

2007 Annual Report

PUBLIC BANK

Delivering Distinctive Value



Desires are ever evolving and new demands create new opportunities to excel. With its eye trained on excellence, Public Bank has made great strides in the hyper-competitive world of banking and finance, and continues to chart the way forward with its distinctive approach to banking. Working passionately towards one goal, our dynamic team activates Public Bank's organic growth strategies and spurs our continued success. Our people are constantly reaching out to one another and harnessing the ultimate potential that lie within each and every one of us. The complete circle manifests the amalgam of insightful strategy and purposeful dedication that forms the heart of our pulsing success.

Delivering Distinctive Value





We deliver distinctive value...



Evolving

There's no end to excellence at Public Bank. It's an ever-evolving concept...



Striding

...that sees us striding ahead with our distinctive approach to banking. Constantly seeking to...



Aligning

...improve performance by aligning our goals with stakeholders' expectations...



Strengthening

...we create new winning strategies even as we work to strengthen our foundation...



Leading

...to continue leading the banking and financial industry. And through it all, we ensure...



Caring

...that a culture of care permeates every aspect of our business operations.

...by seamlessly realising a continuous series of organic strategies.

A low-angle photograph of a tall, modern skyscraper with a distinctive stepped, pyramidal top, set against a clear blue sky. The building's facade is composed of dark, horizontal bands. In the foreground, the lower portion of the same building is visible, featuring a light-colored, classical-style entrance with a large arched window and the words "PUBLIC BANK" in bold, dark letters. Palm trees are visible on the left and right sides of the frame.

Corporate Mission

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



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

Financial Calendar

Financial Year 2007

ANNOUNCEMENT OF RESULTS

16 APRIL 2007

Monday

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2007

17 JULY 2007

Tuesday

Announcement of the unaudited consolidated results for the 2nd quarter and half-year ended 30 June 2007

16 OCTOBER 2007

Tuesday

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2007

21 JANUARY 2008

Monday

Announcement of the audited consolidated results for the 4th quarter and year ended 31 December 2007

DIVIDENDS

18 JULY 2007

Wednesday

Date of notice of entitlement and payment of the interim dividend of 25% less 27% income tax

3 AUGUST 2007

Friday

Date of entitlement to the interim dividend of 25% less 27% income tax

13 AUGUST 2007

Monday

Date of payment of the interim dividend of 25% less 27% income tax

22 JANUARY 2008

Tuesday

Date of notice of entitlement and payment of the final dividend of 40% less 26% income tax and special dividend of 10% less 26% income tax

29 FEBRUARY 2008

Friday

Date of entitlement to the final dividend of 40% less 26% income tax and special dividend of 10% less 26% income tax

10 MARCH 2008

Monday

Date of payment of the final dividend of 40% less 26% income tax and special dividend of 10% less 26% income tax

ANNUAL REPORT & ANNUAL GENERAL MEETING

4 FEBRUARY 2008

Monday

Date of notice of 42nd Annual General Meeting and date of issuance of the 2007 Annual Report

26 FEBRUARY 2008

Tuesday

Date of 42nd Annual General Meeting



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ALWAYS DELIVERING DISTINCTIVE VALUE

- Form of Proxy

Financial Highlights

	GROUP		BANK	
	2007	2006	2007	2006
PROFITABILITY (RM'Million)				
Operating revenue	9,558	7,710	7,833	6,371
Operating profit	3,418	2,873	3,213	2,782
Profit before tax expense and zakat	3,004	2,416	2,851	2,440
Net profit attributable to equity holders of the Bank	2,124	1,727	2,106	1,789
KEY BALANCE SHEET DATA (RM'Million)				
Total assets	174,155	147,790	158,471	134,267
Loans, advances and financing	99,328	82,788	89,806	75,891
Deposits from customers	138,765	111,793	126,425	102,643
Shareholders' equity	9,342	9,034	9,351	8,970
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest bearing assets ¹	3.2	3.4	3.1	3.1
Net return on equity ²	26.3	21.9	26.2	23.3
Return on average assets	1.9	1.9	1.9	2.0
Return on average risk-weighted assets	3.3	3.2	3.5	3.5
Capital Adequacy Ratios				
Core capital ratio	9.1	10.2	11.1	12.5
Risk-weighted capital ratio	13.6	15.8	13.3	15.3
Asset Quality Ratios				
Net non-performing loans ratio ³	1.2	1.6	1.3	1.6

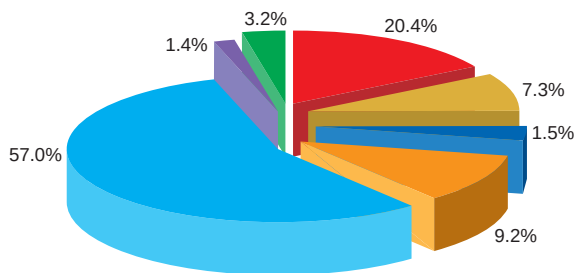
¹ Excluding negotiable instruments of deposit and money market deposits which are on-lent to interbank.

² Based on equity attributable to equity holders' of the Bank, adjusted for proposed dividend.

³ Based on 3 months classification.

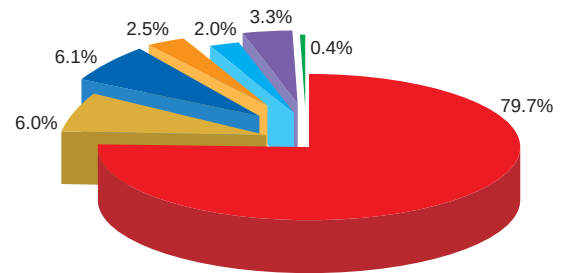
Simplified Group Balance Sheet

ASSETS 2007



- Cash and short-term funds
- Securities purchased under resale agreements
- Portfolio of securities
- Loans, advances and financing
- Deposits and placements with banks and other financial institutions
- Statutory deposits with Central Banks
- Other assets (including intangible assets)

LIABILITIES & SHAREHOLDERS' EQUITY 2007



- Deposits from customers
- Deposits and placements of banks and other financial institutions
- Bills and acceptances payable and other liabilities
- Subordinated notes and hybrid capital securities
- Share capital
- Reserves
- Minority interests

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Forty-Second Annual General Meeting of Public Bank Berhad (“PBB” or “Company”) (6463-H) will be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Tuesday, 26 February 2008 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

- | | |
|---|------------------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2007 and the Reports of the Directors and Auditors thereon. | Ordinary Resolution 1 |
| 2. To declare a final dividend of 40% less 26% income tax and a special dividend of 10% less 26% income tax in respect of the financial year ended 31 December 2007 as recommended by the Directors. | Ordinary Resolution 2 |
| 3. To re-elect the following Directors who retire by rotation pursuant to Article 111 of the Company's Articles of Association: | |
| i. Dato' Lee Kong Lam | Ordinary Resolution 3 |
| ii. Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah | Ordinary Resolution 4 |
| 4. To consider and if thought fit, to pass the following Ordinary Resolutions in accordance with Section 129 of the Companies Act, 1965: | |
| i. “THAT Tan Sri Dato' Sri Dr. Teh Hong Piow, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting.” | Ordinary Resolution 5 |
| ii. “THAT Tan Sri Dato' Thong Yaw Hong, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting.” | Ordinary Resolution 6 |
| iii. “THAT Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff, retiring pursuant to Section 129 of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting.” | Ordinary Resolution 7 |
| 5. To approve the payment of Directors' fees of RM1,015,000 for the financial year ended 31 December 2007. | Ordinary Resolution 8 |
| 6. To re-appoint Messrs KPMG as Auditors of the Company for the financial year ending 31 December 2008 and to authorise the Directors to fix the Auditors' remuneration. | Ordinary Resolution 9 |

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

7. **Authority under Section 132D of the Companies Act, 1965, for the Directors to Issue Shares**

“THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby authorised to issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum of the issued and paid-up share capital of the Company for the time being, subject always to the approvals of the relevant regulatory authorities.”

8. **Proposed Renewal of Authority for the Purchase by PBB of its Own Shares (“Proposed Share Buy-Back”)**

“THAT, subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the requirements of Bank Negara Malaysia, Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant authorities, the Company be and is hereby authorised to purchase such number of ordinary shares of RM1.00 each in PBB as may be determined by the Directors from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten per centum of the total issued and paid-up share capital of the Company;

AND THAT an amount not exceeding PBB's total audited retained profits and share premium account at the time of purchase be allocated by PBB for the Proposed Share Buy-Back. Based on the latest audited financial statements of PBB as at 31 December 2007, the retained profits and the share premium account of PBB amounted to approximately RM239,841,000 (after deducting proposed dividend of RM1,240,097,000) and RM2,112,204,000 respectively;

AND THAT the authority conferred by this resolution shall commence immediately upon the passing of this resolution and shall continue to be in force until:

- i. the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless renewed by an ordinary resolution passed by the shareholders of the Company in a general meeting; or
- ii. revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is the earlier;

Ordinary Resolution 10

AND THAT the Directors be and are hereby authorised to act and to take all steps and do all things as they may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Share Buy-Back AND FURTHER THAT authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the ordinary shares of RM1.00 each in PBB purchased by PBB pursuant to the Proposed Share Buy-Back as treasury shares to be either distributed as share dividends or resold on Bursa Securities or subsequently cancelled, or to cancel the shares so purchased, or a combination of both."

Ordinary Resolution 11**9. Proposed Amendments to the Articles of Association of PBB**

"THAT the Articles of Association of the Company be and are hereby amended in the manner as set out in Appendix 1 despatched together with the PBB 2007 Annual Report."

Special Resolution**DATE OF ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND AND SPECIAL DIVIDEND**

NOTICE HAS BEEN GIVEN ON 22 JANUARY 2008 THAT subject to the approval of Members at the Annual General Meeting to be held on 26 February 2008, a final dividend of 40% less 26% income tax and a special dividend of 10% less 26% income tax for the financial year ended 31 December 2007 will be paid on 10 March 2008 to Depositors whose names appear in the Record of Depositors on 29 February 2008.

A Depositor shall qualify for entitlement to the dividends only in respect of:

- a. Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 29 February 2008 in respect of transfers;
- b. Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 27 February 2008 in respect of securities exempted from mandatory deposit; and
- c. Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD

CHIA LEE KEE (MS)
MAICSA 7008270
Company Secretary

Kuala Lumpur
4 February 2008

NOTES:

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 19 February 2008 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.
2. The right of Foreigners to vote in respect of deposited securities is subject to Section 41(1)(e) and Section 41(2) of the Securities Industry (Central Depositories) Act, 1991; the Securities Industry (Central Depositories) (Foreign Ownership) Regulations, 1996 and the Articles of Association of the Company. Where a Foreigner, based on the General Meeting Record of Depositors, holds deposited securities in a Securities Account and such securities raise the ownership of shares in the Company by Foreigners beyond the Company's foreign shareholding limit of 30%, such Foreigner or the proxy appointed by him, in respect of such securities, shall not be entitled to exercise in any manner whatsoever any voting rights in respect of the aforesaid securities at the Meeting.
3. A Member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote on his behalf. A proxy need not be a Member of the Company.
4. A Member shall not be entitled to appoint more than two (2) proxies to attend and vote at the Meeting provided that where a Member is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act, 1991, it may appoint up to two (2) proxies in respect of each Securities Account it holds with ordinary shares in the Company standing to the credit of the said Securities Account.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or if such appointor is a corporation, under its common seal or the hand of its attorney.
6. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 27th Floor, Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur not less than 48 hours before the Meeting.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

1. The proposed Ordinary Resolution 10, if passed, will give the Directors of the Company authority to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company without having to convene a general meeting. This authority, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting of the Company.
2. The proposed Ordinary Resolution 11, if passed, will empower the Directors to purchase PBB shares through Bursa Malaysia Securities Berhad up to ten per centum of the issued and paid-up share capital of the Company.

Detailed information on the Proposed Share Buy-Back is set out in the Statement to Shareholders in relation to the proposed renewal of authority for the purchase by PBB of its own shares dated 4 February 2008 despatched together with the PBB 2007 Annual Report.

3. The proposed Special Resolution, if passed, will bring the Articles of Association of the Company in line with the recent amendments of the Listing Requirements of Bursa Malaysia Securities Berhad as well as for better clarity and enhancement.

