changes in tax rate	**372**	(653)	**188**	(591)
– relating to origination and reversal of temporary differences	**(26,353)**	(20)	**(9,955)**	2,649
– under provision of net deferred tax liabilities	**(5,301)**	(2,680)	**(2,630)**	(2,632)
Recognised in equity (net) (Note 28)	**(41,148)**	11,880	**(35,373)**	(7,919)
Exchange differences	**30**	29	**–**	–
At 31 December	**(89,384)**	(16,984)	**(107,001)**	(59,231)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities in respect of each entity and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets, net	**65,666**	69,325	**–**	–
Deferred tax liabilities, net	**(155,050)**	(86,309)	**(107,001)**	(59,231)
	(89,384)	(16,984)	**(107,001)**	(59,231)

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets	**84,989**	116,582	**18,610**	47,117
Deferred tax liabilities	**(174,373)**	(133,566)	**(125,611)**	(106,348)
	(89,384)	(16,984)	**(107,001)**	(59,231)

13. DEFERRED TAX (CONTINUED)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group	Allowance for Impaired Loans RM'000	Tax Losses RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2014	12,810	–	131,089	143,899
Recognised in profit or loss (Note 38)				
– relating to origination and reversal of temporary differences	(2,012)	–	(12,303)	(14,315)
– over provision	–	–	(2,635)	(2,635)
Recognised in equity	–	–	(11,114)	(11,114)
Exchange differences	733	–	14	747
At 31 December 2014	11,531	–	105,051	116,582
Recognised in profit or loss (Note 38)				
– relating to changes in tax rate	**–**	**–**	**161**	**161**
– relating to origination and reversal of temporary differences	**(44)**	**–**	**(8,687)**	**(8,731)**
– over provision	**–**	**–**	**(4,880)**	**(4,880)**
Recognised in equity	**–**	**–**	**(20,831)**	**(20,831)**
Exchange differences	**2,636**	**–**	**52**	**2,688**
At 31 December 2015	**14,123**	**–**	**70,866**	**84,989**

13. DEFERRED TAX (CONTINUED)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Deferred tax liabilities of the Group	Defined Benefit Assets RM'000	Excess of Capital Allowances Over Depreciation RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2014	73,366	63,348	32,725	169,439
Recognised in profit or loss (Note 38)				
– relating to changes in tax rate	2,447	(1,794)	–	653
– relating to origination and reversal of temporary differences	(7,098)	(7,166)	(31)	(14,295)
– under provision	–	2	43	45
Recognised in equity	(4,281)	–	(18,713)	(22,994)
Exchange differences	–	715	3	718
At 31 December 2014	64,434	55,105	14,027	133,566
Recognised in profit or loss (Note 38)				
– relating to changes in tax rate	**392**	**(609)**	**6**	**(211)**
– relating to origination and reversal of temporary differences	**(9,784)**	**15,906**	**11,500**	**17,622**
– under provision	**–**	**1**	**420**	**421**
Recognised in equity	**13,469**	**–**	**6,848**	**20,317**
Exchange differences	**1**	**2,657**	**–**	**2,658**
At 31 December 2015	**68,512**	**73,060**	**32,801**	**174,373**

13. DEFERRED TAX (CONTINUED)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Deferred tax assets of the Bank	Other Temporary Differences RM'000	Total RM'000
At 1 January 2014	73,242	73,242
Recognised in profit or loss (Note 38)		
– relating to origination and reversal of temporary differences	(12,533)	(12,533)
– over provision	(2,635)	(2,635)
Recognised in equity	(10,957)	(10,957)
At 31 December 2014	47,117	47,117
Recognised in profit or loss (Note 38)		
– relating to origination and reversal of temporary differences	**(5,045)**	**(5,045)**
– over provision	**(2,630)**	**(2,630)**
Recognised in equity	**(20,832)**	**(20,832)**
At 31 December 2015	**18,610**	**18,610**

Deferred tax liabilities of the Bank	Defined Benefit Assets RM'000	Excess of Capital Allowances Over Depreciation RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2014	71,493	52,821	(334)	123,980
Recognised in profit or loss (Note 38)				
– relating to changes in tax rate	2,382	(1,791)	–	591
– relating to origination and reversal of temporary differences	(7,664)	(7,518)	–	(15,182)
– over provision	–	–	(3)	(3)
Recognised in equity	(3,038)	–	–	(3,038)
At 31 December 2014	63,173	43,512	(337)	106,348
Recognised in profit or loss (Note 38)				
– relating to changes in tax rate	**420**	**(608)**	**–**	**(188)**
– relating to origination and reversal of temporary differences	**(10,501)**	**15,204**	**207**	**4,910**
Recognised in equity	**14,541**	**–**	**–**	**14,541**
At 31 December 2015	**67,633**	**58,108**	**(130)**	**125,611**

13. DEFERRED TAX (CONTINUED)

Deferred tax assets have not been recognised in respect of the following items as it is not probable that the respective subsidiary companies will generate sufficient future taxable profits available against which these can be utilised:

	Group	
	2015 RM'000	**2014 RM'000**
Unutilised tax losses	**19,068**	16,126
Unutilised capital allowances	**22,963**	22,963

Subject to the agreement by the relevant tax authorities, the Group has unabsorbed tax losses and unabsorbed capital allowances carried forward of RM19,068,000 (2014 – RM16,126,000) and RM22,963,000 (2014 – RM22,963,000) respectively which give rise to the recognised and unrecognised deferred tax assets in respect of the above unutilised tax losses and unutilised capital allowances.

14. INVESTMENT IN SUBSIDIARY COMPANIES

	2015		2014	
Bank	**Cost RM'000**	**Market Value RM'000**	**Cost RM'000**	**Market Value RM'000**
At cost:				
Quoted shares outside Malaysia				
– Quoted shares in Hong Kong SAR	**1,672,195**	**1,648,820**	1,672,195	1,341,665
Unquoted shares				
– In Malaysia	**2,730,611**		2,492,116	
– Outside Malaysia	**272,169**		272,169	
	4,674,975		4,436,480	
Less: Accumulated impairment losses	**(430)**		(430)	
	4,674,545		4,436,050	

14. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows:

Name	Principal Activities	Effective Interest 2015 %	Effective Interest 2014 %
Local subsidiary companies			
Public Islamic Bank Berhad	Islamic banking	**100.0**	100.0
Public Investment Bank Berhad	Investment banking	**100.0**	100.0
Public Invest Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100.0**	100.0
Public Invest Nominees (Asing) Sdn. Bhd.	Nominee services	**100.0**	100.0
Public Consolidated Holdings Sdn. Bhd.	Investment holding	**100.0**	100.0
Public Mutual Berhad	Sale of trust units and management of unit trusts	**100.0**	100.0
Public Holdings Sdn. Bhd.	Property holding	**100.0**	100.0
Public Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100.0**	100.0
Public Nominees (Asing) Sdn. Bhd.	Nominee services	**100.0**	100.0
Public Bank (L) Ltd.	Offshore banking	**100.0**	100.0
PB Trust (L) Ltd.	Offshore trust company	**100.0**	100.0
PB Trustee Services Berhad	Trustee services	**100.0**	Note (d)
PB Venture Capital Sdn. Bhd.	Investment holding	**100.0**	100.0
Public Leasing & Factoring Sdn. Bhd.	Leasing and factoring	**100.0**	100.0
PB International Factors Sdn. Bhd.	Investment holding	**100.0**	100.0
PBFIN Berhad	Special purpose vehicle to issue subordinated notes under its holding company's Stapled Securities Programme	**100.0**	100.0

14. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows (continued):

Name	Principal Activities	Effective Interest 2015 %	Effective Interest 2014 %
Overseas subsidiary companies			
Cambodian Public Bank Plc ++	Banking	**100.0**	100.0
Campu Securities Plc ++	Securities dealing and underwriting	**100.0**	100.0
Campu Lonpac Insurance Plc ++	General insurance	**55.0**	55.0
Public Financial Holdings Limited + *	Investment and property holding	**73.2**	73.2
Public Bank (Hong Kong) Limited +	Banking	**73.2**	73.2
Public Finance Limited +	Deposit-taking and finance	**73.2**	73.2
Public Financial Limited +	Investment holding	**73.2**	73.2
Public Securities Limited +	Stock and share broking	**73.2**	73.2
Public Securities (Nominees) Limited +	Nominee services	**73.2**	73.2
Public Financial Securities Limited +	Stock and share broking	**73.2**	73.2
Public Bank (Nominees) Limited +	Nominee services	**73.2**	73.2
Public Futures Limited +	Dormant	**73.2**	73.2
Public Credit Limited +	Dormant	**73.2**	73.2
Public Pacific Securities Limited +	Dormant	**73.2**	73.2
Public Investments Limited +	Dormant	–	73.2
Public Realty Limited +	Dormant	–	73.2
Winton (B.V.I.) Limited +	Investment holding	**73.2**	73.2
Winton Financial Limited +	Provision of financing	**73.2**	73.2
Winton Motors, Limited +	Trading of taxi cabs and taxi licences, and leasing of taxis	**73.2**	73.2
Winton Holdings (Hong Kong) Limited +	Dormant	–	73.2

* Shares quoted on The Stock Exchange of Hong Kong Limited.
\+ Subsidiary companies audited by Ernst & Young Hong Kong.
++ Subsidiary companies audited by Ernst & Young Cambodia.

All the local subsidiary companies are incorporated in Malaysia. All the overseas subsidiary companies are incorporated in Hong Kong SAR except for Public Financial Holdings Limited which is incorporated in Bermuda, Cambodian Public Bank Plc, Campu Securities Plc and Campu Lonpac Insurance Plc which are incorporated in Cambodia, and Winton (B.V.I.) Limited which is incorporated in the British Virgin Islands.

14. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(a) Members' Voluntary Winding-up

Winton Holdings (Hong Kong) Limited, Public Investments Limited and Public Realty Limited which were all dormant and 73.2% owned indirect subsidiary companies of the Bank, commenced Members Voluntary Winding-up on 27 January 2015 and dissolved on 16 December 2015. The winding-up proceedings have no material effect on the earnings and net assets of the Group for the year ended 31 December 2015.

(b) Increase in Paid-up Share Capital of Public Islamic Bank Berhad

During the year, the Bank subscribed to 7,000,000 ordinary shares of RM1.00 each issued by Public Islamic Bank Berhad at an issue price of RM25.00 per ordinary share for a total consideration of RM175,000,000.

(c) Increase in Paid-up Share Capital of Public Bank (L) Ltd

During the year, the Bank subscribed to 15,000,000 ordinary shares of USD1.00 each issued by Public Bank (L) Ltd at an issue price of USD1.00 per ordinary share for a total consideration of USD15,000,000.

(d) Acquisition of the Remaining 60% Equity Interests in PB Trustee Services Berhad ("PBTSB")

On 2 November 2015, the Bank through its three (3) wholly-owned subsidiary companies, namely Public Consolidated Holdings Sdn Bhd, Public Holdings Sdn Bhd and PB International Factors Sdn Bhd, acquired the remaining 63,000 ordinary shares of RM10.00 each in PBTSB, representing 60% equity interests in PBTSB not already held by the Group for a cash consideration of RM13.86 million. Prior to the acquisition, the Bank and Public Investment Bank Berhad (a wholly-owned subsidiary company of the Bank) each held 20% equity interests in PBTSB.

The principal activities of PBTSB are provision of trustee services which is complementary to the existing business carried out by the Group. Prior to the Acquisition, Kayakita Corporation Sdn Bhd, Selected Securities Sdn Bhd, Selected Holdings Sdn Berhad and Kepunyaan Perindustrian Sdn Berhad, being the related companies of one of the directors of the Bank, collectively held 47.35% equity interests in PBTSB and Public Nominees (Tempatan) Sdn Bhd for Public Bank Group Officers' Retirement Benefits Fund held 12.65% equity interests in PBTSB.

Bank Negara Malaysia had on 30 October 2015 given its approval for the said acquisition.

Subsequent to the said acquisition, PBTSB has become a wholly-owned subsidiary company of the Bank.

14. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

(d) Acquisition of the Remaining 60% Equity Interests in PB Trustee Services Berhad ("PBTSB") (continued)

The fair values of the identifiable assets and liabilities of PBTSB as at the date of acquisition is as follows:

	Recognised Acquisition Fair Values RM'000
Assets	
Cash and balances with banks	2,552
Financial investments available-for-sale	10,624
Other assets	1,015
Property and equipment (Note 17)	46
	14,237
Liabilities	
Other liabilities	(1,540)
Net identifiable assets	12,697
Less: 40% equity interests held prior to the acquisition	(5,079)
Fair value of net assets acquired	7,618
Goodwill on acquisition (Note 18)	6,242
Total cash and short-term funds paid on acquisition	13,860
Less: Cash of subsidiary company acquired	(2,552)
Net cash outflow on acquisition	11,308

The acquisition does not have any material effect on the earnings and net assets of the Group in the current financial year.

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Bank, non-controlling shareholders hold protective rights restricting the Bank's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

The Group's subsidiary companies which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

15. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unquoted shares, at cost	**141,305**	141,365	**121,295**	121,325
Share of post-acquisition reserves	**49,615**	16,050	**–**	–
	190,920	157,415	**121,295**	121,325
Represented by:				
Group's share of net assets	**190,920**	157,415		

The summarised financial information of associated companies is as follows:

	Group	
	2015 RM'000	2014 RM'000
Total assets	**2,448,857**	1,915,817
Total liabilities	**2,041,830**	1,566,897
Operating revenue	**396,133**	291,710
Profit after tax	**23,577**	35,012
Total comprehensive income	**23,671**	33,947

Details of the associated companies, all of which are unquoted, are as follows:

Name	Principal Activities	Place of Incorporation	Effective Interest 2015 %	Effective Interest 2014 %
PB Trustee Services Berhad	Trustee services	Malaysia	*	40.0
AIA PUBLIC Takaful Berhad	Family takaful	Malaysia	**30.0**	30.0
VID Public Bank	Banking	Socialist Republic of Vietnam	**50.0**	50.0
CPB Properties Co., Ltd.	Property holding	Cambodia	**49.0**	49.0

* During the year, the Bank acquired the remaining 60% equity interest in PB Trustee Services Berhad, as disclosed in Note 14(d). Consequently, the associated company became a subsidiary company of the Group.

15. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

(a) Proposed Acquisition of the Remaining 50% Equity Capital in VID Public Bank ("VPB")

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

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

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

Upon completion of the Proposed Acquisition, VPB will become a wholly-owned subsidiary company of the Bank.

The Proposed Acquisition does not have a material effect on the earnings and net assets of the Group and the Bank for the current financial year.

There are no significant restrictions on the ability of the associated companies to transfer funds to the Group in the form of cash dividends.

The Group's associated companies are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

16. INVESTMENT PROPERTIES

		Group	
	Note	2015 RM'000	2014 RM'000
At valuation			
At 1 January		**107,028**	97,391
Transfer from owner-occupied property – Property and equipment	17	**244,035**	–
Transfer to owner-occupied property – Property and equipment	17	**–**	(3,193)
Fair value adjustment arising from revaluation	33	**107,061**	5,304
Exchange differences		**27,051**	7,526
At 31 December		**485,175**	107,028

16. INVESTMENT PROPERTIES (CONTINUED)

Included in the above are:

	Group	
	2015 RM'000	2014 RM'000
Freehold land and building	**323,337**	–
Short term leasehold land and building	**159,198**	104,778
Long term leasehold land and building	**2,640**	2,250
	485,175	107,028

The Group's investment properties are stated at fair value and are situated in Malaysia and Hong Kong SAR. The investment properties in Malaysia amounting to RM336,977,000 (2014 – RM2,250,000) have been determined with reference to quotations of market value provided by an independent professional valuer. The investment properties in Hong Kong SAR amounting to RM148,198,000 (2014 – RM104,778,000) have been revalued by CS Surveyors Limited, a firm of independent professionally qualified valuers, on an open market value based on their existing use. The Group has assessed that the highest and best use of its properties do not differ from their existing use. The increase in the fair values of RM107,061,000 (2014 – RM5,304,000) has been recognised in profit or loss during the year.

The investment properties held by the Group are let under operating leases to third parties, from which the Group earned rental income of RM12,159,000 (2014 – RM6,698,000) (Note 33) during the year.

No investment properties were pledged as security for banking facilities at the reporting date.

17. PROPERTY AND EQUIPMENT

Group 2015	Note	Freehold land RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost											
At 1 January 2015		176,444	135,551	194,955	590,701	340,680	582,833	1,172,597	23,071	166,807	3,383,639
Amount arising from acquisition of a subsidiary company	14(d)	–	–	–	–	–	316	282	–	–	598
Additions		–	–	–	116	22,461	13,997	124,222	822	117,172	278,790
Disposals		–	–	–	–	(5,241)	(2,074)	(19,566)	(835)	–	(27,716)
Transfer to investment properties	16	(49,497)	–	–	(51,121)	–	–	–	–	(170,387)	(271,005)
Reclassification		–	–	–	–	(8,781)	8,825	(44)	–	–	–
Write-offs	34	–	–	–	–	(4)	(1,440)	(102,846)	(51)	–	(104,341)
Exchange differences		–	31,033	42,057	27,248	14,067	5,876	21,040	1,646	–	142,967
At 31 December 2015		126,947	166,584	237,012	566,944	363,182	608,333	1,195,685	24,653	113,592	3,402,932
Accumulated depreciation											
At 1 January 2015		–	33,730	9,986	206,519	262,941	456,857	909,047	17,882	–	1,896,962
Amount arising from acquisition of a subsidiary company	14(d)	–	–	–	–	–	271	281	–	–	552
Depreciation charge for the year	34	–	3,389	606	15,084	18,692	30,278	110,826	2,241	–	181,116
Disposals		–	–	–	–	(5,241)	(2,048)	(19,540)	(822)	–	(27,651)
Transfer to investment properties	16	–	–	–	(26,970)	–	–	–	–	–	(26,970)
Reclassification		–	–	–	–	–	44	(44)	–	–	–
Write-offs	34	–	–	–	–	(4)	(1,414)	(102,775)	(46)	–	(104,239)
Exchange differences		–	8,066	1,599	7,414	10,612	4,163	16,105	1,251	–	49,210
At 31 December 2015		–	45,185	12,191	202,047	287,000	488,151	913,900	20,506	–	1,968,980
Accumulated impairment loss											
At 1 January/ 31 December 2015		1,064	–	33	10,002	–	–	–	–	–	11,099
Carrying amounts											
At 31 December 2015		125,883	121,399	224,788	354,895	76,182	120,182	281,785	4,147	113,592	1,422,853

17. PROPERTY AND EQUIPMENT (CONTINUED)

Group 2014	Note	Freehold land RM'000	Short term leasehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Work-in-progress RM'000	Total RM'000
Cost											
At 1 January 2014		176,444	124,256	183,325	582,706	330,383	557,725	974,959	23,110	105,422	3,058,330
Additions		–	–	–	280	25,500	15,441	199,761	1,825	61,385	304,192
Disposals		–	–	–	–	(1,934)	(4,116)	(4,685)	(2,253)	–	(12,988)
Transfer from investment properties	16	–	2,898	–	295	–	–	–	–	–	3,193
Reclassification		–	–	–	–	(16,341)	16,328	13	–	–	–
Write-offs	34	–	–	–	–	(475)	(4,027)	(2,710)	(7)	–	(7,219)
Exchange differences		–	8,397	11,630	7,420	3,547	1,482	5,259	396	–	38,131
At 31 December 2014		176,444	135,551	194,955	590,701	340,680	582,833	1,172,597	23,071	166,807	3,383,639
Accumulated depreciation											
At 1 January 2014		–	28,820	9,030	190,726	244,626	433,601	820,979	16,452	–	1,744,234
Depreciation charge for the year	34	–	2,779	528	13,922	17,908	30,181	90,850	2,881	–	159,049
Disposals		–	–	–	–	(1,926)	(4,021)	(4,444)	(1,768)	–	(12,159)
Write-offs	34	–	–	–	–	(464)	(4,005)	(2,671)	(7)	–	(7,147)
Exchange differences		–	2,131	428	1,871	2,797	1,101	4,333	324	–	12,985
At 31 December 2014		–	33,730	9,986	206,519	262,941	456,857	909,047	17,882	–	1,896,962
Accumulated impairment loss											
At 1 January/ 31 December 2014		1,064	–	33	10,002	–	–	–	–	–	11,099
Carrying amounts											
At 31 December 2014		175,380	101,821	184,936	374,180	77,739	125,976	263,550	5,189	166,807	1,475,578

No land and buildings of the Group were pledged as security for banking facilities at the reporting date.

17. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2015	Note	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
Cost									
At 1 January 2015		81,092	58	262,042	254,316	455,680	1,058,602	15,403	2,127,193
Additions		–	–	–	11,474	10,587	109,837	79	131,977
Disposals		–	–	–	–	(1,190)	(16,978)	(831)	(18,999)
Reclassification		–	–	–	(8,781)	8,825	(44)	–	–
Write-offs	34	–	–	–	(4)	(1,139)	(102,350)	(8)	(103,501)
Exchange differences		–	–	–	1,557	485	1,558	269	3,869
At 31 December 2015		81,092	58	262,042	258,562	473,248	1,050,625	14,912	2,140,539
Accumulated depreciation									
At 1 January 2015		–	55	100,012	191,807	340,564	823,822	11,968	1,468,228
Depreciation charge for the year	34	–	1	5,231	11,090	25,955	97,089	1,481	140,847
Disposals		–	–	–	–	(1,182)	(16,969)	(818)	(18,969)
Reclassification		–	–	–	–	44	(44)	–	–
Write-offs	34	–	–	–	(4)	(1,113)	(102,279)	(3)	(103,399)
Exchange differences		–	–	–	526	269	1,408	159	2,362
At 31 December 2015		–	56	105,243	203,419	364,537	803,027	12,787	1,489,069
Carrying amounts									
At 31 December 2015		81,092	2	156,799	55,143	108,711	247,598	2,125	651,470

17. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2014	Note	Freehold land RM'000	Long term leasehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
Cost									
At 1 January 2014		81,092	58	262,042	253,674	434,215	881,174	15,607	1,927,862
Additions		–	–	–	17,235	11,767	184,413	1,270	214,685
Disposals		–	–	–	(193)	(2,785)	(4,842)	(1,519)	(9,339)
Reclassification		–	–	–	(16,341)	16,328	13	–	–
Write-offs	34	–	–	–	(475)	(3,961)	(2,696)	(7)	(7,139)
Exchange differences		–	–	–	416	116	540	52	1,124
At 31 December 2014		81,092	58	262,042	254,316	455,680	1,058,602	15,403	2,127,193
Accumulated depreciation									
At 1 January 2014		–	53	94,781	182,060	320,579	751,087	10,956	1,359,516
Depreciation charge for the year	34	–	2	5,231	10,183	26,254	79,351	2,069	123,090
Disposals		–	–	–	(115)	(2,409)	(4,462)	(1,095)	(8,081)
Write-offs	34	–	–	–	(464)	(3,939)	(2,657)	(7)	(7,067)
Exchange differences		–	–	–	143	79	503	45	770
At 31 December 2014		–	55	100,012	191,807	340,564	823,822	11,968	1,468,228
Carrying amounts									
At 31 December 2014		81,092	3	162,030	62,509	115,116	234,780	3,435	658,965

No land and buildings of the Bank were pledged as security for banking facilities at the reporting date.

17. PROPERTY AND EQUIPMENT (CONTINUED)

Included in property and equipment of the Group and the Bank are computer equipment and software under finance lease which will expire in two years with a carrying amount of RM82,622,000 (2014 - RM129,834,000 expiring in three years).

Details of the terms and conditions of the finance lease arrangement are disclosed in Note 24.

18. INTANGIBLE ASSETS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Goodwill				
At 1 January	**2,056,629**	1,977,420	**695,393**	695,393
Arising from acquisition of a subsidiary company	**6,242**	–	**–**	–
Exchange differences	**286,457**	79,209	**–**	–
At 31 December	**2,349,328**	2,056,629	**695,393**	695,393
Intangible Assets				
At 1 January	**26,513**	26,492	**–**	–
Exchange differences	**74**	21	**–**	–
At 31 December	**26,587**	26,513	**–**	–
Total carrying amounts of goodwill and intangible assets	**2,375,915**	2,083,142	**695,393**	695,393

18. INTANGIBLE ASSETS (CONTINUED)

Impairment Assessment on Goodwill and Intangible Assets

For purposes of impairment assessment, goodwill and intangible assets have been allocated to the Group's cash-generating units ("CGU"), which are either operating segments or at a level not larger than an operating segment, as follows:

	Group RM'000	Bank RM'000	Discount rate %	Nominal growth rate beyond initial cash flow projections %
As at 31 December 2015				
Cash-generating unit:				
Hire purchase financing	**395,953**	**395,953**	**9.3**	**5.2**
East Malaysia operations (in respect of business acquired from the former Hock Hua Bank)	**299,440**	**299,440**	**8.3**	**5.2**
Hong Kong operations	**1,600,422**	**–**	**6.1**	**3.9**
Fund management	**19,555**	**–**	**8.3**	**5.2**
Investment banking	**54,303**	**–**	**9.3**	**5.2**
Trustee services (Note 14(d))	**6,242**	**–**	**8.3**	**5.2**
	2,375,915	**695,393**		
As at 31 December 2014				
Cash-generating unit:				
Hire purchase financing	395,953	395,953	9.5	5.3
East Malaysia operations (in respect of business acquired from the former Hock Hua Bank)	299,440	299,440	8.5	5.3
Hong Kong operations	1,313,891	–	6.7	4.3
Fund management	19,555	–	8.5	5.3
Investment banking	54,303	–	9.5	5.3
	2,083,142	695,393		

18. INTANGIBLE ASSETS (CONTINUED)

Impairment Assessment on Goodwill and Intangible Assets (continued)

Goodwill is allocated to the Group's CGUs expected to benefit from the synergies of the acquisitions. For annual impairment assessment purposes, the recoverable amount of the CGUs are based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial forecasts approved by management. The key assumptions for the computation of value-in-use include the discount rates and growth rates applied. Discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, where applicable, at the date of assessment of the respective CGU. Cash flow projections are based on five (5) years financial budgets approved by management. Cash flows beyond the fifth (5th) year are extrapolated to fifty (50) years using a nominal long-term growth rate which does not exceed the average of the last twenty (20) years' inflation-adjusted Gross Domestic Product growth rates of the respective countries where the CGUs operate. The forecast period is based on the Group's long-term perspective with respect to the operation of these units. Impairment is recognised in profit or loss when the carrying amount of a CGU exceeds its recoverable amount.

The intangible assets consist mainly of a share-broking licence and stock exchange trading rights which are deemed to have indefinite useful lives as there are no expiry dates. The recoverable amount of the intangible assets have been assessed using the value-in-use method, by discounting the estimated cash flows from their CGUs. Impairment is recognised in profit or loss when the carrying amount of the CGUs exceeds their recoverable amounts.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill and intangible assets to exceed the recoverable amount of the CGU. Based on this review, there is no evidence of impairment on the Group's and the Bank's goodwill and intangible assets.

19. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At amortised cost				
Core deposits:				
– Demand deposits	**43,015,925**	41,431,899	**36,411,051**	35,771,299
– Savings deposits	**29,940,233**	27,675,462	**20,212,244**	19,094,648
– Fixed deposits	**172,215,278**	147,600,034	**130,256,890**	121,430,943
	245,171,436	216,707,395	**186,880,185**	176,296,890
Wholesale deposits:				
– Negotiable instruments of deposit	**974,136**	7,222,073	**–**	3,674,808
– Money market deposits	**54,936,458**	52,524,700	**49,510,402**	46,163,811
	55,910,594	59,746,773	**49,510,402**	49,838,619
Other deposits	**75,059**	86,008	**69,571**	81,482
	301,157,089	276,540,176	**236,460,158**	226,216,991

Deposits from customers of the Bank and its wholly-owned Islamic banking subsidiary company, Public Islamic Bank Berhad are insured by Perbadanan Insurans Deposit Malaysia ("PIDM"), up to a maximum limit of RM250,000 per depositor per PIDM member bank. The deposit insurance covers all Ringgit Malaysia and foreign currency deposits held under current accounts, savings accounts and fixed deposits, inclusive of Islamic deposits. This guarantee excludes money market deposits and negotiable instruments of deposits.

Included in deposits from customers of the Group and the Bank are deposits of RM2,733,648,000 (2014 – RM2,500,165,000) and RM1,866,041,000 (2014 – RM1,679,373,000) respectively held as collateral for loans, advances and financing.

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Due within six months	**203,507,697**	183,926,889	**159,442,404**	152,166,260
More than six months to one year	**24,465,822**	23,113,861	**20,184,202**	19,025,282
More than one year to three years	**149,236**	302,336	**138,383**	75,204
More than three years to five years	**3,117**	3,721	**2,303**	2,816
	228,125,872	207,346,807	**179,767,292**	171,269,562

19. DEPOSITS FROM CUSTOMERS (CONTINUED)

The deposits are sourced from the following types of customers:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Federal and state governments	**5,357,331**	3,229,842	**970,422**	549,568
Local government and and statutory authorities	**2,242,987**	3,419,087	**1,257,724**	1,806,029
Business enterprises	**90,188,769**	83,961,654	**72,367,534**	70,180,944
Individuals	**145,521,045**	124,941,888	**119,562,656**	107,897,350
Foreign customers	**4,736,774**	5,884,641	**3,863,101**	5,262,723
Others	**53,110,183**	55,103,064	**38,438,721**	40,520,377
	301,157,089	276,540,176	**236,460,158**	226,216,991

20. DEPOSITS FROM BANKS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At amortised cost				
Licensed banks	**5,502,133**	10,484,982	**4,095,605**	8,085,476
Licensed Islamic banks	**–**	940,000	**–**	–
Licensed investment banks	**234,244**	350,344	**301,233**	260,990
Bank Negara Malaysia	**460,948**	344,471	**452,951**	340,503
Other financial institutions	**3,772,196**	8,549,935	**5,713,301**	9,009,681
	9,969,521	20,669,732	**10,563,090**	17,696,650

21. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represents the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are stated at amortised cost.

22. RECOURSE OBLIGATIONS ON LOANS AND FINANCING SOLD TO CAGAMAS

This represents the proceeds received from housing loans and Islamic house financing sold directly to Cagamas Berhad with recourse to the Bank and its wholly-owned subsidiary company, Public Islamic Bank Berhad. Under these agreements, the Bank and its subsidiary company undertake to administer the loans and financing on behalf of Cagamas Berhad and to buy-back any loans and financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

23. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS

	Note	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
At amortised cost					
Borrowings	(a)	**602,614**	488,522	**–**	–
At amortised cost, modified for change in value as a result of fair value hedges					
Senior Medium Term Notes	(b)	**1,399,432**	1,397,168	**1,399,432**	1,397,168
Subordinated notes/sukuk murabahah	(c)	**5,451,922**	5,453,023	**4,952,805**	4,954,163
Innovative Tier I capital securities	(d)	**2,089,965**	1,964,444	**2,089,965**	1,964,444
Non-Innovative Tier I stapled securities	(e)	**2,122,947**	2,124,608	**2,122,947**	2,124,608
		11,064,266	10,939,243	**10,565,149**	10,440,383
		11,666,880	11,427,765	**10,565,149**	10,440,383

(a) Borrowings

	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
Unsecured:				
Term loans	**602,614**	488,522	**–**	–

The unsecured term loans are denominated in Hong Kong Dollars. The loans are for a tenor of 3 years and bear interest at HIBOR plus 1.60% (2014 – HIBOR plus 1.60% repayable within 4 years).

(b) Senior Medium Term Notes ("Senior MTNs")

	Group and Bank 2015 RM'000	Group and Bank 2014 RM'000
Issued under the RM5.0 billion Senior MTNs Programme:		
RM400 million Senior MTNs due in 2018	**399,467**	399,237
RM1,000 million Senior MTNs due in 2019	**999,965**	997,931
	1,399,432	1,397,168

23. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(b) Senior Medium Term Notes ("Senior MTNs") (continued)

On 5 April 2013, the Bank obtained the approval from the Securities Commission for the establishment of a Senior Medium Term Notes Programme ("Senior MTNs Programme") to issue Senior MTNs of up to RM5.0 billion in nominal value. The tenor of the Senior MTNs Programme will be up to twenty (20) years from the date of first issuance. The Senior MTNs may be issued in series and each issuance shall have a tenure of more than one (1) year as may be determined by the Bank, provided that the Senior MTNs shall mature on or prior to the expiry of the Senior MTNs Programme. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Senior MTNs constitute direct unsecured liabilities of the Bank, and rank at least pari passu with all other present and future unsecured liabilities of the Banks, except for those liabilities preferred by law.

(c) Subordinated Notes/Sukuk Murabahah

	Note	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
(i) Issued under the RM5.0 billion Subordinated Medium Term Note Programme:					
Fifth tranche:					
RM3,000 million 4.28% Subordinated Notes due in 2022, callable in 2017	(a)	**2,999,207**	2,998,707	**2,999,207**	2,998,707
Realised/unrealised fair value loss arising from fair value hedge		**4,109**	6,154	**4,109**	6,154
		3,003,316	3,004,861	**3,003,316**	3,004,861

23. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(c) Subordinated Notes/Sukuk Murabahah (continued)

	Note	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
(ii) Issued under the RM10.0 billion Basel III – Compliant Tier II Subordinated Medium Term Notes Programme:					
First tranche:					
RM1,000 million 4.80% Subordinated Notes due in 2023, callable in 2018	(a)	**999,489**	999,302	**999,489**	999,302
Second tranche:					
RM450 million 4.77% Subordinated Notes due in 2023, callable in 2018	(b)	**450,000**	450,000	**450,000**	450,000
Third tranche:					
RM500 million 4.73% Subordinated Notes due in 2023, callable in 2018	(c)	**500,000**	500,000	**500,000**	500,000
		1,949,489	1,949,302	**1,949,489**	1,949,302
(iii) Issued under the RM5.0 billion Sukuk Murabahah Programme:					
First tranche:					
RM500 million 4.75% Subordinated Sukuk Murabahah due in 2024, callable in 2019	(a)	**499,117**	498,860	**–**	–
		5,451,922	5,453,023	**4,952,805**	4,954,163

23. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(c) Subordinated Notes/Sukuk Murabahah (continued)

(i) Issued under the RM5.0 billion Subordinated Medium Term Note Programme

On 13 March 2008, the Bank obtained approval from Bank Negara Malaysia ("BNM") for a Subordinated Medium Term Note Programme ("the MTN Programme") for the issuance of up to RM5.0 billion in aggregate principal value of Subordinated Notes. The tenor of the MTN Programme will be up to fifteen (15) years, with the maturity for each issuance to range between ten (10) to fifteen (15) years, and callable from five (5) years prior to the relevant maturity date of each issuance. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Subordinated Notes to be issued under the MTN Programme shall be issued at par. The Notes will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the Notes will no longer qualify as Tier II Capital for the purposes of BNM's capital adequacy requirements or on the first call date or at any subsequent interest payment date thereafter at their principal amount plus accrued interest (if applicable).

On 3 August 2011, the Bank issued the fifth tranche of RM3,000 million in aggregate principal amount of Subordinated Notes due in 2022 callable in 2017. The Notes bear interest at the rate of 4.28% per annum from (and including) 3 August 2011 to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest rate on these Notes will remain unchanged throughout the tenure of the Notes. The interest is payable semi-annually in arrears on 3 February and 3 August each year which commenced on 3 February 2012.

(ii) Issued under the RM10.0 billion Basel III – Compliant Tier II Subordinated Medium Term Notes Programme

The Bank obtained approval from BNM and the Securities Commission vide their letters dated 14 June 2013 and 10 July 2013 respectively, to establish a Basel III - Compliant Tier II Subordinated Medium Term Notes Programme ("the Basel III - Compliant MTNs Programme") of up to RM10.0 billion in Nominal value. The tenor of the Basel III - Compliant MTNs Programme will be up to thirty (30) years, with the tenor for each issuance not less than five (5) years from the issue date, and callable not earlier than five (5) years prior to the relevant maturity date of each issuance. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Notes will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the Notes will no longer fully qualify as Tier II Capital for the purposes of BNM's capital adequacy requirements or on the first call date or at any subsequent interest payment date thereafter at their nominal amount.

23. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(c) Subordinated Notes/Sukuk Murabahah (continued)

(ii) Issued under the RM10.0 billion Basel III – Compliant Tier II Subordinated Medium Term Notes Programme (continued)

Non Viability Loss Absorption
In the event of an occurrence of a Non-Viability Event as determined by BNM and Perbadanan Insurans Deposit Malaysia ("PIDM"), the Bank may be required, irrevocably (without the need for the consent of the holders of such Notes) to effect either a write-off in whole or in part of the outstanding principal and accrued and unpaid interest in respect of such Notes. The Trigger Event would be the earlier of:

– The notification by BNM and PIDM to the Bank in writing that they are of the view that the principal or partial write off of the Notes, together with the conversion or write off of any other Tier II capital instruments and Tier I capital instruments which, pursuant to their terms or by operation of law, are capable of being converted into equity or written off at that time, is an essential requirement to prevent the Bank from becoming non-viable; and

– The public announcement by BNM and PIDM that a decision has been made by BNM, PIDM or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Bank, without which the Bank would cease to be viable.

To the extent relevant in the event that such Notes are written-off, any written-off amount shall be irrevocably lost and holders of such Notes will cease to have any claims for any principal amount and accrued but unpaid interest which has been subject to write-off.

Upon the occurrence of a Non-Viability Event above, the Bank shall first convert or write off the relevant Tier I instruments, to be followed by the write off or conversion of the relevant Tier II instruments on a pari passu basis. Such write off shall not constitute an event of default or enforcement event, nor would it trigger any cross-default under the Notes. A Non-Viability Event shall be deemed to have occurred on the day on which the Bank received the notification from BNM.

The Bank has issued the following tranches of Subordinated Notes under the Basel III - Compliant MTNs Programme:

(a) On 25 September 2013, the Bank issued the first tranche of RM1,000 million in aggregate nominal amount of Subordinated Notes due in 2023 callable in 2018. The Notes bear interest at the rate of 4.80% per annum from (and including) 25 September 2013 to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest rate on these Notes will remain unchanged throughout the tenure of the Notes. The interest is payable semi-annually in arrears on 25 March and 25 September each year which commenced on 25 March 2014.

23. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(c) Subordinated Notes/Sukuk Murabahah (continued)

(ii) Issued under the RM10.0 billion Basel III – Compliant Tier II Subordinated Medium Term Notes Programme (continued)

The Bank has issued the following tranches of Subordinated Notes under the Basel III - Compliant MTNs Programme (continued):

(b) On 28 October 2013, the Bank issued the second tranche of RM450 million in aggregate nominal amount of Subordinated Notes due in 2023 callable in 2018. The Notes bear interest at the rate of 4.77% per annum from (and including) 28 October 2013 to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest rate on these Notes will remain unchanged throughout the tenure of the Notes. The interest is payable semi-annually in arrears on 28 April and 28 October each year which commenced on 28 April 2014.

(c) On 15 November 2013, the Bank issued the third tranche of RM500 million in aggregate nominal amount of Subordinated Notes due in 2023 callable in 2018. The Notes bear interest at the rate of 4.73% per annum from (and including) 15 November 2013 to (but excluding) the date of early redemption in full of such Notes or the maturity date of the Notes (whichever is earlier). The interest rate on these Notes will remain unchanged throughout the tenure of the Notes. The interest is payable semi-annually in arrears on 15 May and 15 November each year which commenced on 15 May 2014.

(iii) Issued under the RM5.0 billion Sukuk Murabahah Programme

The Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad ("PIBB") obtained approval from BNM and the Securities Commission on 24 March 2014 and 21 April 2014 respectively, for the establishment of an Islamic medium term note programme under the Shariah principle of Murabahah to facilitate the issuance of Senior Sukuk Murabahah and/or Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value.

The tenor of the Sukuk Murabahah Programme is up to thirty (30) years from the date of first issuance of Sukuk Murabahah under the Sukuk Murabahah Programme. The tenor of each issuance of Subordinated Sukuk Murabahah, and subject to the call option, shall have at least five (5) years from the issue date, provided that the Subordinated Sukuk Murabahah mature on or prior to the expiry of the Sukuk Murabahah Programme. Each issuance will bear profit at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Subordinated Sukuk Murabahah will, subject to the prior written consent of BNM, be redeemable in whole or in part, at the option of PIBB in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the Subordinated Sukuk Murabahah will no longer fully qualify as Tier II Capital for the purposes of BNM's capital adequacy requirements or changes in law which will make it unlawful to continue performing its obligations or on the first call date or at any subsequent profit payment date thereafter at their nominal amount.

23. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(c) Subordinated Notes/Sukuk Murabahah (continued)

(iii) Issued under the RM5.0 billion Sukuk Murabahah Programme (continued)

Contingent Write-off of the Bank and PIBB
The Subordinated Sukuk Murabahah may, at the option of BNM and PIDM, be written-off upon the occurrence of a trigger event in relation to the Bank or PIBB. The trigger event would be the earlier of:

- The notification by BNM and PIDM to PIBB in writing that they are of the opinion that the write-off is necessary, without which the Bank or PIBB would cease to be viable; or

- The public announcement by BNM and PIDM that a decision has been made by BNM, PIDM or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Bank or PIBB, without which the Bank or PIBB would cease to be viable.

The write-off of Subordinated Sukuk Murabahah shall be permanent and shall not constitute an event of default or trigger cross-default clause. BNM and PIDM shall have the option to require the entire principal amount of the Subordinated Sukuk Murabahah outstanding, or a part thereof, and all other amount owing under the Subordinated Sukuk Murabahah, be written-off.

On 9 June 2014, PIBB issued the first tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah due in 2024 callable in 2019. The Subordinated Sukuk Murabahah bear profit at the rate of 4.75% per annum from (and including) 9 June 2014 to (but excluding) the date of early redemption in full of such Sukuk or the maturity date of the Sukuk (whichever is earlier). The profit rate on these Sukuk will remain unchanged throughout the tenure of the Sukuk. The profit is payable semi-annually in arrears on 9 December and 9 June each year which commenced on 9 December 2014.

The above Subordinated Notes and Subordinated Sukuk Murabahah constitute unsecured liabilities/obligations of the Bank and PIBB respectively, and are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank and PIBB, other than the Innovative Tier I Capital Securities and the Non-Innovative Tier I Stapled Securities, which are subordinated to the Subordinated Notes and Subordinated Sukuk Murabahah, in accordance with the terms and conditions of the Subordinated Notes and Subordinated Sukuk Murabahah.

In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components) dated 28 November 2012 for the purpose of determining the capital adequacy ratios of the Group and the Bank, Subordinated Notes issued prior to 31 December 2012 will qualify as Tier II Capital but are subject to a gradual phase-out treatment with effect from 1 January 2013. The Subordinated Notes issued after 31 December 2012 which are Basel III - Compliant are fully qualified as Tier II Capital.

The Subordinated Sukuk Murabahah to be issued from time to time under the Sukuk Murabahah Programme will qualify as Tier II capital for the computation of the regulatory capital of PIBB and the Group in accordance with BNM's Capital Adequacy Framework (Capital Components) for Islamic Banks.

The Bank has entered into interest rate swap contracts as fair value hedges of part of its Subordinated Notes in order to minimise its exposure to interest rate volatility, resulting in a change in the value of the Subordinated Notes. The Bank does not restate the value of its Subordinated Notes as a result of changes in its own credit risk.

23. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(d) Innovative Tier I Capital Securities

	Note	Group and Bank 2015 RM'000	2014 RM'000
USD200 million 6.84% Innovative Tier I Capital Securities due in 2036, callable with step-up in 2016	(i)	**859,262**	699,263
RM1,200 million 5.10% Innovative Tier I Capital Securities due in 2036, callable with step-up in 2016	(ii)	**1,199,822**	1,199,639
		2,059,084	1,898,902
Realised/unrealised fair value loss arising from fair value hedge		**30,881**	65,542
		2,089,965	1,964,444

(i) On 22 August 2006, the Bank issued USD200 million in aggregate principal amount of Innovative Tier I Capital Securities ("the USD IT-I Securities") due in 2036 and callable with step-up in 2016. The USD IT-I Securities bear interest at the rate of 6.84% per annum from (and including) 22 August 2006 to (but excluding) 22 August 2016 and thereafter, at the interest rate per annum of 2.30% above the London Interbank Offered Rate for three-month US Dollar deposits. The interest is payable semi-annually in arrears on 22 February and 22 August each year which commenced on 22 February 2007 to 22 August 2016, and thereafter quarterly in arrears on 22 February, 22 May, 22 August and 22 November of each year.

The Bank may, at its option, defer the payment of interest up to a limit of 50 percent of the aggregate principal of the USD IT-I Securities, with any subsequent deferral in excess of this limit subject to the prior approval of BNM. If the Bank has not made a payment of interest, whether deferred or not, it shall not pay any dividend to its ordinary shareholders and/or any interest on any security or instrument ranking junior to the USD IT-I Securities. The USD IT-I Securities were issued at a price of 100.0 percent of the principal amount of the USD IT-I Securities. The USD IT-I Securities will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the USD IT-I Securities will no longer qualify as Tier I Capital for the purposes of BNM's capital adequacy requirement or on 22 August 2016 or on any subsequent interest payment date thereafter at their principal amount plus accrued interest (if applicable).

23. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(d) Innovative Tier I Capital Securities (continued)

(ii) On 22 December 2006, the Bank issued RM1,200 million in aggregate principal amount of Innovative Tier I Capital Securities ("the RM IT-I Securities") due in 2036 and callable with step-up in 2016. The RM IT-I Securities bear interest at the rate of 5.10% per annum from (and including) 22 December 2006 to (but excluding) 22 December 2016 and thereafter, at the interest rate per annum of 1.82% above the three-month Kuala Lumpur Interbank Offered Rate. The interest is payable semi-annually in arrears on 22 June and 22 December each year which commenced on 22 June 2007 to 22 December 2016, and thereafter quarterly in arrears on 22 March, 22 June, 22 September and 22 December of each year.

The Bank may, at its option, defer the payment of interest up to a limit of 50 percent of the aggregate principal of the RM IT-I Securities, with any subsequent deferral in excess of this limit subject to the prior approval of BNM. If the Bank has not made a payment of interest, whether deferred or not, it shall not pay any dividend to its ordinary shareholders and/or any interest on any security or instrument ranking junior to the RM IT-I Securities. The RM IT-I Securities were issued at a price of 100.0 percent of the principal amount of the RM IT-I Securities. The RM IT-I Securities will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the RM IT-I Securities will no longer qualify as Tier I Capital for the purposes of BNM's capital adequacy requirement or on 22 December 2016 or on any interest payment date thereafter at their principal amount plus accrued interest (if applicable).

The Innovative Tier I Capital Securities above are unsecured liabilities of the Bank and rank pari passu among themselves and equally with the Non-Innovative Tier I Stapled Securities, and are subordinated in right of payment upon occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities including the Subordinated Notes of the Bank in accordance with the terms and conditions of the Innovative Tier I Capital Securities.

In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components) for the purpose of determining the capital adequacy ratios of the Group and the Bank, the Innovative Tier I Capital Securities issued prior to 31 December 2012 will qualify as Tier I Capital but are subject to a gradual phase-out treatment with effect from 1 January 2013.

The Bank has entered into interest rate swap contracts as fair value hedges of its Innovative Tier I Capital Securities in order to minimise its exposure to interest rate volatility, resulting in a change in the value of the capital securities. The Bank does not restate the value of its Innovative Tier I Capital Securities as a result of changes in its own credit risk.

23. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(e) Non-Innovative Tier I Stapled Securities

	Note	Group and Bank 2015 RM'000	2014 RM'000
Issued under the RM5.0 billion Non-Innovative Tier I Stapled Securities Programme:			
First tranche:			
RM1,200 million 7.50% Stapled Securities callable in 2019	(i)	**1,197,411**	1,196,656
Second tranche:			
RM888 million 7.20% Stapled Securities callable in 2019	(ii)	**888,000**	888,000
		2,085,411	2,084,656
Unrealised fair value loss arising from fair value hedge		**37,536**	39,952
		2,122,947	2,124,608

On 16 March 2009, the Bank and PBFIN Berhad ("PBFIN"), a wholly-owned subsidiary company of the Bank, obtained approval from BNM for a Non-Innovative Tier I Stapled Securities ("Stapled Securities") Programme ("the NIT-I Programme") for the issuance of up to RM5.0 billion in nominal value of Stapled Securities, comprising the following securities:

(a) Non-Cumulative Perpetual Capital Securities ("NCPCS") issued by the Bank; and

(b) Subordinated Notes ("Sub-Notes") issued by PBFIN.

The NCPCS are stapled to an equivalent amount in nominal value of the Sub-Notes.

Under the NIT-I Programme, the tenor of the NCPCS will be perpetual, with the first optional redemption date to be on a date falling no earlier than the fifth (5th) anniversary of the first issue date, whilst the Sub-Notes have a maturity of fifty (50) years. The NCPCS will not be subject to the payment of any distribution until the occurrence of an assignment event, upon which distribution will be accrued at a fixed interest rate to be determined prior to each issuance of NCPCS. The Sub-Notes will bear interest at a rate which is the same rate as the distribution of the NCPCS together with which the Sub-Notes are stapled, payable semi-annually in arrears. Therefore, the Stapled Securities are effectively issued by the Bank and PBFIN at a pre-determined fixed interest rate.

23. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(e) Non-Innovative Tier I Stapled Securities (continued)

The Bank and PBFIN have issued the following tranches of Stapled Securities under the NIT-I Programme:

(i) On 5 June 2009, the Bank and PBFIN issued the first tranche of RM1,200 million in nominal value of Stapled Securities. The first optional redemption date of the NCPCS will be on 5 June 2019, whilst the Sub-Notes are due on 5 June 2059. The Stapled Securities were issued at par. The Sub-Notes bear interest at a rate of 7.50% per annum, payable semi-annually. Should an assignment event occur, the NCPCS will also accrue interest at a rate of 7.50% per annum.

(ii) On 13 November 2009, the Bank and PBFIN issued the second tranche of RM888 million in nominal value of Stapled Securities. The first optional redemption date of the NCPCS will be on 13 November 2019, whilst the Sub-Notes are due on 13 November 2059. The Stapled Securities were issued at par. The Sub-Notes bear interest at a rate of 7.20% per annum, payable semi-annually. Should an assignment event occur, the NCPCS will also accrue interest at a rate of 7.20% per annum.

The other salient features of the NIT-I Programme are as follows:

The Bank may, at its option, redeem the NCPCS in whole but not in part, on a date falling no earlier than the fifth (5th) anniversary of the first issue date or on any distribution payment date thereafter, subject to fulfilling the following redemption conditions:

(i) the Bank is solvent at the time of redemption and immediately thereafter;
(ii) the Bank is not in breach of BNM's minimum capital adequacy ratio requirements; and
(iii) the Bank has obtained written approval from BNM prior to the redemption.

The NCPCS will cease to be stapled to the Sub-Notes only upon the occurrence of an assignment event. Once unstapled, ownership of the Sub-Notes will be assigned to the Bank pursuant to a note assignment agreement entered into between the Bank and investors of the Stapled Securities on the date of the issue of the Stapled Securities. These investors will then hold only the NCPCS. An assignment event means the occurrence of any of the following events:

(i) the Bank elects that an assignment event occurs; or
(ii) BNM determines that an assignment event should occur; or
(iii) the redemption of the NCPCS pursuant to:
    (a) a tax redemption, whereby there is a more than an insubstantial risk that, as a result of changes in the applicable tax regulations, the Bank and/or PBFIN would become obliged to pay additional amounts or will no longer be able to obtain tax deductions for interest payments on the Sub-Notes or the inter-company loan between the Bank and PBFIN; or
    (b) a regulatory redemption, whereby the NCPCS no longer qualify as Non-Innovative Tier I Capital of the Bank for the purposes of BNM's capital adequacy ratio requirements; or
    (c) redemption of the NCPCS on the optional redemption date.

23. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(e) Non-Innovative Tier I Stapled Securities (continued)

(iv) the deferral of any interest on the Sub-Notes; or
(v) the Bank is in breach of BNM's minimum capital adequacy ratio requirements; or
(vi) the commencement of winding up proceeding in respect of the Bank or PBFIN; or
(vii) the appointment of an administrator in connection with the restructuring of the Bank or PBFIN; or
(viii) the occurrence of the optional redemption date; or
(ix) PBFIN ceases to be, directly or indirectly, a wholly-owned subsidiary company of the Bank.

The Bank will not be able to pay any dividends to its shareholders or make any interest payments on any securities ranking pari passu with or junior to the NCPCS or acquire any of its ordinary shares or redeem any securities ranking pari passu with or junior to the NCPCS (collectively referred to as the "Dividend and Capital Stopper") if, following the occurrence of an assignment event, the Bank does not pay a distribution on the NCPCS on its due date for payment. The Dividend and Capital Stopper will only cease to be effective upon the resumption of payments of distribution on the NCPCS for a continuous period of one (1) year.

The NCPCS are direct and unsecured obligations of the Bank. The NCPCS rank pari passu and without preference among themselves, with the existing RM1,200 million and USD200 million Innovative Tier I Capital Securities and with the most junior class of preference shares (if any), but in priority to the rights and claims of holders of ordinary shares of the Bank. The NCPCS are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank including the Subordinated Notes of the Bank.

The Sub-Notes constitute direct and unsecured obligations of PBFIN. The Sub-Notes rank pari passu and without preference among themselves and with the most junior class of preference shares (if any) of PBFIN, but in priority to the rights and claims of holders of ordinary shares of PBFIN. The Sub-Notes will be subordinated in right of payment upon the occurrence of any winding up proceeding of PBFIN to the prior payment in full of all liabilities of PBFIN except to those liabilities which rank equal with or junior to the Sub-Notes.

The NCPCS qualify as Non-Innovative Tier I Capital Instruments. In line with the transitional arrangements of the BNM's Capital Adequacy Framework (Capital Components) for the purpose of determining the capital adequacy ratios of the Group and the Bank, the NCPCS issued prior to 31 December 2012 will qualify as Tier I capital but are subject to a gradual phase-out treatment with effect from 1 January 2013.

The Group has entered into interest rate swap contracts as fair value hedges of its Stapled Securities in order to minimise its exposure to interest rate volatility, resulting in a change in the value of the capital securities. The Bank does not restate the value of its Non-Innovative Tier I Capital Securities as a result of changes in its own credit risk.

24. OTHER LIABILITIES

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest/Income payable	**1,745,060**	1,399,565	**1,475,213**	1,236,480
Other payables and accruals	**2,333,802**	2,534,807	**1,820,562**	1,986,008
Amount due to trust funds *	**43,652**	47,243	**–**	–
Unprocessed sales and/or redemptions #	**102,538**	190,902	**–**	–
Profit Equalisation Reserves of the investment account holder	**53**	55	**–**	–
Finance lease liabilities **	**88,643**	136,627	**88,643**	136,627
Outstanding contracts on clients' accounts ^	**184,442**	171,746	**–**	–
Dividend payable to shareholders	**22,113**	15,701	**937**	1,121
Amount due to subsidiary companies @	**–**	–	**3,018**	3,029
	4,520,303	4,496,646	**3,388,373**	3,363,265

* This balance refers to amount due to trust funds managed by the fund management subsidiary company in respect of cancellation and creation of trust units.

\# The unprocessed sales and/or redemptions are in respect of the fund management activities of a subsidiary company.

** Finance lease liabilities of the Group and of the Bank are payable as follows:

	2015			2014		
	Future Minimum Lease Payments RM'000	Future Finance Charges RM'000	Present Value of Finance Lease Liabilities RM'000	Future Minimum Lease Payments RM'000	Future Finance Charges RM'000	Present Value of Finance Lease Liabilities RM'000
Less than one year	**52,664**	**2,761**	**49,903**	52,664	4,680	47,984
Between one and three years	**39,506**	**766**	**38,740**	92,170	3,527	88,643
	92,170	**3,527**	**88,643**	144,834	8,207	136,627

The Bank leases computer equipment and software under finance lease (Note 17). At the end of the lease term, the Bank has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

^ These balances relate to contracts entered by the stock-broking business of the investment banking subsidiary company on behalf of clients where settlements are yet to be made and amount due to Bursa Malaysia Securities Clearing Sdn. Bhd. The trade settlement is three (3) market days according to Bursa Malaysia Securities Berhad's trading rules.

@ These balances are unsecured, non-interest bearing and have no fixed terms of repayment.

25. PROVISION FOR TAX EXPENSE AND ZAKAT

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Tax expense	**688,808**	554,266	**413,764**	340,988
Zakat	**323**	328	**–**	–
	689,131	554,594	**413,764**	340,988

26. SHARE CAPITAL

	Number of Ordinary Shares of RM1.00 Each		Amount	
Group and Bank	2015 '000	2014 '000	2015 RM'000	2014 RM'000
Authorised:				
Ordinary shares of RM1.00 each	**10,000,000**	10,000,000	**10,000,000**	10,000,000
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	**3,882,138**	3,531,926	**3,882,138**	3,531,926
Issued pursuant to the rights issue exercise	**–**	350,212	**–**	350,212
At 31 December	**3,882,138**	3,882,138	**3,882,138**	3,882,138

27. TREASURY SHARES

The amount relates to the acquisition cost of treasury shares.

There were no shares bought back by the Bank during the year (2014 – Nil). The PBB Shares bought back in the previous years are held as treasury shares in accordance with Section 67A Subsection 3(A)(b) of the Companies Act, 1965.

None of the treasury shares held were resold or cancelled during the financial year. In the previous year, the Bank disposed 9,156,400 of its treasury shares for a total consideration of RM175,639,643 (after deducting transaction costs) in the open market at an average price of RM19.23 per share.

As at 31 December 2015, 20,644,304 (2014 – 20,644,304) PBB Shares are held as treasury shares by the Bank. Treasury shares have no rights to voting, dividends and participation in other distribution. As at 31 December 2015, the number of outstanding PBB Shares in issue after deducting treasury shares is therefore 3,861,494,043 (2014 – 3,861,494,043) ordinary shares of RM1.00 each.

28. OTHER RESERVES

Group	Statutory Reserves RM'000	Capital Reserves RM'000	Foreign Currency Translation Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Defined Benefit Reserves RM'000	Regulatory Reserves RM'000	General Reserves RM'000	Profit Equalisation Reserves RM'000	Total RM'000
At 1 January 2015	4,891,788	60,442	(7,952)	(2,729)	(15,347)	394,803	1,432,734	129,767	54	6,883,560
Net currency translation differences:										
– Currency translation differences in respect of										
– foreign operations	–	–	923,164	–	–	–	–	–	–	923,164
– net investment hedge	–	–	(765,259)	–	–	–	–	–	–	(765,259)
	–	–	157,905	–	–	–	–	–	–	157,905
Net change in revaluation of financial investments available-for-sale:										
– Net unrealised gain	–	–	–	–	129,410	–	–	–	–	129,410
– Net gain on disposal reclassified to profit or loss (Note 32)	–	–	–	–	(31,990)	–	–	–	–	(31,990)
	–	–	–	–	97,420	–	–	–	–	97,420
Net change in cash flow hedges:										
– Net unrealised gain	–	–	–	1,288	–	–	–	–	–	1,288
Gain on remeasurements of defined benefit plans (Note 11 (a))	–	–	–	–	–	52,635	–	–	–	52,635
Deferred tax (Note 13)	–	–	–	(309)	(27,370)	(13,469)	–	–	–	(41,148)
Other comprehensive income	–	–	157,905	979	70,050	39,166	–	–	–	268,100
Transferred from retained profits	32,214	–	–	–	–	–	430,618	85,940	33	548,805
At 31 December 2015	4,924,002	60,442	149,953	(1,750)	54,703	433,969	1,863,352	215,707	87	7,700,465

28. OTHER RESERVES (CONTINUED)

Group	Statutory Reserves RM'000	Capital Reserves RM'000	Foreign Currency Translation Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Defined Benefit Reserves RM'000	Regulatory Reserves RM'000	General Reserves RM'000	Profit Equalisation Reserves RM'000	Total RM'000
At 1 January 2014	3,870,928	60,442	(50,448)	(15,677)	21,606	382,431	127,316	129,767	–	4,526,365
Net currency translation differences:										
– Currency translation differences in respect of										
– foreign operations	–	–	248,956	–	–	–	–	–	–	248,956
– net investment hedge	–	–	(206,460)	–	–	–	–	–	–	(206,460)
	–	–	42,496	–	–	–	–	–	–	42,496
Net change in revaluation of financial investments available-for-sale:										
– Net unrealised loss	–	–	–	–	(36,406)	–	–	–	–	(36,406)
– Net gain on disposal reclassified to profit or loss (Note 32)	–	–	–	–	(12,509)	–	–	–	–	(12,509)
	–	–	–	–	(48,915)	–	–	–	–	(48,915)
Net change in cash flow hedges:										
– Net unrealised gain	–	–	–	17,352	–	–	–	–	–	17,352
– Net realised gain reclassified to profit or loss	–	–	–	(41)	–	–	–	–	–	(41)
	–	–	–	17,311	–	–	–	–	–	17,311
Gain on remeasurements of defined benefit plans (Note 11 (a))	–	–	–	–	–	8,091	–	–	–	8,091
Deferred tax (Note 13)	–	–	–	(4,363)	11,962	4,281	–	–	–	11,880
Other comprehensive income/ (loss)	–	–	42,496	12,948	(36,953)	12,372	–	–	–	30,863
Transferred from retained profits	1,020,860	–	–	–	–	–	1,305,418	–	54	2,326,332
At 31 December 2014	4,891,788	60,442	(7,952)	(2,729)	(15,347)	394,803	1,432,734	129,767	54	6,883,560

28. OTHER RESERVES (CONTINUED)

Bank	Statutory Reserves RM'000	Foreign Currency Translation Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Defined Benefit Reserves RM'000	Regulatory Reserves RM'000	General Reserves RM'000	Total RM'000
At 1 January 2015	4,539,326	–	(48,618)	(23,984)	381,174	1,293,334	2,777	6,144,009
Net currency translation differences:								
– Currency translation differences in respect of foreign operations	–	25,338	–	–	–	–	–	25,338
Net change in revaluation of financial investments available-for-sale:								
– Net unrealised gain	–	–	–	115,762	–	–	–	115,762
– Net gain on disposal reclassified to profit or loss (Note 32)	–	–	–	(30,619)	–	–	–	(30,619)
	–	–	–	85,143	–	–	–	85,143
Net change in cash flow hedges:								
– Net unrealised gain	–	–	1,525	–	–	–	–	1,525
Gain on remeasurements of defined benefit plans (Note 11 (a))	–	–	–	–	60,586	–	–	60,586
Deferred tax (Note 13)	–	–	(366)	(20,466)	(14,541)	–	–	(35,373)
Other comprehensive income	–	25,338	1,159	64,677	46,045	–	–	137,219
Transferred from retained profits	–	–	–	–	–	355,314	–	355,314
At 31 December 2015	4,539,326	25,338	(47,459)	40,693	427,219	1,648,648	2,777	6,636,542

28. OTHER RESERVES (CONTINUED)

Bank	Statutory Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Defined Benefit Reserves RM'000	Regulatory Reserves RM'000	General Reserves RM'000	Total RM'000
At 1 January 2014	3,531,926	(113,735)	11,955	370,229	–	2,777	3,803,152
Net change in revaluation of financial investments available-for-sale:							
– Net unrealised loss	–	–	(38,541)	–	–	–	(38,541)
– Net gain on disposal reclassified to profit or loss (Note 32)	–	–	(8,999)	–	–	–	(8,999)
	–	–	(47,540)	–	–	–	(47,540)
Net change in cash flow hedges:							
– Net unrealised gain	–	87,716	–	–	–	–	87,716
– Net realised gain reclassified to profit or loss	–	(41)	–	–	–	–	(41)
	–	87,675	–	–	–	–	87,675
Gain on remeasurements of defined benefit plans (Note 11 (a))	–	–	–	7,907	–	–	7,907
Deferred tax (Note 13)	–	(22,558)	11,601	3,038	–	–	(7,919)
Other comprehensive income/(loss)	–	65,117	(35,939)	10,945	–	–	40,123
Transferred from retained profits	1,007,400	–	–	–	1,293,334	–	2,300,734
At 31 December 2014	4,539,326	(48,618)	(23,984)	381,174	1,293,334	2,777	6,144,009

The statutory reserves of the Group and the Bank are maintained mainly in compliance with Section 47(2)(f) of the Financial Services Act 2013 and Section 57(2)(f) of the Islamic Financial Services Act 2013 and are not distributable as cash dividends.

The capital reserves of the Group arose mainly from the capitalisation of retained profits that resulted from bonus issues by subsidiary companies and the restructuring exercise involving certain subsidiary companies undertaken by the Group in previous years.

28. OTHER RESERVES (CONTINUED)

The foreign currency translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign subsidiary companies and the subsidiary companies incorporated in the Federal Territory of Labuan, after offsetting the impact of the effective portion of net investment hedges.

The hedging reserves are in respect of the effective portion of unrealised fair value gains and losses on cash flow hedging instruments.

The revaluation reserves are in respect of unrealised fair value gains and losses on financial investments available-for-sale, after offsetting the impact of related fair value hedges.

The defined benefit reserves are in respect of remeasurements of the net defined benefit assets/liabilities.

The regulatory reserves are maintained by the Bank and the Group's banking subsidiary companies in Malaysia and Hong Kong SAR as an additional credit risk absorbent in excess of the requirements of accounting standards. The reserves in respect of Malaysia are maintained in line with the requirements of Bank Negara Malaysia by the Bank and its domestic banking subsidiary companies. The reserves in respect of Hong Kong SAR are maintained in line with the requirements of the Hong Kong Monetary Authority.

The general reserves of the Group and the Bank represent non-distributable profit reserves maintained in compliance with the requirements of the guidelines of the Central Bank of Sri Lanka and Prakas B7-010-182 and Circular No. B7-011-001 issued by the National Bank of Cambodia respectively.

The Profit Equalisation Reserves ("PER") of the Group are maintained in compliance with the requirements of the revised PER Guidelines issued by Bank Negara Malaysia.

29. INTEREST INCOME

	Group		Bank	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Loans and advances	**11,974,674**	10,575,410	**10,890,328**	9,709,835
Balances with banks	**476,110**	732,427	**435,850**	681,746
Financial investments available-for-sale	**498,757**	319,891	**457,679**	309,038
Financial investments held-to-maturity	**730,416**	474,230	**688,569**	412,649
Others	**140,294**	144,981	**140,286**	144,874
	13,820,251	12,246,939	**12,612,712**	11,258,142
Financial assets held-for-trading	**398,235**	389,148	**352,278**	344,330
	14,218,486	12,636,087	**12,964,990**	11,602,472

Included in interest income on loans and advances for the current year is interest accrued on impaired loans of the Group and the Bank of RM56,083,000 (2014 - RM56,808,000) and RM53,470,000 (2014 - RM54,496,000) respectively.

30. INTEREST EXPENSE

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits from banks	**446,750**	300,632	**412,175**	266,470
Deposits from customers	**6,825,726**	5,911,904	**6,602,758**	5,699,186
Loans sold to Cagamas	**57,596**	8,994	**57,596**	8,994
Debt securities issued and other borrowed funds	**495,762**	478,506	**483,361**	470,318
Others	**15,629**	5,578	**15,380**	5,346
	7,841,463	6,705,614	**7,571,270**	6,450,314

31. NET FEE AND COMMISSION INCOME

		Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(a)	Fee and commission income:				
	Commissions	**456,342**	400,369	**513,165**	455,140
	Service charges and fees	**330,459**	291,935	**234,548**	215,762
	Guarantee fees	**41,267**	33,133	**39,020**	30,659
	Processing fees	**27,308**	25,556	**12,673**	12,923
	Commitment fees	**88,730**	67,604	**83,422**	63,737
	Unit trust management fees	**844,885**	795,158	**–**	–
	Fee on sale of trust units	**311,358**	286,676	**–**	–
	Brokerage and commissions from stock-broking activities	**94,463**	88,598	**–**	–
	Other fee and commission income	**66,978**	45,167	**54,205**	32,590
		2,261,790	2,034,196	**937,033**	810,811
(b)	Fee and commission expense:				
	Loan-related fees *	**(294,453)**	(263,272)	**(281,815)**	(258,972)
	Unit trust agency fees	**(392,788)**	(368,340)	**–**	–
	Other fee and commission expense	**(21,706)**	(20,909)	**(13,877)**	(12,039)
		(708,947)	(652,521)	**(295,692)**	(271,011)
	Net fee and commission income	**1,552,843**	1,381,675	**641,341**	539,800

* Includes debit/credit cards related fee and commission expense.

32. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net gain/(loss) arising on financial assets held-for-trading:				
– net gain on disposal	**12,561**	8,378	**12,533**	8,232
– unrealised revaluation (loss)/gain	**(1,071)**	3,878	**(1,129)**	3,929
	11,490	12,256	**11,404**	12,161
Net gain/(loss) arising on trading derivatives:				
– net gain on disposal	**–**	10,447	**–**	10,447
– unrealised revaluation gain/(loss)	**1,649**	(11,605)	**1**	(9,364)
	1,649	(1,158)	**1**	1,083
Net gain arising on financial investments available-for-sale:				
– net gain on disposal (Note 28)	**31,990**	12,509	**30,619**	8,999
– gross dividend income	**178,837**	165,623	**178,150**	163,604
	210,827	178,132	**208,769**	172,603
Gain representing ineffective portions of hedging derivatives:				
– fair value hedge (Note 6)	**4,589**	5,942	**4,620**	6,195
– cash flow hedge (Note 6)	**7,610**	1,589	**7,610**	1,589
	12,199	7,531	**12,230**	7,784
	236,165	196,761	**232,404**	193,631

33. OTHER OPERATING INCOME

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Gross dividend income from:				
Associated companies	–	–	–	6,101
Subsidiary companies:				
– quoted outside Malaysia	–	–	**77,487**	56,543
– unquoted in Malaysia	–	–	**746,754**	786,863
	–	–	**824,241**	849,507
Other income:				
Foreign exchange profit/(loss)	**355,656**	268,940	**(216,736)**	100,334
Rental income from:				
– investment properties (Note 16)	**12,159**	6,698	–	–
– other properties	**13,438**	16,378	**13,055**	12,507
Net gain on disposal of property and equipment	**1,506**	996	**1,514**	973
Net gain on disposal of foreclosed properties	**1,393**	777	**1,393**	777
Gain on revaluation of investment properties (Note 16)	**107,061**	5,304	–	–
Others	**59,900**	34,159	**34,563**	24,374
	551,113	333,252	**(166,211)**	138,965
	551,113	333,252	**658,030**	988,472

34. OTHER OPERATING EXPENSES

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel costs				
– Salaries, allowances and bonuses	**1,708,683**	1,544,848	**1,292,469**	1,188,616
– Pension costs	**223,385**	203,116	**202,078**	179,281
– Others	**145,888**	130,650	**121,045**	109,628
	2,077,956	1,878,614	**1,615,592**	1,477,525
Establishment costs				
– Depreciation	**181,116**	159,049	**140,847**	123,090
– Rental	**107,014**	97,774	**91,432**	89,210
– Insurance	**20,384**	19,817	**17,858**	16,997
– Water and electricity	**52,328**	52,267	**38,372**	39,294
– General repairs and maintenance	**77,588**	67,261	**69,539**	57,184
– Information technology expenses	**36,363**	26,852	**17,781**	12,859
– Others	**53,303**	49,801	**38,802**	37,045
	528,096	472,821	**414,631**	375,679
Marketing expenses				
– Advertisement and publicity	**53,663**	41,338	**16,533**	14,067
– Others	**62,358**	72,857	**44,318**	38,893
	116,021	114,195	**60,851**	52,960
Administration and general expenses				
– Communication expenses	**29,468**	26,957	**23,729**	19,821
– Legal and professional fees	**48,781**	38,203	**37,022**	29,501
– Others	**114,835**	75,075	**67,253**	48,869
	193,084	140,235	**128,004**	98,191
Shared service cost charged to Public Islamic Bank Berhad	**–**	–	**(280,028)**	(248,647)
Total other operating expenses	**2,915,157**	2,605,865	**1,939,050**	1,755,708

34. OTHER OPERATING EXPENSES (CONTINUED)

(a) Included in other operating expenses are the following statutory disclosures:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Auditors' remuneration *:				
– audit	**3,825**	3,462	**1,364**	1,318
– regulatory related services	**734**	1,034	**336**	411
– other services	**307**	442	**197**	243
Depreciation of property and equipment (Note 17)	**181,116**	159,049	**140,847**	123,090
Direct operating expenses of investment properties that:				
– generated rental income	**1,978**	45	**–**	–
Directors' remuneration (Note 35)	**64,430**	52,577	**50,479**	40,032
Pension costs				
– defined contribution plan	**187,599**	170,483	**160,194**	147,363
– defined benefit plan (Note 11(a))	**35,786**	32,633	**41,884**	31,918
Property and equipment written off (Note 17)	**102**	72	**102**	72
Rental of premises	**107,014**	97,774	**91,432**	89,210

* The Bank's auditors for the year ended 31 December 2015 refer to Ernst & Young:

Included in the auditors' remuneration of the Group are fees paid to accounting firms other than the Bank's auditors for audit, regulatory related services and other services amounting to RM142,000, RM16,000 and RM17,000 respectively.

Included in the auditors' remuneration of the Bank are fees paid in relation to the Bank's overseas branches for audit, regulatory related services and other services amounting to RM264,000, RM16,000 and RM17,000 respectively.

The Bank's auditors for the year ended 31 December 2014 refer to KPMG:

Included in the auditors' remuneration of the Group are fees paid to accounting firms other than the Bank's auditors for audit, regulatory related services and other services amounting to RM1,774,000, RM262,000 and RM59,000 respectively.

Included in the auditors' remuneration of the Bank are fees paid in relation to the Bank's overseas branches for audit, regulatory related services and other services amounting to RM218,000, RM16,000 and RM14,000 respectively.

Regulatory related services include half year limited review, validation review based on agreed-upon procedures and review of statement on risk management and internal control.

34. OTHER OPERATING EXPENSES (CONTINUED)

(b) Employees

The number of persons employed by the Group and the Bank (excluding Directors) as at the end of the financial year was 18,373 (2014 – 18,198) and 14,846 (2014 – 14,754) respectively.

35. DIRECTORS' REMUNERATION

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors of the Bank:				
Executive Director/Chief Executive Officer:				
Fees	**663**	720	**273**	260
Salary and other remuneration, including meeting allowances	**6,759**	5,211	**6,495**	5,078
Bonuses	**10,685**	8,219	**10,685**	8,219
Benefits-in-kind	**25**	38	**25**	38
	18,132	14,188	**17,478**	13,595
Non-Executive Directors:				
Fees	**3,822**	4,569	**1,903**	2,199
Other remuneration	**31,662**	25,069	**31,123**	24,276
Benefits-in-kind	**29**	29	**29**	29
	35,513	29,667	**33,055**	26,504
Directors of subsidiary companies:				
Executive Directors:				
Fees	**401**	362	**–**	–
Salary and other remuneration, including meeting allowances	**4,685**	3,943	**–**	–
Bonuses	**3,703**	3,144	**–**	–
Benefits-in-kind	**509**	405	**–**	–
	9,298	7,854	**–**	–
Non-Executive Directors:				
Fees	**1,658**	1,058	**–**	–
Other remuneration	**390**	282	**–**	–
	2,048	1,340	**–**	–
Past Director:				
Other remuneration	**2**	–	**–**	–
	2	–	**–**	–
Grand total	**64,993**	53,049	**50,533**	40,099
Total (excluding benefits-in-kind) (Note 34)	**64,430**	52,577	**50,479**	40,032

35. DIRECTORS' REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows (continued):

	Remuneration Received from the Bank						Remuneration Received from Subsidiary Companies		
2015	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Bank Total RM'000	Fees RM'000	Other Emoluments RM'000	Group Total RM'000
Executive Director:									
Tan Sri Dato' Sri Tay Ah Lek	3,465	273	10,685	3,030	25	17,478	390	264	18,132
Non-Executive Directors:									
Tan Sri Dato' Sri Dr. Teh Hong Piow	–	370	–	30,146	29	30,545	724	50	31,319
Tan Sri Datuk Seri Utama Thong Yaw Hong ^	–	154	–	155	–	309	262	30	601
Dato' Sri Lee Kong Lam	–	287	–	167	–	454	455	171	1,080
Tang Wing Chew	–	273	–	194	–	467	237	133	837
Lai Wan	–	273	–	167	–	440	204	99	743
Lai Wai Keen	–	273	–	145	–	418	37	56	511
Cheah Kim Ling	–	273	–	149	–	422	–	–	422
	–	1,903	–	31,123	29	33,055	1,919	539	35,513
Total Directors' remuneration	3,465	2,176	10,685	34,153	54	50,533	2,309	803	53,645

^ This represents the remuneration paid to this Director until his demise on 28 May 2015.

35. DIRECTORS' REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows (continued):

	Remuneration Received from the Bank						Remuneration Received from Subsidiary Companies		
2014	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Bank Total RM'000	Fees RM'000	Other Emoluments RM'000	Group Total RM'000
Executive Director:									
Tan Sri Dato' Sri Tay Ah Lek	2,772	260	8,219	2,306	38	13,595	460	133	14,188
Non-Executive Directors:									
Tan Sri Dato' Sri Dr. Teh Hong Piow	–	352	–	22,990	29	23,371	657	50	24,078
Tan Sri Datuk Seri Utama Thong Yaw Hong	–	352	–	411	–	763	567	139	1,469
Dato' Sri Lee Kong Lam	–	260	–	147	–	407	411	170	988
Dato' Yeoh Chin Kee @	–	65	–	35	–	100	19	23	142
Dato' Haji Abdul Aziz bin Dato' Dr. Omar ~	–	195	–	127	–	322	319	140	781
Tang Wing Chew	–	260	–	190	–	450	198	128	776
Lai Wan	–	260	–	156	–	416	164	87	667
Lai Wai Keen	–	260	–	134	–	394	35	56	485
Cheah Kim Ling	–	195	–	86	–	281	–	–	281
	–	2,199	–	24,276	29	26,504	2,370	793	29,667
Total Directors' remuneration	2,772	2,459	8,219	26,582	67	40,099	2,830	926	43,855

@ This represents the remuneration paid to this Director until his retirement on 31 March 2014.
~ This represents the remuneration paid to this Director until his retirement on 1 October 2014.

36. ALLOWANCE/(WRITEBACK OF ALLOWANCE) FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Allowance for impaired loans and financing:				
Collective assessment allowance (Note 9)	**169,085**	358,852	**112,486**	259,153
– Retail loans/financing				
– housing loans/financing	**(76,752)**	25,470	**(74,980)**	18,478
– hire purchase	**218,641**	232,852	**155,213**	167,601
– credit cards	**35,401**	43,936	**35,357**	43,912
– other loans/financing	**(5,710)**	58,792	**(6,579)**	29,828
– Corporate loans/financing	**(2,495)**	(2,198)	**3,475**	(666)
Individual assessment allowance (Note 9)	**201,602**	167,701	**(7,030)**	(5,785)
– Retail loans/financing				
– housing loans/financing	**3,619**	–	**1,495**	–
– hire purchase	**1,821**	75	**–**	–
– other loans/financing	**194,720**	173,588	**(2,393)**	(3,238)
– Corporate loans/financing	**1,442**	(5,962)	**(6,132)**	(2,547)
Bad debts recovered from stock-broking activities	**(5)**	(152)	**–**	–
Impaired loans and financing written off	**157**	107	**157**	103
Impaired loans and financing recovered	**(224,608)**	(267,508)	**(119,776)**	(153,244)
	146,231	259,000	**(14,163)**	100,227

37. IMPAIRMENT/(WRITEBACK OF IMPAIRMENT) ON OTHER ASSETS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial investments available-for-sale				
– Non-money market instruments				
– unquoted equity securities (Note 7)	**23**	–	**23**	–
Foreclosed properties	**533**	(782)	**505**	(875)
	556	(782)	**528**	(875)

38. TAX EXPENSE AND ZAKAT

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Malaysian income tax	**1,238,077**	1,191,703	**986,467**	1,000,727
Overseas income tax	**104,242**	77,373	**14,092**	10,008
	1,342,319	1,269,076	**1,000,559**	1,010,735
(Over)/Under provision in prior years				
– Malaysian income tax	**(1,514)**	(22,169)	**(1,558)**	(21,826)
– Overseas income tax	**(2,151)**	425	**53**	(84)
	1,338,654	1,247,332	**999,054**	988,825
Deferred tax (income)/expense (Note 13)				
– Relating to changes in tax rate	**(372)**	653	**(188)**	591
– Relating to origination and reversal of temporary differences arising from:				
– allowance for losses on loans/financing	**44**	2,012	**–**	–
– excess/(shortfall) of capital allowance over depreciation	**15,906**	(7,166)	**15,204**	(7,518)
– defined benefit plan	**(9,784)**	(7,098)	**(10,501)**	(7,664)
– other temporary differences	**20,187**	12,272	**5,252**	12,533
	26,353	20	**9,955**	(2,649)
– under provision	**5,301**	2,680	**2,630**	2,632
	31,654	2,700	**12,585**	(17)
Tax expense	**1,369,936**	1,250,685	**1,011,451**	989,399
Zakat	**220**	230	**–**	–
	1,370,156	1,250,915	**1,011,451**	989,399

The Malaysian income tax is calculated at the statutory tax rate of 25% (2014: 25%) on the estimated chargeable profit for the financial year. In accordance with the Finance Act 2015 which was gazetted on 30 December 2015, the corporate tax rate will be reduced to 24% with effect from Year of Assessment 2016 and therefore, the computation of deferred tax assets and deferred tax liabilities has been adjusted accordingly to reflect such changes.

Tax in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

38. TAX EXPENSE AND ZAKAT (CONTINUED)

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Tax savings arising from tax losses				
Tax savings arising from utilisation of tax losses	**95**	3	–	–

A reconciliation of income tax expense applicable to profit before tax expense at the statutory tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

Group	%	2015 RM'000	%	2014 RM'000
Profit before tax expense		**6,491,395**		5,814,255
Income tax using Malaysian tax rate of 25%	**25.0**	**1,622,849**	25.0	1,453,564
Effects of different tax rates in foreign jurisdictions	**(0.6)**	**(39,342)**	(0.5)	(32,245)
Income not subject to tax	**(1.5)**	**(96,961)**	(2.3)	(131,158)
Effects of utilisation of unrecognised benefit of tax losses	**–**	**(95)**	–	(3)
Expenses not deductible for tax purposes	**0.3**	**18,834**	0.3	18,428
Effects of net investment hedge in foreign operations	**(2.1)**	**(136,613)**	(0.7)	(39,490)
	21.1	**1,368,672**	21.8	1,269,096
Deferred tax relating to changes in tax rate	**–**	**(372)**	–	653
Under/(Over) provision in prior years	**–**	**1,636**	(0.3)	(19,064)
Tax expense for the year	**21.1**	**1,369,936**	21.5	1,250,685

38. TAX EXPENSE AND ZAKAT (CONTINUED)

A reconciliation of income tax expense applicable to profit before tax expense at the statutory tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows (continued):

Bank	%	2015 RM'000	%	2014 RM'000
Profit before tax expense		**5,000,080**		5,019,001
Income tax using Malaysian tax rate of 25%	**25.0**	**1,250,020**	25.0	1,254,750
Income not subject to tax	**(5.1)**	**(254,723)**	(5.1)	(257,076)
Expenses not deductible for tax purposes	**0.3**	**15,217**	0.2	10,412
	20.2	**1,010,514**	20.1	1,008,086
Deferred tax relating to changes in tax rate	**–**	**(188)**	–	591
Under/(Over) provision in prior years	**–**	**1,125**	(0.4)	(19,278)
Tax expense for the year	**20.2**	**1,011,451**	19.7	989,399

39. EARNINGS PER SHARE

(a) Basic Earnings Per Share

The calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Bank for the year divided by the weighted average number of ordinary shares of RM1.00 each in issue during the year excluding the weighted average treasury shares held by the Bank.

	Group		Bank	
	2015	2014	2015	2014
Net profit attributable to equity holders of the Bank (RM'000)	**5,062,152**	4,518,830	**3,988,629**	4,029,602
'000				
Weighted average number of ordinary shares at beginning of the year	**3,861,494**	3,502,125	**3,861,494**	3,502,125
Effect of rights issue exercise	**–**	146,801	**–**	146,801
Effect of treasury shares sold	**–**	3,046	**–**	3,046
Weighted average number of ordinary shares at end of the year	**3,861,494**	3,651,972	**3,861,494**	3,651,972
Basic earnings per share (sen)	**131.1**	123.7	**103.3**	110.3

39. EARNINGS PER SHARE (CONTINUED)

(b) Diluted Earnings Per Share

The Group and the Bank have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.

40. DIVIDENDS

	Group and Bank	
	2015 RM'000	2014 RM'000
Dividends recognised as distribution to ordinary equity holders of the Bank:		
First interim dividend of 24.0% (2014 – 23.0%) in respect of the financial year ended 31 December 2015	**926,759**	886,037
Second interim dividend of 31.0% (2013 – 30.0%) in respect of the financial year ended 31 December 2014	**1,197,063**	1,050,638
	2,123,822	1,936,675

Subsequent to the financial year end, on 3 February 2016, the Directors declared a second interim dividend of 32.0%, with the total amounting to approximately RM1,235,678,094 computed based on the outstanding issued and paid-up capital, excluding treasury shares held by the Bank, of 3,861,494,043 ordinary shares of RM1.00 each, in respect of the financial year ended 31 December 2015. The financial statements for the current financial year do not reflect these dividends. Upon declaration, the dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2016. The Directors do not propose any final dividend in respect of the financial year ended 31 December 2015.

Accordingly, based on the above, the dividend declared per share for each financial year are as follows:

	Group and Bank Dividend per share	
	2015 Sen	2014 Sen
Dividends per RM1.00 ordinary share:		
Paid:		
First interim dividend of 24.0% (2014 – 23.0%)	**24.00**	23.00
Declared subsequent to the financial year end:		
Second interim dividend of 32.0% (2014 – 31.0%)	**32.00**	31.00
	56.00	54.00

41. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both. The related parties of the Group and of the Bank are:

(i) Subsidiary Companies

Details of the subsidiary companies are shown in Note 14.

(ii) Associated Companies

Associated companies are those entities in which the Group has significant influence but not control, as disclosed in Note 15.

(iii) Key Management Personnel and the Close Members of His/Her Family

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel of the Group and of the Bank includes Executive Director and Non-Executive Directors of the Bank and certain members of senior management of the Bank and chief executive officers of major subsidiary companies of the Group.

(iv) Public Bank Group Officers' Retirement Benefits Fund

Details of the retirement benefits fund are shown in Note 11(a).

(v) Companies in Which Certain Directors Have Substantial Financial Interest

These are entities in which significant voting power in such entities directly or indirectly resides with certain Directors of the Bank.

All related party transactions are conducted on normal commercial terms which are no more favourable than those generally available to the public.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The significant transactions of the Group and of the Bank with its related parties are as follows:

	Key Management Personnel*		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
Group	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income earned:						
Interest on loans, advances and financing	**33**	34	**–**	–	**46,627**	46,135
Commission income	**–**	–	**41,542**	39,478	**–**	–
Rental income	**147**	147	**2,856**	2,848	**–**	–
Brokerage income	**3**	31	**284**	297	**–**	–
Fee income	**–**	–	**73**	–	**158**	–
	183	212	**44,755**	42,623	**46,785**	46,135
Expenditure incurred:						
Interest on deposits	**253,836**	208,689	**5,315**	6,139	**–**	–
Interest on debt securities issued	**54**	54	**3,519**	3,519	**–**	–
Rental of premises	**–**	–	**494**	598	**28,800**	26,517
Insurance premiums	**–**	–	**29,532**	28,964	**–**	–
	253,890	208,743	**38,860**	39,220	**28,800**	26,517

* Included transactions with close members of the key management personnel.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The significant transactions of the Group and of the Bank with its related parties are as follows (continued):

	Subsidiary Companies		Associated Companies		Key Management Personnel*		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
Bank	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income earned:										
Interest on interbank lending and money market instruments held	**74,561**	71,958	**1,514**	922	**–**	–	**–**	–	**–**	–
Interest on loans and advances	**9,048**	8,307	**–**	–	**28**	28	**–**	–	**46,627**	46,135
Dividend income (Note 33)	**824,241**	843,406	**–**	6,101	**–**	–	**–**	–	**–**	–
Shared service costs charged (Note 34)	**280,028**	248,647	**–**	–	**–**	–	**–**	–	**–**	–
Commission income	**77,441**	73,233	**–**	–	**–**	–	**41,279**	39,210	**–**	–
Rental income	**2,547**	1,776	**140**	166	**147**	147	**7**	11	**–**	–
Others	**3,289**	3,077	**–**	–	**–**	–	**–**	–	**–**	–
	1,271,155	1,250,404	**1,654**	7,189	**175**	175	**41,286**	39,221	**46,627**	46,135
Expenditure incurred:										
Interest on deposits	**59,896**	65,808	**1,866**	787	**253,375**	208,477	**5,261**	6,079	**–**	–
Interest on debt securities issued	**–**	–	**–**	–	**54**	54	**3,519**	3,519	**–**	–
Rental of premises	**26,660**	26,336	**–**	–	**–**	–	**494**	598	**27,116**	25,166
Insurance premiums	**–**	–	**–**	–	**–**	–	**22,956**	22,887	**–**	–
Brokerage commission	**8**	396	**–**	–	**–**	–	**–**	–	**–**	–
Professional fees	**197**	1,050	**–**	–	**–**	–	**–**	–	**–**	–
	86,761	93,590	**1,866**	787	**253,429**	208,531	**32,230**	33,083	**27,116**	25,166

* Included transactions with close members of the key management personnel.

Included in the significant transactions of the Group are interest on deposits paid to Directors of the Bank (including close members of their families) amounting to RM253,023,000 (2014 – RM208,532,000) and rental received from a Director of the Bank amounting to RM147,000 (2014 – RM147,000).

Included in the significant transactions of the Bank are interest on deposits paid to Directors of the Bank (including close members of their families) amounting to RM252,942,000 (2014 – RM208,386,000) and rental received from a Director of the Bank amounting to RM147,000 (2014 – RM147,000).

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows:

Group 31 December 2015	Associated Companies RM'000	Key Management Personnel* RM'000	Companies in which Certain Directors have Substantial Interest RM'000	Public Bank Group Officers' Retirement Benefits Fund RM'000
Amount due from related parties				
Interbank lending	330,388	–	–	–
Loans, advances and financing	–	3,641	–	1,095,830
Rental deposits	–	–	–	7,280
	330,388	3,641	–	1,103,110
Amount due to related parties				
Demand deposits	56,597	13,342	7,276	17
Term deposits	–	4,991,498	146,818	–
Debt securities issued	–	750	65,000	–
Interbank borrowing	492,642	–	–	–
Others	–	321	–	102
	549,239	5,005,911	219,094	119
Commitments and contingencies				
Commitments	–	–	–	909,010
	–	–	–	909,010

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows (continued):

Group 31 December 2014	Associated Companies RM'000	Key Management Personnel* RM'000	Companies in which Certain Directors have Substantial Interest RM'000	Public Bank Group Officers' Retirement Benefits Fund RM'000
Amount due from related parties				
Interbank lending	267,525	–	–	–
Loans, advances and financing	–	3,612	–	1,507,857
Rental deposits	–	–	–	6,750
	267,525	3,612	–	1,514,607
Amount due to related parties				
Demand deposits	21,312	11,112	13,018	5
Term deposits	3,017	4,164,430	115,786	–
Debt securities issued	–	750	65,000	–
Interbank borrowing	422,011	–	–	–
Others	41	336	–	82
	446,381	4,176,628	193,804	87
Commitments and contingencies				
Commitments	–	–	–	497,154
	–	–	–	497,154

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows (continued):

Bank 31 December 2015	Subsidiary Companies RM'000	Associated Companies RM'000	Key Management Personnel* RM'000	Companies in which Certain Directors have Substantial Interest RM'000	Public Bank Group Officers' Retirement Benefits Fund RM'000
Amount due from related parties					
Interbank lending	804,582	329,417	–	–	–
Loans and advances	590,118	–	3,422	–	1,095,830
Money market instruments held	1,647,165	–	–	–	–
Dividend receivable (Note 10)	523,232	–	–	–	–
Rental deposits	35,026	–	–	–	6,859
Interest receivable	584	–	–	–	–
Others	1,666	–	–	–	–
	3,602,373	329,417	3,422	–	1,102,689
Amount due to related parties					
Demand deposits	160,007	–	13,285	7,276	17
Term deposits	1,522,650	–	4,977,162	115,310	–
Debt securities issued	–	–	750	65,000	–
Interbank borrowing	1,603,357	492,492	–	–	–
Interest payable	1,040	–	–	–	–
Others	622	–	57	–	–
	3,287,676	492,492	4,991,254	187,586	17
Commitments and contingencies					
Guarantees	22,395	–	–	–	–
Commitments	1,307,694	–	–	–	909,010
	1,330,089	–	–	–	909,010

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows (continued):

Bank 31 December 2014	Subsidiary Companies RM'000	Associated Companies RM'000	Key Management Personnel* RM'000	Companies in which Certain Directors have Substantial Interest RM'000	Public Bank Group Officers' Retirement Benefits Fund RM'000
Amount due from related parties					
Interbank lending	1,015,282	266,864	–	–	–
Loans and advances	357,822	–	3,350	–	1,507,857
Money market instruments held	1,586,876	–	–	–	–
Dividend receivable (Note 10)	501,487	–	–	–	–
Rental deposits	34,915	–	–	–	6,442
Interest receivable	177	–	–	–	–
Others	942	–	–	–	–
	3,497,501	266,864	3,350	–	1,514,299
Amount due to related parties					
Demand deposits	108,499	78	11,002	13,018	5
Term deposits	1,570,594	3,017	4,159,786	115,786	–
Debt securities issued	–	–	750	65,000	–
Interbank borrowing	509,562	421,843	–	–	–
Interest payable	1,137	–	–	–	–
Others	590	41	53	–	82
	2,190,382	424,979	4,171,591	193,804	87
Commitments and contingencies					
Guarantees	118,098	–	–	–	–
Commitments	1,251,532	–	–	–	497,154
	1,369,630	–	–	–	497,154

* Included transactions with close members of the key management personnel.

Included in the significant outstanding balances of the Group and of the Bank are demand deposits and term deposits payable to Directors of the Bank (including close members of their families) amounting to RM4,982,503,000 (2014 – RM4,160,145,000) and RM4,980,608,000 (2014 – RM4,160,055,000) respectively.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) There were no loans granted to the Directors of the Bank. Loans made to other key management personnel of the Group and of the Bank are on similar terms and conditions generally available to other employees within the Group.

None of the loans granted to key management personnel (2014 - Nil) are impaired.

(d) Key Management Personnel Compensation

The remuneration of Directors and other members of key management during the year are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short-term employee benefits				
Fees	**4,485**	5,290	**2,176**	2,459
Salary and other remuneration, including meeting allowances	**64,175**	50,945	**56,027**	43,169
Benefits-in-kind	**610**	590	**105**	121
Post-employment benefits	**5,104**	3,981	**4,324**	3,236
	74,374	60,806	**62,632**	48,985

Included in the total key management personnel compensation are:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Directors' remuneration including benefits-in-kind				
– Directors of the Bank	**53,645**	43,855	**50,533**	40,099

The movement in share options of key management personnel is as follows:

	PFHL SOS	
	2015 '000	2014 '000
At 1 January	**3,928**	3,928
Lapsed	**(3,928)**	–
At 31 December	**–**	3,928

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Other Transactions

During the year, the Group acquired the remaining 60% equity interest in PBTSB from related parties of the Group for a cash consideration of RM13.86 million, as disclosed in Note 14(d).

42. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Outstanding credit exposures with connected parties	**1,723,740**	2,067,450	**2,652,325**	2,879,663
of which:				
Total credit exposures which are impaired or in default	**193**	115	**166**	100
Total credit exposures	**280,062,795**	253,855,727	**245,587,740**	226,476,469
Percentage of outstanding credit exposures to connected parties				
– as a proportion of total credit exposures	**0.62%**	0.81%	**1.08%**	1.27%
– as a proportion of total capital	**4.50%**	5.77%	**8.57%**	9.67%
– which is impaired or in default	**0.01%**	0.01%	**0.01%**	0.00%

42. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES (CONTINUED)

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with para 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to any of the following:

(i) Directors of the Bank and their close relatives;
(ii) Controlling shareholder and his close relatives;
(iii) Influential shareholder and his close relatives;
(iv) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;
(v) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
(vi) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (v) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
(vii) Any person for whom the persons listed in (i) to (v) above is a guarantor; and
(viii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

The credit transactions with connected parties above are all transacted on an arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

43. FINANCIAL RISK MANAGEMENT

Overview

The Group's business activities involve the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, market risk, and liquidity and funding risk.

The Group's financial risk management is underpinned by the Group's risk appetite and is subject to the Board of Directors' oversight, through the Risk Management Committee ("RMC"), a Board Committee, which oversees the establishment of enterprise-wide risk management policies and processes. The RMC is assisted by the specific risk oversight committees and working group which are the Assets & Liabilities Management Committee ("ALCO"), the Credit Risk Management Committee ("CRMC"), the Operational Risk Management Committee ("ORMC") and the Internal Capital Adequacy Assessment Process ("ICAAP") Working Group.

Credit Risk

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Group's primary business is in commercial banking, the Group's exposure to credit risk is primarily from its lending and financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Group, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Group to credit risk and counterparty credit risk ("CCR").

Risk Governance

The CRMC supports the RMC in credit risk management oversight. The CRMC reviews the Group's credit risk frameworks and policies, credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level.

Risk Management Approach

The Group's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Group's lending standards, discretionary power for loans approval, credit risk rating, acceptable collateral and valuation, and the review, rehabilitation and restructuring of problematic and delinquent loans. The credit policies, guidelines and procedures are periodically reviewed to ensure their continued relevance.

Within the Risk Management Division ("RMD"), the Credit Risk Management Department has functional responsibility for credit risk management which includes formulating and reviewing group-wide credit risk policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the credit portfolios and ensuring the credit risk policies are implemented and complied with.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

The management of credit risk starts with experienced key personnel being appointed to the Credit Committee. The Credit Committee approves major credit decisions, guidelines and procedures to manage, control and monitor credit risk. Loan applications of significant amounts and/or higher risk exposure are approved at Head Office or by the Credit Committee while experienced senior credit officers at branches are given authority to approve loans with lower risk exposure. The Board of Directors of the respective entities has the authority to reject or modify the terms and conditions of loans which have been approved by the Credit Committee. The credit approving authorities are assigned discretionary powers based on their seniority and track record.

(a) Lending to Retail Consumers and SMEs

The credit granting to retail consumers and SMEs is individually underwritten, which amongst others, includes the assessment of the historical repayment track record and the current repayment capacity of the customer as well as the business condition and prospect. The credit assessment is assisted by the internal credit risk rating scoresheet. The credit approving authorities have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer is included in the customer's loan application.

(b) Lending to Corporate and Institutional Customers

The credit granting to corporate and institutional customers is individually underwritten and risk-rated through the use of an internal credit risk rating scoresheet. Credit officers identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support such as standby letters of credit or bank guarantees.

(c) Credit Risk from Trading and Investment Activities

The management of the credit risk arising from the Group's trading or investing its surplus funds is primarily via the setting of issuers' credit limits which are specifically approved by the relevant approving authorities. In addition, investment in debt securities are subject to the minimum investment grade, minimum acceptable return and the maximum tenures and these investment parameters are also subject to regular review. The holdings of Collateralised Debt Obligations ("CDO") or Collateralised Loan Obligations ("CLO") require the specific approval of the Board of Directors. As at the reporting date, the Group does not have any direct or indirect exposure to asset-backed securities, CDO or CLO and does not participate in any securitisation deals.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(d) Counterparty Credit Risk on Derivative Financial Instruments

CCR on derivative financial instruments is the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity, option or credit derivative contract defaults prior to maturity date of the contract and the Group, at the relevant time, has a claim on the counterparty. Derivative financial instruments are primarily entered into for hedging purposes.

Unlike on-balance sheet financial instruments, the Group's financial loss is not the entire contracted notional principal value of the derivatives, but equivalent to the cost to replace the defaulted derivative financial instruments with another similar contract. The Group will only suffer losses if the contract carries a positive economic value at time of default.

The CCR arising from all derivative financial instruments is managed via the establishment of credit exposure limits and daily settlement limits for each counterparty. Where possible, over-the-counter ("OTC") derivative financial instruments, especially Interest Rate Swaps and Options are transacted under master agreements, International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") agreements. ISDA allows for the close-out netting in the event of default by a counterparty and CSA provides credit protection with the requirements to post collateral, usually in the form of cash or government securities upon any excess over the threshold levels.

All outstanding financial derivative positions are marked-to-market on a daily basis. Treasury Control & Processing Department monitors counterparties' positions and promptly follows up with the requirements to post collateral upon any excess over the threshold levels.

Where possible, the Group settles its OTC derivatives via the Payment-versus-Payment ("PVP") settlement method to further reduce settlement risk. For derivative financial instruments where the PVP settlement method is not possible, the Group establishes settlement limits through the Group's credit approval process.

Proposition of counterparty limits to financial institutions by the business units are independently assessed and evaluated by RMD before approval is granted by the relevant approving party. The Independent Credit Review ("ICR") Team within RMD was set up with objectives of providing independent evaluation and views on retail business loans and corporate loans of selected loan size and/or type. Periodical review/assessment of business sectors and industry in which the Bank's borrowers are significantly exposed to are also carried out by the ICR Team besides providing assistance in the formulation of credit policies and guidelines undertaken by the business units.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

Post approval reviews are performed regularly to complement risk identification as well as to evaluate the quality of credit appraisals and the competency of credit personnel. Internal risk management reports are presented to the Credit Committee, CRMC and RMC, containing information on asset quality trends across major credit portfolios, results of post approval review, results of the credit profiling conducted, significant credit exposures to connected parties and credit concentration by economic sectors and by large single customers. Such information allows senior management, Credit Committee, CRMC and RMC to identify adverse credit trends, take corrective actions and formulate business strategies.

There have been no changes to the process for managing credit risk and the methods used to measure credit risk.

(i) Credit Risk Exposures and Credit Risk Concentration

The following tables present the Group's and the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet financial assets, the maximum exposure to credit risk equals their carrying amount. For financial guarantees, the maximum exposure to credit risk is the maximum amount that the Group or the Bank would have to pay if the obligations for which the instruments are issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic and other conditions.

By Industry Analysis

The analysis of credit risk concentration presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account any collateral held or other credit enhancements.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Risk Concentration (continued)

By Industry Analysis (continued)

Group 31 December 2015	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	4,346,660	10,484,399	–	–	–	–	–	–	14,831,059
Reverse repurchase agreements	4,379,161	–	–	–	–	–	–	–	4,379,161
Financial assets held-for-trading									
– Government securities and treasury bills	20,302	–	–	–	–	–	–	–	20,302
– Money market instruments	–	1,739,611	–	–	–	–	–	–	1,739,611
– Non-money market instruments	–	308,476	–	–	1,034,372	–	–	–	1,342,848
Derivative financial assets	–	688,086	–	–	–	–	–	–	688,086
Financial investments available-for-sale									
– Government securities and treasury bills	15,509,518	–	–	–	–	–	–	–	15,509,518
– Money market instruments	–	9,105,939	–	–	–	–	–	–	9,105,939
– Non-money market instruments *	299,728	4,516,116	7,768	345,973	–	–	–	–	5,169,585
Financial investments held-to-maturity									
– Government securities and treasury bills	15,430,861	–	–	–	–	–	–	–	15,430,861
– Money market instruments	–	1,561,205	–	–	–	–	–	–	1,561,205
– Non-money market instruments	183,678	3,238,897	666,761	862,647	–	–	–	–	4,951,983
Gross loans, advances and financing									
– Retail loans/financing									
– housing loans/financing	–	–	–	–	–	87,001,114	–	34,489	87,035,603
– hire purchase	52	3,805	3,248,642	4,412,623	2,067,509	–	42,423,913	3	52,156,547
– credit cards	–	–	–	–	–	–	–	1,781,170	1,781,170
– other loans/financing	29,598	28,254	7,156,851	27,615,045	17,222,309	3,884,217	244,703	37,363,342	93,544,319
– Corporate loans/financing	1,301,882	6,701,955	3,927,345	7,468,677	19,451,372	29,813	–	48,372	38,929,416
Statutory deposits with Central Banks	9,514,419	–	–	–	–	–	–	–	9,514,419
	51,015,859	38,376,743	15,007,367	40,704,965	39,775,562	90,915,144	42,668,616	39,227,376	357,691,632
Commitments and Contingencies									
Contingent liabilities	1,901	85,122	849,889	1,361,297	1,066,768	–	–	5,865	3,370,842
Commitments	510,796	2,708,620	5,278,110	11,701,948	14,497,027	12,036,055	9,221	12,871,830	59,613,607
	512,697	2,793,742	6,127,999	13,063,245	15,563,795	12,036,055	9,221	12,877,695	62,984,449
Total Credit Exposures	51,528,556	41,170,485	21,135,366	53,768,210	55,339,357	102,951,199	42,677,837	52,105,071	420,676,081

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Risk Concentration (continued)

By Industry Analysis (continued)

Group 31 December 2014	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	4,951,253	11,865,585	–	–	–	–	–	–	16,816,838
Reverse repurchase agreements	6,314,493	–	–	–	–	–	–	–	6,314,493
Financial assets held-for-trading									
– Government securities and treasury bills	2,194,271	–	–	–	–	–	–	–	2,194,271
– Money market instruments	–	16,073,099	–	–	–	–	–	–	16,073,099
– Non-money market instruments	–	54,878	–	–	41,770	–	–	–	96,648
Derivative financial assets	–	703,072	–	–	–	–	–	–	703,072
Financial investments available-for-sale									
– Government securities and treasury bills	17,552,762	–	–	–	–	–	–	–	17,552,762
– Money market instruments	–	1,091,364	–	–	–	–	–	–	1,091,364
– Non-money market instruments *	300,580	5,482,097	150,773	762,072	–	–	–	–	6,695,522
Financial investments held-to-maturity									
– Government securities and treasury bills	14,931,365	–	–	–	–	–	–	–	14,931,365
– Money market instruments	–	1,065,018	–	–	–	–	–	–	1,065,018
– Non-money market instruments	183,693	2,845,446	651,341	737,524	–	–	–	–	4,418,004
Gross loans, advances and financing									
– Retail loans/financing									
– housing loans/financing	–	–	–	–	–	77,610,372	–	–	77,610,372
– hire purchase	121	3,880	3,387,076	4,084,714	1,845,912	–	38,966,939	45	48,288,687
– credit cards	–	–	–	–	–	–	–	1,664,137	1,664,137
– other loans/financing	30,437	30,368	6,138,934	25,203,744	15,144,003	3,088,448	232,896	33,746,397	83,615,227
– Corporate loans/financing	–	6,836,603	4,397,196	6,517,015	16,057,476	12,605	–	44,735	33,865,630
Statutory deposits with Central Banks	8,063,746	–	–	–	–	–	–	–	8,063,746
	54,522,721	46,051,410	14,725,320	37,305,069	33,089,161	80,711,425	39,199,835	35,455,314	341,060,255
Commitments and Contingencies									
Contingent liabilities	1,916	81,295	912,409	1,218,350	1,043,118	–	–	32,944	3,290,032
Commitments	960,005	1,896,421	5,276,859	11,238,050	13,315,813	11,381,257	20,675	13,142,317	57,231,397
	961,921	1,977,716	6,189,268	12,456,400	14,358,931	11,381,257	20,675	13,175,261	60,521,429
Total Credit Exposures	55,484,642	48,029,126	20,914,588	49,761,469	47,448,092	92,092,682	39,220,510	48,630,575	401,581,684

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Risk Concentration (continued)

By Industry Analysis (continued)

Bank 31 December 2015	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	1,100,006	7,998,626	–	–	–	–	–	–	9,098,632
Reverse repurchase agreements	3,740,691	–	–	–	–	–	–	–	3,740,691
Financial assets held-for-trading									
– Government securities and treasury bills	20,302	–	–	–	–	–	–	–	20,302
– Money market instruments	–	151,231	–	–	–	–	–	–	151,231
– Non-money market instruments	–	261,675	–	–	1,009,409	–	–	–	1,271,084
Derivative financial assets	–	677,630	–	–	–	–	–	–	677,630
Financial investments available-for-sale									
– Government securities and treasury bills	10,582,783	–	–	–	–	–	–	–	10,582,783
– Money market instruments	–	7,820,028	–	–	–	–	–	–	7,820,028
– Non-money market instruments *	299,718	4,261,663	7,768	–	–	–	–	–	4,569,149
Financial investments held-to-maturity									
– Government securities and treasury bills	12,190,066	–	–	–	–	–	–	–	12,190,066
– Money market instruments	–	1,647,165	–	–	–	–	–	–	1,647,165
– Non-money market instruments	127,876	2,430,127	522,701	767,252	–	–	–	–	3,847,956
Gross loans and advances									
– Retail loans									
– housing loans	–	–	–	–	–	73,102,157	–	–	73,102,157
– hire purchase	52	3,059	2,604,107	4,211,335	1,935,655	–	29,183,671	–	37,937,879
– credit cards	–	–	–	–	–	–	–	1,759,828	1,759,828
– other loans	15,042	18,400	5,410,806	23,510,157	14,488,813	3,691,309	233,143	30,283,424	77,651,094
– Corporate loans	–	6,407,074	3,724,245	4,907,443	15,340,845	29,813	–	48,372	30,457,792
Statutory deposits with Central Banks	7,455,845	–	–	–	–	–	–	–	7,455,845
	35,532,381	31,676,678	12,269,627	33,396,187	32,774,722	76,823,279	29,416,814	32,091,624	283,981,312
Commitments and Contingencies									
Contingent liabilities	1,901	53,745	700,313	986,755	975,789	–	–	1,204	2,719,707
Commitments	510,796	3,350,942	2,778,985	10,548,912	12,880,773	9,634,124	8,000	11,981,012	51,693,544
	512,697	3,404,687	3,479,298	11,535,667	13,856,562	9,634,124	8,000	11,982,216	54,413,251
Total Credit Exposures	36,045,078	35,081,365	15,748,925	44,931,854	46,631,284	86,457,403	29,424,814	44,073,840	338,394,563

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Risk Concentration (continued)

By Industry Analysis (continued)

Bank 31 December 2014	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	1,140,236	9,868,210	–	–	–	–	–	–	11,008,446
Reverse repurchase agreements	5,564,858	–	–	–	–	–	–	–	5,564,858
Financial assets held-for-trading									
– Government securities and treasury bills	2,194,271	–	–	–	–	–	–	–	2,194,271
– Money market instruments	–	12,242,739	–	–	–	–	–	–	12,242,739
– Non-money market instruments	–	–	–	–	41,770	–	–	–	41,770
Derivative financial assets	–	691,014	–	–	–	–	–	–	691,014
Financial investments available-for-sale									
– Government securities and treasury bills	13,422,266	–	–	–	–	–	–	–	13,422,266
– Money market instruments	–	1,002,749	–	–	–	–	–	–	1,002,749
– Non-money market instruments *	300,570	5,013,875	150,773	393,668	–	–	–	–	5,858,886
Financial investments held-to-maturity									
– Government securities and treasury bills	12,860,185	–	–	–	–	–	–	–	12,860,185
– Money market instruments	–	1,586,876	–	–	–	–	–	–	1,586,876
– Non-money market instruments	127,891	2,097,396	507,267	687,204	–	–	–	–	3,419,758
Gross loans and advances									
– Retail loans									
– housing loans	–	–	–	–	–	67,116,548	–	–	67,116,548
– hire purchase	121	2,984	2,632,737	3,866,372	1,718,579	–	27,085,752	–	35,306,545
– credit cards	–	–	–	–	–	–	–	1,651,400	1,651,400
– other loans	13,542	20,954	4,877,039	22,151,627	13,144,718	2,934,456	224,717	28,032,050	71,399,103
– Corporate loans	–	6,536,045	3,881,861	4,503,828	12,681,349	12,605	–	44,735	27,660,423
Statutory deposits with Central Banks	6,375,578	–	–	–	–	–	–	–	6,375,578
	41,999,518	39,062,842	12,049,677	31,602,699	27,586,416	70,063,609	27,310,469	29,728,185	279,403,415
Commitments and Contingencies									
Contingent liabilities	1,916	147,143	772,125	923,785	809,793	–	–	1,702	2,656,464
Commitments	890,345	2,240,066	3,058,351	10,188,161	12,500,163	10,260,640	16,992	12,496,295	51,651,013
	892,261	2,387,209	3,830,476	11,111,946	13,309,956	10,260,640	16,992	12,497,997	54,307,477
Total Credit Exposures	42,891,779	41,450,051	15,880,153	42,714,645	40,896,372	80,324,249	27,327,461	42,226,182	333,710,892

* Excluding equity securities of the Group and of the Bank of RM122,665,000 (2014 – RM119,172,000) and RM114,052,000 (2014 – RM107,921,000) respectively which do not have any credit risk.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Risk Concentration (continued)

By Geographical Analysis

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows:

Group 31 December 2015	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks	9,151,220	2,729,277	1,422,972	1,527,590	14,831,059
Reverse repurchase agreements	4,373,866	–	–	5,295	4,379,161
Financial assets held-for-trading					
– Government securities and treasury bills	20,302	–	–	–	20,302
– Money market instruments	1,739,611	–	–	–	1,739,611
– Non-money market instruments	1,342,848	–	–	–	1,342,848
Derivative financial assets	615,363	13,894	–	58,829	688,086
Financial investments available-for-sale					
– Government securities and treasury bills	15,509,518	–	–	–	15,509,518
– Money market instruments	9,105,939	–	–	–	9,105,939
– Non-money market instruments *	5,169,585	–	–	–	5,169,585
Financial investments held-to-maturity					
– Government securities and treasury bills	14,386,009	947,663	–	97,189	15,430,861
– Money market instruments	–	1,137,075	–	424,130	1,561,205
– Non-money market instruments	4,531,725	62,876	–	357,382	4,951,983
Gross loans, advances and financing					
– Retail loans/financing					
– housing loans/financing	81,478,870	5,453,609	77,376	25,748	87,035,603
– hire purchase	49,970,018	2,167,635	2,398	16,496	52,156,547
– credit cards	1,765,438	6,670	9,062	–	1,781,170
– other loans/financing	85,886,486	2,610,011	4,024,225	1,023,597	93,544,319
– Corporate loans/financing	32,407,520	6,228,543	–	293,353	38,929,416
Statutory deposits with Central Banks	8,831,954	–	634,560	47,905	9,514,419
	326,286,272	21,357,253	6,170,593	3,877,514	357,691,632
Commitments and Contingencies					
Contingent liabilities	2,807,642	128,312	389,075	45,813	3,370,842
Commitments	56,841,823	2,099,208	588,828	83,748	59,613,607
	59,649,465	2,227,520	977,903	129,561	62,984,449
Total Credit Exposures	385,935,737	23,584,773	7,148,496	4,007,075	420,676,081

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Risk Concentration (continued)

By Geographical Analysis (continued)

Group 31 December 2014	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks	10,939,472	2,205,873	1,227,091	2,444,402	16,816,838
Reverse repurchase agreements	6,278,649	–	–	35,844	6,314,493
Financial assets held-for-trading					
– Government securities and treasury bills	2,194,271	–	–	–	2,194,271
– Money market instruments	16,073,099	–	–	–	16,073,099
– Non-money market instruments	96,648	–	–	–	96,648
Derivative financial assets	643,428	1,672	–	57,972	703,072
Financial investments available-for-sale					
– Government securities and treasury bills	17,552,762	–	–	–	17,552,762
– Money market instruments	1,091,364	–	–	–	1,091,364
– Non-money market instruments *	6,695,522	–	–	–	6,695,522
Financial investments held-to-maturity					
– Government securities and treasury bills	14,092,190	774,471	–	64,704	14,931,365
– Money market instruments	–	924,912	–	140,106	1,065,018
– Non-money market instruments	4,068,827	11,238	–	337,939	4,418,004
Gross loans, advances and financing					
– Retail loans/financing					
– housing loans/financing	73,689,427	3,851,650	51,253	18,042	77,610,372
– hire purchase	46,280,833	1,991,429	3,242	13,183	48,288,687
– credit cards	1,651,400	5,836	6,901	–	1,664,137
– other loans/financing	78,077,818	1,915,161	2,928,991	693,257	83,615,227
– Corporate loans/financing	28,188,582	5,227,261	–	449,787	33,865,630
Statutory deposits with Central Banks	7,480,240	–	547,968	35,538	8,063,746
	315,094,532	16,909,503	4,765,446	4,290,774	341,060,255
Commitments and Contingencies					
Contingent liabilities	2,789,877	127,022	337,395	35,738	3,290,032
Commitments	54,760,075	2,039,383	394,057	37,882	57,231,397
	57,549,952	2,166,405	731,452	73,620	60,521,429
Total Credit Exposures	372,644,484	19,075,908	5,496,898	4,364,394	401,581,684

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Risk Concentration (continued)

By Geographical Analysis (continued)

Bank 31 December 2015	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks	7,186,431	214,850	171,880	1,525,471	9,098,632
Reverse repurchase agreements	3,735,396	–	–	5,295	3,740,691
Financial assets held-for-trading					
– Government securities and treasury bills	20,302	–	–	–	20,302
– Money market instruments	151,231	–	–	–	151,231
– Non-money market instruments	1,271,084	–	–	–	1,271,084
Derivative financial assets	608,981	11,753	–	56,896	677,630
Financial investments available-for-sale					
– Government securities and treasury bills	10,582,783	–	–	–	10,582,783
– Money market instruments	7,820,028	–	–	–	7,820,028
– Non-money market instruments *	4,569,149	–	–	–	4,569,149
Financial investments held-to-maturity					
– Government securities and treasury bills	12,125,037	–	–	65,029	12,190,066
– Money market instruments	1,647,165	–	–	–	1,647,165
– Non-money market instruments	3,847,956	–	–	–	3,847,956
Gross loans and advances					
– Retail loans					
– housing loans	73,076,409	–	–	25,748	73,102,157
– hire purchase	37,921,383	–	–	16,496	37,937,879
– credit cards	1,759,828	–	–	–	1,759,828
– other loans	76,627,497	–	–	1,023,597	77,651,094
– Corporate loans	30,070,522	113,658	–	273,612	30,457,792
Statutory deposits with Central Banks	7,407,940	–	–	47,905	7,455,845
	280,429,122	340,261	171,880	3,040,049	283,981,312
Commitments and Contingencies					
Contingent liabilities	2,660,636	16,628	3,075	39,368	2,719,707
Commitments	50,950,212	663,855	–	79,477	51,693,544
	53,610,848	680,483	3,075	118,845	54,413,251
Total Credit Exposures	334,039,970	1,020,744	174,955	3,158,894	338,394,563

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Risk Concentration (continued)

By Geographical Analysis (continued)

Bank 31 December 2014	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks	8,035,683	529,925	–	2,442,838	11,008,446
Reverse repurchase agreements	5,529,014	–	–	35,844	5,564,858
Financial assets held-for-trading					
– Government securities and treasury bills	2,194,271	–	–	–	2,194,271
– Money market instruments	12,242,739	–	–	–	12,242,739
– Non-money market instruments	41,770	–	–	–	41,770
Derivative financial assets	632,349	693	–	57,972	691,014
Financial investments available-for-sale					
– Government securities and treasury bills	13,422,266	–	–	–	13,422,266
– Money market instruments	1,002,749	–	–	–	1,002,749
– Non-money market instruments *	5,858,886	–	–	–	5,858,886
Financial investments held-to-maturity					
– Government securities and treasury bills	12,840,036	–	–	20,149	12,860,185
– Money market instruments	1,586,876	–	–	–	1,586,876
– Non-money market instruments	3,419,758	–	–	–	3,419,758
Gross loans and advances					
– Retail loans					
– housing loans	67,098,506	–	–	18,042	67,116,548
– hire purchase	35,293,362	–	–	13,183	35,306,545
– credit cards	1,651,400	–	–	–	1,651,400
– other loans	70,705,846	–	–	693,257	71,399,103
– Corporate loans	27,248,066	–	–	412,357	27,660,423
Statutory deposits with Central Banks	6,340,040	–	–	35,538	6,375,578
	275,143,617	530,618	–	3,729,180	279,403,415
Commitments and Contingencies					
Contingent liabilities	2,509,126	13,530	103,317	30,491	2,656,464
Commitments	51,090,199	524,663	–	36,151	51,651,013
	53,599,325	538,193	103,317	66,642	54,307,477
Total Credit Exposures	328,742,942	1,068,811	103,317	3,795,822	333,710,892

* Excluding equity securities of the Group and of the Bank of RM122,665,000 (2014 – RM119,172,000) and RM114,052,000 (2014 – RM107,921,000) respectively which do not have any credit risk.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality of Gross Loans, Advances and Financing

Gross loans, advances and financing are analysed as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Neither past due nor impaired	**246,484,560**	219,560,698	**200,097,486**	183,272,757
Past due but not impaired	**25,610,679**	23,994,656	**19,808,744**	18,707,433
Impaired	**1,351,816**	1,488,699	**1,002,520**	1,153,829
	273,447,055	245,044,053	**220,908,750**	203,134,019

(a) Neither Past Due Nor Impaired

Gross loans, advances and financing which are neither past due nor impaired are identified into the following internally classified grades:

– "Good Grade" refers to loans, advances and financing which are neither past due nor impaired in the last six months and have never undergone any rescheduling or restructuring exercise previously.

– "Satisfactory Grade" refers to loans, advances and financing which may have been past due or impaired during the last six months or have undergone a rescheduling or restructuring exercise previously.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality of Gross Loans, Advances and Financing (continued)

(a) Neither Past Due Nor Impaired (continued)

The credit quality of gross loans, advances and financing which is neither past due nor impaired is analysed as follows:

	2015			2014		
	Good RM'000	Satisfactory RM'000	Total RM'000	Good RM'000	Satisfactory RM'000	Total RM'000
Group						
Retail loans/financing						
– housing loans/financing	**71,804,039**	**5,960,099**	**77,764,138**	62,419,681	6,169,392	68,589,073
– hire purchase	**35,699,641**	**4,833,383**	**40,533,024**	31,992,977	5,001,913	36,994,890
– credit cards	**1,141,605**	**314,916**	**1,456,521**	1,004,185	331,397	1,335,582
– other loans/financing	**83,589,521**	**4,861,438**	**88,450,959**	74,102,662	5,020,433	79,123,095
Corporate loans/financing	**36,445,913**	**1,834,005**	**38,279,918**	31,460,157	2,057,901	33,518,058
	228,680,719	**17,803,841**	**246,484,560**	200,979,662	18,581,036	219,560,698
Bank						
Retail loans						
– housing loans	**60,469,039**	**4,991,027**	**65,460,066**	54,278,149	5,263,628	59,541,777
– hire purchase	**26,275,750**	**3,509,182**	**29,784,932**	23,697,109	3,663,178	27,360,287
– credit cards	**1,124,148**	**312,126**	**1,436,274**	992,958	330,369	1,323,327
– other loans	**69,375,770**	**4,176,349**	**73,552,119**	63,547,495	4,123,799	67,671,294
Corporate loans	**28,068,844**	**1,795,251**	**29,864,095**	25,362,351	2,013,721	27,376,072
	185,313,551	**14,783,935**	**200,097,486**	167,878,062	15,394,695	183,272,757

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality of Gross Loans, Advances and Financing (continued)

(b) Past Due But Not Impaired

Past due but not impaired loans, advances and financing are loans/financing where the customer has failed to make a principal or interest/profit payment when contractually due, and includes loans/financing which are due one or more days after the contractual due date but less than three (3) months.

An aging analysis of loans, advances and financing which are past due but not impaired is as follows:

Group	1 day to < 1 month RM'000	1 month to < 2 months RM'000	2 months to < 3 months RM'000	Total RM'000
2015				
Retail loans/financing				
– housing loans/financing	**5,178,781**	**2,581,498**	**1,061,155**	**8,821,434**
– hire purchase	**6,611,667**	**3,807,376**	**859,505**	**11,278,548**
– credit cards	**203,747**	**70,316**	**26,893**	**300,956**
– other loans/financing	**3,094,098**	**1,182,488**	**361,408**	**4,637,994**
Corporate loans/financing	**561,942**	**3,796**	**6,009**	**571,747**
	15,650,235	**7,645,474**	**2,314,970**	**25,610,679**
2014				
Retail loans/financing				
– housing loans/financing	4,986,823	2,489,053	1,040,525	8,516,401
– hire purchase	6,364,373	3,616,588	922,870	10,903,831
– credit cards	199,501	74,986	28,658	303,145
– other loans/financing	2,624,891	1,052,361	331,768	4,009,020
Corporate loans/financing	258,976	2,622	661	262,259
	14,434,564	7,235,610	2,324,482	23,994,656

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality of Gross Loans, Advances and Financing (continued)

(b) Past Due But Not Impaired (continued)

An aging analysis of loans, advances and financing which are past due but not impaired is as follows (continued):

Bank	1 day to < 1 month RM'000	1 month to < 2 months RM'000	2 months to < 3 months RM'000	Total RM'000
2015				
Retail loans				
– housing loans	**4,262,980**	**2,135,070**	**878,329**	**7,276,379**
– hire purchase	**4,708,252**	**2,622,275**	**583,957**	**7,914,484**
– credit cards	**203,125**	**70,147**	**26,687**	**299,959**
– other loans	**2,472,123**	**1,023,994**	**277,284**	**3,773,401**
Corporate loans	**541,799**	**2,722**	**–**	**544,521**
	12,188,279	**5,854,208**	**1,766,257**	**19,808,744**
2014				
Retail loans				
– housing loans	4,147,023	2,109,435	877,708	7,134,166
– hire purchase	4,571,047	2,481,516	616,704	7,669,267
– credit cards	199,152	74,909	28,658	302,719
– other loans	2,214,117	905,987	266,909	3,387,013
Corporate loans	214,106	162	–	214,268
	11,345,445	5,572,009	1,789,979	18,707,433

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality of Gross Loans, Advances and Financing (continued)

(c) Impaired Loans, Advances and Financing

Loans, advances and financing are classified as impaired when they fulfill any of the following criteria:

(i) principal or interest/profit or both are past due for ninety (90) days or more; or

(ii) where a loan/financing is in arrears for less than ninety (90) days, the loan/financing exhibits indications of significant credit weaknesses; or

(iii) where a loan/financing, irregardless of impaired or non-impaired, has been rescheduled or restructured, the loan/financing will be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

In addition, loans/financing that are considered individually significant, the Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan/financing is impaired. The criteria that the Group uses to determine that there is objective evidence of impairment include:

(i) any significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest/profit or principal payments;

(iii) high probability of bankruptcy or other financial reorganisation of the borrower;

(iv) the viability of the customer's business operations and its capability to trade successfully out of financial difficulties and to generate sufficient cash flow to service its debt obligations; and

(v) any adverse news or developments affecting the local economic conditions or business environment of the borrower which will adversely affect the repayment capacity of the borrower.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality of Gross Loans, Advances and Financing (continued)

(c) Impaired Loans, Advances and Financing (continued)

The breakdown of the gross amount of loans, advances and financing individually assessed as impaired, by class, along with the fair value of related collateral held by the Group and the Bank as security are as follows:

Group	Total Gross Impaired Loans, Advances and Financing RM'000	of which Individually Assessed as Impaired: Gross Individually Assessed Impaired Loans/ Financing RM'000	Individual Assessment Allowance RM'000	Fair Value of Collateral RM'000
2015				
Retail loans/financing				
– housing loans/financing	**450,031**	**28,578**	**2,680**	**18,291**
– hire purchase	**344,975**	**2,451**	**2,318**	**621**
– credit cards	**23,680**	**–**	**–**	**–**
– other loans/financing	**455,379**	**207,324**	**88,568**	**144,110**
Corporate loans/financing	**77,751**	**77,751**	**28,381**	**68,229**
	1,351,816	**316,104**	**121,947**	**231,251**
2014				
Retail loans/financing				
– housing loans/financing	504,898	11,095	178	11,060
– hire purchase	389,966	836	807	563
– credit cards	25,410	–	–	–
– other loans/financing	483,112	226,281	101,347	159,196
Corporate loans/financing	85,313	85,313	37,754	58,310
	1,488,699	323,525	140,086	229,129

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality of Gross Loans, Advances and Financing (continued)

(c) Impaired Loans, Advances and Financing (continued)

The breakdown of the gross amount of loans, advances and financing individually assessed as impaired, by class, along with the fair value of related collateral held by the Group and the Bank as security are as follows (continued):

		of which Individually Assessed as Impaired		
Bank	**Total Gross Impaired Loans and Advances RM'000**	**Gross Individually Assessed Impaired Loans RM'000**	**Individual Assessment Allowance RM'000**	**Fair Value of Collateral RM'000**
2015				
Retail loans				
– housing loans	**365,712**	**9,367**	**173**	**9,367**
– hire purchase	**238,463**	**–**	**–**	**–**
– credit cards	**23,595**	**–**	**–**	**–**
– other loans	**325,574**	**119,352**	**19,913**	**113,259**
Corporate loans	**49,176**	**49,176**	**14,751**	**48,080**
	1,002,520	**177,895**	**34,837**	**170,706**
2014				
Retail loans				
– housing loans	440,605	9,375	–	9,375
– hire purchase	276,991	–	–	–
– credit cards	25,354	–	–	–
– other loans	340,796	139,608	30,522	125,511
Corporate loans	70,083	70,083	31,945	48,890
	1,153,829	219,066	62,467	183,776

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(iii) Collateral

The main types of collateral obtained by the Group and by the Bank to mitigate credit risk are as follows:

- for residential mortgages – charges over residential properties
- for commercial property loans/financing – charges over the properties being financed
- for motor vehicle financing – ownership claims over the vehicles financed
- for share margin financing – pledges over securities from listed exchange
- for other loans/financing – charges over business assets such as premises, inventories, trade receivables or deposits

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for gross loans, advances and financing for the Group and the Bank as at 31 December 2015 are at 89.2% (2014 – 88.3%) and 90.4% (2014 – 90.4%) respectively. The financial effect of collateral held for other remaining on-balance sheet financial assets is not significant.

Repossessed Collateral

Assets obtained by taking possession of collateral held as security against loans, advances and financing, and held as at the end of the financial year are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Residential properties	**25,646**	27,317	**25,188**	26,512
Non-residential properties	**42,821**	28,773	**42,773**	28,699
	68,467	56,090	**67,961**	55,211

Repossessed collateral are sold as soon as practicable. Repossessed collateral are recognised in other assets on the statements of financial position. The Group and the Bank do not occupy repossessed properties for its business use.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(iv) Credit Quality of Financial Investments

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies:

Financial Assets Held-for-trading

	31 December 2015						31 December 2014					
	Money Market Instruments			Non-money Market Instruments – Debt Securities			Money Market Instruments			Non-money Market Instruments – Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
Group												
AAA to AA-	–	1,488,361	1,488,361	–	–	–	–	13,956,792	13,956,792	–	–	–
A+ to A-	–	251,250	251,250	–	–	–	–	1,753,380	1,753,380	–	–	–
P-1 to P-2	–	–	–	–	1,342,848	1,342,848	–	–	–	–	96,648	96,648
Unrated	–	–	–	–	–	–	–	362,927	362,927	–	–	–
	–	1,739,611	1,739,611	–	1,342,848	1,342,848	–	16,073,099	16,073,099	–	96,648	96,648
Bank												
AAA to AA-	–	49,829	49,829	–	–	–	–	10,648,807	10,648,807	–	–	–
A+ to A-	–	101,402	101,402	–	–	–	–	1,453,560	1,453,560	–	–	–
P-1 to P-2	–	–	–	–	1,271,084	1,271,084	–	–	–	–	41,770	41,770
Unrated	–	–	–	–	–	–	–	140,372	140,372	–	–	–
	–	151,231	151,231	–	1,271,084	1,271,084	–	12,242,739	12,242,739	–	41,770	41,770

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(iv) Credit Quality of Financial Investments (continued)

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies (continued):

Financial Investments Available-for-sale

	31 December 2015						31 December 2014					
	Money Market Instruments			Non-money Market Instruments – Debt Securities			Money Market Instruments			Non-money Market Instruments – Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
Group												
Sovereign guaranteed	–	–	–	–	299,718	299,718	–	–	–	–	300,570	300,570
AAA to AA-	–	8,024,468	8,024,468	–	1,323,703	1,323,703	–	1,091,364	1,091,364	–	161,874	161,874
A+ to A-	–	1,000,355	1,000,355	345,973	–	345,973	–	–	–	261,007	–	261,007
BBB+ to BBB-	–	–	–	–	–	–	–	–	–	643,963	–	643,963
Lower than BBB-	–	–	–	–	–	–	–	–	–	53,752	–	53,752
Unrated	–	81,116	81,116	129,000	10	129,010	–	–	–	–	10	10
	–	9,105,939	9,105,939	474,973	1,623,431	2,098,404	–	1,091,364	1,091,364	958,722	462,454	1,421,176
Bank												
Sovereign guaranteed	–	–	–	–	299,718	299,718	–	–	–	–	300,570	300,570
AAA to AA-	–	6,869,415	6,869,415	–	1,323,703	1,323,703	–	1,002,749	1,002,749	–	161,874	161,874
A+ to A-	–	869,497	869,497	–	–	–	–	–	–	142,898	–	142,898
BBB+ to BBB-	–	–	–	–	–	–	–	–	–	393,668	–	393,668
Lower than BBB-	–	–	–	–	–	–	–	–	–	53,752	–	53,752
Unrated	–	81,116	81,116	–	–	–	–	–	–	–	–	–
	–	7,820,028	7,820,028	–	1,623,421	1,623,421	–	1,002,749	1,002,749	590,318	462,444	1,052,762

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(iv) Credit Quality of Financial Investments (continued)

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies (continued):

Financial Investments Held-to-maturity

	31 December 2015						31 December 2014					
	Money Market Instruments			Non-money Market Instruments – Debt Securities			Money Market Instruments			Non-money Market Instruments – Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
Group												
Sovereign guaranteed	–	–	–	–	2,535,447	2,535,447	–	–	–	–	2,269,349	2,269,349
AAA to AA-	165,130	–	165,130	13,077	1,995,192	2,008,269	134,371	–	134,371	11,238	1,798,392	1,809,630
A+ to A-	879,666	–	879,666	407,181	–	407,181	669,753	–	669,753	303,138	–	303,138
P-1 to P-2	516,409	–	516,409	–	–	–	260,894	–	260,894	34,801	–	34,801
Unrated	–	–	–	–	1,086	1,086	–	–	–	–	1,086	1,086
	1,561,205	–	1,561,205	420,258	4,531,725	4,951,983	1,065,018	–	1,065,018	349,177	4,068,827	4,418,004
Bank												
Sovereign guaranteed	–	–	–	–	2,055,991	2,055,991	–	–	–	–	1,834,959	1,834,959
AAA to AA-	–	1,647,165	1,647,165	–	1,790,879	1,790,879	–	1,586,876	1,586,876	–	1,583,713	1,583,713
Unrated	–	–	–	–	1,086	1,086	–	–	–	–	1,086	1,086
	–	1,647,165	1,647,165	–	3,847,956	3,847,956	–	1,586,876	1,586,876	–	3,419,758	3,419,758

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(iv) Credit Quality of Financial Investments (continued)

The ratings shown for money market instruments (e.g. negotiable instruments of deposit and bankers' acceptances) are based on the ratings assigned to the respective financial institution issuing the financial instruments. The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance.

As at the reporting date, none (2014 - none) of the financial investments above are past due.

Market Risk

Market risk is the risk that movements in market variables, including interest rates, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the income or value of portfolios of the Group.