Detailed information on the proposed amendments to the Articles of Association of the Company is set out in Appendix 1 despatched together with the PBB 2007 Annual Report.

Corporate Information

BOARD OF DIRECTORS

Non-Executive Chairman

TAN SRI DATO' SRI DR. TEH HONG PIOW

PSM, SSAP, SPMJ, SIMP, SSIJ, DSAP, DPMJ,
Datuk Kurnia Sentosa Pahang, JP
Hon LLD (M'sia), FIBM (M'sia), FCIB (UK),
FCIS (Aust), FCMI (UK), FICM (UK), FinstAM (UK)

Independent Non-Executive Co-Chairman

TAN SRI DATO' THONG YAW HONG

PSM, SIMP, DSAP, DIMP, JMN, SMP, JBS, AMN
BA (Econs Hons), MPA (Harvard), AMP (Harvard),
D.Econ (Hon)

Managing Director/Chief Executive Officer

DATO' SRI TAY AH LEK

PJN, SSAP, DIMP, KMN
MBA (Henley), FIBM (M'sia), F Fin (Aust)

Executive Director

DATO' LEE KONG LAM

DIMP
FCPA (Aust), CA (M'sia), FCIB (UK)

Independent Non-Executive Director

DATO' YEOH CHIN KEE

DIMP
FCPA (Aust), F Fin (Aust)

Independent Non-Executive Director

Y.A.M. TENGKU ABDUL RAHMAN IBNI SULTAN HAJI AHMAD SHAH AL-MUSTAIN BILLAH

DK II, SSAP

Independent Non-Executive Director

DATO' HAJI ABDUL AZIZ BIN OMAR

DIMP
ACA (England & Wales), CA (M'sia), FIBM (M'sia)

Independent Non-Executive Director

DATO' DR. HAJI MOHAMED ISHAK BIN HAJI MOHAMED ARIFF

DSPN, JSM, DJN, SMS, KMN, PPT, PJK
FRTP (London), FMIP (M'sia), FILA (M'sia),
D.C.L. (Hon) Newcastle-upon-Tyne

COMPANY SECRETARY

CHIA LEE KEE (MS)

MAICSA 7008270

Tel: 03-21766341

E-mail: pbbcosec@publicbank.com.my

REGISTERED OFFICE

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Tel: 03-21766341, 21638888
Fax: 03-21639917

SHARE REGISTRAR

EPSILON REGISTRATION SERVICES SDN BHD

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50400 Kuala Lumpur, Malaysia
Tel: 03-40473999
Fax: 03-40426352
E-mail: ers@my.tricorglobal.com

AUDITORS

MESSRS KPMG

Chartered Accountants
Wisma KPMG
Jalan Dungun, Damansara Heights
50490 Kuala Lumpur, Malaysia
Tel: 03-20953388
Fax: 03-20950971

HEAD OFFICE

Menara Public Bank
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21638888, 21638899
Fax: 03-21639917

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Tel: 03-21766293
E-mail: ir@publicbank.com.my

AGM HELPDESK

Tel: 03-21766454, 21766455
Fax: 03-21639917
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STOCK EXCHANGE LISTING

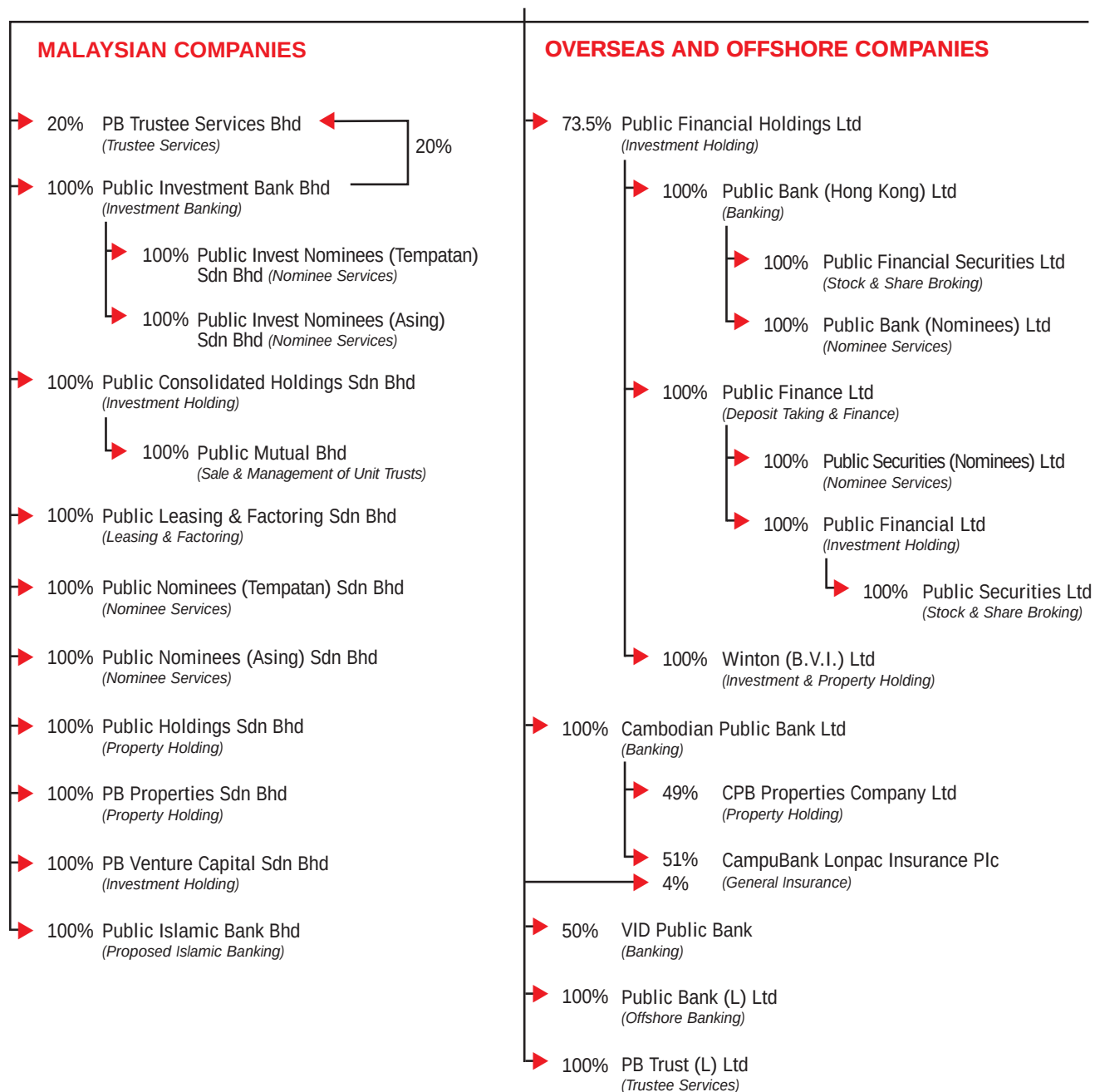
Main Board of Bursa Malaysia
Securities Berhad
(Listed since 6 April 1967)

Group Corporate Structure

AS AT 4 FEBRUARY 2008



PUBLIC BANK



The companies reflected above are those in active and semi active operations as at 4 February 2008.

The full list of companies under the Public Bank Group is set out in Notes 14 and 15 to the Financial Statements on pages 214 to 216 of this Annual Report.

Corporate Profile

WHO WE ARE

Public Bank was established in August 1966 by its Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow. Known for its superior service delivery, super PB Brand, strong corporate governance and a corporate culture committed to excellence, Public Bank is a top-tier bank in Malaysia. The Public Bank Group employs more than 14,000 people, with over 90% in Malaysia, with the balance spread out in Hong Kong and China, Vietnam, Cambodia, Laos and Sri Lanka. The Public Bank Group has demonstrated a strong capability of delivering exceptionally high rates of organic growth in its core businesses.

OUR CORE BUSINESS

The Public Bank Group focuses on a wide range of banking and financial services which include commercial banking, retail wealth management, Islamic banking, investment banking, stock broking and card businesses. Complemented by corporate banking services, Public Bank is a market leader in consumer banking and retail commercial lending to SMEs in Malaysia.

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**EXCELLENCE
IS OUR
COMMITMENT**

CORPORATE RANKING

Public Bank is the fifth largest company in Malaysia by market capitalisation, which stood at RM38.81 billion as at the end of 2007. The Public Bank Group is the third largest banking group in Malaysia by asset size, with total assets of RM174 billion. The Group's domestic market share of the lending and deposit-taking businesses increased to 14.0% and 14.3% respectively in 2007.

WIDE BRANCH NETWORK IN MALAYSIA AND THE REGION

The Public Bank Group has a large and well distributed branch network of 241 full service branches in Malaysia with a strong tradition of service excellence. The Group also has significant presence in the region with a network of 66 branches in Hong Kong and the People's Republic of China, nine branches in Cambodia, six branches in Vietnam, one branch in Laos and a branch in Sri Lanka.

EFFICIENT CAPITAL AND STRONG ASSET QUALITY

The Public Bank Group is well capitalised with a risk-weighted capital adequacy ratio of 13.6% and a Tier-1 ratio of 9.1% at the end of 2007. The Group has one of the most efficient capital structures in Malaysia with a high ROE of 26.3% in 2007. Public Bank also has the best asset quality in the banking industry in Malaysia and strong financial ratings by the international and national rating agencies.

AWARDS AND ACCOLADES

Public Bank continues to earn recognition and trust for its strong and sustained financial performance and prudent management. In 2007, Public Bank was honoured with 31 awards, including many repeat best bank awards in Malaysia and in the region and top ranking in corporate governance by the Minority Shareholder Watchdog Group as well as corporate governance awards by international and national publications. Tan Sri Teh, Founder and Chairman of Public Bank, has been awarded 5 personal awards in 2007, including Asean Banker of the Year, Lifetime Contribution to Banking as well as a Recognition Award in appreciation of his excellent achievement and contribution to the development of the banking industry in Cambodia by the National Bank of Cambodia for the past fifteen years in 2007.

OUR COMMITMENT

The Public Bank Group is committed to deliver value to its stakeholders. To its customers, the Group will continue to provide effective and competitive financial solutions and services. To its shareholders and investors, the Group will continue to enhance shareholder value through consistent financial performance and efficient capital management. To its staff, the Group will continue to foster a strong performance, learning and meritocratic culture that allows the development of the best talents for the Group.

Information on the Public Bank Group

Stakeholders of the Public Bank Group, including shareholders, customers, investors and the public in general has access to various sources of information on the Public Bank Group.

Website

Public Bank's website at www.pbebank.com.my provides a wide range of information about the Bank's corporate information, Board of Directors, senior management, corporate mission, financial information, corporate philosophy, corporate structure, products and services, and awards and recognition of the Bank.

Investor Relations

Public Bank's website also includes an Investor Relations section. Among other information, it provides historical prices of Public Bank's shares (local and foreign), recent dividend payment track record, and recent presentations made at investor forums, seminars and meetings conducted by senior management staff responsible for the Bank's investor relations function.

Results Presentation

Senior management presents the Public Bank Group's half-year and full-year financial results to analysts, fund managers, and the media at separate analysts and media briefings immediately upon the release of these results. These presentations are posted in the Investor Relations section of the Bank's website. The Public Bank Group's quarterly financial results are also posted in the website.

Announcements to Bursa Malaysia

Public Bank files periodic financial reports and submits relevant information to Bursa Malaysia Securities Berhad in line with its listing requirements. Investors may access, read and download any document that the Bank posts on Bursa Malaysia Securities Berhad's website, www.bursamalaysia.com.



Evolving Excellence

Committed to excellence, Public Bank celebrates years of smooth success in distinguishing itself from other banks. With our myriad innovative products and services that meet the needs of our discerning customer base, we have established long-lasting quality relationships that reward our customers and stakeholders with a distinctive sense of prestige.