The market risk exposure of the Group is identified into two types:

(i) Traded Market Risk:

Primarily the interest rate/rate of return risk and credit spread risk, exists in the Group's trading book positions held for the purpose of benefiting from short-term price movements. These trading book positions are mainly originated by the treasury operations.

(ii) Non-Traded Market Risk

Interest rate/rate of return risk, foreign exchange risk and equity prices risk arising mainly from the retail and commercial banking assets and liabilities, as well as financial investments designated as available-for-sale and held-to-maturity.

The Group's core market risks are as follows:

(a) Interest Rate/Rate of Return Risk in the Banking Book ("IRR/RoRBB")

Risk to the Group's earnings and economic value of equity ("EVE") arising from adverse movements in the interest rate/rate of return over time arising from activities such as deposits taking, lending or financing and investment.

(b) Foreign Exchange Risk

Risk of adverse impact arising from movements in exchange rates on foreign currency positions originating from treasury money market activities and from the Group's investments and retained earnings in its subsidiary companies, overseas branches and associated companies, whose functional currencies are not in Ringgit Malaysia. The main foreign currencies in which the Group's businesses are transacted in are United States Dollars and Hong Kong Dollars.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

The Group's core market risks are as follows (continued):

(c) Displaced Commercial Risk ("DCR")

Risk of Public Islamic Bank Berhad ("PIBB") bearing the credit and market risk losses as a result of paying a return that exceeds the actual return that was supposedly to be earned by the Investment Account Holders ("IAH") based on the contractual profit sharing ratio. As at reporting date, PIBB does not have Profit Sharing Investment Accounts which are eligible for risk absorbent treatment.

(d) Equity Risk

Risk of adverse impact arising from movements in equity prices on equity positions held by the Group for dividend yield purposes.

Risk Governance

The ALCO supports the RMC in market risk management oversight. The ALCO reviews the Group's market risk frameworks and policies, aligns market risk management with business strategies and planning, and implements actions to ensure that the market risk remains within established risk tolerance level.

(i) Traded Market Risk

Risk Management Approach

The Group's traded market risk frameworks comprises market risk policies and practices, delegation of authorities, market risk limits and valuation methodologies. The Group's traded market risk for its fixed income instruments is measured by the present value of 1 basis point change ("PV01") and controlled by daily and cumulative cut-loss limits. The compliance officers are deployed to conduct daily compliance checking on the treasury operations. Any instances of non-compliance with the operational processes, procedures and limits will be documented with remedial action plans and reported to the Audit Committee. In addition, the compliance officers conduct independent verification on the daily mark-to-market valuation of fixed income instruments.

The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by RMD. Changes to market risk limits must be approved by the ALCO. The trading book positions and limits are regularly reported to the ALCO. The Group maintains its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

During the financial year, the Group's and the Bank's traded market risk exposures on fixed income instruments as measured by PV01, averaged at RM266,000 (2014 - RM271,000) and RM238,000 (2014 - RM235,000) respectively. The composition of the Group's and the Bank's trading portfolio is set out in Note 5 to the financial statements.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk

(a) Interest Rate/Rate of Return Risk in the Banking Book

The sources of IRR/RoRBB are as follows:

(i) Repricing Risk - Risk caused by timing differences in the interest rate/rate of return changes and cash flows that occur in the repricing and maturity of the Group's fixed and floating rate assets, liabilities and off-balance sheet instruments.

(ii) Yield Curve Risk - Risk when unanticipated changes in the yield curve have adverse effects on the Group's earnings and EVE.

(iii) Basis Risk - Risk arising from the imperfect correlation between changes in the interest rate/rate of return earned and paid on different instruments with otherwise similar repricing characteristics. This will affect the Group's net interest/profit margin, i.e. earnings and also future cash flows, which in turn affect economic value of the Group.

(iv) Optionality Risk - Risk of early repayments of loans/financing and early withdrawal of deposits due to changes in the interest rate/rate of return which will potentially affect future earnings.

Risk Management Approach

The Group emphasises the importance of IRR/RoRBB as most of the balance sheet items of the Group generate interest/profit income and interest/profit expense that are correlated to interest rate/rate of return. Hence, the primary objective in managing the IRR/RoRBB is to manage the volatility in the Group's net interest/profit income ("NII/NPI") and EVE due to the changing levels of interest rate/rate of return, whilst balancing the cost of hedging activities on the current revenue streams. This is achieved in various manners such as the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in the interest rate/rate of return of sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects. The use of derivative financial instruments to hedge the interest rate/rate of return risk is set out in Note 6 to the financial statements.

The Group's IRR/RoRBB is also governed by the Group's Interest/Profit Rate Risk Management Framework to ensure that all IRR/RoRBB is managed within its risk appetite. All limits and policies are approved by the RMC and are regularly reviewed to ensure that the limits and policies remain applicable and is able to surface potential interest rate/rate of return risk.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

Risk Management Approach (continued)

The Group uses a range of approaches to measure IRR/RoRBB, whereby the impact on NII/NPI and EVE is considered at all times, as follows:

(i) Repricing Gap Reports

Distribution of interest/profit sensitive assets, liabilities and off-balance sheet positions into time bands according to their remaining maturity or next repricing maturity. One of the challenges of this mismatch repricing analysis is the underlying assumptions of the embedded optionality of loan/financing prepayments, early deposits withdrawal and effective duration of liabilities which are contractually repayable on demand such as current and saving accounts.

This is measured on a monthly basis for the Bank and quarterly basis for the Group.

(ii) Sensitivity Analysis

Impact to NII/NPI - This is the projected Group's NII/NPI sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's interest rate/rate of return sensivity gap as at the reporting date after taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

Impact to EVE - This measure takes a comprehensive view of the potential long-term effects of a 100 basis point parallel movement in interest/profit rates on the economic value of the Group's Balance Sheet. It requires all future cash flows associated with the Group's assets, liabilities and off-balance sheet positions to be discounted at relevant market rates to determine the overall net present value of the Group.

These are measured on a monthly basis for the Bank and quarterly basis for the Group.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

Risk Management Approach (continued)

The Group uses a range of approaches to measure IRR/RoRBB, whereby the impact on NII/NPI and EVE is considered at all times, as follows (continued):

(iii) Simulation Scenarios

As and when the need arises, analysis is performed on the sensitivity of projected NII/NPI and EVE under varying interest/profit rate and balance sheet scenarios. The analysis also incorporates business assumptions obtained from various lines of business and behavioural assumptions established based on statistical methods for the Group. The impact on earnings is measured against the approved Earning-at-Risk (EaR) and EVE limits where new business and hedging strategies are carried out to mitigate any increasing interest rate/rate of return risk.

(iv) Stress Testing

The vulnerability of the Group's earnings and EVE under various levels of stress using a variety of economic parameters. This semi-annual practice is also to determine the adequacy of capital in meeting the adverse impact of extreme interest rate/rate of return movements on the Group's statements of financial position which can provide an early warning of the potential losses and to facilitate proactive management of the interest rate/rate of return risk.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) The following tables indicate the effective interest rate/rate of return at the reporting date and the Group's and the Bank's sensitivity to the interest rate/rate of return by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans, advances and financing.

	Non-trading book											
Group 2015	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate/rate of return %
ASSETS												
Cash and balances with banks	10,571,707	847,274	335,599	-	-	-	-	-	3,076,479	-	14,831,059	2.34
Reverse repurchase agreements	2,603,763	1,136,928	-	-	-	-	-	-	-	638,470	4,379,161	3.35
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	3,102,761	3,102,761	3.92
Financial investments available-for-sale	2,154,020	5,594,383	4,154,960	2,783,354	4,295,498	3,311,643	1,377,132	3,042,860	3,193,857	-	29,907,707	3.54
Financial investments held-to-maturity	126,587	810,275	2,264,060	3,543,699	2,561,030	4,645,857	1,784,419	6,207,036	1,086	-	21,944,049	3.51
Loans, advances and financing												
– non-impaired	203,639,563	7,902,016	12,008,409	12,882,408	9,636,963	7,754,958	5,627,740	12,643,182	-	-	272,095,239	5.37
– impaired *	-	-	-	-	-	-	-	-	(280,768)	-	(280,768)	-
Other non-interest/profit sensitive balances	-	-	-	-	-	-	-	-	17,191,834	587,164	17,778,998	-
TOTAL ASSETS	219,095,640	16,290,876	18,763,028	19,209,461	16,493,491	15,712,458	8,789,291	21,893,078	23,182,488	4,328,395	363,758,206	

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

	Non-trading book											
Group 2015	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate/rate of return %
LIABILITIES AND EQUITY												
Deposits from customers	114,652,887	61,281,463	91,493,382	33,634,226	18,186	1,645	1,474	-	73,826	-	301,157,089	3.11
Deposits from banks	7,230,811	1,268,355	891,621	58,049	50,933	141,524	169,273	-	158,955	-	9,969,521	1.71
Bills and acceptances payable	26,412	-	-	-	-	-	-	-	336,480	-	362,892	3.56
Recourse obligations on loans and financing sold to Cagamas	-	-	-	1,500,017	422,004	-	-	-	-	-	1,922,021	3.93
Debt securities issued and other borrowed funds	602,614	-	2,059,400	3,000,000	2,350,000	3,588,000	-	-	66,866	-	11,666,880	4.55
Other non-interest/profit sensitive balances	-	-	-	-	-	-	-	-	6,245,260	126,804	6,372,064	-
Total Liabilities	122,512,724	62,549,818	94,444,403	38,192,292	2,841,123	3,731,169	170,747	-	6,881,387	126,804	331,450,467	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	31,231,098	-	31,231,098	-
Non-controlling interests	-	-	-	-	-	-	-	-	1,076,641	-	1,076,641	-
TOTAL LIABILITIES AND EQUITY	122,512,724	62,549,818	94,444,403	38,192,292	2,841,123	3,731,169	170,747	-	39,189,126	126,804	363,758,206	
On-balance sheet interest/ profit sensitivity gap	96,582,916	(46,258,942)	(75,681,375)	(18,982,831)	13,652,368	11,981,289	8,618,544	21,893,078	(16,006,638)	4,201,591	-	
Off-balance sheet interest/ profit sensitivity gap (interest/ profit rate swaps)	1,688,673	(2,683,537)	1,559,400	(74,400)	(950,000)	1,859,090	(930,000)	(469,226)	-	-	-	
TOTAL INTEREST/PROFIT SENSITIVITY GAP	98,271,589	(48,942,479)	(74,121,975)	(19,057,231)	12,702,368	13,840,379	7,688,544	21,423,852	(16,006,638)	4,201,591	-	

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

	Non-trading book											
Group 2014	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate/rate of return %
ASSETS												
Cash and balances with banks	11,172,722	1,659,814	1,274,696	-	-	-	-	-	2,709,606	-	16,816,838	2.44
Reverse repurchase agreements	4,056,643	1,508,215	-	-	-	-	-	-	-	749,635	6,314,493	3.31
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	18,364,018	18,364,018	3.82
Financial investments available-for-sale	542,634	4,523,374	5,642,625	2,256,360	3,857,543	1,024,980	1,763,206	454,569	5,393,529	-	25,458,820	3.48
Financial investments held-to-maturity	304,912	686,457	2,731,286	933,187	3,358,999	426,825	4,601,382	7,370,253	1,086	-	20,414,387	3.60
Loans, advances and financing												
- non-impaired	180,691,172	8,517,605	11,158,301	11,679,312	9,029,458	6,907,363	5,329,433	10,242,710	-	-	243,555,354	5.42
- impaired *	-	-	-	-	-	-	-	-	(333,515)	-	(333,515)	-
Other non-interest/profit sensitive balances	-	-	-	-	-	-	-	-	14,570,802	560,737	15,131,539	-
TOTAL ASSETS	196,768,083	16,895,465	20,806,908	14,868,859	16,246,000	8,359,168	11,694,021	18,067,532	22,341,508	19,674,390	345,721,934	

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

	Non-trading book											
Group 2014	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate/rate of return %
LIABILITIES AND EQUITY												
Deposits from customers	107,007,010	50,250,985	87,461,339	31,725,198	6,349	2,063	1,659	-	85,573	-	276,540,176	3.19
Deposits from banks	13,821,196	4,343,456	2,036,472	48,069	63,973	50,725	118,659	5,555	181,627	-	20,669,732	1.27
Bills and acceptances payable	129,648	74,476	-	-	-	-	-	-	457,594	-	661,718	3.76
Recourse obligations on loans and financing sold to Cagamas	-	-	-	-	1,500,016	422,004	-	-	-	-	1,922,020	3.93
Debt securities issued and other borrowed funds	488,522	-	-	1,899,550	3,000,000	2,350,000	3,588,000	-	101,693	-	11,427,765	4.58
Other non-interest/profit sensitive balances	-	-	-	-	-	-	-	-	5,481,383	144,359	5,625,742	-
Total Liabilities	121,446,376	54,668,917	89,497,811	33,672,817	4,570,338	2,824,792	3,708,318	5,555	6,307,870	144,359	316,847,153	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	28,024,668	-	28,024,668	-
Non-controlling interests	-	-	-	-	-	-	-	-	850,113	-	850,113	-
TOTAL LIABILITIES AND EQUITY	121,446,376	54,668,917	89,497,811	33,672,817	4,570,338	2,824,792	3,708,318	5,555	35,182,651	144,359	345,721,934	
On-balance sheet interest/ profit sensitivity gap	75,321,707	(37,773,452)	(68,690,903)	(18,803,958)	11,675,662	5,534,376	7,985,703	18,061,977	(12,841,143)	19,530,031	-	
Off-balance sheet interest/ profit sensitivity gap (interest/ profit rate swaps)	670,000	(3,710,909)	(297,309)	1,399,550	25,600	250,000	1,883,068	(220,000)	-	-	-	
TOTAL INTEREST/PROFIT SENSITIVITY GAP	75,991,707	(41,484,361)	(68,988,212)	(17,404,408)	11,701,262	5,784,376	9,868,771	17,841,977	(12,841,143)	19,530,031	-	

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

	Non-trading book											Effective
Bank 2015	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	interest rate %
ASSETS												
Cash and balances with banks	6,522,467	471,880	-	-	-	-	-	-	2,104,285	-	9,098,632	2.28
Reverse repurchase agreements	2,603,763	1,136,928	-	-	-	-	-	-	-	-	3,740,691	3.37
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	1,442,617	1,442,617	3.93
Financial investments available-for-sale	1,338,292	5,265,773	2,474,482	947,547	3,117,641	2,997,257	1,083,960	2,801,279	3,059,781	-	23,086,012	3.68
Financial investments held-to-maturity	13,368	371,261	347,249	3,209,992	612,352	4,887,899	1,522,686	6,719,294	1,086	-	17,685,187	3.93
Loans and advances												
– non-impaired	174,362,658	5,801,103	8,066,024	9,145,117	6,765,111	5,135,890	3,791,217	6,839,110	-	-	219,906,230	5.29
– impaired *	-	-	-	-	-	-	-	-	(34,156)	-	(34,156)	-
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	16,762,156	585,022	17,347,178	-
TOTAL ASSETS	184,840,548	13,046,945	10,887,755	13,302,656	10,495,104	13,021,046	6,397,863	16,359,683	21,893,152	2,027,639	292,272,391	

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

	Non-trading book											
Bank 2015	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
LIABILITIES AND EQUITY												
Deposits from customers	90,370,090	46,723,409	72,637,203	26,641,834	16,120	1,175	1,129	-	69,198	-	236,460,158	3.28
Deposits from banks	7,741,807	1,082,828	605,592	58,049	48,585	139,924	165,223	-	721,082	-	10,563,090	1.58
Bills and acceptances payable	26,412	-	-	-	-	-	-	-	335,631	-	362,043	3.56
Recourse obligations on loans sold to Cagamas	-	-	-	1,000,001	422,004	-	-	-	-	-	1,422,005	4.05
Debt securities issued and other borrowed funds	-	-	2,059,400	3,000,000	2,350,000	3,088,000	-	-	67,749	-	10,565,149	4.68
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	4,828,281	126,478	4,954,759	-
Total Liabilities	98,138,309	47,806,237	75,302,195	30,699,884	2,836,709	3,229,099	166,352	-	6,021,941	126,478	264,327,204	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	27,945,187	-	27,945,187	-
TOTAL LIABILITIES AND EQUITY	98,138,309	47,806,237	75,302,195	30,699,884	2,836,709	3,229,099	166,352	-	33,967,128	126,478	292,272,391	
On-balance sheet interest sensitivity gap	86,702,239	(34,759,292)	(64,414,440)	(17,397,228)	7,658,395	9,791,947	6,231,511	16,359,683	(12,073,976)	1,901,161	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	(30,000)	(5,673,000)	1,559,400	125,600	(350,000)	2,888,000	(800,000)	2,280,000	-	-	-	
TOTAL INTEREST SENSITIVITY GAP	86,672,239	(40,432,292)	(62,855,040)	(17,271,628)	7,308,395	12,679,947	5,431,511	18,639,683	(12,073,976)	1,901,161	-	

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

	Non-trading book											Effective
Bank 2014	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	interest rate %
ASSETS												
Cash and balances with banks	7,051,201	1,278,550	755,747	-	-	-	-	-	1,922,948	-	11,008,446	2.20
Reverse repurchase agreements	4,056,642	1,508,216	-	-	-	-	-	-	-	-	5,564,858	3.32
Financial assets held-for-trading	-	-	-	-	-	-	-	-	-	14,478,780	14,478,780	3.80
Financial investments available-for-sale	387,908	2,039,516	4,235,727	1,832,436	3,857,543	1,024,980	1,645,097	454,569	4,914,046	-	20,391,822	3.54
Financial investments held-to-maturity	19,055	222,588	570,302	668,021	3,210,318	331,703	4,864,062	7,979,684	1,086	-	17,866,819	3.90
Loans and advances												
– non-impaired	158,420,158	6,699,261	7,692,930	8,589,411	6,506,785	4,855,146	3,428,171	5,788,328	-	-	201,980,190	5.34
– impaired *	-	-	-	-	-	-	-	-	(52,163)	-	(52,163)	-
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	14,869,056	559,758	15,428,814	-
TOTAL ASSETS	169,934,964	11,748,131	13,254,706	11,089,868	13,574,646	6,211,829	9,937,330	14,222,581	21,654,973	15,038,538	286,667,566	

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

	Non-trading book											
Bank 2014	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	> 1 - 2 years RM'000	> 2 - 3 years RM'000	> 3 - 4 years RM'000	> 4 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
LIABILITIES AND EQUITY												
Deposits from customers	85,353,598	40,946,971	74,107,715	25,719,818	4,676	1,654	1,162	-	81,397	-	226,216,991	3.36
Deposits from banks	12,328,693	3,526,843	1,166,951	48,069	63,973	48,357	117,059	5,555	391,150	-	17,696,650	1.05
Bills and acceptances payable	129,648	74,476	-	-	-	-	-	-	457,044	-	661,168	3.76
Recourse obligations on loans sold to Cagamas	-	-	-	-	1,000,000	422,004	-	-	-	-	1,422,004	4.05
Debt securities issued and other borrowed funds	-	-	-	1,899,550	3,000,000	2,350,000	3,088,000	-	102,833	-	10,440,383	4.70
Other non-interest sensitive balances	-	-	-	-	-	-	-	-	4,145,554	141,655	4,287,209	-
Total Liabilities	97,811,939	44,548,290	75,274,666	27,667,437	4,068,649	2,822,015	3,206,221	5,555	5,177,978	141,655	260,724,405	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	25,943,161	-	25,943,161	-
TOTAL LIABILITIES AND EQUITY	97,811,939	44,548,290	75,274,666	27,667,437	4,068,649	2,822,015	3,206,221	5,555	31,121,139	141,655	286,667,566	
On-balance sheet interest sensitivity gap	72,123,025	(32,800,159)	(62,019,960)	(16,577,569)	9,505,997	3,389,814	6,731,109	14,217,026	(9,466,166)	14,896,883	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	(380,000)	(5,970,774)	(192,377)	1,399,550	225,600	750,000	2,888,001	1,280,000	-	-	-	
TOTAL INTEREST SENSITIVITY GAP	71,743,025	(38,770,933)	(62,212,337)	(15,178,019)	9,731,597	4,139,814	9,619,110	15,497,026	(9,466,166)	14,896,883	-	

* This is arrived at after deducting collective assessment allowance and individual assessment allowance from the outstanding gross impaired loans, advances and financing.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(ii) Interest Rate/Rate of Return Risk Sensitivity Analysis

The following table presents the projected Group's and Bank's sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's and Bank's interest rate/rate of return sensitivity gap as at the reporting date taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

	2015		2014	
	-100 bps	+100 bps	-100 bps	+100 bps
	← Increase/(Decrease) →			
	RM'000	RM'000	RM'000	RM'000
Group				
Impact on NII/NPI	**(206,199)**	**180,076**	(77,560)	59,607
Impact on EVE	**2,016,809**	**(1,651,537)**	1,723,447	(1,377,719)
Bank				
Impact on NII	**(212,778)**	**194,213**	(79,242)	68,463
Impact on EVE	**1,373,087**	**(1,427,786)**	1,519,468	(1,222,776)

The reported amounts do not capture the impact of business growth or of management actions and are based on the balance sheet as at reporting date. In reality, the ALCO seeks to proactively change the interest rate/rate of return risk profile to minimise losses and maximise net revenue. The projection assumes a constant statements of financial position and that all positions run to maturity.

The repricing profile of loans/financing that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Where possible and material, loans/financing prepayments are generally estimated based on past statistics and trends. The impact on the NII/NPI and EVE are measured on a monthly basis for the Bank and quarterly basis for the Group, both of which are reported to the ALCO and the RMC.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Displaced Commercial Risk ("DCR")

Risk Management Approach

PIBB uses the Profit Equalisation Reserve ("PER") to manage its DCR and is governed by the Profit Equalisation Reserve Framework. PER is created by setting aside an amount out of the total gross income before distribution to the IAH and to PIBB. The amount of PER set aside is shared by both the IAH and PIBB. PER may be released to smoothen the rate of return. In the event that there is no PER balance to be released, PIBB may employ the following techniques to ensure that the IAH receive market rate of return:

(i) to forgo part or all of PIBB's share of profit as mudharib to the IAH by way of varying the percentage of profit taken as the mudharib share in order to increase the share attributed to the IAH in any particular year; and/or

(ii) to transfer PIBB's current year profits or retained earnings to the IAH on the basis of hibah.

In accordance with the BNM's Transition Policy under Islamic Financial Services Act 2013, PIBB has transitioned all of its investment deposit products into islamic deposits with effect from 1 July 2015. In respect of investment deposits products where the maturity period is beyond 30 June 2015 or held as security against financing facilities, BNM allows continued classification as investment deposits until their respective maturity period or settlement of the financing facilities.

As at reporting date, PIBB's investment deposits of RM113,594,000 (2014 – RM321,692,000) are subject to DCR.

(c) Foreign Exchange Risk

Risk Management Approach

The Group manages such risk through funding in the same functional currencies, where possible. In addition, Net Open Position ("NOP") limit is set for overall NOP as well as NOP limits for individual currencies. The decision to hedge the Group's net investment in its overseas operations is based on the potential foreign exchange risk against the cost of hedging and is periodically assessed by the ALCO.

(i) The following tables summarised the assets, liabilities and NOP by currencies as at the reporting date, which are mainly in Ringgit Malaysia, Hong Kong Dollars and United States Dollars. Other currencies mainly include exposure to Euro, Australian Dollars, Chinese Renminbi, New Zealand Dollars, Sri Lanka Rupees, Great Britain Pounds and Japanese Yen.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(c) Foreign Exchange Risk (continued)

Group 2015	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	8,340,688	762,869	4,215,044	1,512,458	14,831,059
Reverse repurchase agreements	4,373,865	–	–	5,296	4,379,161
Financial assets held-for-trading	3,102,761	–	–	–	3,102,761
Derivative financial assets	658,362	2,141	27,583	–	688,086
Financial investments available-for-sale	29,355,315	3,771	544,831	3,790	29,907,707
Financial investments held-to-maturity	18,917,734	1,807,774	860,399	358,142	21,944,049
Loans, advances and financing	248,410,197	14,766,734	7,240,382	1,397,158	271,814,471
Other assets	1,373,812	484,130	518,289	659,733	3,035,964
Statutory deposits with Central Banks	8,831,954	–	672,435	10,030	9,514,419
Deferred tax assets	51,263	352	–	14,051	65,666
Investment in associated companies	19,316	–	171,604	–	190,920
Investment properties	336,977	148,198	–	–	485,175
Property and equipment	914,760	404,175	95,257	8,661	1,422,853
Intangible assets	775,493	1,600,422	–	–	2,375,915
TOTAL ASSETS	325,462,497	19,980,566	14,345,824	3,969,319	363,758,206
LIABILITIES					
Deposits from customers	259,027,746	14,972,110	22,068,365	5,088,868	301,157,089
Deposits from banks	5,524,340	432,228	3,479,990	532,963	9,969,521
Bills and acceptances payable	361,186	–	–	1,706	362,892
Recourse obligations on loans and financing sold to Cagamas	1,922,021	–	–	–	1,922,021
Derivative financial liabilities	997,087	326	10,167	–	1,007,580
Debt securities issued and other borrowed funds	10,179,887	602,614	884,379	–	11,666,880
Other liabilities	2,815,407	612,716	184,174	908,006	4,520,303
Provision for tax expense and zakat	625,248	13,622	50,261	–	689,131
Deferred tax liabilities	140,400	14,650	–	–	155,050
TOTAL LIABILITIES	281,593,322	16,648,266	26,677,336	6,531,543	331,450,467
Non-controlling interests	–	1,053,258	23,383	–	1,076,641
On-Balance Sheet Open Position	43,869,175	2,279,042	(12,354,895)	(2,562,224)	31,231,098
Off-Balance Sheet Open Position	(13,629,371)	(231,424)	10,476,618	3,384,177	–
NET OPEN POSITION	30,239,804	2,047,618	(1,878,277)	821,953	31,231,098

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(c) Foreign Exchange Risk (continued)

Group 2014	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	9,492,412	888,071	5,037,601	1,398,754	16,816,838
Reverse repurchase agreements	6,278,649	–	–	35,844	6,314,493
Financial assets held-for-trading	18,364,018	–	–	–	18,364,018
Derivative financial assets	648,170	979	53,923	–	703,072
Financial investments available-for-sale	24,463,521	3,069	985,090	7,140	25,458,820
Financial investments held-to-maturity	18,161,017	1,342,400	408,976	501,994	20,414,387
Loans, advances and financing	224,993,970	11,612,521	5,609,526	1,005,822	243,221,839
Other assets	1,152,846	91,403	200,489	1,027,495	2,472,233
Statutory deposits with Central Banks	7,480,240	–	576,633	6,873	8,063,746
Deferred tax assets	57,564	11,761	–	–	69,325
Investment in associated companies	25,036	–	132,379	–	157,415
Investment properties	2,250	104,778	–	–	107,028
Property and equipment	1,051,409	333,343	82,912	7,914	1,475,578
Intangible assets	769,251	1,313,891	–	–	2,083,142
TOTAL ASSETS	312,940,353	15,702,216	13,087,529	3,991,836	345,721,934
LIABILITIES					
Deposits from customers	253,263,265	11,024,022	7,945,788	4,307,101	276,540,176
Deposits from banks	7,057,729	727,433	11,935,389	949,181	20,669,732
Bills and acceptances payable	659,518	–	–	2,200	661,718
Recourse obligations on loans and financing sold to Cagamas	1,922,020	–	–	–	1,922,020
Derivative financial liabilities	466,412	2,704	19,077	–	488,193
Debt securities issued and other borrowed funds	10,186,057	58,487	1,183,221	–	11,427,765
Other liabilities	3,202,296	213,991	52,871	1,027,488	4,496,646
Provision for tax expense and zakat	508,269	8,388	35,434	2,503	554,594
Deferred tax liabilities	75,003	11,306	–	–	86,309
TOTAL LIABILITIES	277,340,569	12,046,331	21,171,780	6,288,473	316,847,153
Non-controlling interests	–	832,981	17,132	–	850,113
On-Balance Sheet Open Position	35,599,784	2,822,904	(8,101,383)	(2,296,637)	28,024,668
Off-Balance Sheet Open Position	(8,552,189)	(1,293,242)	6,938,955	2,906,476	–
NET OPEN POSITION	27,047,595	1,529,662	(1,162,428)	609,839	28,024,668

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(c) Foreign Exchange Risk (continued)

Bank 2015	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	5,832,178	193,996	2,711,308	361,150	9,098,632
Reverse repurchase agreements	3,735,395	–	–	5,296	3,740,691
Financial assets held-for-trading	1,442,617	–	–	–	1,442,617
Derivative financial assets	652,513	–	25,117	–	677,630
Financial investments available-for-sale	23,053,503	–	32,449	60	23,086,012
Financial investments held-to-maturity	17,620,158	–	–	65,029	17,685,187
Loans and advances	216,780,380	113,482	2,129,524	848,688	219,872,074
Other assets	1,423,879	487,329	506,288	653,504	3,071,000
Statutory deposits with Central Banks	7,407,940	–	46,362	1,543	7,455,845
Investment in subsidiary companies	2,464,125	1,672,194	538,226	–	4,674,545
Investment in associated companies	20,000	–	101,295	–	121,295
Property and equipment	642,263	–	546	8,661	651,470
Intangible assets	695,393	–	–	–	695,393
TOTAL ASSETS	281,770,344	2,467,001	6,091,115	1,943,931	292,272,391
LIABILITIES					
Deposits from customers	219,029,391	33,431	14,174,172	3,223,164	236,460,158
Deposits from banks	5,595,387	–	4,371,394	596,309	10,563,090
Bills and acceptances payable	360,337	–	–	1,706	362,043
Recourse obligations on loans sold to Cagamas	1,422,005	–	–	–	1,422,005
Derivative financial liabilities	1,045,621	–	–	–	1,045,621
Debt securities issued and other borrowed funds	9,680,770	–	884,379	–	10,565,149
Other liabilities	2,479,505	–	27,010	881,858	3,388,373
Provision for tax expense	409,668	–	3,669	427	413,764
Deferred tax liabilities	107,001	–	–	–	107,001
TOTAL LIABILITIES	240,129,685	33,431	19,460,624	4,703,464	264,327,204
On-Balance Sheet Open Position	41,640,659	2,433,570	(13,369,509)	(2,759,533)	27,945,187
Off-Balance Sheet Open Position	(13,629,371)	(875,250)	11,245,377	3,259,244	–
NET OPEN POSITION	28,011,288	1,558,320	(2,124,132)	499,711	27,945,187

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(c) Foreign Exchange Risk (continued)

Bank 2014	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	6,347,885	764,449	3,400,015	496,097	11,008,446
Reverse repurchase agreements	5,529,014	–	–	35,844	5,564,858
Financial assets held-for-trading	14,478,780	–	–	–	14,478,780
Derivative financial assets	637,091	–	53,923	–	691,014
Financial investments available-for-sale	19,775,173	–	616,595	54	20,391,822
Financial investments held-to-maturity	17,846,670	–	–	20,149	17,866,819
Loans and advances	199,563,210	–	1,597,705	767,112	201,928,027
Other assets	1,173,597	77,016	188,555	1,011,321	2,450,489
Statutory deposits with Central Banks	6,340,040	–	35,538	–	6,375,578
Investment in subsidiary companies	2,289,095	1,672,194	474,761	–	4,436,050
Investment in associated companies	20,030	–	101,295	–	121,325
Property and equipment	650,272	–	779	7,914	658,965
Intangible assets	695,393	–	–	–	695,393
TOTAL ASSETS	275,346,250	2,513,659	6,469,166	2,338,491	286,667,566
LIABILITIES					
Deposits from customers	221,149,305	10,691	2,477,604	2,579,391	226,216,991
Deposits from banks	5,084,913	–	11,580,492	1,031,245	17,696,650
Bills and acceptances payable	658,968	–	–	2,200	661,168
Recourse obligations on loans sold to Cagamas	1,422,004	–	–	–	1,422,004
Derivative financial liabilities	516,079	–	7,646	–	523,725
Debt securities issued and other borrowed funds	9,687,197	–	753,186	–	10,440,383
Other liabilities	2,331,778	–	21,650	1,009,837	3,363,265
Provision for tax expense	337,645	–	2,664	679	340,988
Deferred tax liabilities	59,231	–	–	–	59,231
TOTAL LIABILITIES	241,247,120	10,691	14,843,242	4,623,352	260,724,405
On-Balance Sheet Open Position	34,099,130	2,502,968	(8,374,076)	(2,284,861)	25,943,161
Off-Balance Sheet Open Position	(8,552,189)	(1,290,293)	7,174,028	2,668,454	–
NET OPEN POSITION	25,546,941	1,212,675	(1,200,048)	383,593	25,943,161

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(c) Foreign Exchange Risk (continued)

(ii) Structural foreign exchange risk represents the Group's currency exposure in its net investments in overseas operations and capital funds/retained earnings of overseas branches. Where possible, the Group manages such risk through funding investments in the same functional currencies. In addition, as part of its risk management strategy, the Group has designated certain funding in United States Dollars to hedge part of its Hong Kong Dollars structural currency exposure due to the pegging of Hong Kong Dollars to United States Dollars. The structural currency exposures of the Group as at the reporting date are as follows:

Group	Hedged RM'000	Unhedged RM'000	Total RM'000
2015			
United States Dollars	**2,969,227**	**(928,101)**	**2,041,126**
Hong Kong Dollars	**2,496,557**	**1,095,692**	**3,592,249**
Other currencies	**–**	**770,518**	**770,518**
	5,465,784	**938,109**	**6,403,893**
2014			
United States Dollars	1,867,799	(381,691)	1,486,108
Hong Kong Dollars	2,032,193	750,220	2,782,413
Other currencies	–	585,353	585,353
	3,899,992	953,882	4,853,874

(iii) Sensitivity Analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group on its non-trading unhedged positions as at each reporting date is summarised below:

Group	Change in Currency Rates %	Revaluation Sensitivity 2015 RM'000	Revaluation Sensitivity 2014 RM'000
United States Dollars	+/- 5	**-/+ 46,405**	-/+ 19,085
Hong Kong Dollars	+/- 5	**+/- 54,785**	+/- 37,511
Other currencies	+/- 5	**+/- 38,526**	+/- 29,268

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(d) Equity Risk

Risk Management Approach

The Group manages such risk via pre-approved portfolio size and cut-loss limits. Decisions concerning such positions are made by the Share Investment Committee.

Considering that other risk variables remain constant, the table below summarised the impact on the carrying amount of equity positions as at each reporting date should there be a change in equity market prices:

	Change in Equity Market Prices %	Sensitivity of Equity RM'000
Group		
2015	**+/- 20**	**+/- 746**
2014	+/- 20	+/- 1,417
Bank		
2015	**+/- 20**	**–**
2014	+/- 20	–

Liquidity and Funding Risk

Liquidity risk is the risk that the Group is unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

Risk Governance

The ALCO supports the RMC in liquidity and funding risk management oversight. The ALCO reviews the Group's liquidity risk frameworks, policies and guidelines, and implements necessary actions to ensure that the liquidity and funding risk is well managed and within the established liquidity risk appetite and thresholds.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach

The Group's liquidity and funding risk management is aligned to the BNM's Basel III Liquidity Coverage Ratio Framework which is effective from 1 June 2015 and is also guided by the Group's Liquidity and Funding Risk Management Framework which set out the processes involved in identifying, assessing, measuring, controlling, mitigating and monitoring of the liquidity and funding risk.

The day-to-day funding management is undertaken by the treasury operations and this includes the maintenance of a portfolio of high quality liquid assets ("HQLA") that can be easily liquidated as protection against any unforeseen interruption to cash flows and the replenishment of funds as they matured or are borrowed by/ financed to the customers. As at 31 December 2015, the Group holds a sizeable balance of government securities amounting to RM30,960.7 million (2014 - RM34,678.4 million) or 56% (2014 - 54%) of its portfolio of securities.

The Group's liquidity and funding positions are supported by the Group's significant retail deposit base, accompanied by funding from wholesale markets. The Group's retail deposit base comprises demand and savings deposits which, although payable on demand, have traditionally in aggregate provided stable sources of funding. The Group's reputation, earnings generation capacity, strong credit rating, financial and capital strength including offering of competitive deposit rates are core attributes to preserve depositors' confidence and ensure liquidity. The Group accesses the wholesale markets through the issuance of debt securities, certificate of deposits and the taking of money market deposits to meet short-term obligations and to maintain its presence in the local money markets.

The primary tools for monitoring liquidity and funding positions are the maturity mismatch analysis, assessment on the concentration of fundings, the availability of unencumbered assets and the use of market-wide information to identify possible liquidity problems. Liquidity and funding positions are reported to the ALCO on a monthly basis in Ringgit Malaysia and United States Dollars.

Contingency funding plans are in place to identify early warning signals of a liquidity problem. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed on quarterly basis by the various entities under the Group to determine the cash flows mismatches under the "Institution Specific Liquidity Problem" and "Systemic Wide Liquidity Problem" scenarios and the possible sources of funding to meet the shortfalls during a liquidity crisis.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

Overseas subsidiary companies and overseas branches are required to comply with their respective local regulatory liquidity requirements and internal liquidity and funding limits. Similar risk management processes as practiced by Head Office are adopted by its overseas subsidiary companies and overseas branches. It is the Group's policy that the overseas subsidiary companies and overseas branches strive to attain a self-funding position in funding their respective operations.

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity

The following tables show the maturity analysis of the carrying amounts of the Group's and the Bank's assets and liabilities based on remaining contractual maturity. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group and the Bank have significant amounts of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 7 days" time band) but which are historically a stable source of long-term funding for the Group and the Bank.

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and commitments as set out in Note 48 to the financial statements. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group and the Bank expect many of these commitments (such as direct credit substitutes) to expire or be unconditionally cancelled without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

Group 2015	Up to 7 Days RM'000	> 7 Days – 1 Month RM'000	> 1 – 3 Months RM'000	> 3 – 6 Months RM'000	> 6 – 12 Months RM'000	> 1 Year RM'000	Total RM'000
ASSETS							
Cash and balances with banks	9,553,395	4,094,791	847,274	282,145	53,454	–	14,831,059
Reverse repurchase agreements	1,093,263	2,015,466	1,270,432	–	–	–	4,379,161
Financial investments	412,066	3,228,955	8,126,703	2,276,264	4,163,058	36,747,471	54,954,517
Derivative financial assets	69,412	135,083	164,769	202,535	42,666	73,621	688,086
Loans, advances and financing	12,555,877	5,636,759	11,452,190	10,386,321	18,503,334	213,279,990	271,814,471
Other asset balances	16,759	10,595	2,192	730	138	17,060,498	17,090,912
TOTAL ASSETS	23,700,772	15,121,649	21,863,560	13,147,995	22,762,650	267,161,580	363,758,206
LIABILITIES							
Deposits from customers	101,398,238	77,521,067	55,721,209	41,899,711	24,465,526	151,338	301,157,089
Deposits from banks	3,349,253	4,040,513	1,268,355	855,882	35,739	419,779	9,969,521
Recourse obligations on loans and financing sold to Cagamas	–	–	–	–	–	1,922,021	1,922,021
Derivative financial liabilities	7,051	63,008	43,064	3,895	9,786	880,776	1,007,580
Debt securities issued and other borrowed funds	–	–	–	–	2,059,400	9,607,480	11,666,880
Other liability balances	484,959	624,447	778,758	727,597	334,103	2,777,512	5,727,376
TOTAL LIABILITIES	105,239,501	82,249,035	57,811,386	43,487,085	26,904,554	15,758,906	331,450,467
EQUITY							
Equity attributable to equity holders of the Bank	–	–	–	–	–	31,231,098	31,231,098
Non-controlling interests	–	–	–	–	–	1,076,641	1,076,641
TOTAL EQUITY	–	–	–	–	–	32,307,739	32,307,739
NET MATURITY MISMATCH	(81,538,729)	(67,127,386)	(35,947,826)	(30,339,090)	(4,141,904)	219,094,935	–

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

Group 2014	Up to 7 Days RM'000	> 7 Days – 1 Month RM'000	> 1 – 3 Months RM'000	> 3 – 6 Months RM'000	> 6 – 12 Months RM'000	> 1 Year RM'000	Total RM'000
ASSETS							
Cash and balances with banks	8,807,062	5,075,266	1,659,814	1,133,514	141,182	–	16,816,838
Reverse repurchase agreements	203,294	4,602,984	1,508,215	–	–	–	6,314,493
Financial investments	1,061,187	2,802,337	15,468,425	7,894,781	5,568,576	31,441,919	64,237,225
Derivative financial assets	114,374	137,113	254,283	46,005	8,958	142,339	703,072
Loans, advances and financing	11,564,688	5,515,850	10,633,449	11,697,126	20,513,462	183,297,264	243,221,839
Other asset balances	38,814	32,307	10,566	7,216	899	14,338,665	14,428,467
TOTAL ASSETS	21,789,419	18,165,857	29,534,752	20,778,642	26,233,077	229,220,187	345,721,934
LIABILITIES							
Deposits from customers	104,534,038	62,706,280	45,013,306	40,779,736	23,112,049	394,767	276,540,176
Deposits from banks	9,671,281	4,331,543	4,343,456	1,575,448	461,023	286,981	20,669,732
Recourse obligations on loans and financing sold to Cagamas	–	–	–	–	–	1,922,020	1,922,020
Derivative financial liabilities	24,744	34,674	74,834	13,234	6,940	333,767	488,193
Debt securities issued and other borrowed funds	–	–	–	–	–	11,427,765	11,427,765
Other liability balances	584,741	661,087	729,648	537,664	186,126	3,100,001	5,799,267
TOTAL LIABILITIES	114,814,804	67,733,584	50,161,244	42,906,082	23,766,138	17,465,301	316,847,153
EQUITY							
Equity attributable to equity holders of the Bank	–	–	–	–	–	28,024,668	28,024,668
Non-controlling interests	–	–	–	–	–	850,113	850,113
TOTAL EQUITY	–	–	–	–	–	28,874,781	28,874,781
NET MATURITY MISMATCH	(93,025,385)	(49,567,727)	(20,626,492)	(22,127,440)	2,466,939	182,880,105	–

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

Bank 2015	Up to 7 Days RM'000	> 7 Days – 1 Month RM'000	> 1 – 3 Months RM'000	> 3 – 6 Months RM'000	> 6 – 12 Months RM'000	> 1 Year RM'000	Total RM'000
ASSETS							
Cash and balances with banks	5,675,823	2,950,929	471,880	–	–	–	9,098,632
Reverse repurchase agreements	857,735	1,746,028	1,136,928	–	–	–	3,740,691
Financial investments	301,987	2,210,314	5,898,708	1,325,246	1,516,787	30,960,774	42,213,816
Derivative financial assets	68,893	133,981	164,367	202,506	42,577	65,306	677,630
Loans and advances	10,808,707	4,338,606	9,087,106	8,051,229	14,576,809	173,009,617	219,872,074
Other asset balances	9,977	8,244	1,318	–	–	16,650,009	16,669,548
TOTAL ASSETS	17,723,122	11,388,102	16,760,307	9,578,981	16,136,173	220,685,706	292,272,391
LIABILITIES							
Deposits from customers	77,615,039	63,637,326	42,324,118	32,554,949	20,190,631	138,095	236,460,158
Deposits from banks	3,777,357	4,685,532	1,082,828	573,827	31,765	411,781	10,563,090
Recourse obligations on loans sold to Cagamas	–	–	–	–	–	1,422,005	1,422,005
Derivative financial liabilities	6,785	62,954	43,064	3,889	9,786	919,143	1,045,621
Debt securities issued and other borrowed funds	–	–	–	–	2,059,400	8,505,749	10,565,149
Other liability balances	477,856	502,353	603,656	528,788	244,272	1,914,256	4,271,181
TOTAL LIABILITIES	81,877,037	68,888,165	44,053,666	33,661,453	22,535,854	13,311,029	264,327,204
EQUITY							
Equity attributable to equity holders of the Bank	–	–	–	–	–	27,945,187	27,945,187
TOTAL EQUITY	–	–	–	–	–	27,945,187	27,945,187
NET MATURITY MISMATCH	(64,153,915)	(57,500,063)	(27,293,359)	(24,082,472)	(6,399,681)	179,429,490	–

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

Bank 2014	Up to 7 Days RM'000	> 7 Days – 1 Month RM'000	> 1 – 3 Months RM'000	> 3 – 6 Months RM'000	> 6 – 12 Months RM'000	> 1 Year RM'000	Total RM'000
ASSETS							
Cash and balances with banks	4,879,095	4,095,054	1,278,550	755,747	–	–	11,008,446
Reverse repurchase agreements	3,998	4,052,644	1,508,216	–	–	–	5,564,858
Financial investments	603,013	1,753,462	10,934,118	5,917,201	2,746,082	30,783,545	52,737,421
Derivative financial assets	114,125	136,408	254,258	46,005	8,958	131,260	691,014
Loans and advances	10,210,123	4,400,780	8,732,686	9,761,737	16,953,133	151,869,568	201,928,027
Other asset balances	24,682	34,191	10,675	6,310	–	14,661,942	14,737,800
TOTAL ASSETS	15,835,036	14,472,539	22,718,503	16,487,000	19,708,173	197,446,315	286,667,566
LIABILITIES							
Deposits from customers	82,463,691	51,182,008	36,087,785	35,664,926	18,989,810	1,828,771	226,216,991
Deposits from banks	8,110,610	4,609,233	3,526,843	1,126,170	40,781	283,013	17,696,650
Recourse obligations on loans sold to Cagamas	–	–	–	–	–	1,422,004	1,422,004
Derivative financial liabilities	23,690	33,043	73,724	11,873	6,940	374,455	523,725
Debt securities issued and other borrowed funds	–	–	–	–	–	10,440,383	10,440,383
Other liability balances	572,533	554,336	588,192	428,124	154,858	2,126,609	4,424,652
TOTAL LIABILITIES	91,170,524	56,378,620	40,276,544	37,231,093	19,192,389	16,475,235	260,724,405
EQUITY							
Equity attributable to equity holders of the Bank	–	–	–	–	–	25,943,161	25,943,161
TOTAL EQUITY	–	–	–	–	–	25,943,161	25,943,161
NET MATURITY MISMATCH	(75,335,488)	(41,906,081)	(17,558,041)	(20,744,093)	515,784	155,027,919	–

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(b) Behavioural maturity of deposits from customers

In practice, deposits from customers behave differently from their contractual terms and typically, short-term customer accounts and non-maturing savings and demand deposits extend to a longer period than their contractual maturity. The Group's and the Bank's behavioural maturity for deposits from customers are as follows:

Group	Up to 7 Days RM'000	> 7 Days – 1 Month RM'000	> 1 – 3 Months RM'000	> 3 – 6 Months RM'000	> 6 – 12 Months RM'000	> 1 Year RM'000	Total RM'000
2015							
By contractual maturity	**101,398,238**	**77,521,067**	**55,721,209**	**41,899,711**	**24,465,526**	**151,338**	**301,157,089**
By behavioural maturity	**31,951,008**	**13,692,725**	**19,953,322**	**12,273,082**	**12,510,234**	**210,776,718**	**301,157,089**
Difference	**69,447,230**	**63,828,342**	**35,767,887**	**29,626,629**	**11,955,292**	**(210,625,380)**	**–**
2014							
By contractual maturity	104,534,038	62,706,280	45,013,306	40,779,736	23,112,049	394,767	276,540,176
By behavioural maturity	21,131,210	7,302,667	13,732,760	10,419,433	11,581,588	212,372,518	276,540,176
Difference	83,402,828	55,403,613	31,280,546	30,360,303	11,530,461	(211,977,751)	–

Bank	Up to 7 Days RM'000	> 7 Days – 1 Month RM'000	> 1 – 3 Months RM'000	> 3 – 6 Months RM'000	> 6 – 12 Months RM'000	> 1 Year RM'000	Total RM'000
2015							
By contractual maturity	**77,615,039**	**63,637,326**	**42,324,118**	**32,554,949**	**20,190,631**	**138,095**	**236,460,158**
By behavioural maturity	**22,143,033**	**2,096,353**	**7,965,009**	**8,410,905**	**7,213,881**	**188,630,977**	**236,460,158**
Difference	**55,472,006**	**61,540,973**	**34,359,109**	**24,144,044**	**12,976,750**	**(188,492,882)**	**–**
2014							
By contractual maturity	82,463,691	51,182,008	36,087,785	35,664,926	18,989,810	1,828,771	226,216,991
By behavioural maturity	13,604,035	1,979,061	5,711,653	5,806,028	8,491,931	190,624,283	226,216,991
Difference	68,859,656	49,202,947	30,376,132	29,858,898	10,497,879	(188,795,512)	–

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(c) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturity. The financial liabilities disclosed in the tables below will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

Within the "More than 1 year" maturity time band are financial liabilities with principal amount for the Group and the Bank of RM10,997.4 million (2014 – RM10,837.5 million) and RM10,497.4 million (2014 – RM10,337.5 million), all of which relate to senior medium term notes, subordinated notes, subordinated sukuk murabahah, Non-Innovative Tier I stapled securities and Innovative Tier I capital securities whereby the interest/profit payments are computed up to the first optional redemption date.

Group	Up to 7 Days RM'000	> 7 Days – 1 Month RM'000	> 1 – 3 Months RM'000	> 3 – 6 Months RM'000	> 6 – 12 Months RM'000	> 1 Year RM'000	Total RM'000
2015							
Deposits from customers	**101,408,503**	**77,638,733**	**56,032,878**	**42,432,993**	**25,099,934**	**159,568**	**302,772,609**
Deposits from banks	**3,521,711**	**4,043,397**	**1,099,606**	**861,380**	**36,198**	**444,986**	**10,007,278**
Debt securities issued and other borrowed funds	**–**	**4,429**	**48,974**	**105,507**	**2,326,016**	**10,419,535**	**12,904,461**
Other liability balances	**490,769**	**566,518**	**587,057**	**407,915**	**221,001**	**5,172,902**	**7,446,162**
Total Liabilities	**105,420,983**	**82,253,077**	**57,768,515**	**43,807,795**	**27,683,149**	**16,196,991**	**333,130,510**
2014							
Deposits from customers	104,547,203	62,800,736	45,280,956	41,320,617	23,718,139	411,157	278,078,808
Deposits from banks	9,672,458	4,333,835	4,352,650	1,582,951	465,415	480,980	20,888,289
Debt securities issued and other borrowed funds	–	4,245	48,185	104,644	261,494	12,742,803	13,161,371
Other liability balances	607,891	550,262	529,924	355,964	201,060	5,531,085	7,776,186
Total Liabilities	114,827,552	67,689,078	50,211,715	43,364,176	24,646,108	19,166,025	319,904,654

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(c) Maturity analysis of financial liabilities on an undiscounted basis (continued)

Bank	Up to 7 Days RM'000	> 7 Days – 1 Month RM'000	> 1 – 3 Months RM'000	> 3 – 6 Months RM'000	> 6 – 12 Months RM'000	> 1 Year RM'000	Total RM'000
2015							
Deposits from customers	**77,627,592**	**63,732,733**	**42,565,463**	**33,036,614**	**20,759,540**	**146,462**	**237,868,404**
Deposits from banks	**3,778,229**	**4,690,229**	**1,085,197**	**577,375**	**32,117**	**433,408**	**10,596,555**
Debt securities issued and other borrowed funds	**–**	**3,008**	**42,904**	**95,857**	**2,307,305**	**9,234,843**	**11,683,917**
Other liability balances	**483,803**	**488,158**	**496,718**	**336,612**	**198,001**	**4,403,457**	**6,406,749**
Total Liabilities	**81,889,624**	**68,914,128**	**44,190,282**	**34,046,458**	**23,296,963**	**14,218,170**	**266,555,625**
2014							
Deposits from customers	82,478,247	51,257,538	36,311,115	36,195,151	19,508,505	1,833,029	227,583,585
Deposits from banks	8,111,678	4,611,870	3,535,275	1,132,579	41,225	297,392	17,730,019
Debt securities issued and other borrowed funds	–	3,040	42,640	95,547	244,058	11,640,811	12,026,096
Other liability balances	595,199	491,113	478,603	322,711	167,133	4,090,158	6,144,917
Total Liabilities	91,185,124	56,363,561	40,367,633	37,745,988	19,960,921	17,861,390	263,484,617

43. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group's operational risk management is guided by the Group's Operational Risk Management Framework which sets out the Group's approach for identifying, assessing, monitoring and mitigating operational risk.

The business and support units are responsible for the day-to-day management of operational risks within their lines of business and functions and ensure that their business and support activities are carried out within the established operational risk management policies, guidelines, procedures and limits.

The risk management function is responsible to ensure the development and consistent implementation of risk management framework, policies and tools by the business and support units. The compliance function identifies, assesses and reports the compliance risks associated with the Group's business activities.

The internal audit function provides independent assurance on the adequacy and effectiveness of operational risk management framework, processes and systems.

Escalation and reporting processes for operational risk management matters are well instituted through the various risk management working group and committees notably the Operational Risk Management Working Group, the Operational Risk Management Committee and the Risk Management Committee.

44. FAIR VALUE MEASUREMENTS

(a) Determination of fair value and the fair value hierarchy

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

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

44. FAIR VALUE MEASUREMENTS (CONTINUED)

(a) Determination of fair value and the fair value hierarchy (continued)

MFRS 13 Fair Value Measurement requires each class of assets and liabilities measured at fair value in the statement of financial position after initial recognition to be categorised according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. The following levels of hierarchy are used for determining and disclosing the fair value of those financial instruments and non-financial assets:

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 Group's control framework in respect of the measurement of Level 3 fair values enables that the fair values are determined and validated by a function independent of the business unit undertaking the risks. Finance Division establishes the accounting policies and procedures governing valuation and is responsible for ensuring compliance with all relevant accounting standards. The team within Finance Division which oversees the fair value measurements, including Level 3 fair values, reports directly to the Chief Financial Officer. Independent verification on financial instruments is performed by Compliance Division. For investment properties, the valuation is determined with reference to quotations of market value provided by independent professional valuers.

44. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value

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

44. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (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 2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading				
– Government securities and treasury bills	–	2,194,271	–	2,194,271
– Money market instruments	–	16,073,099	–	16,073,099
– Non-money market instruments	–	96,648	–	96,648
	–	18,364,018	–	18,364,018
Financial investments available-for-sale				
– Government securities and treasury bills	–	17,552,762	–	17,552,762
– Money market instruments	–	1,091,364	–	1,091,364
– Non-money market instruments #	3,443,812	3,258,796	–	6,702,608
	3,443,812	21,902,922	–	25,346,734
Derivative financial assets	–	703,072	–	703,072
Total financial assets measured at fair value	3,443,812	40,970,012	–	44,413,824
Non–financial assets				
Investment properties	–	–	107,028	107,028
Financial liabilities				
Derivative financial liabilities	–	488,193	–	488,193
Total financial liabilities measured at fair value	–	488,193	–	488,193

Excluding the carrying amount of equity securities – unquoted shares of the Group of RM118,935,000 (2014 – RM112,086,000) which are not carried at fair value.

44. FAIR VALUE MEASUREMENTS (CONTINUED)

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

44. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (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 2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets held-for-trading				
– Government securities and treasury bills	–	2,194,271	–	2,194,271
– Money market instruments	–	12,242,739	–	12,242,739
– Non-money market instruments	–	41,770	–	41,770
	–	14,478,780	–	14,478,780
Financial investments available-for-sale				
– Government securities and treasury bills	–	13,422,266	–	13,422,266
– Money market instruments	–	1,002,749	–	1,002,749
– Non-money market instruments #	2,968,504	2,890,382	–	5,858,886
	2,968,504	17,315,397	–	20,283,901
Derivative financial assets	–	691,014	–	691,014
Total financial assets measured at fair value	2,968,504	32,485,191	–	35,453,695
Financial liabilities				
Derivative financial liabilities	–	523,725	–	523,725
Total financial liabilities measured at fair value	–	523,725	–	523,725

Excluding the carrying amount of equity securities – unquoted shares of the Bank of RM114,052,000 (2014 – RM107,921,000) which are not carried at fair value.

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2014 - Nil).

44. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

Reconciliation of movements in Level 3 financial instruments:

	Group and Bank	
	2015 RM'000	2014 RM'000
Derivative Financial Assets		
At 1 January	–	16,616
Gains recognised in profit or loss – realised	–	300
Sales	–	(16,916)
At 31 December	–	–
Total unrealised gains recognised in profit or loss reported under 'net gains and losses on financial instruments' relating to those assets or liabilities held at the end of the financial year	–	–

The Group's exposure to financial instruments measured with valuation techniques using significant unobservable inputs (Level 3) in the previous year comprised a small number of financial instruments which constitute an insignificant component of the Group's and the Bank's portfolio of financial instruments. Hence, changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets in Level 3 of the fair value hierarchy.

All investment properties of the Group carried at fair values were classified under Level 3. A reconciliation of movements in Level 3 is disclosed in Note 16 Investment Properties.

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. The price per square meter of the properties adopted, which were significant inputs, ranged from RM13,000 to RM256,000 (2014: RM11,000 to RM208,000) with weighted average of RM86,000 (2014: RM70,000). 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.

44. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and of the Bank which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

	2015		2014	
Group	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial assets				
Financial investments available-for-sale				
– Non-money market instruments	**118,935**	**118,935**	112,086	112,086
Financial investments held-to-maturity				
– Government securities and treasury bills	**15,430,861**	**15,454,914**	14,931,365	14,866,680
– Money market instruments	**1,561,205**	**1,559,446**	1,065,018	1,064,211
– Non-money market instruments *	**4,951,983**	**4,928,541**	4,418,004	4,397,514
Loans, advances and financing				
– Retail loans/financing				
– housing loans/financing	**86,644,692**	**86,659,064**	77,122,870	77,164,202
– hire purchase	**51,560,120**	**50,755,393**	47,680,540	47,336,367
– credit cards	**1,757,541**	**1,757,541**	1,638,268	1,638,268
– other loans/financing	**93,005,637**	**92,980,225**	83,008,800	83,007,127
– Corporate loans/financing	**38,846,481**	**38,832,315**	33,771,361	33,771,184
Financial liabilities				
Recourse obligations on loans and financing sold to Cagamas	**1,922,021**	**1,915,865**	1,922,020	1,908,833
Debt securities issued and other borrowed funds	**11,666,880**	**11,812,988**	11,427,765	11,756,156

44. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and of the Bank which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values (continued):

	2015		2014	
Bank	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Financial assets				
Financial investments available-for-sale				
– Non-money market instruments	**114,052**	**114,052**	107,921	107,921
Financial investments held-to-maturity				
– Government securities and treasury bills	**12,190,066**	**12,208,691**	12,860,185	12,798,318
– Money market instruments	**1,647,165**	**1,603,119**	1,586,876	1,478,448
– Non-money market instruments *	**3,847,956**	**3,827,500**	3,419,758	3,403,208
Loans and advances				
– Retail loans				
– housing loans	**72,774,120**	**72,774,120**	66,693,716	66,693,752
– hire purchase	**37,524,718**	**36,928,512**	34,875,461	34,625,102
– credit cards	**1,736,357**	**1,736,357**	1,625,633	1,625,633
– other loans	**77,439,869**	**77,439,869**	71,147,295	71,147,295
– Corporate loans	**30,397,010**	**30,392,896**	27,585,922	27,581,412
Financial liabilities				
Recourse obligations on loans sold to Cagamas	**1,422,005**	**1,420,202**	1,422,004	1,417,726
Debt securities issued and other borrowed funds	**10,565,149**	**10,709,524**	10,440,383	10,763,654

* The accumulated impairment losses of the Group and of the Bank of RM46,000 (2014 – RM81,000) were netted off against the carrying amounts.

44. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values:

	Fair Value			
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
Financial assets				
Financial investments available-for-sale				
– Non-money market instruments #	–	–	–	–
Financial investments held-to-maturity				
– Government securities and treasury bills	–	15,454,914	–	15,454,914
– Money market instruments	–	1,559,446	–	1,559,446
– Non-money market instruments	–	4,928,541	–	4,928,541
Loans, advances and financing				
– Retail loans/financing				
– housing loans/financing	–	–	86,659,064	86,659,064
– hire purchase	–	–	50,755,393	50,755,393
– credit cards	–	–	1,757,541	1,757,541
– other loans/financing	–	–	92,980,225	92,980,225
– Corporate loans/financing	–	–	38,832,315	38,832,315
Financial liabilities				
Recourse obligations on loans and financing sold to Cagamas	–	–	1,915,865	1,915,865
Debt securities issued and other borrowed funds	–	11,812,988	–	11,812,988

44. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values (continued):

	Fair Value			
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2014				
Financial assets				
Financial investments available-for-sale				
– Non-money market instruments #	–	–	–	–
Financial investments held-to-maturity				
– Government securities and treasury bills	–	14,866,680	–	14,866,680
– Money market instruments	–	1,064,211	–	1,064,211
– Non-money market instruments	–	4,397,514	–	4,397,514
Loans, advances and financing				
– Retail loans/financing				
– housing loans/financing	–	–	77,164,202	77,164,202
– hire purchase	–	–	47,336,367	47,336,367
– credit cards	–	–	1,638,268	1,638,268
– other loans/financing	–	–	83,007,127	83,007,127
– Corporate loans/financing	–	–	33,771,184	33,771,184
Financial liabilities				
Recourse obligations on loans and financing sold to Cagamas	–	–	1,908,833	1,908,833
Debt securities issued and other borrowed funds	–	11,756,156	–	11,756,156

Excluding the carrying amount of equity securities – unquoted shares of the Group of RM118,935,000 (2014 – RM112,086,000) which are measured at cost less impairment.

44. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values (continued):

	Fair Value			
Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
Financial assets				
Financial investments available-for-sale				
– Non-money market instruments #	–	–	–	–
Financial investments held-to-maturity				
– Government securities and treasury bills	–	12,208,691	–	12,208,691
– Money market instruments	–	1,603,119	–	1,603,119
– Non-money market instruments	–	3,827,500	–	3,827,500
Loans and advances				
– Retail loans				
– housing loans	–	–	72,774,120	72,774,120
– hire purchase	–	–	36,928,512	36,928,512
– credit cards	–	–	1,736,357	1,736,357
– other loans	–	–	77,439,869	77,439,869
– Corporate loans	–	–	30,392,896	30,392,896
Financial liabilities				
Recourse obligations on loans sold to Cagamas	–	–	1,420,202	1,420,202
Debt securities issued and other borrowed funds	–	10,709,524	–	10,709,524

44. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values (continued):

	Fair Value			
Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2014				
Financial assets				
Financial investments available-for-sale				
– Non-money market instruments #	–	–	–	–
Financial investments held-to-maturity				
– Government securities and treasury bills	–	12,798,318	–	12,798,318
– Money market instruments	–	1,478,448	–	1,478,448
– Non-money market instruments	–	3,403,208	–	3,403,208
Loans and advances				
– Retail loans				
– housing loans	–	–	66,693,752	66,693,752
– hire purchase	–	–	34,625,102	34,625,102
– credit cards	–	–	1,625,633	1,625,633
– other loans	–	–	71,147,295	71,147,295
– Corporate loans	–	–	27,581,412	27,581,412
Financial liabilities				
Recourse obligations on loans sold to Cagamas	–	–	1,417,726	1,417,726
Debt securities issued and other borrowed funds	–	10,763,654	–	10,763,654

Excluding the carrying amount of equity securities – unquoted shares of the Bank of RM114,052,000 (2014 – RM107,921,000) which are measured at cost less impairment.

44. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

(a) *Financial investments available-for-sale and financial investments held-to-maturity* – The fair values of financial investments held-to-maturity are estimated based on quoted bid prices. Financial investments available-for-sale as disclosed above consist of only equity securities-unquoted shares which are measured at cost less impairment. The carrying amounts of these financial instruments are deemed to approximate the fair values as their fair values cannot be reliably measured.

(b) *Loans, advances and financing* – The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity.

The fair values of impaired loans/financing are represented by their carrying amounts, net of any collective and individual assessment allowances, being the expected recoverable amount.

(c) *Recourse obligations on loans and financing sold to Cagamas* – The fair values of recourse obligations on loans and financing sold to Cagamas with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of recourse obligations on loans and financing sold to Cagamas with remaining maturity of more than one year are estimated using discounted cash flows based on prevailing Cagamas rates with similar remaining period to maturity.

(d) *Debt securities issued and other borrowed funds* – The fair values of borrowings approximate their carrying amounts as these are variable rate borrowings. The fair values of debt securities issued are estimated based on quoted bid prices.

45. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

Group	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position		Net Amount RM'000
				Values of the Financial Instruments* RM'000	Cash Collateral Received/ Pledged RM'000	
2015						
Financial assets						
Derivative financial assets						
– Foreign exchange contracts	587,163	–	587,163	(130,728)	(259,413)	197,022
– Interest/profit rate related contracts	100,922	–	100,922	(65,854)	–	35,068
– Precious metal contracts	1	–	1	–	–	1
	688,086	–	688,086	(196,582)	(259,413)	232,091
Reverse repurchase agreements	4,379,161	–	4,379,161	(4,542,570)	–	(163,409)
	5,067,247	–	5,067,247	(4,739,152)	(259,413)	68,682
Financial liabilities						
Derivative financial liabilities						
– Foreign exchange contracts	996,588	–	996,588	(195,757)	(699,761)	101,070
– Interest/profit rate related contracts	10,992	–	10,992	(825)	–	10,167
	1,007,580	–	1,007,580	(196,582)	(699,761)	111,237

45. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

Group	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position		Net Amount RM'000
				Values of the Financial Instruments* RM'000	Cash Collateral Received/ Pledged RM'000	
2014						
Financial assets						
Derivative financial assets						
– Foreign exchange contracts	560,737	–	560,737	(118,982)	(399,654)	42,101
– Interest/profit rate related contracts	142,335	–	142,335	(70,478)	(9,063)	62,794
	703,072	–	703,072	(189,460)	(408,717)	104,895
Reverse repurchase agreements	6,314,493	–	6,314,493	(6,477,010)	–	(162,517)
	7,017,565	–	7,017,565	(6,666,470)	(408,717)	(57,622)
Financial liabilities						
Derivative financial liabilities						
– Foreign exchange contracts	466,874	–	466,874	(184,918)	(88,616)	193,340
– Interest/profit rate related contracts	21,318	–	21,318	(4,542)	–	16,776
– Precious metal contracts	1	–	1	–	–	1
	488,193	–	488,193	(189,460)	(88,616)	210,117

45. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

Bank	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position		Net Amount RM'000
				Values of the Financial Instruments* RM'000	Cash Collateral Received/ Pledged RM'000	
2015						
Financial assets						
Derivative financial assets						
– Foreign exchange contracts	585,022	–	585,022	(130,728)	(259,413)	194,881
– Interest rate related contracts	92,607	–	92,607	(65,854)	–	26,753
– Precious metal contracts	1	–	1	–	–	1
	677,630	–	677,630	(196,582)	(259,413)	221,635
Reverse repurchase agreements	3,740,691	–	3,740,691	(3,839,891)	–	(99,200)
	4,418,321	–	4,418,321	(4,036,473)	(259,413)	122,435
Financial liabilities						
Derivative financial liabilities						
– Foreign exchange contracts	996,262	–	996,262	(195,757)	(699,761)	100,744
– Interest rate related contracts	49,359	–	49,359	(825)	–	48,534
	1,045,621	–	1,045,621	(196,582)	(699,761)	149,278

45. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

Bank	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position		Net Amount RM'000
				Values of the Financial Instruments* RM'000	Cash Collateral Received/ Pledged RM'000	
2014						
Financial assets						
Derivative financial assets						
– Foreign exchange contracts	559,758	–	559,758	(118,982)	(399,654)	41,122
– Interest rate related contracts	131,256	–	131,256	(70,478)	(9,063)	51,715
	691,014	–	691,014	(189,460)	(408,717)	92,837
Reverse repurchase agreements	5,564,858	–	5,564,858	(5,717,354)	–	(152,496)
	6,255,872	–	6,255,872	(5,906,814)	(408,717)	(59,659)
Financial liabilities						
Derivative financial liabilities						
– Foreign exchange contracts	464,170	–	464,170	(184,918)	(88,616)	190,636
– Interest rate related contracts	59,554	–	59,554	(4,542)	–	55,012
– Precious metal contracts	1	–	1	–	–	1
	523,725	–	523,725	(189,460)	(88,616)	245,649

* Include securities accepted as collateral.

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derivatives and reverse repurchase agreements included in the amount not set-off in the statement of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and

(ii) cash and securities are received or cash pledged in respect of the transaction described above.

46. OPERATING LEASES

The Group and the Bank as a Lessee

The Group and the Bank lease a number of premises under operating leases. The leases typically run for an initial period of three years, with an option to renew. None of the leases include contingent rentals. Total future minimum lease payments under these non-cancellable operating leases are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Within one year	**39,388**	33,072	**642**	431
Between one and five years	**33,437**	26,981	**781**	607
More than five years	**7,203**	4,781	**–**	–
	80,028	64,834	**1,423**	1,038

The Group as a Lessor

The Group leases out its investment properties under operating leases with the term of the leases ranging from one to five years. None of the leases includes contingent rentals. Total future minimum lease payments under these non-cancellable operating leases are as follows:

	Group	
	2015 RM'000	2014 RM'000
Within one year	**8,022**	3,743
Between one and five years	**3,013**	1,997
	11,035	5,740

47. CAPITAL AND OTHER COMMITMENTS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Authorised and contracted for:				
– Land and buildings	**228,110**	342,107	**–**	–
– Renovations	**2,644**	1,772	**1,518**	–
– Office equipment, furniture and fittings	**1,528**	1,866	**1,301**	1,637
– Computer equipment and software	**57,197**	53,228	**46,884**	48,403
	289,479	398,973	**49,703**	50,040
Authorised but not contracted for:				
– Renovations	**9,645**	5,849	**–**	–
– Office equipment, furniture and fittings	**1,195**	909	**–**	–
– Computer equipment and software	**18,384**	21,542	**–**	–
– Motor vehicles	**2,063**	577	**–**	–
– Additional investment in an associated company *	**320,337**	543,212	**320,337**	543,212
	351,624	572,089	**320,337**	543,212
	641,103	971,062	**370,040**	593,252

* This represents the capital injection required upon the completion of the proposed acquisition of the remaining interests in VID Public Bank. The amount stated in the previous year is in respect of purchase consideration for the said proposed acquisition and the capital injection required upon the completion of the proposed acquisition.

48. 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	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Contingent liabilities				
Direct credit substitutes	**1,421,426**	1,598,096	**1,215,305**	1,237,889
Transaction-related contingent items	**1,550,912**	1,285,971	**1,350,813**	1,121,989
Short term self-liquidating trade-related contingencies	**398,504**	405,965	**153,589**	296,586
	3,370,842	3,290,032	**2,719,707**	2,656,464
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	**29,423,236**	28,962,346	**24,777,773**	26,380,852
– not exceeding one year	**24,131,630**	23,074,157	**20,985,806**	20,356,377
Unutilised credit card lines	**5,182,818**	4,135,781	**5,054,881**	4,038,701
Forward asset purchases	**875,923**	1,059,113	**875,084**	875,083
	59,613,607	57,231,397	**51,693,544**	51,651,013
Derivative financial instruments				
Foreign exchange related contracts:				
– less than one year	**27,931,563**	21,082,468	**26,632,334**	20,782,159
– one year to less than five years	**3,017,152**	2,449,762	**3,017,152**	2,449,762
Interest/profit rate related contracts:				
– less than one year	**1,559,400**	821,971	**1,559,400**	577,129
– one year to less than five years	**11,571,310**	10,716,883	**12,272,400**	11,211,950
– five years and above	**469,226**	220,000	**2,720,000**	1,720,000
Commodity related contracts:				
– less than one year	**169**	148	**169**	148
	44,548,820	35,291,232	**46,201,455**	36,741,148
	107,533,269	95,812,661	**100,614,706**	91,048,625

Disclosure of the credit equivalent amount and risk-weighted asset amount of the commitments and contingencies above, as required by BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), is presented in the Pillar 3 disclosures section of the Annual Report.

49. CAPITAL ADEQUACY

(a) The capital adequacy ratios of the Group and of the Bank as at 31 December are as follows:

	Group		Bank	
	2015	2014	2015	2014
Before deducting second interim dividends *				
Common equity Tier I ("CET I") capital ratio	**11.401%**	11.328%	**12.184%**	12.686%
Tier I capital ratio	**12.565%**	12.776%	**13.588%**	14.397%
Total capital ratio	**15.987%**	16.384%	**15.919%**	16.324%
After deducting second interim dividends *				
CET I capital ratio	**10.886%**	10.781%	**11.549%**	12.029%
Tier I capital ratio	**12.049%**	12.228%	**12.953%**	13.740%
Total capital ratio	**15.471%**	15.836%	**15.284%**	15.668%

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

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.

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

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

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) (the "Framework") issued on 28 November 2012. The minimum regulatory capital adequacy ratios, as required under BNM's Capital Adequacy Framework (Capital Components) which includes transitional arrangements for year 2015, are set out as follows:

Calendar Year	CET I Capital Ratio %	Tier I Capital Ratio %	Total Capital Ratio %
2015 onwards *	**4.5**	**6.0**	**8.0**

* Before including capital conservation buffer of 2.5% and countercyclical capital buffer.

49. CAPITAL ADEQUACY (CONTINUED)

(a) The capital adequacy ratios of the Group and of the Bank as at 31 December are as follows (continued):

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

Calendar Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

On 13 October 2015, BNM issued the revised Capital Adequacy Framework (Capital Components and Basel II – Risk-weighted Assets) (the "Revised Framework") which is effective from 1 January 2016. Under the Revised Framework, a countercyclical capital buffer is required to be maintained if this buffer is applied by regulators in countries which the Group has exposures to, determined based on the weighted average of prevailing countercyclical capital buffer rates applied in those jurisdictions. The countercyclical capital buffer which is in a range of between 0% and 2.5% is not a requirement for exposures in Malaysia but may be applied by regulators in the future.

49. CAPITAL ADEQUACY (CONTINUED)

(a) The capital adequacy ratios of the Group and of the Bank as at 31 December are as follows (continued):

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

	Public Islamic Bank Berhad[1]	Public Investment Bank Berhad[2]	Public Bank (L) Ltd[3]	Public Bank (Hong Kong) Limited[4]	Public Finance Limited[4]	Cambodian Public Bank Plc[5]
2015						
Before deducting interim dividends *:						
CET I capital ratio	**10.771%**	**32.496%**	**N/A**	**14.283%**	**25.476%**	**N/A**
Tier I capital ratio	**10.771%**	**32.496%**	**25.121%**	**14.283%**	**25.476%**	**N/A**
Total capital ratio	**13.481%**	**32.941%**	**25.148%**	**15.460%**	**26.473%**	**20.214%**
After deducting interim dividends *:						
CET I capital ratio	**10.771%**	**30.416%**	**N/A**	**14.283%**	**23.143%**	**N/A**
Tier I capital ratio	**10.771%**	**30.416%**	**25.121%**	**14.283%**	**23.143%**	**N/A**
Total capital ratio	**13.481%**	**30.861%**	**25.148%**	**15.460%**	**24.140%**	**20.214%**
2014						
Before deducting interim dividends *:						
CET I capital ratio	11.730%	44.638%	N/A	13.921%	26.449%	N/A
Tier I capital ratio	11.730%	44.638%	33.941%	13.921%	26.449%	N/A
Total capital ratio	14.580%	45.270%	33.980%	15.104%	27.425%	17.418%
After deducting interim dividends *:						
CET I capital ratio	11.007%	37.487%	N/A	13.921%	24.029%	N/A
Tier I capital ratio	11.007%	37.487%	33.941%	13.921%	24.029%	N/A
Total capital ratio	13.857%	38.119%	33.980%	15.104%	25.004%	17.418%

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

49. CAPITAL ADEQUACY (CONTINUED)

(a) The capital adequacy ratios of the Group and of the Bank as at 31 December are as follows (continued):

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 are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-weighted Assets) issued on 28 November 2012. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

2 The risk-weighted assets of Public Investment Bank Berhad are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) issued on 28 November 2012. The minimum regulatory capital adequacy requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

3 The capital adequacy ratios of Public Bank (L) Ltd. for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier I capital ratio and total capital ratio respectively.

4 These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The capital adequacy ratios of these two subsidiary companies are computed in accordance with the provisions of the Banking (Amendment) Ordinance 2012 relating to Basel III capital standards and the amended Banking Capital Rules.

5 The amount presented here is the Solvency Ratio of Cambodian Public Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-010-182, B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as Cambodian Public Bank Plc's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.

49. CAPITAL ADEQUACY (CONTINUED)

(b) The components of CET I, Tier I and Tier II capital of the Group and of the Bank are as follows:

Components of CET I, Tier I and Tier II Capital:	Group 2015 RM'000	Group 2014 RM'000	Bank 2015 RM'000	Bank 2014 RM'000
CET I/Tier I Capital:				
Paid-up share capital	**3,882,138**	3,882,138	**3,882,138**	3,882,138
Share premium	**5,535,515**	5,535,515	**5,535,515**	5,535,515
Other reserves	**5,808,689**	5,453,501	**5,121,669**	4,945,825
Retained profits	**14,262,317**	11,872,792	**11,984,176**	10,668,300
Treasury shares	**(149,337)**	(149,337)	**(149,337)**	(149,337)
Qualifying non-controlling interests	**706,192**	566,877	**–**	–
Less: Goodwill and other intangible assets	**(2,375,915)**	(2,083,142)	**(695,393)**	(695,393)
Less: Deferred tax assets, net	**(65,666)**	(69,325)	**–**	–
Less: Defined benefit pension fund assets	**(217,995)**	(205,195)	**(215,151)**	(200,986)
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital	**(56,902)**	(28,451)	**(1,775,915)**	(852,957)
Total CET I Capital	**27,329,036**	24,775,373	**23,687,702**	23,133,105
Innovative Tier I capital securities	**1,268,120**	1,449,280	**1,268,120**	1,449,280
Non-Innovative Tier I stapled securities	**1,461,600**	1,670,400	**1,461,600**	1,670,400
Qualifying CET I and additional Tier I capital instruments held by third parties	**59,175**	46,764	**–**	–
Total Tier I Capital	**30,117,931**	27,941,817	**26,417,422**	26,252,785
Tier II Capital:				
Collective assessment allowance and regulatory reserves #	**2,761,020**	2,495,677	**2,247,354**	1,978,560
Subordinated notes/sukuk murabahah				
– meeting all relevant criteria	**2,448,606**	2,448,162	**1,949,489**	1,949,302
– subject to gradual phase-out treatment	**2,999,206**	2,998,707	**2,999,206**	2,998,707
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	**78,900**	62,352	**–**	–
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from Tier II capital	**(85,353)**	(113,804)	**(2,663,872)**	(3,411,830)
Total Tier II Capital	**8,202,379**	7,891,094	**4,532,177**	3,514,739
Total Capital	**38,320,310**	35,832,911	**30,949,599**	29,767,524

49. CAPITAL ADEQUACY (CONTINUED)

(b) The components of CET I, Tier I and Tier II capital of the Group and of the Bank are as follows (continued):

In arriving at the total capital of the Group and of the Bank above, the second interim dividends were not deducted.

Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and of the Bank of RM560,411,000 (2014 - RM632,242,000) and RM399,886,000 (2014 - RM458,747,000) respectively.

Includes the qualifying regulatory reserves for non-impaired loans/financing of the Group and of the Bank of RM1,810,794,000 (2014: RM1,445,791,000) and RM1,645,027,000 (2014: RM1,293,334,000) respectively.

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

	Group		Bank	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Credit risk	**220,881,570**	200,875,562	**179,788,298**	168,570,558
Market risk	**2,500,503**	2,554,845	**3,714,333**	3,027,889
Operational risk	**16,321,153**	15,281,141	**10,911,444**	10,753,781
	239,703,226	218,711,548	**194,414,075**	182,352,228

Detailed information on the risk exposures above, as prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) is presented in the Pillar 3 disclosures section of the Annual Report.

50. CAPITAL MANAGEMENT

The Group actively manages its capital to support underlying risks in its business activities and to enable future business growth. The Group's capital management strategy is to continue to maximise shareholders' value via an efficient capital structure, whilst ensuring that it complies with regulatory capital requirements. The allocation of capital resources represents part of the Group's strategic planning review and is subject to the approval of the Board of Directors.

The Group's capital is managed in line with the objectives of the Group Capital Management Framework. The key objectives under the framework include meeting regulatory capital requirements, optimising return to shareholders, maintaining adequate levels and optimum mix of capital, maintaining strong external credit ratings and allocation of capital across business units and subsidiary companies. In order to meet these objectives, the Group actively manages its capital structure and makes adjustments to address changes in the economic environment, regulatory requirements and risk characteristics inherent in its business operations. These initiatives include issuances of capital securities, adjustments to the amount of dividends distributed to shareholders and focus on growth in non-interest income and other less capital-intensive business activities. The Group's Internal Capital Adequacy Assessment Process ("ICAAP") assesses the Group's internal capital requirements beyond the minimum regulatory requirements to ensure its capital commensurates with the Group's risk profile, the complexity of the business activities undertaken and its risk appetite.

The Group's and Bank's regulatory capital are determined under BNM's Capital Adequacy Framework (Capital Components and Basel II – Risk-weighted Assets) and their capital ratios have complied with the minimum requirements set under this guideline. Information on the Group's and Bank's capital adequacy ratios, regulatory minimum capital requirements and the components of total capital are disclosed in Note 49 (a) and (b).

51. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group's operating and reportable segments are business units engaged in providing different products or services and business units operating in different geographical locations. These businesses are managed and assessed separately as each requires a differentiated strategy focused on the specific products and services provided for the economic, competitive, geographical and regulatory environment in which it operates. For each operating segment, the Management Committee (the chief operating decision-maker) reviews the internal management reports monthly in order to assess their performance.

51. SEGMENT INFORMATION (CONTINUED)

The Group's domestic business, which also includes Islamic banking business, is organised into the following key operating segments:

(i) Hire Purchase

The hire purchase operations focus on the provision of passenger vehicle financing to all levels of customers.

(ii) Retail Operations

Retail operations focus on providing products and services to individual customers and small and medium enterprises. The products and services offered to customers include credit facilities (mortgages, trade and personal loans), credit cards, remittance services, deposit collection and investment products.

(iii) Corporate Lending

The corporate lending operations cater to the funding needs of large corporate customers which are primarily public listed companies and their related corporations.

(iv) Treasury and Capital Market Operations

The treasury and capital market operations are involved in proprietary trading in treasury related products and services such as foreign exchange, money market operations and securities trading.

(v) Investment Banking

The investment banking operations cater to the business needs of large corporate customers through the provision of financial solutions and direct lending. The services offered include structured financing, corporate advisory services, merger and acquisition, stock-broking and debt restructuring advisory services.

(vi) Fund Management

The fund management operations consist of sale of trust units and the management of unit trust funds as conducted by the Bank's wholly-owned subsidiary company, Public Mutual Berhad.

(vii) Others

Others refer mainly to non-core operations such as property holding.

51. SEGMENT INFORMATION (CONTINUED)

The Group's overseas business operations are organised according to the following geographical locations:

(i) Hong Kong SAR

This includes all business operations conducted by the Group's subsidiary companies in Hong Kong SAR and the People's Republic of China, including retail and commercial banking and lending, wealth management services, stock-broking and other related financial services.

(ii) Cambodia

This comprises all business operations conducted by the Group's subsidiary companies in Cambodia, which includes mainly financing, deposit-taking, general insurance businesses and stock-broking.

(iii) Other Countries

This refers to the Group's banking business operations in the Socialist Republic of Vietnam, Lao People's Democratic Republic and Sri Lanka.

There are no changes in the operating segments during the year.

Measurement and Evaluation of Segment Performance

The Management Committee evaluates operating segments' performance on the basis of revenue, profit, cost-to-income ratio, loan and deposit growth and asset quality. Expenses directly associated with each operating segment are included in determining their respective profit. Transactions between operating segments are based on mutually agreed allocation bases. Funds are allocated between segments and inter-segment funding cost transfers are reflected in net interest income. In addition to the operating segments, the segment information disclosed also includes internal service providers (head office), which operate on a non-profit basis, and inter-segment eliminations.

Major Customers

There is no single customer which contributes revenue amount greater than 10% of the Group's revenues for the current financial year (2014 – none).

51. SEGMENT INFORMATION (CONTINUED)

By Business Segments:

2015	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
	← Domestic Operating Segments →									← Overseas Operating Segments →					
External revenue	2,582,697	9,193,066	1,472,984	1,890,442	201,711	1,157,275	6,777	1,227,081	17,732,033	964,897	367,832	116,788	1,449,517	-	19,181,550
Revenue from other segments	-	1,344,590	12,197	1,680,280	8,818	10,883	30,028	1,890,732	4,977,528	-	7,173	-	7,173	(4,984,701)	-
Total revenue	2,582,697	10,537,656	1,485,181	3,570,722	210,529	1,168,158	36,805	3,117,813	22,709,561	964,897	375,005	116,788	1,456,690	(4,984,701)	19,181,550
Net interest income and Islamic banking income	774,019	4,404,853	377,881	233,914	26,844	11,880	(8,398)	382,362	6,203,355	672,034	248,955	81,317	1,002,306	-	7,205,661
Other income	3,867	618,256	55,766	286,665	71,009	696,641	126,774	361,410	2,220,388	110,555	61,264	18,561	190,380	(70,647)	2,340,121
Net income	777,886	5,023,109	433,647	520,579	97,853	708,521	118,376	743,772	8,423,743	782,589	310,219	99,878	1,192,686	(70,647)	9,545,782
Other operating expenses	(244,218)	(1,565,952)	(12,047)	(28,776)	(38,540)	(167,322)	(15,297)	(415,693)	(2,487,845)	(394,309)	(84,082)	(19,568)	(497,959)	70,647	(2,915,157)
of which:															
Depreciation	*(1,953)*	*(62,466)*	*(176)*	*(1,277)*	*(786)*	*(8,029)*	*(4,428)*	*(73,632)*	*(152,747)*	*(13,587)*	*(12,906)*	*(1,876)*	*(28,369)*	-	*(181,116)*
(Allowance)/writeback of allowance for impairment on loans, advances and financing	(184,928)	165,055	4,063	-	205	-	-	-	(15,605)	(133,542)	6,588	(3,672)	(130,626)	-	(146,231)
Allowance for impairment on other assets	-	(533)	-	-	-	-	-	(23)	(556)	-	-	-	-	-	(556)
Profit by segments	348,740	3,621,679	425,663	491,803	59,518	541,199	103,079	328,056	5,919,737	254,738	232,725	76,638	564,101	-	6,483,838
Reconciliation of segment profits to consolidated profits:															
Share of (loss)/profit after tax of equity accounted associated companies									(590)				8,147		7,557
Profit before tax expense and zakat									5,919,147				572,248		6,491,395
Cost-to-income ratio	31.4%	31.2%	2.8%	5.5%	39.4%	23.6%	12.9%	55.9%	29.5%	50.4%	27.1%	19.6%	41.8%		30.5%

51. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

2015 (continued)	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
	← Domestic Operating Segments →									← Overseas Operating Segments →					
Gross loans, advances and financing	50,094,625	168,921,733	32,323,409	-	391,721	68,008	2,216	-	251,801,712	16,466,441	4,113,061	1,065,841	21,645,343	-	273,447,055
Loan growth	8.0%	10.2%	14.5%	-	-6.6%	13.1%	-2.6%	-	10.3%	26.7%	37.5%	47.1%	29.6%	-	11.6%
Impaired loans and financing	342,274	797,011	51,307	-	-	-	-	-	1,190,592	104,900	30,461	25,863	161,224	-	1,351,816
Impaired loan ratio	0.7%	0.5%	0.2%	-	-	-	-	-	0.5%	0.6%	0.7%	2.4%	0.7%	-	0.5%
Deposits from customers	-	203,219,247	245,596	73,018,186	1,459,377	-	-	-	277,942,406	18,307,887	4,280,968	625,828	23,214,683	-	301,157,089
Deposit growth	-	5.1%	-0.9%	16.3%	-26.8%	-	-	-	7.5%	33.5%	10.4%	31.6%	28.5%	-	8.9%
Addition to non-current assets	3,474	95,797	24	558	1,096	10,196	117,335	31,693	260,173	9,656	8,078	883	18,617	-	278,790
Segment assets	49,778,601	210,317,412	32,267,060	85,509,325	3,026,429	324,810	582,487	32,202,881	414,009,005	22,736,520	6,152,014	1,423,897	30,312,431	(84,163,262)	360,158,174
Reconciliation of segment assets to consolidated assets:															
Investment in associated companies									24,398				166,522		190,920
Unallocated assets									1,033,197				-		1,033,197
Intangible assets									775,493				1,600,422		2,375,915
Total assets									415,842,093				32,079,375		363,758,206

51. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

2014	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
	← Domestic Operating Segments →									← Overseas Operating Segments →					
External revenue	2,424,802	8,193,013	1,170,795	1,913,800	218,296	1,082,754	5,680	702,433	15,711,573	782,259	279,890	86,349	1,148,498	–	16,860,071
Revenue from other segments	–	1,359,000	14,725	948,987	4,894	15,466	29,829	1,426,173	3,799,074	–	6,661	–	6,661	(3,805,735)	–
Total revenue	2,424,802	9,552,013	1,185,520	2,862,787	223,190	1,098,220	35,509	2,128,606	19,510,647	782,259	286,551	86,349	1,155,159	(3,805,735)	16,860,071
Net interest income and Islamic banking income	874,067	4,381,308	307,707	174,878	21,739	16,386	(7,952)	229,416	5,997,549	529,059	175,908	59,153	764,120	–	6,761,669
Other income	1,805	527,383	40,978	269,435	79,017	651,080	35,495	223,479	1,828,672	88,333	50,128	14,933	153,394	(70,378)	1,911,688
Net income	875,872	4,908,691	348,685	444,313	100,756	667,466	27,543	452,895	7,826,221	617,392	226,036	74,086	917,514	(70,378)	8,673,357
Other operating expenses	(228,053)	(1,405,107)	(11,030)	(25,751)	(32,970)	(177,578)	(14,867)	(369,413)	(2,264,769)	(324,193)	(72,073)	(15,208)	(411,474)	70,378	(2,605,865)
of which:															
Depreciation	*(1,946)*	*(58,119)*	*(185)*	*(1,243)*	*(998)*	*(6,475)*	*(4,112)*	*(60,583)*	*(133,661)*	*(12,013)*	*(11,838)*	*(1,537)*	*(25,388)*	–	*(159,049)*
(Allowance)/writeback of allowance for impairment on loans, advances and financing	(198,950)	(10,582)	33,304	–	(10)	–	–	–	(176,238)	(94,856)	13,684	(1,590)	(82,762)	–	(259,000)
Writeback of impairment on other assets	–	782	–	–	–	–	–	–	782	–	–	–	–	–	782
Profit by segments	448,869	3,493,784	370,959	418,562	67,776	489,888	12,676	83,482	5,385,996	198,343	167,647	57,288	423,278	–	5,809,274
Reconciliation of segment profits to consolidated profits:															
Share of (loss)/profit after tax of equity accounted associated companies									(3,664)				8,645		4,981
Profit before tax expense and zakat									5,382,332				431,923		5,814,255
Cost-to-income ratio	26.0%	28.6%	3.2%	5.8%	32.7%	26.6%	54.0%	81.6%	28.9%	52.5%	31.9%	20.5%	44.8%		30.0%

51. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

2014 (continued)	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
	← Domestic Operating Segments →									← Overseas Operating Segments →					
Gross loans, advances and financing	46,400,632	153,222,251	28,232,965	-	419,575	60,148	2,276	-	228,337,847	12,991,337	2,990,387	724,482	16,706,206	-	245,044,053
Loan growth	7.5%	11.5%	10.4%	-	14.9%	11.6%	2.9%	-	10.5%	12.3%	23.0%	34.9%	14.9%	-	10.8%
Impaired loans and financing	388,950	915,015	71,730	-	-	-	-	-	1,375,695	62,326	38,549	12,129	113,004	-	1,488,699
Impaired loan ratio	0.8%	0.6%	0.3%	-	-	-	-	-	0.6%	0.5%	1.3%	1.7%	0.7%	-	0.6%
Deposits from customers	-	193,434,103	247,938	62,795,649	1,994,069	-	-	-	258,471,759	13,714,375	3,878,319	475,723	18,068,417	-	276,540,176
Deposit growth	-	9.7%	-18.8%	12.8%	-30.1%	-	-	-	9.9%	11.4%	28.5%	20.1%	14.9%	-	10.2%
Addition to non-current assets	1,772	46,152	44	1,840	1,014	6,703	62,385	162,689	282,599	9,443	9,580	2,570	21,593	-	304,192
Segment assets	46,054,962	201,068,969	28,167,240	83,405,294	3,881,269	370,729	378,197	29,022,582	392,349,242	17,927,356	5,080,531	977,604	23,985,491	(73,990,761)	342,343,972
Reconciliation of segment assets to consolidated assets:															
Investment in associated companies									25,035				132,380		157,415
Unallocated assets									1,137,405				-		1,137,405
Intangible assets									769,251				1,313,891		2,083,142
Total assets									394,280,933				25,431,762		345,721,934

52. RATING STATEMENT

As at 31 December 2015, the Bank was accorded the following ratings:

Agencies	Date accorded/Reaffirmed	Ratings
RAM Rating Services Berhad	14 April 2015 (Reaffirmed)	Long-Term Rating: AAA
	14 April 2015 (Reaffirmed)	Short-Term Rating: P1
	14 April 2015 (Reaffirmed)	Outlook: Stable
	14 April 2015 (Reaffirmed)	RM5 Billion Subordinated Medium-Term Notes Programme: AA1/Stable
	14 April 2015 (Reaffirmed)	Innovative Tier I Capital Securities: AA2/ Stable
	14 April 2015 (Reaffirmed)	Non-Cumulative Perpetual Capital Securities Programme: AA2/Stable
	14 April 2015 (Reaffirmed)	Senior Medium-Term Notes Programme: AAA/Stable
	14 April 2015 (Reaffirmed)	RM10 Billion Subordinated Medium-Term Notes Programme: AA1/Stable
Moody's Investors Service	11 January 2016 (Reaffirmed)	Foreign Currency: Long-Term Deposits Rating: A3 Short-Term Deposits Rating: P-2
	11 January 2016	Local Currency: Long-Term Deposits Rating: A3 Short-Term Deposits Rating: P-2
	11 January 2016 (Reaffirmed)	Financial Strength: C
	11 January 2016	Foreign Currency Outlook: Stable
	11 January 2016	Local Currency Outlook: Stable
	11 January 2016 (Reaffirmed)	Innovative Tier I Capital Securities: Baa2
Standard & Poor's Ratings Services	30 November 2015 (Reaffirmed)	Foreign Currency: Long-Term Rating: A- Short-Term Rating: A-2
	30 November 2015 (Reaffirmed)	Local Currency: Long-Term Deposits Rating: A- Short-Term Deposits Rating: A-2
	30 November 2015 (Reaffirmed)	Asean Regional Scale Rating: Long-Term Rating: axAA Short-Term Rating: axA-1
	30 November 2015 (Reaffirmed)	Foreign Currency Outlook: Stable
	30 November 2015 (Reaffirmed)	Local Currency Outlook: Stable
	30 November 2015 (Reaffirmed)	Innovative Tier I Capital Securities: BB+

53. SIGNIFICANT EVENTS

The significant events relating to changes in the composition of the Group are disclosed in Note 14 and 15.