- '66** ▶ On 6 August 1966, Public Bank first opened its doors for business at No. 4 Jalan Gereja, Kuala Lumpur with 62 pioneer staff
- ▶ Public Finance Berhad, then Public Bank's wholly-owned finance company subsidiary, commenced business on 24 September 1966
- ▶ The start of an expanding network of Public Bank with the opening of Public Bank's Malacca Branch on 15 September 1966 and Ipoh Branch on 7 January 1967, a domestic network that stands at 241 branches today

- '78** ▶ Public Bank moved to Bangunan Public Bank, the first Head Office owned by the Bank
- '80** ▶ 1st RM10 million annual pre-tax profit with RM21 million pre-tax profit achieved for the year
- ▶ Total assets surpassed RM1 billion for the 1st time
- '85** ▶ Public Bank's first venture overseas with the setting up of its Hong Kong representative office



CORPORATE MILESTONES 1966 TO 2007

- ▶ 1st five months of business yielded a profit of RM71,562, the start of an unbroken profitability track record of 41 years
- '67** ▶ Official opening of Public Bank on 4 April 1967 by Malaysia's first Prime Minister, the late Y.T.M. Tunku Abdul Rahman
- ▶ On 6 April 1967, Public Bank was listed on Bursa Malaysia Securities Berhad (then known as the Kuala Lumpur Stock Exchange)
- '69** ▶ 1st RM1 million annual pre-tax profit
- '70** ▶ Public Bank paid its 1st dividend of 3.5% per ordinary share of RM1.00 each, the start of an unbroken stream of dividends paid by Public Bank to 2007

- '87** ▶ Completed the acquisition of PB Securities Sdn Bhd (then known as GP Securities Sdn Bhd) on 1 October 1987, marking the Public Bank Group's entry into stockbroking business
- '90** ▶ Acquisition of Public Finance Limited (then known as JCG Finance Company, Limited) in Hong Kong
- ▶ Establishment of Public Bank's Hong Kong branch as a restricted licensed bank in Hong Kong
- ▶ Establishment of an off-shore banking subsidiary, Public Bank (L) Ltd, in the Federal Territory of Labuan
- ▶ 1st RM100 million annual pre-tax profit with RM128 million pre-tax profit in the year

- '91 ► Listing of Public Financial Holdings Limited (then known as JCG Holdings Limited) on The Stock Exchange of Hong Kong Limited
- Total assets surpassed RM10 billion for the 1st time
- '92 ► Listing of Public Finance Berhad (the former finance company subsidiary of Public Bank) on Bursa Malaysia Securities Berhad (then known as the Kuala Lumpur Stock Exchange) on 15 July 1992
- VID Public Bank, Public Bank's 50:50 joint venture bank with Bank for Investment and Development of Vietnam commenced business in Hanoi, Vietnam on 18 May 1992
- Establishment of Cambodian Public Bank Limited, presently a wholly-owned subsidiary of Public Bank in Cambodia on 25 May 1992 and branches in Vientiane, Laos and Colombo, Sri Lanka
- '93 ► Commencement of Islamic Banking service with the launch of "Skim Perbankan Tanpa Faedah" and the setting up of Public Bank's Islamic Banking Unit
- Acquisition of 55% interest in Public Mutual Berhad (then known as Kuala Lumpur Mutual Fund Berhad) on 26 May 1993, the largest private sector unit trust management company in Malaysia
- '96 ► Public Bank moved to Menara Public Bank, its present landmark head office building in the heart of Kuala Lumpur's central business district
- '98 ► Paid-up capital of Public Bank reached RM1 billion
- '00 ► Acquisition of Public Merchant Bank Berhad (then known as Sime Merchant Bank Berhad) on 25 October 2000 expanded the Group's business into merchant banking
- 1st RM1 billion annual pre-tax profit with RM1.25 billion pre-tax profit in the year
- '01 ► Completed the acquisition of Hock Hua Bank Berhad on 31 March 2001
- '02 ► Paid-up capital of Public Bank reached RM2 billion
- '03 ► Public Bank started buying back its own shares, the first bank in Malaysia to do so
- Completed the privatisation of Public Finance Berhad on 13 June 2003
- Paid-up capital of Public Bank reached RM3 billion
- '04 ► 1st issue of subordinated debt of USD350 million
- Completed the merger of the finance company business of Public Finance Berhad with the commercial banking business of Public Bank on 4 September 2004
- '05 ► Pre-tax profit surpassed RM2 billion for the 1st time
- Total assets surpassed RM100 billion for the 1st time
- '06 ► 1st Malaysian bank to issue innovative hybrid Tier-1 capital securities in both the international market in US Dollars of USD200 million and in the domestic market in Ringgit of RM1.2 billion
- Acquisition of Public Bank (Hong Kong) Limited (then known as Asia Commercial Bank Limited) in Hong Kong for HKD4.5 billion
- Public Mutual Berhad, the largest private sector unit trust management company in Malaysia, became a wholly-owned subsidiary of Public Bank on 12 July 2006
- Completion of the formation of Public Investment Bank Berhad through the merger of the merchant banking business of Public Merchant Bank Berhad with the stockbroking business of PB Securities Sdn Bhd, on 18 December 2006
- '07 ► Pre-tax profit surpassed RM3 billion for the 1st time
- Total loans, advances and financing exceeded RM100 billion for the 1st time
- Public Bank entered into an exclusive regional strategic alliance agreement with ING Asia/Pacific Limited for the joint development of bancassurance business, Takaful business and various other services between Public Bank and ING in the Asia Pacific region for 10 years
- Establishment of CampuBank Lonpac Insurance Plc, a 55% subsidiary of Public Bank Group to provide general insurance business in Cambodia

Customer Care

The Public Bank Group stands by its corporate philosophy in the provision of excellent customer service to all its customers. The Group is committed to making a difference in serving every customer and earning the loyalty of each and everyone of them. Competitive deposit and lending interest rates to customers have created intense pricing competition in the market place. In order for the Group to gain a competitive edge in the market place, the Group has embarked on a relentless and committed journey in providing and sustaining excellence in world class customer service since the late 1990s. Emphasis has been

the corporate culture and practised by every staff at all levels within the Group. Customer care and service excellence has eventually become synonymous with the Group, establishing an excellent customer care identity for the Group in the banking and finance industry.

The Public Bank Group believes in building long-term relationships with customers by serving every customer's unique needs and expectations with the overall aim of earning and upholding the trust and loyalty of the Group's customers. This is the foundation to expanding and maintaining the Group's leading position in a competitive banking industry. The Group has invested significant

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CUSTOMER CARE

placed on continuous improvement in customer service so as to nurture the all-important long-term trust between the Group and its customers.

The Public Bank Group obtained its first bank-wide certification of ISO 9001:2000 standards for customer service delivery in its main core operations in the "Provision of Customer Services at the Front Office" in 2000. This was followed by the bank-wide ISO 9001:2000 certification for the "Provision of Customer Service in Loan Delivery" in 2002. To further strengthen the international standards of customer service delivery, the Group in 2007 embarked on initiatives to extend the scope of the ISO 9001:2000 certification to include the Group's Trade Finance Centre.

Over the years, the Public Bank Group has honed its skills and corporate philosophy in caring for its customers. The emphasis on customer care has been ingrained as part of

resources to enhance customer satisfaction and retention. The Group's staff are motivated and encouraged to provide customers with excellent service, driven by their passion and belief in making a difference.

A Hand Holding "Customer Education Programme" To Using Self Service Terminals

During the initial implementation and installation of Self Service Terminals at Public Bank branches, the Public Bank Group anticipated the need to reach out to its customers on the usage of the newly installed Self Service Terminals. As an initiative to continue with the efforts to focus on customer care, a hand holding Customer Education Programme was launched to guide and educate customers on the usage of Self Service Terminals. A staff is stationed at the Self Service Terminal vestibule area to demonstrate to customers the usage, features and

functionality of the Cheque Deposit Machines and the Cash Deposit Terminals. To overcome any uncertainty or reluctance among certain segment of the Group's customer base in using the Self Service Terminals, the assigned branch staff will guide customers, particularly new users, on a step-by-step basis from the start to the end of the banking transactions. This programme is carried out for a minimum period of one month after installation of the Self Service Terminals and extended depending on the needs of the customers.

The assigned staff will also inform customers of the peak and non-peak hours of a particular branch and the location of other branches equipped with these Self Service Terminals. The aim is to assist customers to plan their visits to branches and offer them greater convenience in performing their banking transactions especially after banking hours and during non-banking days.

Customers are also informed of the wide variety of services that can be performed through the Self Service Terminals which are also available via the traditional over-the-counter, Internet banking and Telebanking channels.

Providing Guides On All Types of Banking Matters

Owing to the overwhelming and positive response from customers, the Public Bank Group has further enhanced the Customer Education Programme by complementing the existing Customer Service Representative function with the designation of a Service Ambassador stationed in the banking hall on a permanent basis. Acting as the first touch point with customers, the Service Ambassador will direct customers to the relevant counters or Self Service Terminals depending on the nature of their banking transactions. The Service Ambassador will direct customer traffic flow at the banking hall, ensuring that those customers with simple banking transactions are provided with fast and efficient service, whilst customers with more complex transactions are directed to specialised trained staff. The Service Ambassador will also assist and attend to all customers' enquiries and solicit feedback from customers on further areas for improvement that could be implemented in the branch. Generally the Service Ambassadors act as a guide and advisor to fulfill the wide variety of customers' banking needs.

Customer Feedback

The implementation of the enhanced Customer Education Programme further complements the Public Bank Group's existing feedback system. Through the Customer Education Programme, all the feedback and suggestions will be collected by the Service Ambassador through face-to-face interaction with the customers. Such feedback provides more precision in terms of fulfilling individual customer needs and assumes a pivotal role in guiding the Group to "best-meet" customers' expectations.

Apart from continuously seeking feedback and suggestions from customers, the Public Bank Group has also introduced Special Care Counters. These Special Care Counters at the banking halls of branches continue to be popular among senior citizens, expectant mothers and the disabled. With the implementation of these Special Care Counters at all the Group's branches, priority service is given to these special customers.

To ensure that branches continuously strive to achieve the high standards of customer care in the branch environment, the Public Bank Group has incorporated the various special customer care programme requirements as part and parcel of Public Bank's Quality Management Systems which conform to international ISO 9001:2000 standards. The yearly renewal of the ISO 9001:2000 certification since 2000 confirms that the Group has successfully maintained its Quality Management Systems in seeking to continuously improve the delivery of service to all its customers.

Five-Year Group Financial Summary

YEAR ENDED 31 DECEMBER	2007	2006	2005	2004	2003
OPERATING RESULTS (RM Million)					
Profit before tax expense and zakat	3,004	2,416	2,059	1,884	1,435
Net profit attributable to equity holders of the Bank	2,124	1,727	1,459	1,294	989
KEY BALANCE SHEET DATA (RM Million)					
Total assets	174,155	147,790	111,689	92,403	64,628
Loans, advances and financing	99,328	82,788	66,813	55,719	45,540
Total liabilities	164,177	138,127	102,689	83,327	55,382
Deposits from customers	138,765	111,793	84,130	72,246	50,217
Paid-up capital	3,528	3,463	3,417	3,356	3,207
Shareholders' equity	9,342	9,034	8,564	8,708	8,669
Commitments and contingencies	40,807	33,359	28,952	19,781	14,246
SHARE INFORMATION AND VALUATION					
Share Information					
Per share (sen)					
Basic earnings	63.3	52.1	44.5	40.2	32.5
Diluted earnings	62.9	51.6	44.1	39.5	31.7
Gross dividend	75.0	60.0	55.0	90.0	22.0
Net assets	278.7	270.6	260.0	267.5	273.0
Share price as at 31 December (RM)					
- Local	11.00	7.75	6.55	7.10	5.66
- Foreign	11.00	7.85	6.40	7.60	6.20
Market capitalisation (RM Million)	38,807	26,941	22,230	24,329	18,669
Valuations (Local Share)					
Gross dividend yield (%)	6.8	7.7	8.4	12.7	3.9
Dividend payout ratio (%)	87.3	84.5	89.6	163.6	51.7
Price to earnings multiple (times)	17.4	14.9	14.7	17.7	17.4
Price to book multiple (times)	3.9	2.9	2.5	2.7	2.1
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest bearing assets ¹	3.2	3.4	3.6	4.1	4.1
Net return on equity ²	26.3	21.9	19.1	16.5	13.3
Return on average assets	1.9	1.9	2.0	2.4	2.3
Return on average risk-weighted assets	3.3	3.2	3.3	3.6	3.3
Cost / income ratio	33.1	32.7	33.8	35.3	36.8

YEAR ENDED 31 DECEMBER	2007	2006	2005	2004	2003
Asset Quality Ratios					
Net loan to deposit ratio	71.6	74.1	79.4	77.1	90.7
Net non-performing loans ratio ³	1.2	1.6	1.7	2.1	3.0
Loan loss coverage	119.5	99.9	91.7	79.0	67.6
Capital Adequacy Ratios					
Core capital ratio	9.1	10.2	11.6	14.0	17.6
Risk-weighted capital ratio	13.6	15.8	17.3	18.0	19.4
Capital base (RM'mil)	13,478	13,000	11,758	10,101	8,955
Tier 1 - equity capital	7,627	7,151	7,885	7,847	8,125
- debt capital	1,346	1,262	-	-	-
Tier 2 - loan loss reserves	1,523	1,318	1,056	931	830
- debt capital	2,982	3,269	2,817	1,323	-
PRODUCTIVITY RATIOS					
No. of employees	14,287	13,396	12,800	12,659	12,530
Gross loan per employee (RM'000)	7,098	6,298	5,320	4,496	3,731
Deposits per employee (RM'000)	9,713	8,345	6,573	5,707	4,008
Profit before tax per employee (RM'000)	210	180	161	149	115
MARKET SHARE (%)					
Domestic market share					
Loans, advances & financing	14.0	13.2	12.0	11.1	9.6
Deposits from customers	14.3	14.2	13.2	12.4	9.5

¹ Excluding negotiable instruments of deposit and money market deposits which are on-lent to interbank.

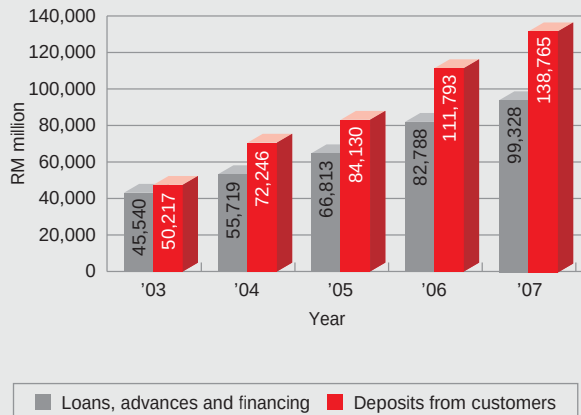
² Based on equity attributable to equity holders' of the Bank, adjusted for proposed dividend.

³ Based on 3 months classification.

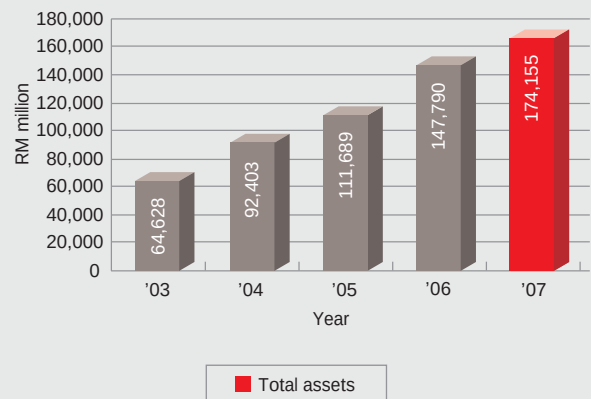
Summary of Five-Year Group Growth - Delivering Strong Performance

STRONG BALANCE SHEET GROWTH

Robust loans & customer deposits growth

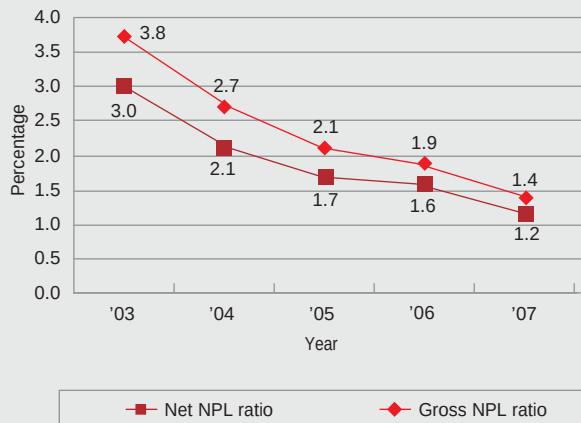


Strong assets growth

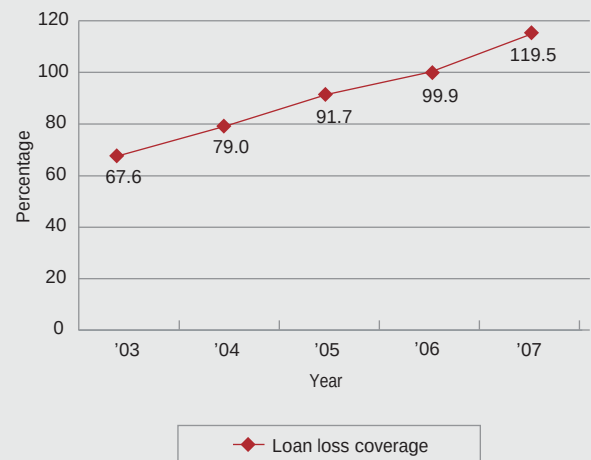


SUPERIOR ASSET QUALITY

Consistently strong and improving asset quality

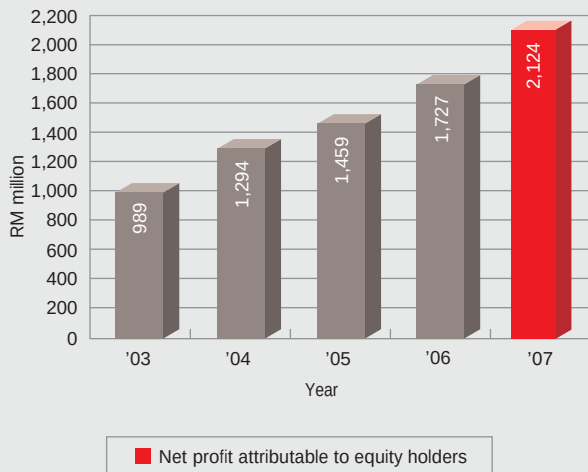


Strong reserves vs low NPL

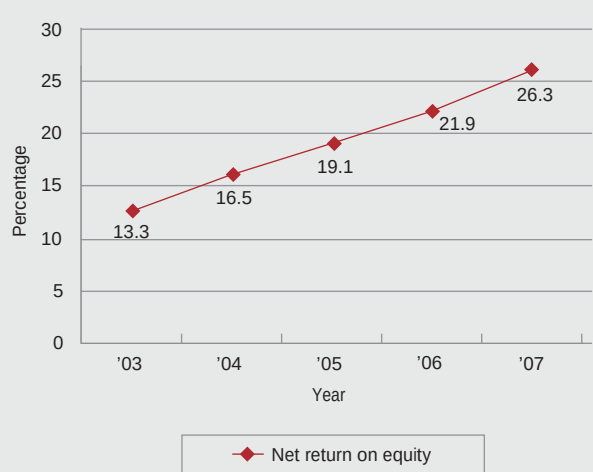


ENHANCING SHAREHOLDER VALUE

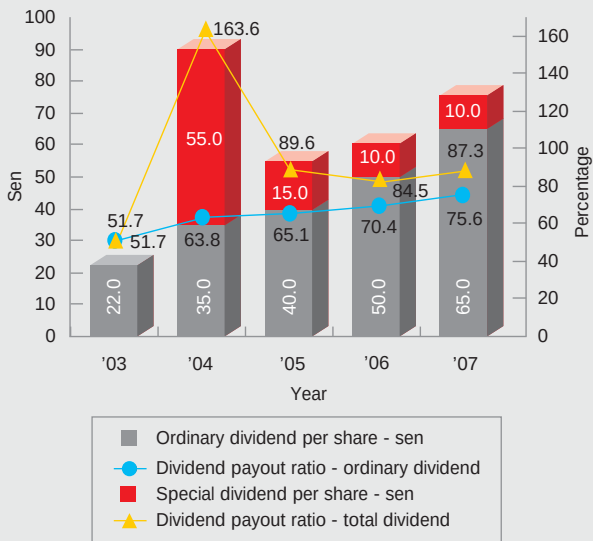
Consistently strong financial performance



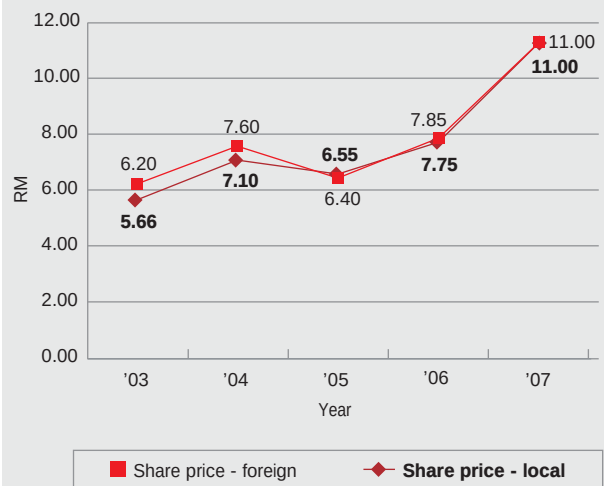
Delivering attractive shareholder return



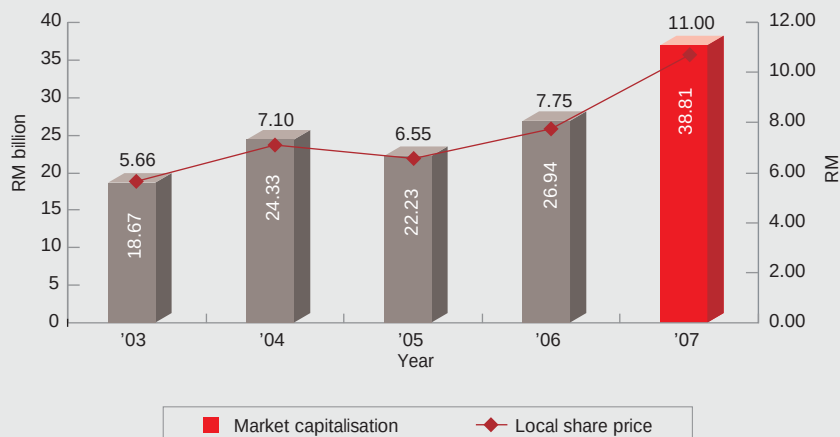
Strong dividend performance



Reflected in strong share price



Market Capitalisation & Ranking



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

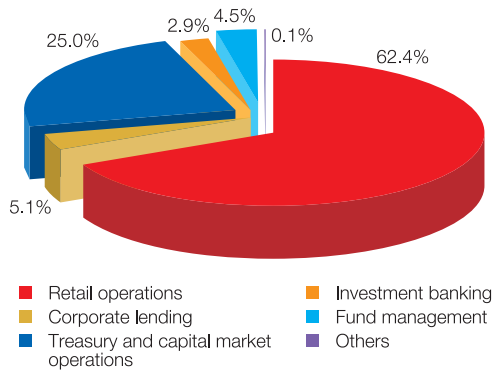
Year	2003	2004	2005	2006	2007
Ranking	6th	5th	5th	5th	5th