54. SUBSEQUENT EVENTS

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

55. ISLAMIC BANKING BUSINESS

The financial position as at 31 December 2015 and results for the financial year ended on this date under the Islamic banking business of the Group, which is conducted by the Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad, are summarised as follows:

Statement of Financial Position as at 31 December 2015

	Note	Group 2015 RM'000	2014 RM'000
ASSETS			
Cash and balances with banks		**3,225,149**	2,652,849
Financial assets held-for-trading		**1,588,380**	2,571,794
Derivative financial assets		**56,019**	60,835
Financial investments available-for-sale		**4,780,808**	4,546,283
Financial investments held-to-maturity		**2,741,792**	1,651,516
Financing and advances	(a)	**31,736,855**	25,434,279
Other assets		**82,895**	73,106
Statutory deposits with Bank Negara Malaysia		**1,423,800**	1,140,200
Investment in an associated company		**20,000**	20,000
Property and equipment		**1,267**	1,303
Total Assets		**45,656,965**	38,152,165
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(b)	**39,097,445**	30,727,614
Deposits from banks		**2,318,814**	3,620,104
Bills and acceptances payable		**849**	550
Recourse obligations on financing sold to Cagamas		**500,016**	500,016
Derivative financial liabilities		**1,636**	89
Subordinated Sukuk Murabahah		**499,117**	498,860
Other liabilities		**212,673**	98,041
Provision for zakat and taxation		**40,680**	39,847
Deferred tax liabilities		**22,029**	15,445
Total Liabilities		**42,693,259**	35,500,566
Islamic Banking Funds		**2,963,706**	2,651,599
Total Liabilities and Islamic Banking Funds		**45,656,965**	38,152,165
COMMITMENTS AND CONTINGENCIES		**10,194,763**	6,822,999

The accompanying notes form an integral part of the financial statements

55. ISLAMIC BANKING BUSINESS (CONTINUED)

Statement of Profit or Loss for the year ended 31 December 2015

	Group	
	2015 RM'000	2014 RM'000
Income derived from investment of depositors' funds and others	**1,816,324**	1,554,471
Income derived from investment of Islamic Banking Funds	**134,344**	127,824
Allowance for impairment on financing and advances	**(68,806)**	(90,045)
Impairment on other assets	**(28)**	(93)
Profit Equalisation Reserves	**(76)**	(340)
Total distributable income	**1,881,758**	1,591,817
Income attributable to depositors and others	**(1,121,954)**	(850,759)
Total net income	**759,804**	741,058
Personnel expenses	**(12,897)**	(14,706)
Other overheads and expenditures	**(296,785)**	(258,164)
Profit before zakat and taxation	**450,122**	468,188
Zakat	**(220)**	(230)
Taxation	**(109,455)**	(114,178)
Profit for the year	**340,447**	353,780

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

	Group	
	2015 RM'000	2014 RM'000
Income derived from investment of depositors' funds and others	**1,816,324**	1,554,471
Income derived from investment of Islamic Banking Funds	**134,344**	127,824
Income attributable to depositors and others	**(1,121,954)**	(850,759)
Profit Equalisation Reserves	**(76)**	(340)
Net income from Islamic banking business reported in the statement of profit or loss of the Group	**828,638**	831,196

The accompanying notes form an integral part of the financial statements

55. ISLAMIC BANKING BUSINESS (CONTINUED)

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015

	Group	
	2015 RM'000	2014 RM'000
Profit for the year	**340,447**	353,780
Other comprehensive (loss)/income:		
Items that will not be reclassified to profit or loss:		
Defined benefit reserves:		
– (Loss)/Gain on remeasurements of defined benefit plans	**(4,364)**	133
Items that may be reclassified to profit or loss:		
Revaluation reserves:		
– Net change in revaluation of financial investments available-for-sale	**26,856**	(1,909)
Hedging reserves:		
– Net change in cash flow hedges	**(237)**	(70,364)
	26,619	(72,273)
Income tax relating to components of other comprehensive (loss)/income:		
– Defined benefit reserves	**1,047**	67
– Revaluation reserves	**(6,460)**	511
– Hedging reserves	**57**	18,195
	(5,356)	18,773
Other comprehensive income/(loss) for the year, net of tax	**16,899**	(53,367)
Total comprehensive income for the year	**357,346**	300,413

The accompanying notes form an integral part of the financial statements

55. ISLAMIC BANKING BUSINESS (CONTINUED)

Statement of Changes in Islamic Banking Funds for the year ended 31 December 2015

		Non-distributable Reserves							Distributable Reserves	
Group	Capital Funds RM'000	Share Premium RM'000	Statutory Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Defined Benefit Reserves RM'000	Profit Equalisation Reserves RM'000	Regulatory Reserves RM'000	Retained Profits RM'000	Total RM'000
At 1 January 2015	200,217	1,757,500	207,546	45,889	1,483	7,610	54	–	431,300	2,651,599
Profit for the year	–	–	–	–	–	–	–	–	340,447	340,447
Other comprehensive (loss)/income for the year	–	–	–	(180)	20,396	(3,317)	–	–	–	16,899
Total comprehensive (loss)/income for the year	–	–	–	(180)	20,396	(3,317)	–	–	340,447	357,346
Transactions with owners/ other equity movements:										
Transfer to Profit Equalisation Reserves of Islamic banking institution	–	–	–	–	–	–	33	–	(33)	–
Transfer to statutory reserves	–	–	20,000	–	–	–	–	–	(20,000)	–
Transfer to regulatory reserves	–	–	–	–	–	–	–	68,739	(68,739)	–
Issue of shares	7,000	168,000	–	–	–	–	–	–	–	175,000
Dividends paid	–	–	–	–	–	–	–	–	(220,239)	(220,239)
	7,000	168,000	20,000	–	–	–	33	68,739	(309,011)	(45,239)
At 31 December 2015	207,217	1,925,500	227,546	45,709	21,879	4,293	87	68,739	462,736	2,963,706

The accompanying notes form an integral part of the financial statements

55. ISLAMIC BANKING BUSINESS (CONTINUED)

Statement of Changes in Islamic Banking Funds for the year ended 31 December 2015 (continued)

		Non-distributable Reserves						Distributable Reserves	
Group	Capital Funds RM'000	Share Premium RM'000	Statutory Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves RM'000	Defined Benefit Reserves RM'000	Profit Equalisation Reserves RM'000	Retained Profits RM'000	Total RM'000
At 1 January 2014	200,217	1,757,500	207,546	98,058	2,881	7,410	–	317,834	2,591,446
Profit for the year	–	–	–	–	–	–	–	353,780	353,780
Other comprehensive (loss)/income for the year	–	–	–	(52,169)	(1,398)	200	–	–	(53,367)
Total comprehensive (loss)/income for the year	–	–	–	(52,169)	(1,398)	200	–	353,780	300,413
Transactions with owners/other equity movements:									
Transfer to Profit Equalisation Reserves of Islamic banking institution	–	–	–	–	–	–	54	(54)	–
Dividends paid	–	–	–	–	–	–	–	(240,260)	(240,260)
	–	–	–	–	–	–	54	(240,314)	(240,260)
At 31 December 2014	200,217	1,757,500	207,546	45,889	1,483	7,610	54	431,300	2,651,599

The accompanying notes form an integral part of the financial statements

55. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances

(i) Net financing and advances analysed by type are as follows:

	Group	
	2015 RM'000	2014 RM'000
At amortised cost		
Cash line	**1,001,462**	708,440
Term financing		
– House financing	**8,402,461**	6,590,921
– Syndicated financing	**1,320,788**	300,688
– Hire purchase receivables	**12,048,635**	10,987,471
– Other term financing	**9,005,444**	6,994,726
Credit card receivables	**5,610**	–
Bills receivables	**511**	–
Trust receipts	**1,005**	46
Claims on customers under acceptance credits	**75,839**	42,755
Revolving credit	**181,994**	131,083
Staff financing	**9,001**	–
Gross financing and advances	**32,052,750**	25,756,130
Less: Allowance for impaired financing and advances		
– collective assessment allowance	**(315,895)**	(321,851)
Net financing and advances	**31,736,855**	25,434,279

All the Group's Islamic banking financing and advances are located in Malaysia.

55. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(ii) The maturity structure of gross financing and advances are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Maturity within one year	**1,502,816**	1,133,656
More than one year to three years	**2,726,624**	2,002,504
More than three years to five years	**3,591,140**	3,541,449
More than five years	**24,232,170**	19,078,521
Gross financing and advances	**32,052,750**	25,756,130

(iii) Gross financing and advances presented by class of financial instruments are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Retail financing		
– House financing	**8,402,461**	6,590,921
– Hire purchase	**12,048,635**	10,987,471
– Credit cards	**5,610**	–
– Other financing *	**9,170,775**	7,293,450
	29,627,481	24,871,842
Corporate financing	**2,425,269**	884,288
	32,052,750	25,756,130

* Included in other financing are other term financing, trade financing, cash line and revolving credit.

55. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(iv) Gross financing and advances analysed by contract are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Bai' Bithaman Ajil (deferred payment sale)	**9,650,943**	8,228,567
Ijarah Thumma Al-Bai' (leasing)	**12,050,347**	10,987,471
Bai-Al-Einah	**2,037,228**	2,242,559
Musharakah Mutanaqisah	**8,231,267**	4,254,732
Murabahah	**77,355**	42,801
Ujrah	**5,610**	–
	32,052,750	25,756,130

(v) Gross financing and advances analysed by type of customer are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Other domestic non-bank financial institutions	**230,965**	119,576
Domestic business enterprises		
– Small and medium enterprises	**5,530,622**	3,751,411
– Others	**678,085**	616,101
Government and statutory authorities	**1,316,438**	317,583
Individuals	**24,224,720**	20,886,337
Other domestic entities	**3,392**	2,833
Foreign customers	**68,528**	62,289
	32,052,750	25,756,130

55. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(vi) Gross financing and advances analysed by rate of return sensitivity are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Fixed rate		
– House financing	**481,805**	526,520
– Hire purchase receivables	**12,048,635**	10,987,471
– Other fixed rate financing	**3,468,374**	2,676,984
Variable rate		
– BFR plus	**15,012,483**	11,008,473
– Cost plus	**1,041,453**	556,682
	32,052,750	25,756,130

(vii) Gross financing and advances analysed by economic purpose are as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Purchase of transport vehicles	**12,050,318**	10,987,180
Purchase of landed properties	**14,249,481**	10,491,682
(of which: – residential	**8,497,749**	6,567,043
– non-residential)	**5,751,732**	3,924,639
Purchase of fixed assets (excluding landed properties)	**13,213**	12,028
Personal use	**2,429,620**	2,528,675
Credit card	**5,610**	–
Purchase of consumer durables	**1,941**	2,154
Construction	**109,584**	66,788
Working capital	**3,124,576**	1,485,300
Other purpose	**68,407**	182,323
	32,052,750	25,756,130

55. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(viii) Gross financing and advances analysed by sector are as follows:

	Group	
	2015 RM'000	2014 RM'000
Agriculture, hunting, forestry and fishing	**475,070**	486,036
Mining and quarrying	**34,962**	31,189
Manufacturing	**478,443**	340,700
Electricity, gas and water	**1,154**	1,855
Construction	**679,738**	519,689
Wholesale & retail trade and restaurants & hotels	**1,313,628**	884,077
Transport, storage and communication	**277,754**	178,284
Finance, insurance and business services	**620,903**	409,403
Real estate	**2,364,506**	1,487,830
Community, social and personal services	**1,509,692**	465,064
Households	**24,293,248**	20,948,626
Others	**3,652**	3,377
	32,052,750	25,756,130

(ix) Movements in impaired financing and advances are as follows:

	Group	
	2015 RM'000	2014 RM'000
At 1 January	**232,348**	208,074
Impaired during the year	**558,945**	574,124
Reclassified as non-impaired during the year	**(437,925)**	(428,963)
Recoveries	**(45,881)**	(36,222)
Amount written off	**(95,412)**	(84,483)
Financing converted to foreclosed properties	**(271)**	(182)
At 31 December	**211,804**	232,348
Gross impaired financing as % of gross financing and advances	**0.66%**	0.90%

55. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(x) Impaired financing and advances analysed by economic purpose are as follows:

	Group 2015 RM'000	2014 RM'000
Purchase of transport vehicles	**104,061**	112,140
Purchase of landed properties	**71,470**	71,886
(of which: – residential	**64,435**	61,353
– non-residential)	**7,035**	10,533
Purchase of fixed assets (excluding landed properties)	**39**	–
Personal use	**35,317**	47,072
Credit card	**21**	–
Purchase of consumer durables	**57**	75
Working capital	**820**	1,117
Other purpose	**19**	58
	211,804	232,348

(xi) Impaired financing and advances analysed by sector are as follows:

	Group 2015 RM'000	2014 RM'000
Agriculture, hunting, forestry and fishing	**918**	1,234
Mining and quarrying	**130**	48
Manufacturing	**378**	1,402
Construction	**1,283**	1,122
Wholesale & retail trade and restaurants & hotels	**1,508**	3,261
Transport, storage and communication	**467**	1,444
Finance, insurance and business services	**1,270**	1,247
Real estate	**653**	205
Community, social and personal services	**566**	693
Households	**204,611**	221,440
Others	**20**	252
	211,804	232,348

All the Group's Islamic banking impaired financing and advances are located in Malaysia.

55. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xii) A reconciliation of the allowance for impaired financing and advances are as follows:

	Retail Financing					
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing RM'000	Corporate Financing RM'000	Total RM'000
2015						
Collective Assessment Allowance						
At 1 January 2015	**63,910**	**176,166**	**–**	**80,390**	**1,385**	**321,851**
Allowance (written back)/ made during the year	**(2,842)**	**63,200**	**43**	**26,611**	**2,444**	**89,456**
Amount written off	**(2,594)**	**(58,779)**	**(12)**	**(34,027)**	**–**	**(95,412)**
At 31 December 2015	**58,474**	**180,587**	**31**	**72,974**	**3,829**	**315,895**
2014						
Collective Assessment Allowance						
At 1 January 2014	60,259	165,165	–	73,715	1,349	300,488
Allowance made during the year	6,952	65,219	–	33,639	36	105,846
Amount written off	(3,301)	(54,218)	–	(26,964)	–	(84,483)
At 31 December 2014	63,910	176,166	–	80,390	1,385	321,851

	Retail Financing					
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing RM'000	Corporate Financing RM'000	Total RM'000
2015						
Individual Assessment Allowance						
At 1 January 2015/31 December 2015	**–**	**–**	**–**	**–**	**–**	**–**
2014						
Individual Assessment Allowance						
At 1 January 2015/31 December 2015	–	–	–	–	–	–

55. ISLAMIC BANKING BUSINESS (CONTINUED)

(b) Deposits From Customers

(i) By type of deposit and contract:

	Group	
	2015	2014
By type of deposit	**RM'000**	**RM'000**
Savings deposit		
– Wadiah	**5,494,154**	5,136,085
Demand deposit		
– Wadiah	**3,521,768**	3,259,675
Term deposit		
– Negotiable Islamic Debt Certificate		
– Bai' Inah	**974,136**	3,516,265
– Commodity Murabahah	**24,388,180**	12,788,111
– General investment account		
– Mudharabah	**113,594**	321,692
– Wakalah	**149,849**	705,502
	263,443	1,027,194
– Special term deposit account		
– Wadiah	**4,455,764**	–
– Wakalah	**–**	5,000,284
	4,455,764	5,000,284
	39,097,445	30,727,614

Included in Deposits from Customers are deposits of RM173,742,000 (2014 – RM112,645,000) held as collateral for financing and advances.

(ii) By class of financial instruments:

	Group	
	2015	2014
	RM'000	**RM'000**
Core deposits	**33,667,545**	22,211,065
Wholesale deposits	**5,429,900**	8,516,549
	39,097,445	30,727,614

55. ISLAMIC BANKING BUSINESS (CONTINUED)

(b) Deposits From Customers (continued)

(iii) By type of customers:

	Group	
	2015 RM'000	2014 RM'000
Federal and state governments	**4,386,909**	2,680,274
Local government and statutory authorities	**985,263**	1,613,058
Business enterprises	**7,167,337**	6,622,117
Individuals	**12,328,522**	6,231,966
Foreign customers	**444,119**	345,420
Others	**13,785,295**	13,234,779
	39,097,445	30,727,614

(iv) The maturity structure of Islamic debt certificates, general and special investment accounts are as follows:

	Group	
	2015 RM'000	2014 RM'000
Due within six months	**26,964,221**	19,042,353
More than six months to one year	**3,116,082**	3,287,988
More than one year to three years	**406**	717
More than three years to five years	**814**	796
	30,081,523	22,331,854

56. REALISED AND UNREALISED PROFITS

The breakdown of retained profits of the Group and of the Bank as at the reporting date, into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") dated 25 March 2010.

The breakdown of retained profits of the Group and of the Bank as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group	
	2015	**2014**
	RM'000	**RM'000**
Total retained profits of Public Bank Berhad and its subsidiaries:		
– Realised	**13,918,389**	12,449,824
– Unrealised		
– in respect of deferred tax recognised in profit or loss	**66,944**	98,195
– in respect of other items of income and expense	**175,680**	69,969
	14,161,013	12,617,988
Total share of retained profits from associated companies:		
– Realised	**8,061**	1,726
	14,169,074	12,619,714
Less: Consolidation adjustments	**93,243**	(746,922)
Total Group retained profits as per consolidated accounts	**14,262,317**	11,872,792

	Bank	
	2015	**2014**
	RM'000	**RM'000**
Total retained profits of Public Bank Berhad:		
– Realised	**12,009,415**	10,491,574
– Unrealised		
– in respect of deferred tax recognised in profit or loss	**25,773**	38,171
– in respect of other items of income and expense	**5,141**	1,091
Total Bank retained profits as per accounts	**12,040,329**	10,530,836

56. REALISED AND UNREALISED PROFITS (continued)

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

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

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

Pillar 3 Disclosure

As at 31 December 2015

OVERVIEW

The Pillar 3 Disclosure is required under the Bank Negara Malaysia ("BNM")'s Risk-Weighted Capital Adequacy Framework ("RWCAF"), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision and the Islamic Financial Services Board. Basel II consists of 3 Pillars as follows:

(a) Pillar 1 sets out the minimum amount of regulatory capital that banking institutions must hold against credit, market and operational risks they assume;

(b) Pillar 2 promotes the adoption of a more forward-looking approach to capital management and encourages banking institutions to develop and employ more rigorous risk management framework and techniques, including specific oversight by the board of directors and senior management on internal controls and corporate governance practices, to ensure that banking institutions maintain adequate capital levels consistent with their risk profile and business plan at all times; and

(c) Pillar 3 aims to harness market discipline through enhanced disclosure to supplement regulatory supervision of banking institutions through a consistent and comprehensive disclosure framework on risk management practices and capital adequacy of banking institutions that will enhance comparability amongst banking institutions.

The Public Bank Group ("the Group") adopted the Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Basic Indicator Approach for operational risk of the Pillar 1 under BNM's RWCAF. Under the Standardised Approach, the Group applied the standard risk weights prescribed by BNM to assess the capital requirements for exposures in credit risk and market risk. The assessment of the capital required for operational risk under the Basic Indicator Approach however, is based on a percentage fixed by BNM over the Group's average gross income for a fixed number of quarterly periods.

The Group's Pillar 3 Disclosure is governed by the Group's Disclosure Policy on Basel II RWCAF/Capital Adequacy Framework for Islamic Banks – Pillar 3 which sets out the minimum disclosure standards, the approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information provided herein has been reviewed and verified by the internal auditors and certified by Public Bank Berhad ("the Bank")'s Managing Director/Chief Executive Officer. Under the BNM's RWCAF, the information disclosed herein is not required to be audited by external auditors. The Pillar 3 Disclosure will be published in the Bank's website, www.publicbankgroup.com

OVERVIEW (CONTINUED)

Minimum Regulatory Capital Requirements

The Group's principal business activity is commercial banking which focuses mainly on retail banking and financing operations. The following tables present the minimum regulatory capital requirements to support the Group's and the Bank's risk-weighted assets.

	2015		2014	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
Credit Risk	**220,881,570**	**17,670,526**	200,875,562	16,070,045
Market Risk	**2,500,503**	**200,040**	2,554,845	204,387
Operational Risk	**16,321,153**	**1,305,692**	15,281,141	1,222,491
Total	**239,703,226**	**19,176,258**	218,711,548	17,496,923
Bank				
Credit Risk	**179,788,298**	**14,383,064**	168,570,558	13,485,645
Market Risk	**3,714,333**	**297,147**	3,027,889	242,231
Operational Risk	**10,911,444**	**872,915**	10,753,781	860,302
Total	**194,414,075**	**15,553,126**	182,352,228	14,588,178

The Group does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

1. SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank and its subsidiary and associated companies. The Group offers Islamic banking financial services via the Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad ("Public Islamic"). Information on subsidiary and associated companies of the Group is available in Notes 14 and 15 to the financial statements respectively.

The basis of consolidation for financial accounting purposes is described in Note 2(iv)(b) to the financial statements, and differs from that used for regulatory capital purposes. The investment in its banking and insurance associated company, which is equity-accounted in the financial accounting consolidation and the investment in the subsidiary company engaged in insurance activities is excluded from the regulatory consolidation and is deducted from the regulatory capital.

There were no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group during the financial year.

All information in the ensuing sections is based on the Group's positions. Certain information on capital adequacy relating to the Bank is presented on a voluntary basis to provide additional information to users. The capital adequacy-related information of the Bank, which is presented on a global basis, includes its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd, as required under the RWCAF.

2. CAPITAL MANAGEMENT

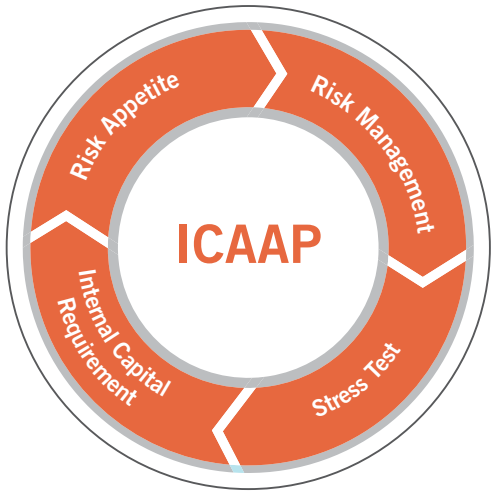
The objective of the Group's capital management is to protect the interests of its depositors, creditors and shareholders. To achieve this, the capital management is subject to ongoing review and the Board's approval on the level and composition of the Group's capital base, assessed against the following key objectives:

- Regulatory requirements on minimal capital required
- Capital levels maintained are adequate to support all material risks and to meet the strategic and business plans
- Capital levels maintained are adequate to support the strong external rating for domestic and international rating agencies
- An appropriate balance between maximising shareholders returns and prudent capital management

The Group achieves this through its Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP requires the Group to identify and assess all material risks, maintain sufficient capital to support these risks and apply the appropriate risk management techniques to manage and mitigate these risks within the given level of capital, on an ongoing and forward looking basis. The ICAAP is supported by a strong risk governance structure with clear roles and responsibilities to ensure the effectiveness of the ICAAP with the Board being ultimately responsible for the overall oversight of the ICAAP. In discharging its duty, the Board is assisted by the Risk Management Committee ("RMC") and ICAAP Working Group. Senior management together with the management committees are responsible to ensure the effective implementation of the capital management directions of the Board. The Internal Audit Division ("IAD") is responsible to conduct reviews of processes relating to the ICAAP to ensure their integrity, objectivity and consistency in application.

2. CAPITAL MANAGEMENT (CONTINUED)

The key elements of the Group's ICAAP are as follows:



(a) Risk Appetite

The Group's Risk Appetite expresses the level of risk which the Group is willing to assume within the Group's capacity in order to achieve the Group's objectives, as defined by a set of minimum quantitative metrics and qualitative standards. The key elements applied in setting the Group's Risk Appetite are the strategic business directions, the risk taking capacity and the level of risk currently assumed by the Group. The Board reviews and approves the Risk Appetite on an annual basis, or more frequently in the event of unexpected changes in the risk environment, with the aim of ensuring the Risk Appetite is consistent with the Group's strategic directions, business and regulatory environment and stakeholders' requirements. The setting, cascading, monitoring and the review of the Risk Appetite is set out in the Group Risk Appetite Framework and is as follows:

Set Risk Appetite	Cascade Risk Appetite	Monitor Risk Appetite	Review/Revise Risk Appetite
• Set the desired risk appetite considering: – Strategic business directions – Risk taking capacity – Current risk profile • Articulate risk appetite using: – Risk Appetite Statement – Risk Appetite Metrics	• Cascade the applicable risk appetite via: – Financial budgeting process to: (i) Entity level (ii) Business units/ control units level • Assimilation of the risk appetite into policies, frameworks and procedures • Implementation of Key Risk Indicators on Operational Risk	• Regular monitoring of the risk profile against the risk appetite • Identify the underlying reason for the non-achievements of the risk appetite and develop action plans to address the non-achievements	• Review risk appetite in the light of: – Changing business and economic condition – Evolving strategic business directions

2. CAPITAL MANAGEMENT (CONTINUED)

(b) Risk Management

The Group Risk Management Framework sets out the principles applied in managing the material risks that the Group is exposed to. The Framework serves to drive the development of a consistent risk management practices which enable the continuous identification, measurement, control and monitoring of all applicable and material risks and this include the continuous identification of emerging risks followed by the assessment of the risks on the Group's business and capital positions. The Group's risk limits established to manage the size of the risk exposures are aligned to the overall Risk Appetite.

The Group operates on seven fundamental principles and this is further discussed on item 3 of the Pillar 3 Disclosure.

In addition, an annual comprehensive risk assessment is undertaken across all the banking entities within the Group as part of ICAAP to identify and assess the following risks:

(i) Risks captured under Pillar 1 (credit risk, operational risk and market risk);

(ii) Risks not fully captured under Pillar 1 (e.g. model risk and residual credit risk); and

(iii) Risks not specifically addressed under Pillar 1 (e.g. credit concentration risk, interest rate risk on banking book, reputation risk, amongst others).

Compile a Comprehensive List of Risks Relevant to Banking Business

To obtain a comprehensive list of risks inherent to banking business guided by the guidelines issued by:
- BNM or respective Regulators
- Basel Committee and other banking committees

Identify Risks that are Applicable to the Group

From the comprehensive list of risks, identify the risks that are applicable to the Group/respective entities taking into consideration the current risk taking activities of the Group/respective entities.

Assess the Applicable Risks

For risks that are identified to be applicable to the Group/the respective entities, ensure the risk assessments are supported by the following:
- Consistent and robust risk assessment approaches
- Quality data used for risk measurement
- Sound techniques and methodologies that commensurate with the entities' size, nature of business and complexity of activities

All assessments of risks incorporate both quantitative and/or qualitative assessment.

Qualitative Approach	Quantitative Approach
Risks which may not be easily quantified due to lack of commonly accepted risk measurement techniques. The focus for such non-quantifiable risks would then be the risk processes put in place to manage these risks including the following: • An effective risk governance process • Effective procedures and internal controls • Effective risk mitigation strategies • Regular monitoring and reporting	Risks which can be quantified based on best practices methodologies which are prescribed by regulators or internal methodologies, capital will be set aside for the amount of quantified risks.

2. CAPITAL MANAGEMENT (CONTINUED)

(c) Stress Test

The Group's stress testing process is guided by the Group's Stress Test Policy ("Stress Test Policy"). The objectives of the Stress Test Policy are as follows:

(i) To ensure the establishment of a comprehensive and consistent stress test process in conducting the stress test by all entities within the Group;

(ii) To drive the development of stress test parameters, assumptions and scenarios that are relevant and take into account the nature, risk profile and complexity of the Group's business as well as the environment in which it operates;

(iii) To ensure all material risks are captured in the stress test including emerging risks;

(iv) To ensure all stress test parameters, assumptions and scenarios are duly deliberated by senior management and relevant committees prior to the execution of the stress test exercise; and

(v) To ensure loss outcomes are identified and that capital buffers are set aside to absorb losses that may be experienced during an economic downturn.

The key focus of the stress test is to identify the potential adverse impact on the Group's capital, profitability, asset quality and liquidity positions followed by the identification of the appropriate actions to mitigate the risk of such possibilities. The results of the stress test are deliberated by the ICAAP Working Group and the RMC and are applied to recalibrate the Group's Internal Capital Targets.

(d) Internal Capital Requirement

The Group's internal capital requirement is articulated through its capital plans which are drawn up annually, covering a three-year horizon, and are approved by the Board. The capital plan ensures that adequate levels of capital and an efficient mix of different components of capital are maintained to support the Group's strategic directions and business plans. In formulating the Group's capital plans, the Group considers the current regulatory requirements, the demands for capital arising from the business outlooks and potential market stresses and the available supply of capital including the sources of the capital. The Group's capital plans are reviewed regularly by the Board against the Group's Internal Capital Targets.

3. RISK MANAGEMENT FRAMEWORK

The key elements of the Group's Risk Management Framework are as follows:

(a) Risk Governance
(b) Risk Appetite
(c) Risk Management Processes
(d) Risk Culture

(a) Risk Governance

The Group's risk governance sets out the respective parties' roles and responsibilities for the Group's risk management and system of internal control based on the following seven fundamental principles which outline the principal risk management and control responsibilities:

ESTABLISH RISK APPETITE & POLICIES	**Board of Directors**	AUDIT COMMITTEE
	Risk Management Committee	
ENSURE IMPLEMENTATION OF RISK POLICIES AND COMPLIANCE	**Dedicated Risk Committees** Assets & Liabilities Management Committee Credit Risk Management Committee Operational Risk Management Committee	
	Shariah Committee	
	Independent Risk Management and Control Units Banking Operations Credit Control, Administration and Supervision Risk Management Compliance	
IMPLEMENT AND COMPLY WITH RISK POLICIES	**Business Units** Corporate Lending Investment Banking Islamic Banking Retail Banking and Financing Operations Share Broking and Fund Management Treasury and Capital Market Operations	

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk Governance (Continued)

Board of Directors

The Board is ultimately responsible for the adequacy and effectiveness of risk management and system of internal control. The Board, through the RMC, maintains overall responsibility for risk oversight within the Group.

Risk Management Committee

The RMC is responsible for overall risk oversight which includes inter-alia reviewing and approving risk management policies and limits, reviewing risk exposures and portfolio composition, and ensuring that infrastructure, resources and systems are put in place for effective risk management oversight. The RMC assists the Board in overseeing the effectiveness of the Group's ICAAP and approving risk policies and frameworks relating to ICAAP.

Dedicated Risk Committees

The dedicated risk committees established to assist the RMC in the management of market and liquidity risk, credit risk and operational risk are the Assets & Liabilities Management Committee ("ALCO"), the Credit Risk Management Committee ("CRMC") and the Operational Risk Management Committee ("ORMC") respectively. These committees are responsible for overseeing the development and assessing the effectiveness of risk management policies, reviewing risk exposures and portfolio composition, and ensuring that infrastructure, resources and systems are put in place to manage and control the Group's risk taking activities.

Shariah Committee

The key responsibilities of the Shariah Committee are to advise the Board on Shariah matters pertaining to the Islamic operations and to deliberate and endorse Shariah related matters. The Shariah Committee is supported by the Shariah compliance and research functions.

Independent Risk Management and Control Units

The independent risk management and control units provide crucial support to the dedicated risk committees. They have the right to obtain information necessary to carry out their responsibilities and work closely among themselves to ensure the approved risk policies are implemented and complied with. They are also responsible for the identification, measurement, monitoring and reporting of risk exposures.

Business Units

The business units, being the first line of defence against risk, are responsible for identifying, mitigating and managing risk within their lines of business. These units ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits.

Audit Committee

The Audit Committee, supported by the IAD, provides an independent assessment on the adequacy and reliability of the risk management processes and system of internal control, and compliance with approved risk policies and regulatory requirements.

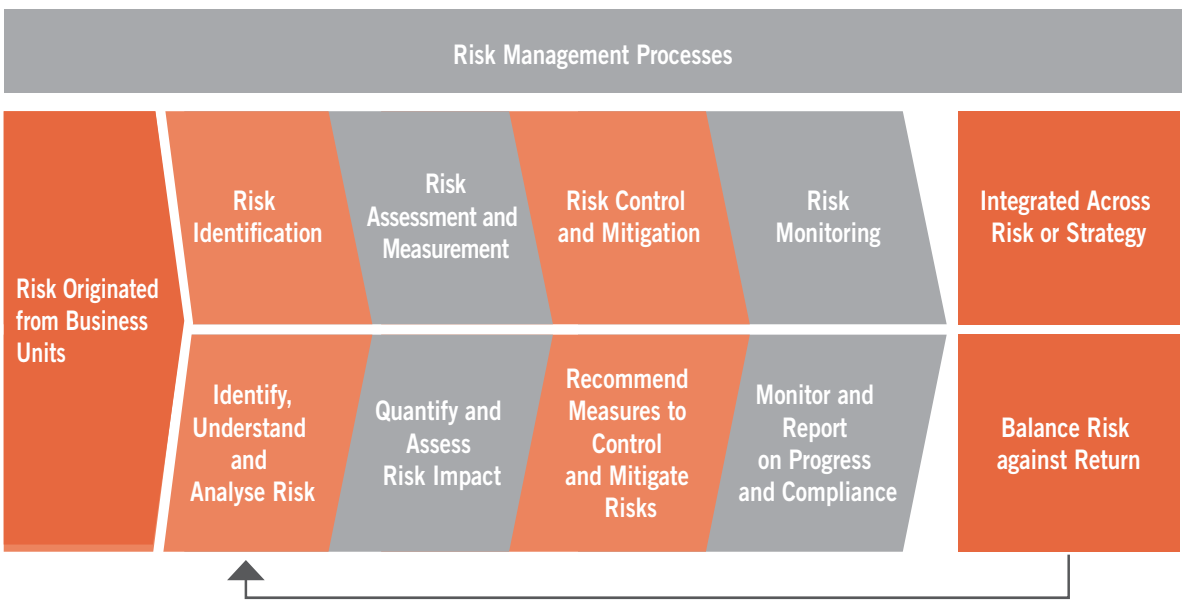
3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(b) Risk Appetite

Risk Appetite is a key component in our management of risk. It describes the amount and types of risks the Group is able and willing to accept in pursuit of the Group's business objectives. The Risk Appetite Statement including the measurable risk thresholds (collectively referred to as RAS) is approved by the Board on the advised of the Group Risk Committee. The RAS is subject to annual review or more frequently in line with the changes in the risk environment.

(c) Risk Management Processes

A structured approach to risk management which balances risks against returns is established for the key areas of risk. The four broad processes for risk management which lead to a balanced risk-return framework are as follows:



(d) Risk Culture

The inculcation of a risk awareness culture is a key aspect of an effective enterprise-wide risk management framework. The key elements of the Group's risk culture are as follows:

(i) Strong corporate governance

(ii) Organisational structure with clearly defined roles and responsibilities

(iii) Effective communication and training

(iv) Commitment to compliance with laws, regulations and internal controls

(v) Integrity in fiduciary responsibilities

(vi) Clear policies, procedures and guidelines

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE

The following tables present the capital adequacy ratios and the capital structure of the Group and the Bank.

(a) Capital Adequacy Ratios for the Group and the Bank

	Group		Bank	
	2015	2014	2015	2014
Before deducting interim dividends*:				
Common equity tier I ("CET I") capital ratio	**11.401%**	11.328%	**12.184%**	12.686%
Tier I capital ratio	**12.565%**	12.776%	**13.588%**	14.397%
Total capital ratio	**15.987%**	16.384%	**15.919%**	16.324%
After deducting interim dividends*:				
CET I capital ratio	**10.886%**	10.781%	**11.549%**	12.029%
Tier I capital ratio	**12.049%**	12.228%	**12.953%**	13.740%
Total capital ratio	**15.471%**	15.836%	**15.284%**	15.668%

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

The capital adequacy ratios of the banking subsidiary companies of the Group are set out in Note 49(a) to the financial statements.

The minimum regulatory capital adequacy ratios, as required under the BNM's Capital Adequacy Framework (Capital Components) which includes transitional arrangements for year 2015, are set out as follows:

Calendar Year	CET I Capital Ratio %	Tier I Capital Ratio %	Total Capital Ratio %
2015 onwards*	4.5	6.0	8.0

** Before including capital conservation buffer of 2.5% and countercyclical capital buffer.*

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

Calendar Year	Capital Conservation Buffer
2016	0.625%
2017	1.250%
2018	1.875%
2019 onwards	2.500%

On 13 October 2015, BNM issued the revised Capital Adequacy Framework (Capital Components and Basel II – Risk-weighted Assets) ("Revised Framework") which is effective from 1 January 2016. Under the Revised Framework, a countercyclical capital buffer is required to be maintained if this buffer is applied by regulators in countries which the Group has exposures to, determined based on the weighted average of prevailing countercyclical capital buffer rates applied in that jurisdictions. The countercyclical capital buffer which is in a range of between 0% and 2.5% is not a requirement for exposures in Malaysia but may be applied by regulators in the future.

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE (CONTINUED)

(b) Capital Structure

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CET I/Tier I capital				
Paid-up share capital	**3,882,138**	3,882,138	**3,882,138**	3,882,138
Share premium	**5,535,515**	5,535,515	**5,535,515**	5,535,515
Other reserves	**5,808,689**	5,453,501	**5,121,669**	4,945,825
Retained profits	**14,262,317**	11,872,792	**11,984,176**	10,668,300
Treasury shares	**(149,337)**	(149,337)	**(149,337)**	(149,337)
Qualifying non-controlling interests	**706,192**	566,877	**–**	–
Less: Goodwill and other intangible assets	**(2,375,915)**	(2,083,142)	**(695,393)**	(695,393)
Less: Deferred tax assets, net	**(65,666)**	(69,325)	**–**	–
Less: Defined benefit pension fund assets	**(217,995)**	(205,195)	**(215,151)**	(200,986)
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital	**(56,902)**	(28,451)	**(1,775,915)**	(852,957)
Total CET I capital	**27,329,036**	24,775,373	**23,687,702**	23,133,105
Innovative Tier I capital securities	**1,268,120**	1,449,280	**1,268,120**	1,449,280
Non-innovative Tier I stapled securities	**1,461,600**	1,670,400	**1,461,600**	1,670,400
Qualifying CET I and additional Tier I capital instruments held by third parties	**59,175**	46,764	**–**	–
Total Tier I capital	**30,117,931**	27,941,817	**26,417,422**	26,252,785
Tier II capital				
Collective assessment allowance and regulatory reserves[#]	**2,761,020**	2,495,677	**2,247,354**	1,978,560
Subordinated notes/sukuk murabahah				
– meeting all relevant criteria	**2,448,606**	2,448,162	**1,949,489**	1,949,302
– subject to gradual phase-out treatment	**2,999,206**	2,998,707	**2,999,206**	2,998,707
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	**78,900**	62,352	**–**	–
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from Tier II capital	**(85,353)**	(113,804)	**(2,663,872)**	(3,411,830)
Total Tier II capital	**8,202,379**	7,891,094	**4,532,177**	3,514,739
Total capital	**38,320,310**	35,832,911	**30,949,599**	29,767,524

[#] *Excludes collective assessment allowance on impaired loans/financing restricted from Tier II capital of the Group and the Bank of RM560.4 million (2014: RM632.2 million) and RM399.9 million (2014: RM458.7 million) respectively.*

Includes the qualifying regulatory reserves for non-impaired loans/financing of the Group and the Bank of RM1,810.8 million (2014: RM1,445.8 million) and RM1,645.0 million (2014: RM1,293.3 million) respectively.