Segmental Analysis

for the year ended 31 December 2007

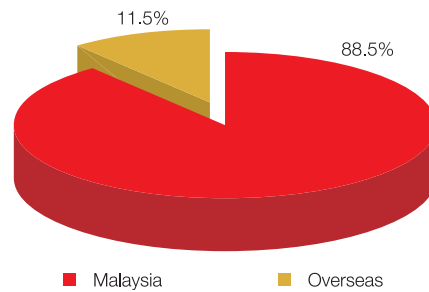
OPERATING REVENUE 2007

By Business Segments



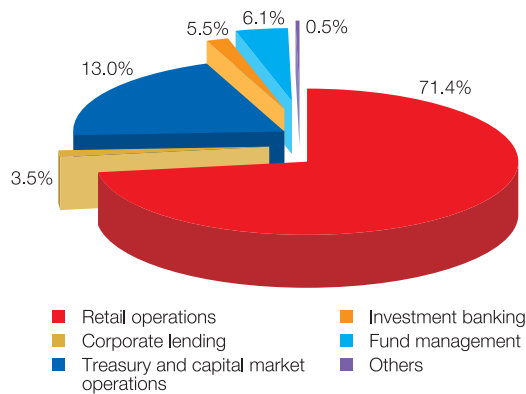
OPERATING REVENUE 2007

By Geographical Location



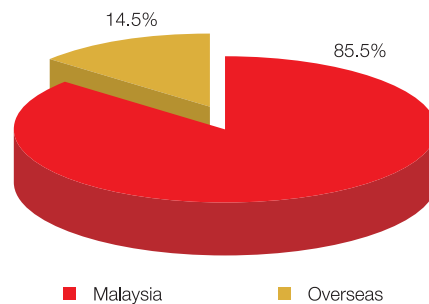
PROFIT BEFORE TAX EXPENSE 2007

By Business Segments



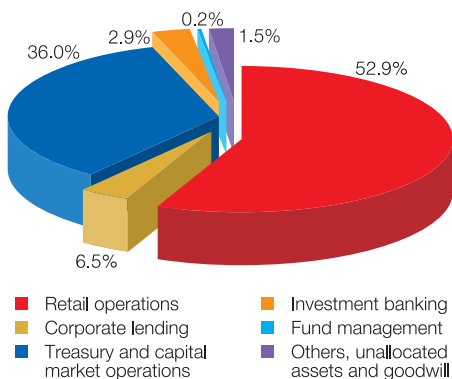
PROFIT BEFORE TAX EXPENSE 2007

By Geographical Location



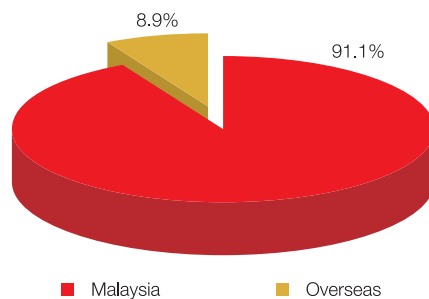
ASSETS EMPLOYED 2007

By Business Segments



ASSETS EMPLOYED 2007

By Geographical Location



Group Quarterly Performance

	First Quarter	Second Quarter	2007 Third Quarter	Fourth Quarter	Year 2007
FINANCIAL PERFORMANCE (RM Million)					
Operating revenue	2,146.2	2,423.8	2,414.5	2,573.1	9,557.6
Net interest income					
(incl income from Islamic banking business)	868.1	903.2	952.0	998.5	3,721.8
Operating profit	769.7	827.0	890.7	930.2	3,417.6
Profit before tax expense and zakat	675.3	732.7	774.4	821.2	3,003.6
Net profit attributable to equity holders of the Bank	476.2	524.1	543.6	580.0	2,123.9
Earnings per share (sen)	14.2	15.6	16.2	17.3	63.3
Dividend per share (sen)	–	25.0	–	50.0	75.0
	First Quarter	Second Quarter	2006 Third Quarter	Fourth Quarter	Year 2006
FINANCIAL PERFORMANCE (RM Million)					
Operating revenue	1,661.9	1,770.9	2,092.6	2,184.8	7,710.2
Net interest income					
(incl income from Islamic banking business)	762.4	823.4	849.0	863.3	3,298.1
Operating profit	641.8	735.8	740.2	755.1	2,872.9
Profit before tax expense and zakat	545.8	615.0	606.3	649.3	2,416.4
Net profit attributable to equity holders of the Bank	388.4	456.9	436.3	445.1	1,726.7
Earnings per share (sen)	11.8	13.8	13.2	13.4	52.1
Dividend per share (sen)	–	20.0	–	40.0	60.0

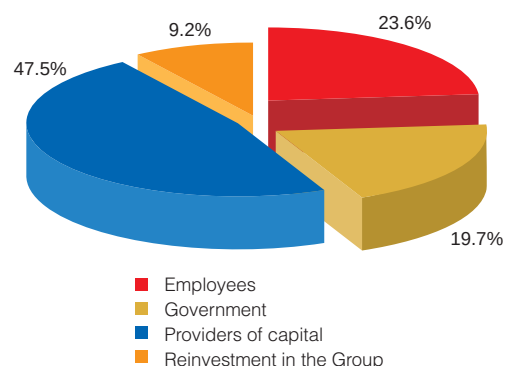
Statement of Value Added

Value added is a measure of wealth created by the Public Bank Group through various business activities. The statement of value added shows the total wealth created and how it was distributed to stakeholders, including the Government, as well as reinvestment for the replacement of assets and further expansion of the business of the Group.

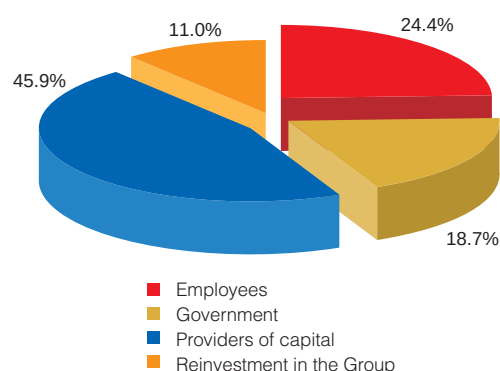
Value Added	2007 RM'000	2006 RM'000
Net interest income	3,243,597	2,870,069
Net income from Islamic Banking business	478,224	428,026
Other operating income	1,389,466	973,369
Operating expenses excluding staff costs, depreciation and amortisation	(629,998)	(487,644)
Allowance for losses on loans, advances and financing	(407,162)	(466,045)
Impairment (loss)/written back	(12,159)	4,646
Share of results of associated companies	5,380	4,888
Value added available for distribution	4,067,348	3,327,309

Distribution of Value Added	2007 RM'000	2006 RM'000
To employees: Personnel costs	960,589	811,544
To the Government: Taxation	801,852	621,200
To providers of capital: Dividends paid to shareholders	1,854,171	1,459,563
Minority interests	77,871	68,473
To reinvest in the Group: Depreciation and amortisation	103,121	99,404
Retained profit	269,744	267,125
Total distributed	4,067,348	3,327,309

2007



2006





Striding Ahead

Public Bank's distinguished success has been built on its fiery passion to understand the ever-evolving desires of its customers... and satisfy them with outstanding value by dynamically striding ahead as one to achieve our goals. We have emerged with a distinctive voice and style – one that puts our customers' needs in the forefront and recognises every customer as a VIP who deserves the best we can offer. Through the years we have received numerous awards that speak infinitely more about our performance than anything we could ever say about ourselves.

Awards & Accolades

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The many awards that the Public Bank Group has garnered over the years speak volumes of its unwavering commitment to its corporate mission "To sustain the position of being the most efficient, profitable and respected premier financial institution in Malaysia".

Whilst these awards and recognition, including those for a multiple or consecutive number of years, reflect the market's and the industry's assessment of the achievements of the Public

Bank Group, they also motivate every employee of the Group to further improve on the already award-winning performance of the Group.

Indeed, Public Bank is what it is today, the second largest non-government-linked corporation in Malaysia with a market capitalization of RM38.81 billion because of the continued pursuit of excellence in everything it does and by each and everyone in the Public Bank Group.

For certain, Excellence is Our Commitment.



2007 AWARDS

- 1 THE BRANDLAUREATE 2006-07 AWARD FOR BRAND EXCELLENCE IN THE FINANCIAL SERVICES - BANKING & FINANCE CATEGORY**
Asia Pacific Brands Foundation
2007
- 2 FINANCIAL INSIGHTS INNOVATION AWARDS 2007 FOR OPERATIONAL PROCESSES**
Financial Insights magazine
2007

- 7 THE ASSET AWARD FOR BEST COMPANY IN MALAYSIA FOR CORPORATE GOVERNANCE 2007**
The Asset magazine
2007
- 8 RANKED NO. 2 IN MALAYSIA'S 30 MOST VALUABLE BRANDS 2007 - THE TOP 30**
Association of Accredited Advertising Agents Malaysia
2007

- 13 No. 1 for Most Committed to Consistent Good Dividends**
- 14 No. 2 for Best Investor Relations**
FinanceAsia magazine
2007
- 15 MALAYSIA RETAIL BANK OF THE YEAR 2007**
Asian Banking & Finance
2007

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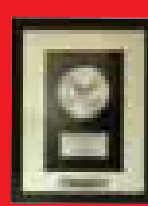
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- 3 ALPHA SOUTHEAST ASIA AWARD FOR BEST BANK IN MALAYSIA**
Alpha Southeast Asia magazine
2007
- FEDERAL TERRITORY KUALA LUMPUR 2007 BUILDING BEAUTIFICATION & ILLUMINATION COMPETITION**
- 4 Champion, Bank Category**
- 5 Datuk Bandar Trophy, Bank Category**
Kuala Lumpur City Hall
2007
- 6 ASIA'S BEST BANK CAPITAL ISSUE FOR 2006 - Public Bank's USD200 million Hybrid Tier-1 Offering**
The Asset magazine
2007

- 9 NATIONAL MERGERS AND ACQUISITIONS AWARD 2007 FOR THE CATEGORY OF CROSS BORDER DEAL OF THE YEAR For the Acquisition of Asia Commercial Bank Limited**
Malaysian Mergers and Acquisitions Association
2007
- 10 ASIAMONEY AWARD FOR BEST DOMESTIC BANK IN MALAYSIA 2007**
Asiamoney magazine
2007, 2004, 2003, 2002, 2001, 1999
- FINANCEASIA'S ASIA BEST COMPANIES 2007 POLL**

- 11 No. 1 for Best Managed Company**
- 12 No. 1 for Most Committed to Corporate Governance**

JPMORGAN QUALITY RECOGNITION AWARD 2006
For the High Performance of the Bank's Fund Transfer Operations

- 16 Elite Quality Recognition Award for MT202 category**
- 17 Elite Quality Recognition Award for MT103 category**
JPMorgan Chase
2006, 2005
- 18 FINANCEASIA ANNUAL COUNTRY AWARDS FOR ACHIEVEMENT 2007 FOR THE BEST BANK IN MALAYSIA**
FinanceAsia magazine
2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999

19 MALAYSIAN BUSINESS CORPORATE GOVERNANCE AWARD

Malaysian Business magazine
2006, 2005, 2004, 2003, 2002

20 MALAYSIAN BUSINESS CORPORATE GOVERNANCE MERIT AWARD

Malaysian Business magazine
2006, 2004, 2003, 2002

21 BEST INVESTOR RELATIONS IN THE SINGAPORE MARKET BY A MALAYSIAN COMPANY

Investor Relations magazine
2007, 2006

26 AUTOMOTIVE FINANCE COMPANY OF THE YEAR (MALAYSIA) AWARD

Frost & Sullivan
2007

27 RANKED NO. 1 IN CORPORATE GOVERNANCE IN THE CORPORATE GOVERNANCE SURVEY

Minority Shareholder Watchdog Group ("MSWG") & Nottingham University Business School, Malaysia Campus
2007, 2006, 2005

Chairman's Awards & Accolades

32 THE BRANDLAUREATE BRAND PERSONALITY AWARD 2007

Asia Pacific Brands Foundation
2007

33 ASEAN MOST ASTUTE BANKER AWARD 2007 (SPECIAL AWARD)

The Asset magazine
2007



11, 12, 13 & 14



15



16 & 17



18



19 & 20



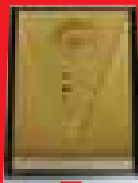
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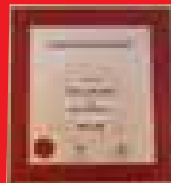
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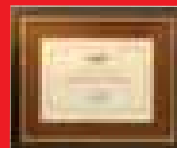
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22 READER'S DIGEST TRUSTED BRANDS GOLD AWARD 2007 For the Bank Category in Malaysia