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE (CONTINUED)

(b) Capital Structure (Continued)

The Group has issued various capital instruments which qualify as components of regulatory capital under the BNM's Capital Adequacy Framework (Capital Components), as summarised in the following table:

Capital Instruments	Capital Component	Main Features
Issued by the Bank:		
(a) Non-Innovative Tier I stapled securities ("NIT-I")	Tier I Capital	• Subordinated to all liabilities, including depositors and Sub Notes. Rank pari passu with IT-I • Unsecured • Perpetual, with optional redemption after 10 years. No step-up • Able to defer interest but will trigger an assignment event, resulting in unstapling of the NIT-I. Investors will end up holding the perpetual securities • Right of Bank not to pay distribution, upon which the only restriction is on payment of ordinary dividend to shareholders
(b) Innovative Tier I capital securities ("IT-I")	Tier I Capital	• Subordinated to all liabilities, including depositors and Sub Notes. Rank pari passu with NIT-I • Unsecured • Optional redemption with step-up after 10 years • Option to defer interest up to 50% of aggregate principal • Principal and interest stock settlement provision
(c) Subordinated notes ("Sub Notes")	Tier II Capital	• Subordinated to all liabilities, including depositors, except to IT-I and NIT-I • Unsecured • Sub Notes issued prior to January 2011 are subject to optional redemption with step-up • Sub Notes issued subsequent to January 2011 do not contain step-up upon optional redemption date • No provisions for deferral of interest. Non-payment will result in default
(d) Basel III-Compliant Subordinated notes ("Basel III-Compliant Sub Notes")	Tier II Capital	• Subordinated to all liabilities, including depositors, except to IT-I and NIT-I • Unsecured • Optional redemption after 5 years. No step-up • Upon occurrence of a Non-Viability Event as determined by BNM and Malaysia Deposit Insurance Corporation, the Basel III-Compliant Sub Notes may be subject to write-off • The write-off shall not constitute an event of default or an enforcement event, nor would it trigger any cross-default under the Basel III-Compliant Sub Notes
Issued by Public Islamic:		
(a) Basel III-Compliant Subordinated Sukuk Murabahah ("Basel III-Compliant Sub Sukuk Murabahah")	Tier II Capital	• Subordinated to all liabilities, including depositors, except to IT-I and NIT-I • Unsecured • Optional redemption after 5 years. No step-up • Upon occurrence of a Trigger Event at the Bank/Public Islamic as determined by BNM and Malaysia Deposit Insurance Corporation, the Basel III-Compliant Sub Sukuk Murabahah may be subject to write-off • The write-off shall not constitute an event of default or trigger any cross-default under the Basel III-Compliant Sub Sukuk Murabahah

The details of the capital instruments are found in Note 23 to the financial statements.

In line with the transitional arrangements under the BNM's Capital Adequacy Framework (Capital Components) for the purpose of determining the capital adequacy ratios of the Group and the Bank, capital instruments which were issued prior to 31 December 2012 are subject to a gradual phased-out treatment. The Basel III-Compliant Sub Notes/Sukuk Murabahah which were issued after 31 December 2012 are fully qualified as Tier II Capital.

5. CREDIT RISK

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Group's primary business is in commercial banking, the Group's exposure to credit risk is primarily from its lending and financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Group, such as trading or holding of debt securities, deposits placements, settlement of transactions, also expose the Group to credit risk and counterparty credit risk ("CCR").

Minimum Regulatory Capital Requirements for Credit Risk

The following tables present the minimum regulatory capital requirements for credit risk of the Group and the Bank.

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2015				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	47,300,341	44,807,163	72,489	5,799
Public Sector Entities	1,890,166	1,890,166	21,168	1,693
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	24,080,461	22,224,982	6,204,520	496,362
Insurance Companies, Securities Firms and Fund Managers	374,786	344,545	175,940	14,075
Corporates	72,084,138	70,290,716	62,126,838	4,970,147
Regulatory Retail	120,374,231	119,549,009	90,924,375	7,273,950
Residential Mortgages	82,589,578	82,487,092	33,735,452	2,698,836
Higher Risk Assets	72,945	72,940	109,410	8,753
Other Assets	5,317,196	5,317,196	3,145,261	251,621
Equity Exposures	3,162,811	3,162,811	3,162,811	253,025
Defaulted Exposures	1,300,585	1,299,555	1,844,325	147,546
	358,547,238	351,446,175	201,522,589	16,121,807
Off-Balance Sheet Exposures				
Credit-related Exposures	22,844,037	22,301,165	18,605,064	1,488,405
Derivative Financial Instruments	1,496,158	1,496,158	568,943	45,516
Other Treasury-related Exposures	875,923	875,923	175,185	14,015
Defaulted Exposures	7,054	7,054	9,789	783
	25,223,172	24,680,300	19,358,981	1,548,719
Total Credit Exposures	383,770,410	376,126,475	220,881,570	17,670,526

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (Continued)

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2014				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	50,809,170	45,543,822	98,637	7,891
Public Sector Entities	883,812	883,812	19,981	1,599
Banks, DFIs and MDBs	14,379,452	13,598,420	4,073,196	325,856
Insurance Companies, Securities Firms and Fund Managers	540,605	286,911	201,854	16,148
Corporates	62,587,458	60,683,663	53,246,505	4,259,720
Regulatory Retail	113,110,547	112,289,249	85,002,943	6,800,235
Residential Mortgages	71,387,116	71,292,533	29,363,000	2,349,040
Higher Risk Assets	74,348	74,321	111,482	8,919
Other Assets	4,997,773	4,997,773	2,606,124	208,490
Equity Exposures	5,369,203	5,369,203	5,369,203	429,536
Defaulted Exposures	1,614,033	1,612,049	2,331,315	186,505
	325,753,517	316,631,756	182,424,240	14,593,939
Off-Balance Sheet Exposures				
Credit-related Exposures	22,226,918	21,774,750	17,829,081	1,426,327
Derivative Financial Instruments	1,459,897	1,459,897	472,546	37,804
Other Treasury-related Exposures	1,059,113	1,059,113	122,278	9,782
Defaulted Exposures	18,517	18,517	27,417	2,193
	24,764,445	24,312,277	18,451,322	1,476,106
Total Credit Exposures	350,517,962	340,944,033	200,875,562	16,070,045

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (Continued)

Bank Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2015				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	33,226,148	31,371,440	72,489	5,799
Public Sector Entities	441,737	441,737	3,019	242
Banks, DFIs and MDBs	19,769,812	17,914,332	4,185,698	334,856
Insurance Companies, Securities Firms and Fund Managers	37,576	7,335	7,335	587
Corporates	60,430,613	59,248,605	51,549,374	4,123,950
Regulatory Retail	95,370,573	94,641,902	71,505,607	5,720,448
Residential Mortgages	68,486,371	68,394,145	27,972,763	2,237,821
Higher Risk Assets	66,318	66,318	99,477	7,958
Other Assets	4,102,437	4,102,437	3,182,376	254,590
Equity Exposures	3,036,923	3,036,923	3,036,923	242,954
Defaulted Exposures	1,051,317	1,050,728	1,483,641	118,691
	286,019,825	280,275,902	163,098,702	13,047,896
Off-Balance Sheet Exposures				
Credit-related Exposures	19,529,301	19,017,096	15,893,015	1,271,441
Derivative Financial Instruments	1,723,226	1,723,226	614,355	49,149
Other Treasury-related Exposures	875,084	875,084	175,017	14,001
Defaulted Exposures	5,323	5,323	7,209	577
	22,132,934	21,620,729	16,689,596	1,335,168
Total Credit Exposures	308,152,759	301,896,631	179,788,298	14,383,064

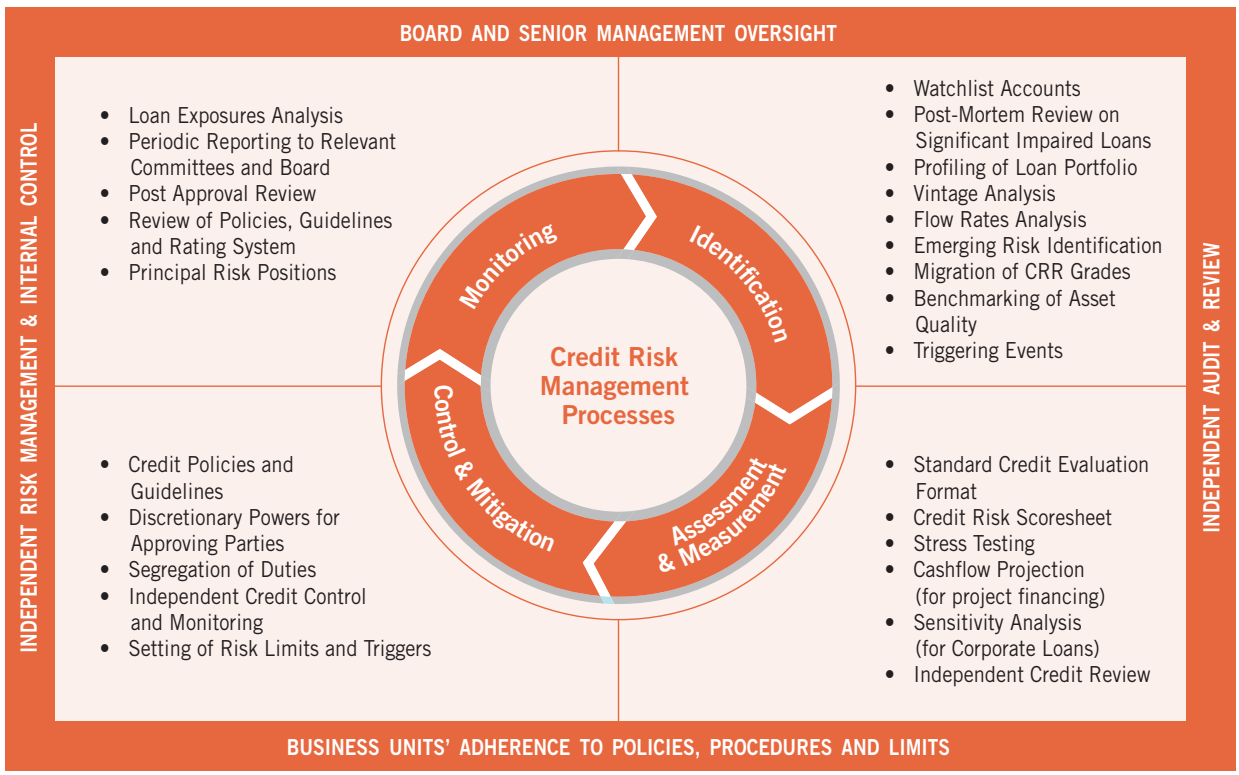
5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (Continued)

Bank Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2014				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	38,355,592	33,839,876	98,636	7,891
Public Sector Entities	441,088	441,088	2,734	219
Banks, DFIs and MDBs	12,358,269	11,577,237	2,832,716	226,617
Insurance Companies, Securities Firms and Fund Managers	259,127	9,067	9,067	725
Corporates	54,941,299	53,640,761	46,651,717	3,732,137
Regulatory Retail	90,241,385	89,493,475	67,572,195	5,405,776
Residential Mortgages	60,717,280	60,631,717	24,993,398	1,999,472
Higher Risk Assets	63,393	63,375	95,062	7,605
Other Assets	4,038,780	4,038,780	2,913,140	233,051
Equity Exposures	4,900,545	4,900,545	4,900,545	392,044
Defaulted Exposures	1,318,820	1,317,487	1,896,453	151,716
	267,635,578	259,953,408	151,965,663	12,157,253
Off-Balance Sheet Exposures				
Credit-related Exposures	19,921,040	19,496,802	15,977,915	1,278,233
Derivative Financial Instruments	1,618,286	1,618,286	504,222	40,338
Other Treasury-related Exposures	875,083	875,083	99,404	7,952
Defaulted Exposures	15,804	15,804	23,354	1,869
	22,430,213	22,005,975	16,604,895	1,328,392
Total Credit Exposures	290,065,791	281,959,383	168,570,558	13,485,645

5. CREDIT RISK (CONTINUED)

The following diagram presents the risk management processes over credit risk.



Risk Governance

The CRMC supports the RMC in credit risk management oversight. The CRMC reviews the Group's credit risk frameworks and policies, credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level.

Risk Management Approach

The Group's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Group's lending standards, discretionary power for loans approval, credit risk rating, acceptable collateral and valuation, and the review, rehabilitation and restructuring of problematic and delinquent loans. The credit policies, guidelines and procedures are periodically reviewed to ensure their continued relevance.

5. CREDIT RISK (CONTINUED)

Risk Management Approach (Continued)

Within the Risk Management Division ("RMD"), the Credit Risk Management Department has functional responsibility for credit risk management which includes formulating and reviewing the group-wide credit risk policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the credit portfolios and ensuring the credit risk policies are implemented and complied with.

The management of credit risk starts with experienced key personnel appointed to the Credit Committee. The Credit Committee approves major credit decisions, guidelines and procedures to manage, control and monitor credit risk. Loan applications of significant amounts and/or higher risk exposure are approved at Head Office or by the Credit Committee while experienced senior credit officers at branches are given authority to approve loans with lower risk exposure. The Board of the respective entities has the authority to reject or modify the terms and conditions of loans which have been approved by the Credit Committee. The credit approving authorities are assigned discretionary powers based on their seniority and track record.

(a) Lending to Retail Consumers and SMEs

The credit granting to retail consumers and SMEs is individually underwritten, which amongst others, includes the assessment of the historical repayment track record and the current repayment capacity of the customer as well as the business condition and prospect. The credit assessment is assisted by the internal credit risk rating scoresheet. The credit approving authorities have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer is included in the customer's loan application.

(b) Lending to Corporate and Institutional Customers

The credit granting to corporate and institutional customers is individually underwritten and risk-rated through the use of an internal credit risk rating scoresheet. Credit officers identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support such as standby letters of credit or bank guarantees.

(c) Credit Risk from Trading and Investment Activities

The management of the credit risk arising from the Group's trading or investing its surplus funds is primarily via the setting of issuers' credit limits which are specifically approved by the relevant approving authorities. In addition, the investment in debt securities are subject to the minimum investment grade, minimum acceptable return and the maximum tenures and these investment parameters are subject to regular review. The holdings of Collateralised Debt Obligations ("CDO") or Collateralised Loan Obligations ("CLO") require the specific approval of the Board. As at reporting date, the Group does not have any direct or indirect exposure to asset-backed securities, CDO or CLO and does not participate in any securitisation deals.

(d) Counterparty Credit Risk on Derivative Financial Instruments

The management of the CCR on derivative financial instruments is set out in item 5.2(b) of the Pillar 3 Disclosure.

5. CREDIT RISK (CONTINUED)

Risk Management Approach (Continued)

Proposition of counterparty limits to financial institutions by the business units are independently assessed and evaluated by RMD before approval is granted by the relevant approving party. The Independent Credit Review ("ICR") Team within RMD was set up with objectives of providing independent evaluation and views on retails business loans and corporate loans of selected loan size and/or type. Periodical review/assessment of business sectors and industries in which the Bank's borrowers are significantly exposed to are also carried out by the ICR Team besides providing assistance in the formulation of credit policies and guidelines undertaken by the business units.

Post approval reviews are performed regularly to complement risk identification as well as to evaluate the quality of credit appraisals and the competency of credit personnel. Internal risk management reports are presented to the Credit Committee, CRMC and RMC, containing information on asset quality trends across major credit portfolios, results of post approval review, results of the credit profiling conducted, significant credit exposures to connected parties and credit concentration by economic sectors and by large single customers. Such information allows senior management, Credit Committee, CRMC and RMC to identify adverse credit trends, take corrective actions and formulate business strategies.

5.1 Distribution of Credit Exposures

Tables (a)-(c) present the analysis of credit exposures of financial assets before the effect of credit risk mitigation of the Group as follows:

(a) Industrial analysis
(b) Geographical analysis based on geographical location where the credit risk resides
(c) Maturity analysis based on the residual contractual maturity

For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the full amount that the Group would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (Continued)

(a) Industry Analysis

Group	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
2015									
On-Balance Sheet Exposures									
Cash and balances with banks	4,346,660	10,484,399	–	–	–	–	–	–	14,831,059
Reverse repurchase agreements	4,379,161	–	–	–	–	–	–	–	4,379,161
Financial assets held-for-trading	20,302	2,048,087	–	–	1,034,372	–	–	–	3,102,761
Derivative financial assets	–	688,086	–	–	–	–	–	–	688,086
Financial investments available-for-sale*	15,809,246	13,622,055	7,768	345,973	–	–	–	–	29,785,042
Financial investments held-to-maturity	15,614,539	4,800,102	666,761	862,647	–	–	–	–	21,944,049
Gross loans, advances and financing	1,331,532	6,734,014	14,332,838	39,496,345	38,741,190	90,915,144	42,668,616	39,227,376	273,447,055
Statutory deposits with Central Banks	9,514,419	–	–	–	–	–	–	–	9,514,419
	51,015,859	38,376,743	15,007,367	40,704,965	39,775,562	90,915,144	42,668,616	39,227,376	357,691,632
Commitments and Contingencies									
Contingent liabilities	1,901	85,122	849,889	1,361,297	1,066,768	–	–	5,865	3,370,842
Commitments	510,796	2,708,620	5,278,110	11,701,948	14,497,027	12,036,055	9,221	12,871,830	59,613,607
	512,697	2,793,742	6,127,999	13,063,245	15,563,795	12,036,055	9,221	12,877,695	62,984,449
Total Credit Exposures	51,528,556	41,170,485	21,135,366	53,768,210	55,339,357	102,951,199	42,677,837	52,105,071	420,676,081

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (Continued)

(a) Industry Analysis (Continued)

Group	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
2014									
On-Balance Sheet Exposures									
Cash and balances with banks	4,951,253	11,865,585	–	–	–	–	–	–	16,816,838
Reverse repurchase agreements	6,314,493	–	–	–	–	–	–	–	6,314,493
Financial assets held-for-trading	2,194,271	16,127,977	–	–	41,770	–	–	–	18,364,018
Derivative financial assets	–	703,072	–	–	–	–	–	–	703,072
Financial investments available-for-sale*	17,853,342	6,573,461	150,773	762,072	–	–	–	–	25,339,648
Financial investments held-to-maturity	15,115,058	3,910,464	651,341	737,524	–	–	–	–	20,414,387
Gross loans, advances and financing	30,558	6,870,851	13,923,206	35,805,473	33,047,391	80,711,425	39,199,835	35,455,314	245,044,053
Statutory deposits with Central Banks	8,063,746	–	–	–	–	–	–	–	8,063,746
	54,522,721	46,051,410	14,725,320	37,305,069	33,089,161	80,711,425	39,199,835	35,455,314	341,060,255
Commitments and Contingencies									
Contingent liabilities	1,916	81,295	912,409	1,218,350	1,043,118	–	–	32,944	3,290,032
Commitments	960,005	1,896,421	5,276,859	11,238,050	13,315,813	11,381,257	20,675	13,142,317	57,231,397
	961,921	1,977,716	6,189,268	12,456,400	14,358,931	11,381,257	20,675	13,175,261	60,521,429
Total Credit Exposures	55,484,642	48,029,126	20,914,588	49,761,469	47,448,092	92,092,682	39,220,510	48,630,575	401,581,684

** Excluding equity securities of RM122.7 million (2014: RM119.2 million) which do not have any credit risk.*

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (Continued)

(b) Geographical Analysis

Group	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
2015					
On-Balance Sheet Exposures					
Cash and balances with banks	9,151,220	2,729,277	1,422,972	1,527,590	14,831,059
Reverse repurchase agreements	4,373,866	–	–	5,295	4,379,161
Financial assets held-for-trading	3,102,761	–	–	–	3,102,761
Derivative financial assets	615,363	13,894	–	58,829	688,086
Financial investments available-for-sale*	29,785,042	–	–	–	29,785,042
Financial investments held-to-maturity	18,917,734	2,147,614	–	878,701	21,944,049
Gross loans, advances and financing	251,508,332	16,466,468	4,113,061	1,359,194	273,447,055
Statutory deposits with Central Banks	8,831,954	–	634,560	47,905	9,514,419
	326,286,272	21,357,253	6,170,593	3,877,514	357,691,632
Commitments and Contingencies					
Contingent liabilities	2,807,642	128,312	389,075	45,813	3,370,842
Commitments	56,841,823	2,099,208	588,828	83,748	59,613,607
	59,649,465	2,227,520	977,903	129,561	62,984,449
Total Credit Exposures	385,935,737	23,584,773	7,148,496	4,007,075	420,676,081

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (Continued)

(b) Geographical Analysis (Continued)

Group	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
2014					
On-Balance Sheet Exposures					
Cash and balances with banks	10,939,472	2,205,873	1,227,091	2,444,402	16,816,838
Reverse repurchase agreements	6,278,649	–	–	35,844	6,314,493
Financial assets held-for-trading	18,364,018	–	–	–	18,364,018
Derivative financial assets	643,428	1,672	–	57,972	703,072
Financial investments available-for-sale*	25,339,648	–	–	–	25,339,648
Financial investments held-to-maturity	18,161,017	1,710,621	–	542,749	20,414,387
Gross loans, advances and financing	227,888,060	12,991,337	2,990,387	1,174,269	245,044,053
Statutory deposits with Central Banks	7,480,240	–	547,968	35,538	8,063,746
	315,094,532	16,909,503	4,765,446	4,290,774	341,060,255
Commitments and Contingencies					
Contingent liabilities	2,789,877	127,022	337,395	35,738	3,290,032
Commitments	54,760,075	2,039,383	394,057	37,882	57,231,397
	57,549,952	2,166,405	731,452	73,620	60,521,429
Total Credit Exposures	372,644,484	19,075,908	5,496,898	4,364,394	401,581,684

** Excluding equity securities of RM122.7 million (2014: RM119.2 million) which do not have any credit risk.*

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (Continued)

(c) Maturity Analysis

Group	Up to 1 Year RM'000	>1 to 3 Years RM'000	>3 to 5 Years RM'000	>5 Years RM'000	Total RM'000
2015					
On-Balance Sheet Exposures					
Cash and balances with banks	**14,831,059**	**–**	**–**	**–**	**14,831,059**
Reverse repurchase agreements	**4,379,161**	**–**	**–**	**–**	**4,379,161**
Financial assets held-for-trading	**3,102,761**	**–**	**–**	**–**	**3,102,761**
Derivative financial assets	**614,465**	**17,944**	**47,275**	**8,402**	**688,086**
Financial investments available-for-sale*	**11,903,363**	**7,078,852**	**4,688,775**	**6,114,052**	**29,785,042**
Financial investments held-to-maturity	**3,200,923**	**6,104,728**	**6,430,276**	**6,208,122**	**21,944,049**
Gross loans, advances and financing	**30,141,088**	**23,815,757**	**26,592,749**	**192,897,461**	**273,447,055**
Statutory deposits with Central Banks	**–**	**–**	**–**	**9,514,419**	**9,514,419**
Total On-Balance Sheet Exposures	**68,172,820**	**37,017,281**	**37,759,075**	**214,742,456**	**357,691,632**
2014					
On-Balance Sheet Exposures					
Cash and balances with banks	16,816,838	–	–	–	16,816,838
Reverse repurchase agreements	6,314,493	–	–	–	6,314,493
Financial assets held-for-trading	18,364,018	–	–	–	18,364,018
Derivative financial assets	560,733	33,055	55,391	53,893	703,072
Financial investments available-for-sale*	10,708,633	6,113,903	2,788,186	5,728,926	25,339,648
Financial investments held-to-maturity	3,722,655	4,292,186	5,028,207	7,371,339	20,414,387
Gross loans, advances and financing	33,519,550	19,854,855	22,993,262	168,676,386	245,044,053
Statutory deposits with Central Banks	–	–	–	8,063,746	8,063,746
Total On-Balance Sheet Exposures	90,006,920	30,293,999	30,865,046	189,894,290	341,060,255

** Excluding equity securities of RM122.7 million (2014: RM119.2 million) which do not have any credit risk.*

Approximately 19% (2014: 26%) of the Group's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 71% (2014: 69%) of the Group's gross loans, advances and financing has residual maturity of more than 5 years. The longer maturity is from the housing loans/financing and hire purchase which made up 51% (2014: 51%) of the portfolio and are traditionally longer term in nature and well secured.

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future cash requirements since the Group expects many of these commitments (such as direct credit substitutes) to expire or be unconditionally cancelled without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk

(a) Off-Balance Sheet Exposures

Off-balance sheet exposures of the Group are mainly from the following:

(i) Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as loans even though they are contingent in nature;

(ii) Documentary and commercial letters of credit, which are undertakings by the Group on behalf of the customer. These exposures are usually collateralised by the underlying shipment of goods to which they relate;

(iii) Commitments to extend credit including the unutilised or undrawn portions of credit facilities;

(iv) Unutilised credit card lines; and

(v) Principal/notional amount of derivative financial instruments.

The management of off-balance sheet exposures is in accordance with the credit risk management approach as set out in item 5 of the Pillar 3 Disclosure.

(b) Counterparty Credit Risk on Derivative Financial Instruments

CCR on derivative financial instruments is the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity, option or credit derivative contract defaults prior to maturity date of the contract and that the Group, at the relevant time, has a claim on the counterparty. Derivative financial instruments are primarily entered into for hedging purposes.

Unlike on-balance sheet financial instruments, the Group's financial loss is not the entire contracted notional principal value of the derivatives but equivalent to the cost to replace the defaulted derivative financial instruments with another similar contract. The Group will only suffer losses if the contract carries a positive economic value at time of default.

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (Continued)

Risk Management Approach

The CCR arising from all derivative financial instruments is managed via the establishment of credit exposure limits and daily settlement limits for each counterparty. Where possible, Over-the-Counter ("OTC") derivative financial instruments, especially Interest Rate Swaps and Options are transacted under master agreements, International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") agreements. ISDA allows for the close-out netting in the event of default by a counterparty and CSA provides credit protection with the requirements to post collateral, usually in the form of cash or government securities upon any excess over the threshold levels.

All outstanding financial derivative positions are marked-to-market on a daily basis. Treasury Control & Processing Department monitors counterparties' positions and promptly follows up with the requirements to post collateral upon any excess over the threshold levels.

Where possible, the Group settles its OTC derivatives via the Payment-Versus-Payment ("PVP") settlement method to further reduce settlement risk. For derivative financial instruments where the PVP settlement method is not possible, the Group establishes settlement limits through the Group's credit approval process.

Credit Ratings Downgrade

Some netting and collateral arrangements may contain rating triggers, although the threshold levels in the majority of the Group's ISDA/CSA agreements remain unchanged in the event of a one notch rating downgrade. As at 31 December 2015, the estimated additional collateral required to be posted for one notch downgrade was RM14.4 million (2014: RM41.5 million).

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Continued)

Composition of Off-Balance Sheet Exposures

The following tables present the composition of off-balance sheet exposures of the Group and the Bank. All derivative financial instruments are at their notional amounts.

Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2015				
Contingent Liabilities				
Direct credit substitutes	1,421,426		1,421,426	992,109
Transaction-related contingent items	1,550,912		775,456	471,690
Short-term self-liquidating trade-related contingencies	398,504		79,701	55,559
	3,370,842		2,276,583	1,519,358
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	29,423,236		14,711,618	12,307,414
– not exceeding one year	24,131,630		4,826,326	4,010,658
Unutilised credit card lines	5,182,818		1,036,564	777,423
Forward asset purchases	875,923		875,923	175,185
	59,613,607		21,450,431	17,270,680
Derivative Financial Instruments				
Foreign exchange related contracts:				
– less than one year	27,931,563	587,095	893,726	363,215
– one year to less than five years	3,017,152	68	217,530	109,030
Interest/profit rate related contracts:				
– less than one year	1,559,400	27,369	31,267	14,433
– one year to less than five years	11,571,310	65,151	309,602	65,988
– five years and above	469,226	8,402	44,031	16,275
Commodity related contracts:				
– less than one year	169	1	2	2
	44,548,820	688,086	1,496,158	568,943
Total Off-Balance Sheet Exposures	107,533,269	688,086	25,223,172	19,358,981

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Continued)

Composition of Off-Balance Sheet Exposures (Continued)

Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2014				
Contingent Liabilities				
Direct credit substitutes	1,598,096		1,598,096	1,084,355
Transaction-related contingent items	1,285,971		642,986	392,068
Short-term self-liquidating trade-related contingencies	405,965		81,193	57,341
	3,290,032		2,322,275	1,533,764
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	28,962,346		14,481,173	11,869,596
– not exceeding one year	23,074,157		4,614,831	3,832,771
Unutilised credit card lines	4,135,781		827,156	620,367
Forward asset purchases	1,059,113		1,059,113	122,278
	57,231,397		20,982,273	16,445,012
Derivative Financial Instruments				
Foreign exchange related contracts:				
– less than one year	21,082,468	560,733	771,143	239,032
– one year to less than five years	2,449,762	4	241,416	120,743
Interest/profit rate related contracts:				
– less than one year	821,971	–	901	450
– one year to less than five years	10,716,883	134,790	423,491	107,731
– five years and above	220,000	7,545	22,945	4,589
Commodity related contracts:				
– less than one year	148	–	1	1
	35,291,232	703,072	1,459,897	472,546
Total Off-Balance Sheet Exposures	95,812,661	703,072	24,764,445	18,451,322

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Continued)

Composition of Off-Balance Sheet Exposures (Continued)

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2015				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	1,215,305		1,215,305	893,325
Transaction-related contingent items	1,350,813		675,407	391,785
Short-term self-liquidating trade-related contingencies	153,589		30,718	27,854
	2,719,707		1,921,430	1,312,964
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	24,777,773		12,388,887	10,427,188
– not exceeding one year	20,985,806		4,197,160	3,385,882
Unutilised credit card lines	5,054,881		1,010,976	758,232
Forward asset purchases	875,084		875,084	175,017
	51,693,544		18,472,107	14,746,319
Derivative Financial Instruments				
Foreign exchange related contracts:				
– less than one year	26,632,334	584,954	877,442	359,958
– one year to less than five years	3,017,152	68	217,530	109,030
Interest rate related contracts:				
– less than one year	1,559,400	27,369	31,267	14,433
– one year to less than five years	12,272,400	58,750	323,535	67,614
– five years and above	2,720,000	6,488	244,688	48,938
Commodity related contracts:				
– less than one year	169	1	2	2
	46,201,455	677,630	1,694,464	599,975
Total	100,614,706	677,630	22,088,001	16,659,258

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Continued)

Composition of Off-Balance Sheet Exposures (Continued)

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2015				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	6,445		6,445	6,445
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– not exceeding one year	48,630		9,726	9,513
Derivative Financial Instruments				
Interest rate related contracts:				
– one year to less than five years	128,910	–	3,867	1,934
– five years and above	249,226	2,466	24,895	12,446
	378,136	2,466	28,762	14,380
Total	433,211	2,466	44,933	30,338
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	101,047,917	680,096	22,132,934	16,689,596

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Continued)

Composition of Off-Balance Sheet Exposures (Continued)

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2014				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	1,237,889		1,237,889	903,951
Transaction-related contingent items	1,121,989		560,995	324,428
Short-term self-liquidating trade-related contingencies	296,586		59,317	42,465
	2,656,464		1,858,201	1,270,844
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	26,380,852		13,190,426	10,844,167
– not exceeding one year	20,356,377		4,071,275	3,271,423
Unutilised credit card lines	4,038,701		807,740	605,805
Forward asset purchases	875,083		875,083	99,404
	51,651,013		18,944,524	14,820,799
Derivative Financial Instruments				
Foreign exchange related contracts:				
– less than one year	20,782,159	559,754	767,611	238,326
– one year to less than five years	2,449,762	4	241,416	120,743
Interest rate related contracts:				
– less than one year	577,129	–	656	328
– one year to less than five years	11,211,950	123,711	431,215	108,016
– five years and above	1,720,000	7,545	172,945	34,589
Commodity related contracts:				
– less than one year	148	–	1	1
	36,741,148	691,014	1,613,844	502,003
Total	91,048,625	691,014	22,416,569	16,593,646

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (Continued)

Composition of Off-Balance Sheet Exposures (Continued)

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2014				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	5,247		5,247	5,247
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– not exceeding one year	19,774		3,955	3,783
Derivative Financial Instruments				
Interest rate related contracts:				
– less than one year	244,842	–	245	122
– one year to less than five years	104,933	–	4,197	2,097
	349,775	–	4,442	2,219
Total	374,796	–	13,644	11,249
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	91,423,421	691,014	22,430,213	16,604,895

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation

The Group's approach in granting credit facilities is based on the credit standing of the customer, source of repayment and debt servicing ability rather than placing primary reliance on credit risk mitigants ("CRM"). Depending on a customer's credit standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

The main types of collateral obtained by the Group to mitigate credit risk are as follows:

(a) for residential mortgages – charges over residential properties

(b) for commercial property loans – charges over the properties being financed

(c) for motor vehicle financing – ownership claims over the vehicles financed

(d) for share margin financing – pledges over securities from listed exchange

(e) for other loans – charges over business assets such as premises, inventories, trade receivables or deposits

The reliance that can be placed on CRM is carefully assessed in light of issues such as legal enforceability, market value and the ease of realising the CRM. Policies and procedures are in place to govern the protection of the Group's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon during documentation to ensure the legal enforceability of the CRM.

The valuation of CRM seeks to monitor and ensure that they will continue to provide the credit protection. Policy on the periodic valuation updates of CRM is in place to ensure this. The value of properties taken as collateral is generally updated from time to time during the review of the customers' facilities to reflect the current market value. The quality, liquidity and collateral type will determine the appropriate haircuts or discounts applied on the market value of the collateral.

Where there is a currency mismatch, haircuts are applied to protect against currency fluctuations, in addition to ongoing review and controls over maturity mismatch between collateral and exposures. In mortgage financing, the collateral is required to be insured at all times against major risks, for instance, against fire, with the respective banking entities as the loss payee under the insurance policy. In addition, customers are generally insured against major risks, such as, death and permanent disability.

The Group also accepts guarantees from individuals, corporate and institutional customers to mitigate credit risk, subject to internal guidelines on eligibility. Currently, the Group does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Group's credit exposures. In addition, the Group enters into master netting arrangements with its derivative counterparties to reduce the credit risk, all amounts with the counterparty are settled on a net basis.

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation (Continued)

Credit Risk Mitigation Analysis

The following tables present the credit risk mitigation analysis of the Group i.e. credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group does not have any credit exposure which is reduced through the application of other eligible collateral.

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2015				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	47,300,341	–	2,493,178	–
Public Sector Entities	1,890,166	1,784,327	–	–
Banks, DFIs and MDBs	24,080,461	435,520	1,855,479	–
Insurance Companies, Securities Firms and Fund Managers	374,786	–	30,241	–
Corporates	72,084,138	2,483,164	1,793,422	–
Regulatory Retail	120,374,231	3,799	825,222	–
Residential Mortgages	82,589,578	–	102,486	–
Higher Risk Assets	72,945	–	5	–
Other Assets	5,317,196	–	–	–
Equity Exposures	3,162,811	–	–	–
Defaulted Exposures	1,300,585	–	1,030	–
	358,547,238	4,706,810	7,101,063	–
Off-Balance Sheet Exposures				
Credit-related Exposures	22,844,037	129,079	542,872	–
Derivative Financial Instruments	1,496,158	–	–	–
Other Treasury-related Exposures	875,923	–	–	–
Defaulted Exposures	7,054	–	–	–
	25,223,172	129,079	542,872	–
Total Credit Exposures	383,770,410	4,835,889	7,643,935	–

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation (Continued)

Credit Risk Mitigation Analysis (Continued)

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2014				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	50,809,170	–	5,265,348	–
Public Sector Entities	883,812	783,909	–	–
Banks, DFIs and MDBs	14,379,452	435,548	781,032	–
Insurance Companies, Securities Firms and Fund Managers	540,605	–	253,694	–
Corporates	62,587,458	2,296,005	1,903,795	–
Regulatory Retail	113,110,547	700	821,298	–
Residential Mortgages	71,387,116	–	94,583	–
Higher Risk Assets	74,348	–	27	–
Other Assets	4,997,773	–	–	–
Equity Exposures	5,369,203	–	–	–
Defaulted Exposures	1,614,033	–	1,984	–
	325,753,517	3,516,162	9,121,761	–
Off-Balance Sheet Exposures				
Credit-related Exposures	22,226,918	204,433	452,168	–
Derivative Financial Instruments	1,459,897	–	–	–
Other Treasury-related Exposures	1,059,113	–	–	–
Defaulted Exposures	18,517	–	–	–
	24,764,445	204,433	452,168	–
Total Credit Exposures	350,517,962	3,720,595	9,573,929	–

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the rating agencies or Eligible Credit Assessment Institutions ("ECAI") ratings used by the Group and are recognised by BNM in the RWCAF:

(a) Standard & Poor's ("S&P")
(b) Moody's Investors Services ("Moody's")
(c) Fitch Ratings ("Fitch")
(d) Rating Agency Malaysia Berhad ("RAM")
(e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Sovereigns and Central Banks
(b) Banking Institutions
(c) Corporates

Unrated and Rated Counterparties

In general, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue or issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the RWCAF. Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is then used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each rated exposure must be assigned to one of the six credit quality rating categories defined in the table below:

Rating Category	S & P	Moody's	Fitch	RAM	MARC
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Continued)

The Group uses a system to automatically execute the selection of ratings and allocation of risk weights. The following table is a summarised risk weight mapping matrix for each credit quality rating category:

Rating Category	Risk Weights Based on Credit Rating of the Counterparty Exposure Class			
	Sovereigns and Central Banks	Corporates	Banking Institutions	
			For Exposure Greater Than Six Months Original Maturity	For Exposure Less Than Six Months Original Maturity
1	0%	20%	20%	20%
2	20%	50%	50%	20%
3	50%	100%	50%	20%
4	100%	100%	100%	50%
5	100%	150%	100%	50%
6	150%	150%	150%	150%

In addition to the above, credit exposures under the counterparty exposure class of Banking Institutions, with an original maturity of three months or less which are denominated and funded in Ringgit Malaysia, are all risk-weighted at 20% regardless of credit rating.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Continued)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories.

	← Rating Categories →							
Group Exposure Class	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2015								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	6,481,332	1,050,610	–	–	–	–		7,531,942
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	1,154,753	44,979,690	–	–	1,050,159	–		47,184,602
– Public Sector Entities	–	1,784,328	–	–	–	–		1,784,328
– Banks, DFIs and MDBs	–	2,291,114	–	–	–	–		2,291,114
– Insurance Companies, Securities Firms and Fund Managers	–	30,241	–	–	–	–		30,241
– Corporates	–	1,917,862	–	–	–	–		1,917,862
	1,154,753	51,003,235	–	–	1,050,159	–		53,208,147
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	8,945,147	5,702,926	4,191,240	379,305	–	–		19,218,618
– Corporates	546,710	64,161	5,156	–	–	–		616,027
– Regulatory Retail	3,316	483	–	–	–	–		3,799
	9,495,173	5,767,570	4,196,396	379,305	–	–		19,838,444
Total Rated Exposures	17,131,258	57,821,415	4,196,396	379,305	1,050,159	–		80,578,533
(b) Total Unrated Exposures							277,968,705	277,968,705
	17,131,258	57,821,415	4,196,396	379,305	1,050,159	–	277,968,705	358,547,238

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Continued)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (Continued)

	Rating Categories							
Group Exposure Class	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2015								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	334,083	207,711	–	–	–	–		541,794
– Regulatory Retail	–	320	–	–	–	–		320
	334,083	208,031	–	–	–	–		542,114
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks[#]								
– Sovereigns and Central Banks	–	12,891	–	–	–	–		12,891
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	509,330	1,678,394	159,620	–	–	–		2,347,344
– Corporates	100,507	12,817	425	–	–	–		113,749
– Regulatory Retail	182	1,611	–	–	–	–		1,793
	610,019	1,692,822	160,045	–	–	–		2,462,886
Total Rated Exposures	944,102	1,913,744	160,045	–	–	–		3,017,891
(b) Total Unrated Exposures							22,205,281	22,205,281
	944,102	1,913,744	160,045	–	–	–	22,205,281	25,223,172
Total Credit Exposures before Credit Risk Mitigation	18,075,360	59,735,159	4,356,441	379,305	1,050,159	–	300,173,986	383,770,410

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Continued)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (Continued)

	Rating Categories							
Group Exposure Class	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2014								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	5,610,760	1,554,449	795,108	–	–	–		7,960,317
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks[#]								
– Sovereigns and Central Banks	972,371	48,839,423	–	–	938,145	–		50,749,939
– Public Sector Entities	–	783,909	–	–	–	–		783,909
– Banks, DFIs and MDBs	–	435,586	–	–	–	–		435,586
– Corporates	–	1,651,349	–	–	–	–		1,651,349
	972,371	51,710,267	–	–	938,145	–		53,620,783
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	3,386,693	5,507,152	2,954,442	683,458	471	–		12,532,216
– Corporates	597,062	97,948	–	–	–	–		695,010
– Regulatory Retail	–	700	–	–	–	–		700
	3,983,755	5,605,800	2,954,442	683,458	471	–		13,227,926
Total Rated Exposures	10,566,886	58,870,516	3,749,550	683,458	938,616	–		74,809,026
(b) Total Unrated Exposures							250,944,491	250,944,491
	10,566,886	58,870,516	3,749,550	683,458	938,616	–	250,944,491	325,753,517

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Continued)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (Continued)

	Rating Categories							
Group Exposure Class	1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2014								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	177,688	399,130	–	–	–	–		576,818
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks[#]								
– Sovereigns and Central Banks	–	447,723	–	–	–	–		447,723
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	971,335	857,545	133,474	–	–	–		1,962,354
– Corporates	169,328	22,299	346	–	–	–		191,973
– Regulatory Retail	44	1,186	–	–	–	–		1,230
	1,140,707	881,030	133,820	–	–	–		2,155,557
Total Rated Exposures	1,318,395	1,727,883	133,820	–	–	–		3,180,098
(b) Total Unrated Exposures							21,584,347	21,584,347
	1,318,395	1,727,883	133,820	–	–	–	21,584,347	24,764,445
Total Credit Exposures before Credit Risk Mitigation	11,885,281	60,598,399	3,883,370	683,458	938,616	–	272,528,838	350,517,962

[#] *Under the RWCAF, exposures to and/or guaranteed by the Federal Government of Malaysia, BNM, overseas federal governments and central banks of their respective jurisdictions are accorded a preferential sovereign risk weight of 0%.*

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights

The following tables present the credit exposures of the Group and the Bank after the effect of credit risk mitigation by risk weights.

	Credit Exposures after the Effect of Credit Risk Mitigation											
Group Risk Weights	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2015												
0%	44,817,732	1,784,327	445,826	-	1,917,335	-	-	-	2,171,040	-	51,136,260	-
20%	37,302	108,756	18,687,710	-	7,462,190	3,498	-	-	1,119	-	26,300,575	5,260,115
35%	-	-	-	-	-	-	62,514,038	-	-	-	62,514,038	21,879,913
50%	-	-	4,666,214	337,210	1,475,523	5,532	16,899,852	-	-	-	23,384,331	11,692,166
75%	-	-	-	-	-	124,888,714	442,723	-	-	-	125,331,437	93,998,578
100%	65,029	-	860,129	28,594	69,312,707	5,900,704	3,802,895	-	3,145,037	3,162,811	86,277,906	86,277,906
150%	-	-	-	-	126,890	956,980	17,850	80,208	-	-	1,181,928	1,772,892
Total	44,920,063	1,893,083	24,659,879	365,804	80,294,645	131,755,428	83,677,358	80,208	5,317,196	3,162,811	376,126,475	220,881,570
Risk-Weighted Assets by Exposures	72,489	21,751	6,930,778	197,199	71,733,242	101,006,175	34,491,552	120,312	3,145,261	3,162,811	220,881,570	
Average Risk Weights	0.2%	1.1%	28.1%	53.9%	89.3%	76.7%	41.2%	150.0%	59.2%	100.0%	58.7%	
Deduction from Total Capital			-							-	-	

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (Continued)

	Credit Exposures after the Effect of Credit Risk Mitigation											
Group Risk Weights	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2014												
0%	45,678,968	783,909	440,382	–	1,671,719	–	–	–	2,324,537	–	50,899,515	–
20%	392,438	102,731	11,473,617	–	6,534,183	44	–	–	83,890	–	18,586,903	3,717,381
35%	–	–	–	–	–	–	51,039,489	–	–	–	51,039,489	17,863,821
50%	–	–	2,962,122	170,114	2,053,182	7,089	18,545,122	–	–	–	23,737,629	11,868,815
75%	–	–	–	–	–	119,490,308	612,269	–	–	–	120,102,577	90,076,933
100%	20,149	–	890,787	139,701	59,610,981	3,777,077	2,639,291	–	2,589,346	5,369,203	75,036,535	75,036,535
150%	–	–	–	–	134,324	1,310,233	14,112	82,716	–	–	1,541,385	2,312,077
Total	46,091,555	886,640	15,766,908	309,815	70,004,389	124,584,751	72,850,283	82,716	4,997,773	5,369,203	340,944,033	200,875,562
Risk-Weighted Assets by Exposures	98,637	20,546	4,666,571	224,758	62,145,895	95,363,711	30,256,043	124,074	2,606,124	5,369,203	200,875,562	
Average Risk Weights	0.2%	2.3%	29.6%	72.5%	88.8%	76.5%	41.5%	150.0%	52.1%	100.0%	58.9%	
Deduction from Total Capital			–							–	–	

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (Continued)

	← Credit Exposures after the Effect of Credit Risk Mitigation →											
Bank Risk Weights	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2015												
0%	31,382,011	426,643	329,204	-	1,599,997	-	-	-	1,955,015	-	35,692,870	-
20%	37,301	18,011	17,702,030	-	7,203,989	3,498	-	-	-	-	24,964,829	4,992,966
35%	-	-	-	-	-	-	51,490,661	-	-	-	51,490,661	18,021,731
50%	-	-	2,253,941	-	1,474,947	4,226	14,340,208	-	-	-	18,073,322	9,036,661
75%	-	-	-	-	-	101,406,137	381,018	-	-	-	101,787,155	76,340,366
100%	65,029	-	329,416	28,594	57,543,671	2,786,477	3,002,610	-	2,057,426	3,036,923	68,850,146	68,850,146
150%	-	-	-	-	122,585	741,596	10,674	72,797	-	-	947,652	1,421,478
1250%	-	-	-	-	-	-	-	-	89,996	-	89,996	1,124,950
Total	31,484,341	444,654	20,614,591	28,594	67,945,189	104,941,934	69,225,171	72,797	4,102,437	3,036,923	301,896,631	179,788,298
Risk-Weighted Assets by Exposures	72,489	3,602	4,996,792	28,594	59,905,821	79,956,286	28,496,220	109,195	3,182,376	3,036,923	179,788,298	
Average Risk Weights	0.2%	0.8%	24.2%	100.0%	88.2%	76.2%	41.2%	150.0%	77.6%	100.0%	59.6%	
Deduction from Total Capital			-							-	-	

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (Continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (Continued)

	Credit Exposures after the Effect of Credit Risk Mitigation											
Bank Risk Weights	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2014												
0%	33,905,365	427,420	329,225	–	1,378,929	–	–	–	2,160,247	–	38,201,186	–
20%	392,438	16,496	11,440,529	–	6,196,779	44	–	–	–	–	18,046,286	3,609,257
35%	–	–	–	–	–	–	43,136,023	–	–	–	43,136,023	15,097,608
50%	–	–	1,751,682	–	2,053,182	7,089	16,093,353	–	–	–	19,905,306	9,952,653
75%	–	–	–	–	–	97,126,610	543,450	–	–	–	97,670,060	73,252,545
100%	20,149	–	319,916	31,971	52,032,199	2,380,575	2,189,907	–	1,788,567	4,900,545	63,663,829	63,663,829
150%	–	–	–	–	128,637	1,036,434	10,791	70,865	–	–	1,246,727	1,870,091
1250%	–	–	–	–	–	–	–	–	89,966	–	89,966	1,124,575
Total	34,317,952	443,916	13,841,352	31,971	61,789,726	100,550,752	61,973,524	70,865	4,038,780	4,900,545	281,959,383	168,570,558
Risk-Weighted Assets by Exposures	98,637	3,299	3,483,863	31,971	54,491,101	76,783,737	25,757,966	106,297	2,913,142	4,900,545	168,570,558	
Average Risk Weights	0.3%	0.7%	25.2%	100.0%	88.2%	76.4%	41.6%	150.0%	72.1%	100.0%	59.8%	
Deduction from Total Capital			–							–	–	

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing

Gross Loans, Advances and Financing by Credit Quality

The following tables present the gross loans, advances and financing of the Group analysed by credit quality.

Group	2015 RM'000	2014 RM'000
Neither past due nor impaired	**246,484,560**	219,560,698
Past due but not impaired	**25,610,679**	23,994,656
Impaired	**1,351,816**	1,488,699
	273,447,055	245,044,053
Gross impaired loans as a percentage of gross loans, advances and financing	**0.49%**	0.61%

(a) Neither Past Due Nor Impaired

The credit quality of gross loans, advances and financing which are neither past due nor impaired is set out in Note 43(ii)(a) to the financial statements.

(b) Past Due But Not Impaired

Past due but not impaired loans, advances and financing are loans where the customer has failed to make a principal or interest payment when contractually due, and include loans which are due one or more days after the contractual due date but less than 3 months. 61% (2014: 60%) of the past due loans of the Group are past due for less than 1 month.

Tables (i)-(iii) present the analysis of past due but not impaired loans, advances and financing of the Group, as follows:

(i) Economic purpose analysis

(ii) Geographical analysis

(iii) Aging analysis

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (Continued)

(b) Past Due But Not Impaired (Continued)

(i) Economic Purpose Analysis

Group	2015 RM'000	2014 RM'000
Purchase of securities	**6,941**	6,301
Purchase of transport vehicles	**11,285,310**	10,905,530
Purchase of landed properties	**11,968,334**	11,269,657
(Of which: – residential	**8,725,832**	8,385,236
– non-residential)	**3,242,502**	2,884,421
Purchase of fixed assets (excluding landed properties)	**9,018**	3,682
Personal use	**651,208**	617,552
Credit card	**300,956**	303,145
Purchase of consumer durables	**82**	359
Construction	**190,088**	110,827
Working capital	**1,136,430**	670,059
Other purpose	**62,312**	107,544
	25,610,679	23,994,656

(ii) Geographical Analysis

Group	2015 RM'000	2014 RM'000
Malaysia	**24,737,460**	23,426,570
Hong Kong & China	**217,557**	168,870
Cambodia	**317,832**	171,726
Other countries	**337,830**	227,490
	25,610,679	23,994,656

(iii) Aging Analysis

Group	2015 RM'000	2014 RM'000
1 day to <1 month	**15,650,235**	14,434,564
1 month to <2 months	**7,645,474**	7,235,610
2 months to <3 months	**2,314,970**	2,324,482
	25,610,679	23,994,656

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (Continued)

(c) Impaired Loans, Advances and Financing

The Group assesses, at each reporting period, whether there is any objective evidence that an individually significant loan is impaired. "Objective evidence of impairment" exists when one or more events that have occurred after the initial recognition of the loan (an incurred "loss event") and that the loss event has an impact on future estimated cash flows of the loan or group of loans that can be reliably estimated. The criteria that the Group uses to determine whether there is any objective evidence of impairment are set out in Note 43(ii)(c) to the financial statements.

If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. The carrying amount of the loan is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

Loans, advances and financing which are not individually significant are collectively assessed. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics for collective impairment assessment.

The future cash flows of each of the group of loans with similar credit risk characteristics are estimated on the basis of historical loss experience for such assets and discounted to present value. Collective assessment allowance is made on any shortfall in these discounted cash flows against the carrying value of the group of loans.

Loans, advances and financing are classified as impaired when they fulfill any of the following criteria:

(i) principal or interest/profit or both are past due for ninety (90) days or more; or

(ii) where a loan/financing is in arrears for less than ninety (90) days, the loan/financing exhibits indications of significant credit weaknesses; or

(iii) where a loan/financing, irregardless of impaired or non-impaired, has been rescheduled or restructured, the loan/financing will be classified as impaired until repayments based on the revised and/or restructured terms have been observed continuously for a period of six (6) months.

Tables (i)-(ii) present the impaired loans, advances and financing of the Group and the related impairment allowances of the Group, analysed by the following:

(i) Economic purpose

(ii) Geographical location

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (Continued)

(c) Impaired Loans, Advances and Financing (Continued)

(i) Impaired Loans, Advances and Financing and the Related Impairment Allowances by Economic Purpose

Group	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2015							
Purchase of securities	4,029	2,715	(1,874)	–	841	3,638	4,479
Purchase of transport vehicles	358,329	10,221	1,320	80	11,621	594,907	606,528
Purchase of landed properties	599,821	12,274	12,182	(6,633)	17,823	664,760	682,583
(Of which: – residential	445,406	178	4,282	(1,780)	2,680	443,201	445,881
– non-residential)	154,415	12,096	7,900	(4,853)	15,143	221,559	236,702
Purchase of fixed assets (excluding landed properties)	523	3	636	(386)	253	958	1,211
Personal use	138,792	34,155	198,787	(190,185)	42,757	85,240	127,997
Credit card	23,694	–	–	–	–	23,629	23,629
Purchase of consumer durables	57	–	–	–	–	83	83
Construction	13,418	5,445	(91)	578	5,932	11,006	16,938
Mergers and acquisitions	–	–	–	–	–	241	241
Working capital	198,036	70,582	(7,220)	(23,195)	40,167	117,412	157,579
Other purpose	15,117	4,691	(2,138)	–	2,553	8,763	11,316
	1,351,816	140,086	201,602	(219,741)	121,947	1,510,637	1,632,584

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (Continued)

(c) Impaired Loans, Advances and Financing (Continued)

(i) Impaired Loans, Advances and Financing and the Related Impairment Allowances by Economic Purpose (Continued)

Group	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2014							
Purchase of securities	3,434	2,471	244	–	2,715	4,082	6,797
Purchase of transport vehicles	412,764	8,153	2,590	(522)	10,221	607,809	618,030
Purchase of landed properties	668,989	16,924	(4,422)	(228)	12,274	809,467	821,741
(Of which: – residential	504,808	230	(63)	11	178	543,300	543,478
– non-residential)	164,181	16,694	(4,359)	(239)	12,096	266,167	278,263
Purchase of fixed assets (excluding landed properties)	164	467	(239)	(225)	3	360	363
Personal use	146,527	39,891	167,536	(173,272)	34,155	95,643	129,798
Credit card	25,409	–	–	–	–	25,869	25,869
Purchase of consumer durables	75	–	–	–	–	92	92
Construction	12,841	4,757	706	(18)	5,445	8,369	13,814
Mergers and acquisitions	–	–	–	–	–	372	372
Working capital	202,794	90,645	964	(21,027)	70,582	120,616	191,198
Other purpose	15,702	4,617	322	(248)	4,691	9,449	14,140
	1,488,699	167,925	167,701	(195,540)	140,086	1,682,128	1,822,214

The movements in the collective assessment allowance for 2015 and 2014 are set out in Note 9 to the financial statements.

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (Continued)

(c) Impaired Loans, Advances and Financing (Continued)

(ii) Impaired Loans, Advances and Financing and the Related Impairment Allowances by Geographical Location

Group	Impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2015							
Malaysia	**1,190,592**	**62,467**	**(7,030)**	**(20,600)**	**34,837**	**1,349,289**	**1,384,126**
Hong Kong & China	**104,900**	**38,864**	**209,946**	**(189,777)**	**59,033**	**86,190**	**145,223**
Cambodia	**30,461**	**38,755**	**(1,314)**	**(9,364)**	**28,077**	**59,145**	**87,222**
Other countries	**25,863**	**–**	**–**	**–**	**–**	**16,013**	**16,013**
	1,351,816	**140,086**	**201,602**	**(219,741)**	**121,947**	**1,510,637**	**1,632,584**
2014							
Malaysia	1,375,695	81,231	(7,252)	(11,512)	62,467	1,537,243	1,599,710
Hong Kong & China	62,326	50,474	166,254	(177,864)	38,864	86,087	124,951
Cambodia	38,549	34,494	10,227	(5,966)	38,755	47,881	86,636
Other countries	12,129	1,726	(1,528)	(198)	–	10,917	10,917
	1,488,699	167,925	167,701	(195,540)	140,086	1,682,128	1,822,214

The movements in the collective assessment allowance for 2015 and 2014 are set out in Note 9 to the financial statements.

6. MARKET RISK

Market risk is the risk that movements in market variables, including interest rates, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the income or portfolio values of the Group.

The market risk exposure of the Group is identified into two types:

Exposure to Market Risk	Description
(a) Traded Market Risk	Primarily the interest rate/rate of return risk and credit spread risk, exists in the Group's trading book positions held for the purpose of benefiting from short-term price movements. These trading book positions are mainly originated by the treasury operations.
(b) Non-Traded Market Risk	Interest rate/rate of return risk, foreign exchange risk and equity prices risk arising mainly from the retail and commercial banking assets and liabilities, as well as financial investments designated as available-for-sale and held-to-maturity.

The Group's core market risks are as follows:

- **Interest Rate/Rate of Return Risk in the Banking Book ("IRR/RoRBB")** – Risk to the Group's earnings and economic value of equity ("EVE") arising from adverse movements in the interest rate/rate of return over time arising from activities such as deposits taking, lending or financing and investment.

- **Foreign Exchange Risk –** Risk of adverse impact arising from movements in exchange rates on foreign currency positions originating from treasury money market activities and from the Group's investments and retained earnings in its subsidiary companies, overseas branches and associated companies, whose functional currencies are not in Ringgit Malaysia. The main foreign currencies in which the Group's businesses are transacted in are United States Dollars and Hong Kong Dollars.

- **Displaced Commercial Risk ("DCR") –** Risk of Public Islamic bearing the credit and market risk losses as a result of paying a return that exceeds the actual return that was supposedly to be earned by the Investment Account Holders ("IAH") based on the contractual profit sharing ratio. As at reporting date, Public Islamic does not have Profit Sharing Investment Accounts which are eligible for risk absorbent treatment.

- **Equity Risk –** Risk of adverse impact arising from movements in equity prices on equity positions held by the Group for dividend yield purposes.

6. MARKET RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Market Risk

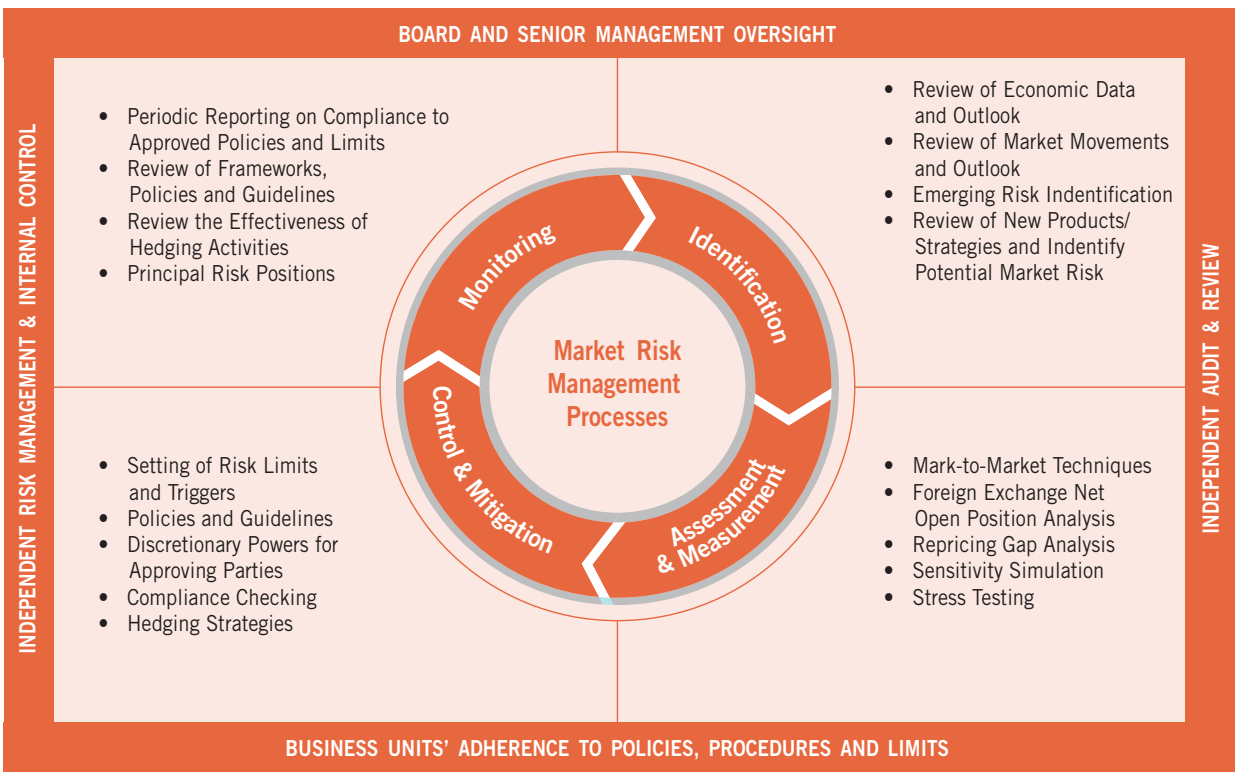
The following tables present the minimum regulatory capital requirements for market risk of the Group and the Bank.

	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
2015				
Interest rate/rate of return risk	**30,924,503**	**(27,366,985)**	**597,882**	**47,830**
Foreign exchange risk	**1,902,621**	**(935,466)**	**1,902,621**	**152,210**
Total	**32,827,124**	**(28,302,451)**	**2,500,503**	**200,040**
2014				
Interest rate/rate of return risk	39,894,395	(20,770,570)	1,229,355	98,348
Foreign exchange risk	1,325,490	(356,242)	1,325,490	106,039
Total	41,219,885	(21,126,812)	2,554,845	204,387
Bank				
2015				
Interest rate risk	**27,814,812**	**(26,577,465)**	**535,038**	**42,803**
Foreign exchange risk	**2,128,762**	**(3,179,295)**	**3,179,295**	**254,344**
Total	**29,943,574**	**(29,756,760)**	**3,714,333**	**297,147**
2014				
Interest rate risk	35,182,988	(20,704,056)	991,299	79,304
Foreign exchange risk	1,605,032	(2,036,590)	2,036,590	162,927
Total	36,788,020	(22,740,646)	3,027,889	242,231

6. MARKET RISK (CONTINUED)

Risk Governance

The ALCO supports the RMC in market risk management oversight. The ALCO reviews the Group's market risk frameworks and policies, aligns market risk management with risk appetite and implements actions to ensure that the market risk remains within established risk tolerance level. The following diagram presents the risk management processes over market risk.



6.1 Traded Market Risk

Risk Management Approach

The Group's traded market risk frameworks comprise market risk policies and practices, delegation of authorities, market risk limits and valuation methodologies. The Group's traded market risk for fixed income instruments is measured by the present value of 1 basis point change ("PV01") and controlled by daily and cumulative cut-loss limits. The compliance officers are deployed to conduct daily compliance checking on the treasury operations. Any instances of non-compliance with the operational processes, procedures and limits will be documented with remedial action plans and reported to the Audit Committee. In addition, the compliance officers conduct independent verification on the daily mark-to-market valuation of fixed income instruments.

6. MARKET RISK (CONTINUED)

6.1 Traded Market Risk (Continued)

Risk Management Approach (Continued)

The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by RMD. Changes to operational market risk limits are approved by the ALCO. The trading book positions and limits are regularly reported to the ALCO. The Group maintains its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board.

During the financial year, the Group's traded market risk exposures on fixed income instruments as measured by PV01, averaged at RM266,000 (2014: RM271,000). The composition of the Group's trading portfolio is set out in Note 5 to the financial statements.

6.2 Non-Traded Market Risk

(a) Interest Rate/Rate of Return Risk in the Banking Book

The sources of IRR/RoRBB are as follows:

- **Repricing Risk** – Risk caused by timing differences in the interest rate/rate of return changes and cash flows that occur in the repricing and maturity of the Group's fixed and floating rate assets, liabilities and off-balance sheet instruments.

- **Yield Curve Risk** – Risk when unanticipated changes in the yield curve have adverse effects on the Group's earnings and EVE.

- **Basis Risk** – Risk arising from the imperfect correlation between changes in the interest rate/rate of return earned and paid on different instruments with otherwise similar repricing characteristics. This will affect the Group's net interest/profit margin, i.e. earnings and also future cash flows, which in turn affect economic value of the Group.

- **Optionality Risk** – Risk of early repayments of loans/financing and early withdrawal of deposits due to changes in the interest rate/rate of return which will potentially affect future earnings.

Risk Management Approach

The Group emphasises the importance of IRR/RoRBB as most of the balance sheet items of the Group generate interest/profit income and interest/profit expense that are correlated to interest rate/rate of return. Hence, the primary objective in managing the IRR/RoRBB is to manage the volatility in the Group's net interest/profit income ("NII/NPI") and EVE due to the changing levels of interest rate/rate of return, whilst balancing the cost of hedging activities on the current revenue streams. This is achieved in various manners such as the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in the interest rate/rate of return sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects. The use of derivative financial instruments to hedge the interest rate/rate of return risk is set out in Note 6 to the financial statements.

6. MARKET RISK (CONTINUED)

6.2 Non-Traded Market Risk (Continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (Continued)

Risk Management Approach (Continued)

The Group's IRR/RoRBB is also governed by the Group's Interest/Profit Rate Risk Management Framework to ensure that all IRR/RoRBB is managed within its risk appetite. All limits and policies are approved by the RMC and are regularly reviewed to ensure that the limits and policies remain applicable and is able to surface potential interest rate/rate of return risk.

The Group uses a range of approaches to measure IRR/RoRBB, whereby the impact on NII/NPI and EVE is considered at all times, as follows:

Measures	Description
(i) Repricing Gap Reports	Distribution of interest/profit sensitive assets, liabilities and off-balance sheet positions into time bands according to their remaining maturity or next repricing maturity. One of the challenges of this mismatch repricing analysis is the underlying assumptions of the embedded optionality of loans/financing prepayments, early deposits withdrawal and effective duration of liabilities which are contractually repayable on demand such as current and saving accounts. This is measured on a monthly basis for the Bank and quarterly basis for the Group.
(ii) Sensitivity Analysis	Impact to NII/NPI - This is the projected Group's NII/NPI sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's interest rate/rate of return sensivity gap as at the reporting date after taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return. Impact to EVE – This measure takes a comprehensive view of the potential long-term effects of a 100 basis point parallel movement in interest/profit rates on the economic value of the Group's Balance Sheet. It requires all future cash flows associated with the Group's assets, liabilities and off-balance sheet positions to be discounted at relevant market rates to determine the overall net present value of the Group. These are measured on a monthly basis for the Bank and quarterly basis for the Group.

6. MARKET RISK (CONTINUED)

6.2 Non-Traded Market Risk (Continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (Continued)

Risk Management Approach (Continued)

Measures	Description
(iii) Simulation Scenarios	As and when the need arises, analysis is performed on the sensitivity of projected NII/NPI and EVE under varying interest/profit rate and balance sheet scenarios. The analysis also incorporates business assumptions obtained from various lines of business and behavioural assumptions established based on statistical methods for the Group. The impact on earnings is measured against the approved Earning-at-Risk (EaR) and EVE limits where new business and hedging strategies are carried out to mitigate any increasing IRR/RoR.
(iv) Stress Testing	The vulnerability of the Group's earnings and EVE under various levels of stress using a variety of economic parameters. This semi-annual practice is also to determine the adequacy of capital in meeting the adverse impact of extreme interest rate/rate of return movements on the Group's statements of financial position which can provide an early warning of the potential losses and to facilitate proactive management of the interest rate/rate of return risk.

The following table presents the projected Group's sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's interest rate/rate of return sensivity gap as at the reporting date taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

6. MARKET RISK (CONTINUED)

6.2 Non-Traded Market Risk (Continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (Continued)

Interest Rate/Rate of Return Risk Sensitivity Analysis

	2015		2014	
	-100 bps	+100 bps	-100 bps	+100 bps
	← Increase/(Decrease) →			
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Impact on NII/NPI				
Ringgit Malaysia	**(201,107)**	**189,246**	(71,784)	66,532
United States Dollars	**12,766**	**(33,428)**	6,938	(19,582)
Hong Kong Dollars	**(3,444)**	**10,654**	(2,871)	3,397
Other Currencies	**(14,414)**	**13,604**	(9,843)	9,260
Total	**(206,199)**	**180,076**	(77,560)	59,607
Impact on EVE				
Ringgit Malaysia	**2,007,306**	**(1,647,975)**	1,706,211	(1,351,040)
United States Dollars	**8,194**	**(14,357)**	10,086	(20,727)
Hong Kong Dollars	**2,967**	**4,761**	2,688	(4,151)
Other Currencies	**(1,658)**	**6,034**	4,462	(1,801)
Total	**2,016,809**	**(1,651,537)**	1,723,447	(1,377,719)

The reported amounts do not capture the impact of business growth or of management actions and are based on the balance sheet as at reporting date. In reality, the ALCO seeks to proactively change the interest rate/rate of return risk profile to minimise losses and maximise net revenue. The projection assumes a constant statements of financial position and that all positions run to maturity.

The repricing profile of loans/financing that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Where possible and material, loans/financing prepayments are generally estimated based on past statistics and trends. The impact on the NII/NPI and EVE are measured on a monthly basis for the Bank and quarterly basis for the Group, both of which are reported to the ALCO and the RMC.

6. MARKET RISK (CONTINUED)

6.2 Non-Traded Market Risk (Continued)

(b) Displaced Commercial Risk

Risk Management Approach

Public Islamic uses Profit Equalisation Reserve ("PER") to manage its DCR and is governed by the Profit Equalisation Reserve Framework. PER is created by setting aside an amount out of the total gross income before distribution to the IAH and to Public Islamic. The amount of PER set aside is shared by both the IAH and Public Islamic. PER may be released to smoothen the rate of return. In the event that there is no PER balance to be released, Public Islamic may employ the following techniques to ensure that the IAH receive market rate of return:

(i) to forgo part or all of Public Islamic's share of profit as mudharib to the IAH by way of varying the percentage of profit taken as the mudharib share in order to increase the share attributed to the IAH in any particular year; and/or

(ii) to transfer Public Islamic's current year profits or retained earnings to the IAH on the basis of hibah.

In accordance with the BNM's Transition Policy under Islamic Financial Services Act 2013, Public Islamic has transitioned all of its investment deposit products into Islamic deposits with effect from 1 July 2015. In respect of investment deposits products where the maturity period is beyond 30 June 2015 or held as security against financing facilities, BNM allows continued classification as investment deposits until their respective maturity period or settlement of the financing facilities.

As at reporting date, Public Islamic's investment deposits of RM113.6 million (2014: RM321.7 million) are subject to DCR.

(c) Foreign Exchange Risk

Risk Management Approach

The Group manages such risk through funding in the same functional currencies, where possible. In addition, Net Open Position ("NOP") limit is set for overall NOP as well as NOP limits for individual currencies. The decision to hedge the Group's net investment in its overseas operations is based on the potential foreign exchange risk against the cost of hedging and is periodically assessed by the ALCO.

The table in Note 43(ii)(c)(ii) to the financial statements sets out the Group's assets, liabilities and NOP by currencies and the Group's structural foreign exchange positions. As at 31 December 2015, there was a net long position of RM938.1 million (2014: RM953.9 million) or 15% (2014: 20%) of the Group's structural position.

(d) Equity Risk

Risk Management Approach

The Group manages such risk via pre-approved portfolio size and cut-loss limits. Decisions concerning such positions are made by the Share Investment Committee.

7. EQUITY EXPOSURES IN THE BANKING BOOK

The following tables present the equity exposures in the banking book and the gains and losses on equity exposures in the banking book of the Group.

(a) Equity Exposures in the Banking Book

Group	2015 Gross Credit Exposure RM'000	2015 Risk-Weighted Assets RM'000	2014 Gross Credit Exposure RM'000	2014 Risk-Weighted Assets RM'000
Publicly traded				
Investments in unit trust funds	**3,071,182**	**3,071,182**	5,274,346	5,274,346
Holdings of equity investments	**3,730**	**3,730**	7,086	7,086
	3,074,912	**3,074,912**	5,281,432	5,281,432
Privately held				
For socio-economic purposes	**87,899**	**87,899**	87,771	87,771
Not for socio-economic purposes	**31,036**	**46,554**	23,994	35,991
	118,935	**134,453**	111,765	123,762
Total	**3,193,847**	**3,209,365**	5,393,197	5,405,194

(i) Publicly Traded

The investment in unit trust funds comprises bond fund and money market funds, are held for yield purposes. Holdings of equity investments comprise mainly of shares listed in an exchange, are held for dividend yield purpose and to take advantage of favourable movements in equity prices. Decisions concerning investing in equities are made by the Share Investment Committee. Equity positions are monitored against pre-determined cut-loss limits. All publicly traded equity exposures are stated at fair value.

(ii) Privately Held

The privately held equity investments are unquoted and stated at cost adjusted for impairment loss, if any.

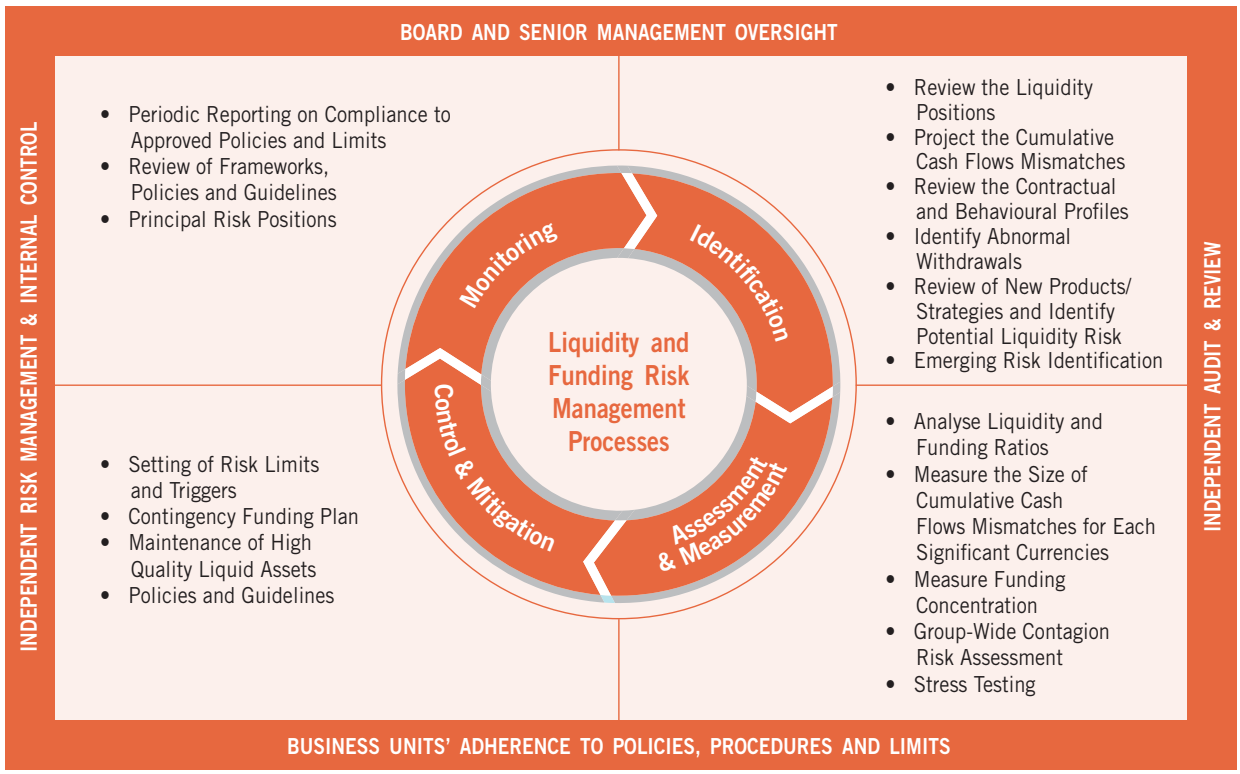
(b) Gains and Losses on Equity Exposures in the Banking Book

Group	2015 RM'000	2014 RM'000
Realised gains recognised in the statement of profit or loss		
– Investments in unit trust fund	**8,755**	–
– Publicly traded equity investments	–	250
	8,755	250
Unrealised gains recognised in other comprehensive income		
– Investments in unit trust funds	**1,219**	9,230
– Publicly traded equity investments	**3,731**	7,086
	4,950	16,316

8. LIQUIDITY AND FUNDING RISK

Liquidity risk is the risk that the Group is unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

The following diagram presents the risk management processes over liquidity and funding risk.



Risk Governance

The ALCO supports the RMC in liquidity and funding risk management oversight. The ALCO reviews the Group's liquidity risk frameworks, policies and guidelines, and implements necessary actions to ensure that the liquidity and funding risk is well managed and within the established liquidity risk appetite and thresholds.

8. LIQUIDITY AND FUNDING RISK (CONTINUED)

Risk Management Approach

The Group's liquidity and funding risk management is aligned to the BNM's Basel III Liquidity Coverage Ratio Framework which is effective from 1 June 2015 and is also guided by the Group's Liquidity and Funding Risk Management Framework which set out the processes involved in identifying, assessing, measuring, controlling, mitigating and monitoring of the liquidity and funding risk.

The day-to-day funding management is undertaken by the treasury operations and this includes the maintenance of a portfolio of high quality liquid assets that can be easily liquidated as protection against any unforeseen interruption to cash flows and the replenishment of funds as they matured or are borrowed by/financed to the customers. As at 31 December 2015, the Group holds a sizeable balance of government securities amounting to RM30,960.7 million (2014: RM34,678.4 million) or 56% (2014: 54%) of its portfolio of securities.

The Group's liquidity and funding positions are supported by the Group's significant retail deposit base, accompanied by funding from wholesale markets. The Group's retail deposit base comprises demand and savings deposits which, although payable on demand, have traditionally in aggregate provided stable sources of funding. The Group's reputation, earnings generation capacity, strong credit rating, financial and capital strength including offering of competitive deposit rates are core attributes to preserve depositors' confidence and ensure liquidity. The Group accesses the wholesale markets through the issuance of debt securities, certificate of deposits and the taking of money market deposits to meet short-term obligations and to maintain its presence in the local money markets.

The primary tools for monitoring liquidity and funding positions are the maturity mismatch analysis, assessment on the concentration of fundings, the availability of unencumbered assets and the use of market-wide information to identify possible liquidity problems. Liquidity and funding positions are reported to the ALCO on a monthly basis in Ringgit Malaysia and United States Dollars.

Contingency funding plans are in place to identify early warning signals of a liquidity problem. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity problem. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed on quarterly basis by the various entities under the Group to determine the cash flows mismatches under the "Institution Specific Liquidity Problem" and "Systemic Wide Liquidity Problem" scenarios and the possible sources of funding to meet the shortfalls during a liquidity crisis.

Overseas subsidiary companies and overseas branches are required to comply with their respective local regulatory liquidity requirements and internal liquidity and funding limits. Similar risk management processes as practiced by Head Office are adopted by its overseas subsidiary companies and overseas branches. It is the Group's policy that the overseas subsidiary companies and overseas branches strive to attain a self-funding position in funding their respective operations.

9. OPERATIONAL RISK

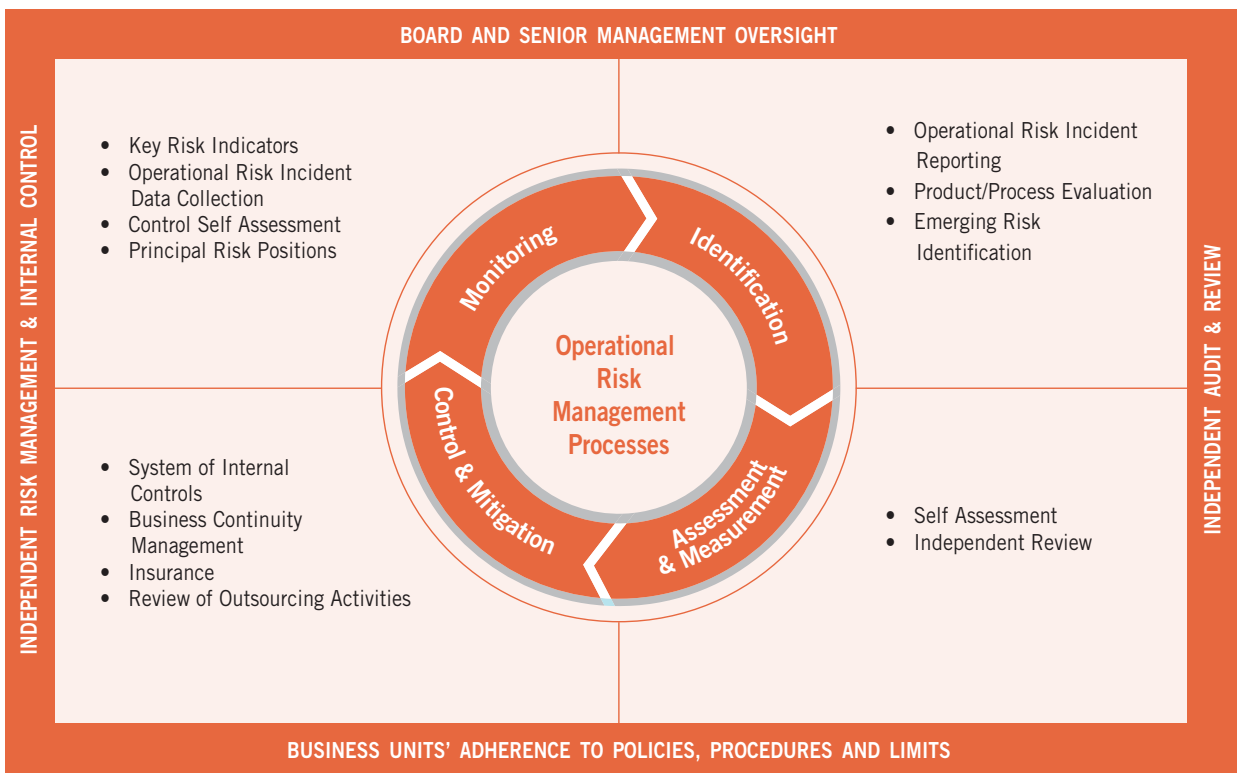
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is unavoidable as it is inherent in all banking businesses. The objective of the operational risk management of the Group is to manage its operational risk within an acceptable level.

Minimum Regulatory Capital Requirements for Operational Risk

The following table presents the minimum regulatory capital requirements for operational risk of the Group and the Bank, computed using the Basic Indicator Approach.

	2015		2014	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	**16,321,153**	**1,305,692**	15,281,141	1,222,491
Bank	**10,911,444**	**872,915**	10,753,781	860,302

The following diagram presents the risk management processes over operational risk.



9. OPERATIONAL RISK (CONTINUED)

Risk Governance

The Group's operational risk management is guided by the Group's Operational Risk Management Framework which is designed to ensure that operational risks are consistently identified, assessed, mitigated/controlled, monitored and reported within the Group.

The Board, through RMC, maintains overall responsibility for risk oversight within the Group. The ORMC assists the RMC in operational risk management oversight. The ORMC is responsible for assessing the effectiveness of risk management policies and processes in relation to operational risk. The Operational Risk Management Working Group (ORMWG) is established to support and assist the ORMC in its ongoing review of the operational risk management policies and procedures and ensuring effective implementation of the policies and procedures within the business and support units.

To ensure effective management of operational risk, independent risk management and compliance functions provide support to the business and support units and conduct compliance checks on their implementation of risk management policies and tools to identify, assess, control and monitor operational risk.

The various business and support units are responsible for the day-to-day management of operational risks within their lines of business and functions and ensure that their business activities are carried out within the established operational risk management policies, guidelines, procedures and limits.

The Internal Audit Function provides independent assurance on the adequacy and effectiveness of operational risk management framework, processes and systems.

Risk Management Approach

The day-to-day management of operational risk exposures is through a system of risk management and internal controls to ensure that operational policies, guidelines and procedures are being adhered to at all levels throughout the Group. As events and business conditions evolve, the Group continues to strengthen and refine its operational risk management processes to ensure that the current and potential operational risk exposures are properly understood and managed.

(a) Strategy and Processes

The Group has put in place a disciplined product evaluation process. The Group's product evaluation process is governed by the Group's Policy and Procedures on Risk Management Practices for New Products. Each new product or service introduced as well as variations to existing products or services are subject to a rigorous risk review and sign-off process where risks are identified and assessed by divisions independent of the risk taking unit that proposes the products or services. This is further augmented by the Group's Framework on Product Transparency and Disclosure which emphasises the importance of safeguarding customers' confidentiality and promoting their awareness and understanding of the products and services, and informed decision making.

The Group continues to direct group-wide efforts to maintain its legal and regulatory compliance culture in all jurisdictions that the Group operates. The Group seeks to meet the standards and expectations of regulatory authorities through a number of initiatives and activities to ensure compliance with statutory and regulatory requirements as well as internal policies and guidelines.

9. OPERATIONAL RISK (CONTINUED)

Risk Management Approach (Continued)

(a) Strategy and Processes (Continued)

Comprehensive risk assessments are conducted on major operational risk issues/emerging risk events arising from changes in business and operating environment to facilitate pro-active development of appropriate risk response to emerging operational risk events which would affect the achievement of the Group's business objectives. Periodic reviews and enhancements to operational risk limits and assessment of the control effectiveness are also conducted in response to changes in internal and external factors so that the Group's operational risk exposures are managed within its risk appetite.

The Group has put in place the disaster recovery and business continuity plans which are regularly tested and updated that enable the Group to respond and continue to operate critical business functions across a broad spectrum of interruptions to the business, arising from internal or external events. Where appropriate, the Group mitigates risk of high impact loss events by relevant insurance coverage.

The Group protects information security through continuous assessment of the security features on all computer platforms and network infrastructure, and implementation of appropriate security controls to protect against the misuse or compromise of information assets. In addition, the Group continues to undertake initiatives to maintain 100% system availability and robust system performance in the Group's computer systems, peripherals and network infrastructure to ensure uninterrupted transmission.

The Group manages its outsourcing activities through the Group's Guidelines on Outsourcing Activities which stipulate the requirements and the operating procedures to be observed in managing activities that are outsourced to third party service providers. This is to ensure that the risks associated with outsourcing activities are managed effectively.

(b) Tools and Methods for Risk Mitigation

To monitor and mitigate operational risk, the Group uses various tools and methods including:

(i) Control self-assessment – To assess the state of risk management and internal controls;

(ii) Key risk indicators – To collect statistical data on an ongoing basis to facilitate early detection of operational risk issues and control deficiencies; and

(iii) Operational risk incident reporting and data collection – To analyse the trends of operational risk data which are useful in assessing the Group's operational risk exposures and in strengthening the internal control environment.

9. OPERATIONAL RISK (CONTINUED)

Risk Management Approach (Continued)

(c) Reporting

Reporting is one of the important processes in operational risk management. The Group's operational risk management processes are aimed to ensure that operational risk exposures are properly identified, escalated and managed on a timely manner.

Operational risk exposures for the key business and control units are reported through monthly operational risk management reports which provide analyses and action plans for each significant business operation. The key operational risk areas included in the operational risk management reports are premises controls and safety, losses due to fraud or control lapses, IT risk management, business continuity management, outsourcing activities, compliance review results as well as litigation against the Group. The operational risk management reports are tabled to the ORMWG, the ORMC and the RMC for deliberations.

10. SHARIAH NON-COMPLIANCE RISK

Shariah non-compliance risk is the risk of failure to comply with the Shariah rules and principles as determined by the respective entities' Shariah Committee/Adviser or the relevant bodies, such as the Shariah Advisory Council ("SAC") of BNM and the SAC of Securities Commission ("SACSC").

Shariah non-compliance risk of the Group may emanate from the Islamic banking operations of Public Islamic and the management of Shariah-based funds by Public Mutual Berhad ("Public Mutual").

Islamic Banking Operations

Shariah non-compliance risk emanating from Islamic banking operations is managed through the Shariah Governance Framework ("the Framework") which was endorsed by the Shariah Committee and approved by the Board of Directors of Public Islamic ("the Board of Public Islamic"). The Framework is drawn up in accordance with the Shariah Governance Framework for Islamic Financial Institutions issued by BNM on 22 October 2010. The Framework, amongst others, sets out the Shariah gorvernance structure, as well as the adoption of a systematic approach in reviewing Shariah compliance and the reporting process on Shariah matters. The Board of Public Islamic is ultimately responsible for Shariah compliance. In this regard, the Board of Public Islamic, in consultation with the Shariah Committee, approves all policies relating to Shariah matters. The Shariah Committee is presided by qualified members who deliberate and endorse all Shariah matters which are subsequently noted and/or approved by the Board of Public Islamic. On a periodic basis, the members of the Shariah Committee perform on-site inspections at branches to review the operations of Public Islamic to ensure that the operations are conducted in accordance with Shariah rules and principles.

The Shariah Compliance Division, which comprises Shariah Review and Shariah Research functions, is responsible for the continuous assessment on Shariah compliance for all activities and business operations of Public Islamic. The role of Shariah Review is to examine and evaluate Public Islamic's level of compliance with the Shariah rules and principles through an end-to-end process from product development to operational review including the review of the uses of the financing extended to detect application of financing in Shariah non-compliance activities. Shariah Research is responsible for conducting research on Shariah and Islamic banking contemporary issues and providing Shariah advisory support to branches and business units.

10. SHARIAH NON-COMPLIANCE RISK (CONTINUED)

Islamic Banking Operations (Continued)

The main role of Shariah risk management function is to facilitate the process of identifying, measuring, controlling and monitoring Shariah non-compliance risks inherent in Islamic banking operations. Shariah risk management function forms part of the Group's Risk Management Framework.

Internal audits are performed periodically to verify that the Islamic operations conducted by the branches or business units are in compliance with the decisions endorsed by the Shariah Committee. Any incidences of Shariah non-compliance are reported to both the Shariah Committee and the Audit Committee.

Remedial actions, including but not limited to the immediate termination of the Shariah non-compliant products or services and the treatment of the consequential Shariah non-compliant income or activities are proposed for the endorsement of the Shariah Committee and the approval by the Board of Public Islamic prior to implementation.

Ongoing Shariah reviews and audits conducted on Public Islamic's operational processes in Islamic banking and financing transactions revealed that there is no Shariah non-compliant income recorded during the financial year under review (2014: Nil).

Management of Shariah-Based Funds

Shariah non-compliance risk emanating from investments and operations of Shariah-based funds is managed through Shariah non-compliance risk management processes. An independent third party approved by the Securities Commission ("SC") is appointed as the Shariah Adviser of the Shariah-based funds managed by Public Mutual. The role of the Shariah Adviser is to ensure the investments and operations of the Shariah-based funds are in compliance with Shariah requirements. The Shariah Adviser reviews the funds' investments and meets with the investment management team to advise on the funds' compliance with Shariah requirements.

The Compliance Department of Public Mutual is responsible for assessing, monitoring and reporting on the company's compliance with the applicable Shariah rules and regulations in managing its Shariah-based funds. The Compliance Department conducts regular reviews and works closely with the Shariah Adviser to ensure all transactions under the Shariah-based funds comply with the Shariah requirements at all times.

Any securities held by the Shariah-based funds which subsequently turn Shariah non-compliant based on announcements made by the SACSC will be disposed of in the manner as stipulated by the SACSC. Any excess capital gains derived from such disposal would be channelled to charitable bodies accordingly.

During the financial year, a non-permissible income of RM1,276,055 (2014: RM1,650,065) under the Shariah-based funds arising from the disposal of Shariah non-compliant securities has been channelled to charitable bodies as approved by the Shariah Adviser.

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