Reader's Digest
2007, 2006, 2005, 2004

23 EUROMONEY AWARDS FOR EXCELLENCE FOR THE BEST BANK IN MALAYSIA

Euromoney magazine
2007, 2006, 2005, 2004, 2003, 2002, 1999, 1998, 1993

ANUGERAH CITRA WANGSA MALAYSIA AWARD 2006

24 Citra Award for the Private Sector Annual Report

2006, 2000

25 Incentive Award for Financial Institution

2006

Dewan Bahasa & Pustaka

NATIONAL ANNUAL CORPORATE REPORT AWARDS 2007

28 Overall Excellence Award for Most Outstanding Annual Report - Platinum Award

2007

29 Industry Excellence Award for Main Board Companies in the Finance Sector

2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, 1997

30 Best Annual Report in Bahasa Malaysia - Platinum Award

2007, 2006

31 Best Designed Annual Report - Platinum Award

2007

34 THE ASIA PACIFIC LIFETIME ENTREPRENEURSHIP ACHIEVEMENT AWARD 2007

Enterprise Asia
2007

35 THE PILA RECOGNITION AWARD 2007

Institute of Public Relations Malaysia
2007

36 RECOGNITION AWARD 2007

National Bank of Cambodia
2007

PAST AWARDS

■ Corporate Awards
■ Chairman's Awards

ASEAN BUSINESS FORUM

- ASEAN Businessman Of The Year Award 1994

ASIAMONEY MAGAZINE

- Asiamoney Award For Overall Best-Managed Company In Malaysia 2004
- Asiamoney Award For The Best Company Overall For Investor Relations 2001 In Malaysia 2002
- The Strongest Bank In Malaysia And Fourth Strongest Bank In Asia 2001
- The Best Bank In Malaysia And The 5th Malaysia Best Managed Companies Awards 1999
- Asiamoney Award For Being Voted One Of The Top 10 Best Managed Companies 1996 In Malaysia In A Regional Poll By Institutional Investors 1997
- Best CEO In Malaysia 2004 2004

ASIAN BANKER JOURNAL

- Asian Banker Award For Best Retail Bank In Malaysia 2005, 2004, 2003, 2001
- The Asian Banker Leadership Achievement Award For Malaysia 2005

ASIAN INSTITUTE OF MANAGEMENT

- Management Awards Of Asia 1996

BUSINESS TIMES AND AMERICAN EXPRESS

- Malaysia's CEO Of The Year Award 1999

CREDIT GUARANTEE CORPORATION MALAYSIA BERHAD

- CGC Top SMI Supporter Award 2005

CORPORATE GOVERNANCE ASIA JOURNAL

- Corporate Governance Asia Recognition Award 2006, 2005

FIABCI

- FIABCI'S Award Of Distinction For The Best Commercial Development Building 1999

DEWAN BANDARAYA KUALA LUMPUR

- Winner Of The 'Beautiful Compound Competition' For Private Sector Complex/Building Category 1994

DEWAN BAHASA & PUSTAKA

- Anugerah Citra Wangsa Malaysia Merit Award For Bahasa Malaysia Annual Report 2005, 2003
- Anugerah Citra Wangsa Malaysia Special Jury's Award For Bahasa Malaysia Annual Report 2002, 2001

EMERGING MARKETS INVESTOR MAGAZINE

- Best Bank In Malaysia 2001

EUROMONEY MAGAZINE

- Euromoney Award For Outstanding Contribution To The Development Of Financial Services In Asia 2006

FAR EASTERN ECONOMIC REVIEW MAGAZINE

- Voted And Ranked As No. 2 In The Review 200: Asia's Leading Companies Award 2003, 2002, 2001, 2000

FINANCEASIA MAGAZINE

- FinanceAsia Deal Of The Month - Public Bank's USD200 Million Hybrid Tier-1 Offering 2006
- FinanceAsia Best Bank Capital Deal Of The Year - Public Bank's USD200 Million Hybrid Tier-1 Offering 2006
- FinanceAsia's 6th Annual Asia's Best Companies 2006 Poll:
 - 3rd In 'Best Managed Company' 2006
 - 3rd In 'Best Corporate Governance' 2006
 - 2nd In 'Best Commitment To Strong Dividends' 2006
- FinanceAsia Asia's Best Managed Companies 2005, 2004
- FinanceAsia Lifetime Achievement Award 2006
- FinanceAsia Asia's 50 Most Influential 1996-2006 2006

GLOBAL FINANCE MAGAZINE

- Global Finance Best Bank Award For The Best Bank In Malaysia 2004, 2003, 2002, 2000

INSTITUTIONAL INVESTOR RESEARCH GROUP

- Best Investor Relations 2004



INSTITUTE OF PUBLIC RELATIONS MALAYSIA	
• Anugerah Kristal 2004 (Special Mention) Consumer Public Relations Category: PB Manchester United Mastercard	2004
• The Most PR Savvy CEO 2004	2004
KUALA LUMPUR STOCK EXCHANGE BERHAD	
• KLSE Corporate Excellence Awards	2003, 2002, 2001, 2000
• KLSE Corporate Award For Best Corporate Disclosure In Annual Report	2003
• KLSE Corporate Sectoral Award For The Finance And Closed-End Fund Sector	2001, 2000
MACPA AND MIM	
• Malaysian Corporate Report Award ("MACPA") Gold Award For The Most Outstanding Annual Report	1989
MALAYSIAN INSTITUTE OF MANAGEMENT ("MIM")	
• MIM Valued Partner Award	2006
• MIM Gold Medal Award Of The 'Confere D'Honneur' (Honoured Companion)	2006
MALAYSIAN BUSINESS MAGAZINE	
• Malaysian Business Corporate Social Responsibility Category Award 2005	2005
MALAYSIA DESIGN TECHNOLOGY CENTRE	
• National Creative & Innovation Award	2004
MINISTRY OF INTERNATIONAL TRADE & INDUSTRY	
• Industry Excellence Award Under The Service Export Excellence For The Financial Category	1994
NATIONAL ANNUAL CORPORATE REPORT AWARDS ("NACRA")	
• Overall Excellence Award For Most Outstanding Annual Report – Gold Award	2006
• Overall Excellence Award For Most Outstanding Annual Report	2005, 2004, 2003, 2002, 1997, 1990
• Best Annual Report In Bahasa Malaysia	2005, 2004, 1998, 1996
• Commendation Awards For:	
- Corporate Information	1994, 1989
- Accounting Information	1995, 1994, 1989
- Bahasa Malaysia Annual Report	1995, 1994, 1989
SIRIM BERHAD	
• Bank-wide ISO 9001:2000 Quality Management Systems Certification For:	
- Provision Of Customer Service In Loan Delivery	2003
- Provision Of Customer Service At The Front-office	2001
SMI ASSOCIATION OF MALAYSIA	
• Sahabat SMI Award 2005	2005
STATE BANK OF VIETNAM	
• Medal "For The Course Of Vietnamese Banking"	2002
TECHNOLOGY BUSINESS REVIEW MAGAZINE	
• Technology Business Review Industry Award For Excellence In Banking & Finance For Local Bank	2006
• Technology Business Review Award For Lifetime Achievement In Corporate Excellence, Dedication & Industry	2006
THE ASSET MAGAZINE	
• The Asset Triple A Country Awards For Best Domestic Bank In Malaysia	2006, 2005, 2004, 2003, 2002
• The Asset Award For A Leader In Corporate Governance In Malaysia	2003
• The Asset Triple A Regional Awards For Best Bank Bond	2005
• The Asset Asia's Banker Of High Distinction Award	2006
THE ASIA MONEY & FINANCE MAGAZINE	
• Asia's Commercial Banker Of The Year	1991
THE ASIAN BANKING AWARDS	
• The Asian Banking Awards For The Most Outstanding Customer Service Programme Category	2000
THE BANKER MAGAZINE	
• The Banker Awards For Bank Of The Year In Malaysia	2005, 2001
THE WALL STREET JOURNAL MAGAZINE	
• The Wall Street Journal Asia's 200 Most Admired Companies Survey:	
- 2nd Of Top 10 Malaysian Companies	2006
- 1st In 'Financial Soundness'	2006
- 1st In 'Reputation'	2006
YAZHOU ZHOUKAN MAGAZINE	
• Yazhou Zhoukan Top 500 International Chinese Entrepreneurs:	
- 33rd Amongst Top 500 International Chinese Entrepreneurs	2006
- 1st Amongst Top 10 Malaysian Chinese Entrepreneurs	2006
- 6th Amongst Top 10 Banking & Finance Entrepreneurs	2006
• The Business Achiever Of The Year	1997





Aligning Our Goals

Excellence is not just lip service at Public Bank. It's a tangible performance index that is tracked to ensure we continue to serve up outstanding value. We are constantly improving on our excellent performance by aligning our goals with stakeholder interests and striving to deliver distinctive value. As a bank, a corporate entity, a community leader and a regional brand, Public Bank is determined to further distinguish itself from the competition by playing each role to perfection.

Board of Directors

42



1

2

3

4

1 Tan Sri Dato' Sri Dr. Teh Hong Piow
Non-Executive Chairman

2 Tan Sri Dato' Thong Yaw Hong
Independent Non-Executive Co-Chairman

3 Dato' Sri Tay Ah Lek
Managing Director/Chief Executive Officer

4 Dato' Lee Kong Lam
Executive Director



5

6

7

8

9

5 Dato' Yeoh Chin Kee

Independent Non-Executive Director

**6 Y.A.M. Tengku Abdul Rahman
Ibni Sultan Haji Ahmad Shah Al-Mustain Billah**

Independent Non-Executive Director

7 Dato' Haji Abdul Aziz Bin Omar

Independent Non-Executive Director

**8 Dato' Dr. Haji Mohamed Ishak
Bin Haji Mohamed Ariff**

Independent Non-Executive Director

9 Chia Lee Kee (Ms)

Company Secretary

Directors' Profile



Tan Sri Dato' Sri Dr. Teh Hong Piow

Non-Executive Chairman

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 78, began his banking career in 1950 and has 58 years experience in the banking and finance industry. He founded Public Bank in 1965 at the age of 35. He was appointed as a Director of Public Bank on 30 December 1965 and had been the Chief Executive Officer of the Public Bank Group since its inception in December 1965. He was re-designated as Chairman of Public Bank and Chairman of Public Bank Group with effect from 1 July 2002. He serves as Chairman of the Board Executive Committee. He is the Chairman of the Assets & Liabilities Management Committee, the Share Investment Committee, the Group Human Resource Committee and the Public Bank Berhad Employees' Share Option Scheme Committee.

Tan Sri Dato' Sri Dr. Teh Hong Piow had won both domestic and international acclaim for his outstanding achievements as a banker and the Chief Executive Officer of a leading financial services group. Awards and accolades that he had received include:

- Asia's Commercial Banker of the Year 1991
- The ASEAN Businessman of the Year 1994
- Malaysia's Business Achiever of the Year 1997
- Malaysia's CEO of the Year 1998
- Best CEO in Malaysia 2004
- The Most PR Savvy CEO 2004
- The Asian Banker Leadership Achievement Award 2005 for Malaysia
- Award for Outstanding Contribution to the Development of Financial Services in Asia 2006
- Lifetime Achievement Award 2006
- Award for Lifetime Achievement in Corporate Excellence, Dedication and Industry 2006
- Asia's Banker of High Distinction Award 2006
- The BrandLaureate Brand Personality Award 2007
- ASEAN Most Astute Banker Award 2007
- Lifetime Entrepreneurship Achievement Award 2007
- The Pila Recognition Award 2007

Tan Sri Dato' Sri Dr. Teh Hong Piow was awarded the Medal 'For the Course of Vietnamese Banking' by the State Bank of Vietnam in 2002 for his contributions to the Vietnamese banking industry over the past years. Tan Sri Dato' Sri Dr. Teh Hong Piow was conferred the Recognition Award 2007 by the National Bank of Cambodia in appreciation of his excellent achievement and significant contribution to the banking industry in Cambodia for the past 15 years.

In recognition of his contributions to society and the economy, he was conferred the Doctor of Laws (Honorary) from University of Malaya in 1989.

He had served in various capacities in public service bodies in Malaysia; he was a member of the Malaysian Business Council from 1991 to 1993; a member of the National Trust Fund from 1988 to 2001; a founder member of the Advisory Business Council since 2003; and is a member of the IPRM Accreditation Privy Council. He is a Fellow of several institutes which include the Institute of Bankers Malaysia; the Chartered Institute of Bankers, United Kingdom; the Institute of Administrative Management, United Kingdom; the Institute of Chartered Secretaries and Administrators, Australia and the Malaysian Institute of Management.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd (Chairman), Public Mutual Bhd (Chairman), Public Islamic Bank Bhd (Chairman), Public Financial Holdings Ltd (Chairman), Public Bank (Hong Kong) Ltd (Chairman), Cambodian Public Bank Ltd and CampuBank Lonpac Insurance Plc (Chairman); he is the Chairman of several other subsidiaries of the Public Bank Group. His directorships in other public companies are in LPI Capital Bhd (Chairman), Lonpac Insurance Bhd (Chairman) and Tong Meng Industries Ltd (Chairman).

Tan Sri Dato' Sri Dr. Teh Hong Piow attended all of the 16 Board meetings which were held in the financial year ended 31 December 2007.

Tan Sri Dato' Thong Yaw Hong

Independent Non-Executive Co-Chairman

Tan Sri Dato' Thong Yaw Hong, aged 77, was appointed as a Director of Public Bank on 23 June 1986 and was made its Chairman in October 1986. He was re-designated as Co-Chairman of Public Bank with effect from 1 July 2002. He serves as Chairman of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee.

He graduated with a Bachelor of Arts (Hons) degree in Economics from University of Malaya and a Master's degree in Public Administration from Harvard University. He attended the Advanced Management Program at Harvard Business School. In June 1998, he was appointed a Pro-Chancellor of University Putra Malaysia from which he had retired in end June 2006. In September 2006, he was conferred the Doctor of Economics (Honorary) from University Putra Malaysia.

He has had a distinguished career with the Government of Malaysia, primarily in the fields of socio-economic development planning and finance. He had served in the Economic Planning Unit in the Prime Minister's Department since 1957 and became its Director-General from 1971 to 1978 and served as Secretary-General, Ministry of Finance from 1979 until his retirement in 1986.

Tan Sri Dato' Thong Yaw Hong also serves as member on the Boards of Trustees of Program Pertukaran Fellowship Perdana Menteri Malaysia, Tun Razak Foundation and the Malaysian Institute of Economic Research, among others. He is also a member of the Working Group of the Executive Committee for the National Economic Action Council and National Implementation Task Force (NITF). Tan Sri Dato' Thong Yaw Hong is a Distinguished Fellow of the Institute of Strategic and International Studies (ISIS) Malaysia and is also a Fellow of the Institute of Bankers Malaysia.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd (Co-Chairman), Public Mutual Bhd (Co-Chairman), Public Islamic Bank Bhd (Co-Chairman), Public Financial Holdings Ltd (Co-Chairman), Public Bank (Hong Kong) Ltd (Co-Chairman), Cambodian Public Bank Ltd (Chairman) and CampuBank Lonpac Insurance Plc (Co-Chairman); he is also a Director of several subsidiaries of the Public Bank Group. His directorships in other public companies are in Berjaya Sports Toto Bhd (Chairman), Batu Kawan Bhd, Kuala Lumpur Kepong Bhd, Glenealy Plantations (Malaya) Bhd, Lonpac Insurance Bhd (Co-Chairman) and Malaysian South-South Corporation Bhd.

Tan Sri Dato' Thong Yaw Hong attended all of the 16 Board meetings which were held in the financial year ended 31 December 2007.





Dato' Sri Tay Ah Lek

Managing Director/Chief Executive Officer

Dato' Sri Tay Ah Lek, aged 65, has 47 years experience in the banking and finance industry. He was appointed as an Executive Director of Public Bank on 18 June 1997 and was re-designated as Managing Director/Chief Executive Officer with effect from 1 July 2002. He joined the Public Bank Group as a pioneer staff in 1966. He was the Executive Vice President of Public Bank from 1995 to 1997 and prior to this appointment, he was the Executive Vice President of the former Public Finance Berhad. He is a member of the Board Executive Committee. He is the Chairman of the Credit Committee and the IT Steering Committee, and is a member of the Assets & Liabilities Management Committee, the Share Investment Committee, the Group Human Resource Committee and the Public Bank Berhad Employees' Share Option Scheme Committee.

Dato' Sri Tay Ah Lek holds a Master's degree in Business Administration from Henley, United Kingdom and attended the Advanced Management Program at Harvard Business School. He is a Fellow of the Financial Services Institute of Australasia, the Institute of Bankers Malaysia and the Malaysian Institute of Management.

He is presently the Chairman of the Association of Finance Companies of Malaysia and the Association of Hire Purchase Companies Malaysia. He is a Council Member of the National Economic Action Council and the National Payments Advisory Board.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd, Public Mutual Bhd, Public Islamic Bank Bhd, Public Financial Holdings Ltd and Public Bank (Hong Kong) Ltd. He is also a Director of Public Bank (L) Ltd, the offshore bank subsidiary of Public Bank. His directorships in other public companies are in Cagamas Bhd, ASEAN Finance Corporation Ltd and Financial Mediation Bureau.

Dato' Sri Tay Ah Lek attended all of the 16 Board meetings which were held in the financial year ended 31 December 2007.

Dato' Lee Kong Lam

Executive Director

Dato' Lee Kong Lam, aged 66, has 40 years experience in the banking and finance industry. He was appointed as an Executive Director of Public Bank on 28 November 2001. He joined Public Bank in November 1996 as General Manager and was subsequently appointed Senior General Manager in 1997 and Executive Vice President in 1998. He is a member of the Board Executive Committee. He is the Chairman of the Operational Risk Management Committee and the Business Resumption and Contingency Plan Committee; and is a member of the Credit Committee, the IT Steering Committee, the Assets & Liabilities Management Committee, the Share Investment Committee, the Group Human Resource Committee and the Public Bank Berhad Employees' Share Option Scheme Committee.

Prior to joining Public Bank, he was with Bank Negara Malaysia ("BNM") and was involved primarily in the supervision and examination of banking institutions. He retired in August 1996 as the Head of BNM's Examination Department and as a member of BNM's Management Committee.

He is a Fellow of the Australian Society of Certified Practising Accountants; a Fellow of the Chartered Institute of Bankers, United Kingdom; and a Chartered Accountant of the Malaysian Institute of Accountants.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd, Public Mutual Bhd, Public Islamic Bank Bhd, Cambodian Public Bank Ltd and CampuBank Lonpac Insurance Plc; he is also a Director of several other subsidiaries of the Public Bank Group.

Dato' Lee Kong Lam attended all of the 16 Board meetings which were held in the financial year ended 31 December 2007.





Dato' Yeoh Chin Kee

Independent Non-Executive Director

Dato' Yeoh Chin Kee, aged 65, began his banking career in 1961 and has 47 years experience in the banking and finance industry. He was appointed as a Director of Public Bank on 9 May 1978. He was the Executive Director of Public Bank from May 1978 to May 1997. He is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee. He is also the Chairman of the Credit Risk Management Committee.

He is a Fellow of the Australian Society of Certified Practising Accountants and the Financial Services Institute of Australasia.

His directorships in other public companies in the Public Bank Group are in PB Trustee Services Bhd (Chairman), Public Investment Bank Bhd, Public Islamic Bank Bhd, Public Financial Holdings Ltd and Public Bank (Hong Kong) Ltd. He is also a Director of Public Bank (L) Ltd, the offshore bank subsidiary of Public Bank. His directorships in other public companies are in LPI Capital Bhd and Lonpac Insurance Bhd.

Dato' Yeoh Chin Kee attended all of the 16 Board meetings which were held in the financial year ended 31 December 2007.

Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah

Independent Non-Executive Director

Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah, aged 47, was appointed as a Director of Public Bank on 16 July 1984. He is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee.

He was educated at Harrow College, United Kingdom in Business Administration.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd and Public Islamic Bank Bhd. His directorship in other public company is in Atlan Holdings Bhd.

Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah attended all of the 16 Board meetings which were held in the financial year ended 31 December 2007.





Dato' Haji Abdul Aziz bin Omar

Independent Non-Executive Director

Dato' Haji Abdul Aziz bin Omar, aged 60, was appointed as a Director of Public Bank on 5 January 2000. He is the Co-Chairman of the Audit Committee, and is a member of the Nomination Committee, the Remuneration Committee and the Risk Management Committee. He is also the Co-Chairman of the Credit Risk Management Committee.

He qualified as a Chartered Accountant from the Institute of Chartered Accountants in England & Wales, and is also a Chartered Accountant of the Malaysian Institute of Accountants.

During his previous banking experiences, he became a Fellow of the Institute of Bankers Malaysia. His other past experiences had been in the areas of audit and accounting, taxation, property, plantation, hotelling, trading and manufacturing.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd, Public Mutual Bhd, Public Islamic Bank Bhd and PB Trustees Services Bhd. His directorships in other public companies are in LPI Capital Bhd and Lonpac Insurance Bhd.

Dato' Haji Abdul Aziz bin Omar attended all of the 16 Board meetings which were held in the financial year ended 31 December 2007.

Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff

Independent Non-Executive Director

Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff, aged 72, was appointed as a Director of Public Bank on 28 November 2001. He is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee.

He is a qualified Professional Chartered Town Planner and a Professional Landscape Architect from the University of Newcastle-upon-Tyne, England. He was honoured by the University of Newcastle-upon-Tyne, England with the Honorary Degree of Doctor in Civil Law in May 1993. He is a Fellow of the Royal Town Planning Institute London; Fellow of Malaysian Institute of Planners; and Fellow of Institute of Landscape Architects Malaysia.

He had served in various State and Federal Governments before retiring in 1993. He was a member of the Advisory Board of the City of Kuala Lumpur (Dewan Bandaraya Kuala Lumpur) until December 2004. Over the years and through his involvement as a Director of several public listed companies, he has accumulated vast experiences in various sectors namely, property and housing development, hotel management, food manufacturing and expressway management.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd, Public Mutual Bhd and Public Islamic Bank Bhd. His directorship in other public company is in Yee Lee Corporation Bhd (Chairman).

Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff attended all of the 16 Board meetings which were held in the financial year ended 31 December 2007.



None of the Directors has:

- Any family relationship with any Director and/or major shareholder of Public Bank.
- Any conflict of interest with Public Bank.
- Any conviction for offences within the past 10 years other than traffic offences.

All of the Directors are Malaysians.

**Chia Lee Kee (Ms)***Company Secretary*

Ms Chia Lee Kee was appointed as Public Bank's Company Secretary on 2 September 1996. She is also the Company Secretary of several domestic and overseas subsidiaries, and she oversees the Public Bank Group's company secretarial matters. She is the Secretary of various Board Committees.

Ms Chia heads the Bank's Secretariat Division.

She is a Chartered Secretary (ICSA) and is a Fellow of The Malaysian Association of The Institute of Chartered Secretaries and Administrators.

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INTRODUCTION

The Public Bank Group continued to create and deliver distinctive value to all its stakeholders in 2007 by building on recent acquisitions as well as pursuing strong organic growth strategies both domestically and regionally in its journey to be the leading banking group in Malaysia. As at the end of 2007, the Public Bank Group was the 3rd largest banking group by balance sheet size and the 2nd largest domestic lender in Malaysia.

Whilst faced with an extremely competitive environment in the Malaysian financial services industry, the Public Bank Group's quest to continue delivering distinctive value is supported by a stable macroeconomic environment fostered by supportive Government fiscal and monetary policies as well as development activities including the 9th Malaysia Plan and development corridors initiatives. The thrust of Government policies to promote domestic consumption and the support of small-and medium-sized enterprises ("SMEs") are also positive for the Group with consumers and SMEs making up the core customer base of the Group.

Being ever mindful of the need to deliver long-term value to stakeholders, the Public Bank Group had in 2007 also invested in key strategic initiatives to strengthen the infrastructure for delivery of future value as well as entering into smart partnerships that will create long-term value to all stakeholders. Such initiatives are testament to the Group's unwavering commitment of excellence to all stakeholders as the Group seeks to exceed their expectations, particularly in an environment of increasingly intense competition which invariably results from continued liberalisation of the industry and the development of stronger participants in the financial services industry.

TO OUR SHAREHOLDERS

Strong Financial Performance

Central to the success of a commercial enterprise is the delivery of profits to its owners, these being, in our case, the shareholders of Public Bank. The Public Bank Group clearly achieved this in 2007. Pre-tax profit for the year expanded by 24.3% to reach RM3.00 billion. Net profit attributable to shareholders grew by 23.0% from RM1.73 billion in 2006 to RM2.12 billion in 2007. In 2007, both pre-tax and net profits surpassed the record RM3 billion and RM2 billion milestones respectively. There

was also improvement in every line of the profit and loss account in 2007. Earnings per share improved from 52.1 sen in 2006 to 63.3 sen in 2007 with net return on equity growing strongly from 21.9% in 2006 to 26.3% in 2007.

Total assets of the Public Bank Group expanded by 17.8% in 2007 to reach RM174.16 billion as at the end of 2007 as compared to RM147.79 billion a year ago.

In seeking profitability and balance sheet growth in its delivery of long-term value to shareholders, the Public Bank Group had pursued strong organic business growth strategies that have generated remarkable results. In addition, key initiatives to expand the Group's non-interest income enabled the Group to sustain strong bottom line growth in an environment of continued lending margin pressures and narrowing of net interest margins.

Strong Organic Business Growth

Lending business

Total gross loans of the Public Bank Group expanded by 20.2% or RM17.05 billion to RM101.41 billion in 2007, well above the Malaysian banking sector's annual rate of loan growth of 10.5% as at the end of November 2007. Both the Group's domestic as well as overseas operations achieved strong organic growth rates. The Group's domestic loans expanded by 18.8% in 2007, driven mainly by loans to SMEs and residential mortgages which grew by 8.8% and 14.7% respectively. In Hong Kong, Public Bank (Hong Kong) Limited achieved a loan growth rate of 51.2% whilst Cambodian Public Bank Limited more than doubled its loan portfolio with an impressive growth rate of 129.8% in 2007. The strong organic growth of the Group's lending business continued to be driven by competitive pricing, intense marketing activities and an employee reward and incentive infrastructure tied to delivery of superior performance.

Deposit-taking business

Customer deposits of the Public Bank Group expanded by RM26.97 billion to RM138.76 billion, an increase of 24.1% from the end of 2006. Core customer deposits comprising fixed deposits, savings deposits and current accounts grew by 20.8%, 14.4% and 24.2% respectively. The maintenance of a high ISO-certified standard of customer service delivery at the front office of branches as well as the strong PB Brand have led to a strong 14.3% growth in deposits from retail individuals in 2007. The

strong growth in customer deposits was also partly due to a concerted effort to expand the Group's foreign currency deposits as well as the launch of the Group's first offering of a structured investment product which promotes longer term savings with potential for enhanced returns.

The strong financial performance in 2007 was also underpinned by consistently strong and improving asset quality and cost efficiency. Despite achieving significantly higher rates of lending growth than those of the industry over the past seven years, the Public Bank Group's gross and net non-performing loan ("NPL") ratios continue to fall from 1.9% and 1.6% respectively at the end of 2006 to 1.4% and 1.2% respectively as at the end of 2007, with the Group's gross NPL amount of RM1.40 billion as at the end of 2007 decreasing marginally from RM1.58 billion as at the end of 2006. The Group's net NPL ratio of 1.2% stands at about one third that of the Malaysian banking industry's net NPL ratio of 3.3% as at the end of November 2007.

In terms of cost efficiency, the cost income ratio of the Public Bank Group increased marginally from 32.7% at the end of 2006 to 33.1% at the end of 2007, still maintaining the lowest cost income ratio amongst Malaysian banking groups.

A Quick Take

The impact of the consistently strong financial and business performance of the Public Bank Group can be seen over the past 5 years. Since the beginning of 2003, the Public Bank Group has:

- Grown profit before tax from RM1.44 billion to RM3.00 billion
- Increased net profit attributable to shareholders from RM989.0 million to RM2.12 billion
- Expanded total assets from RM64.63 billion to RM174.16 billion
- Nearly tripled its total gross loans from RM45.54 billion to RM101.41 billion, with the Group's market share of the domestic banking industry's loans rising from 9.6% to 14.0% as at the end of November 2007
- Increased its domestic market share of customer deposits from 9.5% to 14.3% as at November 2007
- Reduced its net NPL ratio from 3.0% to 1.2%
- Improved its net return on equity from 13.3% to 26.3%

By all the measures used to gauge financial performance, the Public Bank Group has charted exceptional progress in the Group's relentless pursuit of its core organic growth strategies and its commitment to excellence in the delivery of distinctive value to shareholders.

Strategic Business Direction

The core organic growth strategies of the Public Bank Group remained totally relevant in 2007. In an increasingly intense competitive environment leading to narrowing net interest margins, the pursuit of strong volume growth, operational cost efficiency and maintaining strong asset quality remain critical in sustaining bottom line growth.

Strong organic growth in both the Public Bank Group's lending business and deposit-taking business continued to be pursued in the domestic market place. In addition, strong organic growth of the lending and deposit-taking businesses of Cambodian Public Bank Limited and that of Public Bank (Hong Kong) Limited, which was acquired in 2006, was pursued with the loans and customer deposits of these subsidiaries expanding at exponentially high rates of growth. In particular, Public Bank (Hong Kong) Limited, with an expansion of its branch network from 13 branches when it was acquired by the Group to the present 25 branches, achieved growth in its lending business of 51.2% in 2007 whilst its customers deposits grew by 43.9%. The Group has successfully transplanted its organic growth strategies in its domestic market place to its key overseas business operations.

Another strategic response to sustaining profitability growth in the financial services industry when net interest margins continue to contract from competition is to expand the scale and scope of fee- or transactional-based sources of revenue. The Public Bank Group undertook two key strategic initiatives in 2007 to increase its fee-based revenue as well as put in motion the building of an underlying infrastructure for enhancing longer-term fee-based revenue flows and ultimately, profitability.

Expansion of Public Mutual's business

The market leading position of the unit trust business of Public Mutual Berhad, a wholly-owned subsidiary of Public Bank, expanded significantly in 2007. This was achieved by increasing the number of new unit trust funds, expanding the Public Mutual unit trust agency force and strengthening the Public Bank branch unit trust distribution capabilities.

The success of Public Mutual's business expansion can be seen as follows:

- 21 new unit trust funds were launched in 2007 as compared to 8 in 2006 and 7 in 2005, bringing the total number of unit trust funds managed to 55
- Gross new sales of trust units increased 3 times to RM13.12 billion in 2007 as compared to RM4.10 billion in 2006
- Net asset value ("NAV") of unit trust funds managed increased by 75.4% from RM16.19 billion as at the end of 2006 to RM28.39 billion as at the end of 2007
- Public Mutual's market share of NAV of the private sector unit trust funds under management increased from 33.5% as at the end of 2006 to 40.0% as at the end of 2007
- The number of Public Mutual unit trust agents increased from 11,844 as at the beginning of 2006 to 29,947 as at the end of 2007, thus also providing new employment opportunities and income for the unit trust agents involved

The impact of this strategic initiative on the profitability of the Public Bank Group resulted in the significant growth in fee on sale of trust units and unit trust management fees of 220.6% and 63.8% to RM200.5 million and RM285.4 million respectively and, in total, accounted for 35.0% of the Group's other operating income in 2007.

Expansion of Bancassurance

On 7 November 2007, Public Bank and ING Asia/Pacific Limited entered into a 10-year exclusive distribution agreement to provide life, health and investment-linked insurance products in Malaysia and Hong Kong to customers and the public through the various distribution channels of the Public Bank Group. This smart partnership between a leading Malaysian banking group and a giant global insurance player, the ING Group, will position the Public Bank Group as a significant bancassurance provider, expanding the range of financial services offered by the Group and puts into place the infrastructure for a major potential source of fee-based revenue.

The bancassurance distribution agreement with ING Insurance Berhad came into effect on 1 January 2008 and the Public Bank Group was paid an immediate goodwill payment of RM200 million for, amongst the many benefits to the partnership, providing the access to the Group's

extensive distribution channels to offer life, health and investment-linked insurance products to the Group's customers and the public. In the medium- to longer-term, the bancassurance distribution partnership is expected to add a new and significant fee-based revenue source to the Group from commissions earned from the distribution of these bancassurance products.

On 30 August 2007, Cambodian Public Bank Limited together with LPI Capital Berhad set up the Public Bank Group's 55% subsidiary, Campubank Lonpac Insurance Plc, to provide general insurance business in Cambodia. Campubank Lonpac Insurance Plc has a paid-up capital of USD7.0 million. With the insurance industry in its infancy in Cambodia, the new insurance subsidiary is expected to generate a moderate and steady flow of fee-based income to the Group in the medium- to longer-term.

SHAREHOLDER VALUE

The Public Bank Group is fully committed to the delivery of superior shareholder value. The strong financial performance of the Group and its 41 years of unbroken profitability track record underpins the investment of shareholders in Public Bank. At the same time, in periods of stock market volatility, what Public Bank offers to shareholders is solid and robust business fundamentals, including strong business growth and the best asset quality in the industry, consistently high dividend yields and strong capital adequacy ratios, all the ingredients of a sound defensive stock.

The Public Bank Group continues to create and enhance shareholder value by improving the efficiency of its capital structure and improving return on equity, pursuing a high dividend payout policy and maintaining excellent corporate governance.

Efficient Capital Structures

Public Bank bought back a further 52,062,300 shares in 2007, bringing the total shares bought back by Public Bank to 176,276,800 ordinary shares in Public Bank, representing 5% of the issued and paid-up capital of Public Bank. The gearing up of the Public Bank Group's core capital with the issues of innovative Tier-1 capital securities in 2006 has allowed the Group to enhance its capital efficiency through share buy back without compromising on the capacity of the Group's regulatory capital to support the Group's rapidly growing business in recent years. The total cost of the shares bought back up to the end of 2007 stood at

RM1.27 billion. Based on the share prices of both Public Bank (Local) and Public Bank (Foreign) shares of RM11.00 at the end of 2007, the shares bought back are worth RM1.94 billion and represents an unrealised "profit" of RM665.1 million.

The more efficient capital structure, combined with the strong profitability growth of the Public Bank Group, have led to rising net return on equity from 13.3% five years ago in 2003 to 26.3% in 2007, ranking Public Bank the highest amongst domestic banking groups in terms of return on equity. This compares favourably with the leading regional banks, such as Hang Seng Bank in Hong Kong which is reputed for its capital efficiency and high returns on equity.

High Dividend Payout

Public Bank maintained its high dividend payout policy in 2007. The proposed final dividend of 40 sen less 26% tax and special dividend of 10 sen less 26% tax for 2007, together with the interim dividend of 25 sen less 27% tax paid in August 2007 would mean a total net dividend of 55.3 sen per share or a total dividend of RM1.85 billion paid or to be paid for 2007. This amounts to 87.3% of the Public Bank Group's net profit attributable to equity holders for 2007. Public Bank has maintained an annual dividend payout ratio of close to or over 90% of its net profit since 2004.

As part of the Public Bank Group's high dividend payout policy, Public Bank intends to maintain the rate of increase of the amount of dividends payable to shareholders in line with the rate of increase in the Group's net profit attributable to shareholders, subject to the approval of Bank Negara Malaysia as required by the Banking and Financial Institutions Act, 1989.

Strong Corporate Governance

The Public Bank Group's pursuit of excellence in corporate governance has definitely enhanced shareholder value. Investors, particularly institutional investors, continue to raise their expectations of how corporates conduct their business and the level of transparency of the corporates and their accountability to stakeholders, particularly in the light of recent corporate misdeeds. Public Bank's publicly recognised record of excellence in corporate governance and corporate conduct has continued to be validated by being ranked No.1 in corporate governance amongst the top 500 companies listed on Bursa Securities for the third consecutive year in the

Corporate Governance Survey Report 2007, issued jointly by the Minority Shareholder Watchdog Group and the Nottingham University Business School.

Public Bank's existing corporate governance policies and practices also fully comply with the updated revised Malaysian Code on Corporate Governance issued by the Securities Commission in October 2007. This again reflects the very high standards of corporate governance that the Public Bank Group pursues continuously.

Superior Returns to Shareholders

The efficient capital structure and high return on equity of the Public Bank Group, its high dividend payout ratio and strong corporate governance culture, together with the strong and continuously improving financial performance of the Group have benefited shareholders of Public Bank directly. This is reflected in the premium valuation multiples that investors attach to these factors, with Public Bank shares continuing to trade at a premium to the valuation multiples of listed banking groups in Malaysia.

The medium- and long-term returns to shareholders of Public Bank from their investment in Public Bank illustrates clearly the superior shareholder value that has been delivered by Public Bank.

Over the medium-term of 5 years, a shareholder of Public Bank who purchased 1,000 Public Bank (Local) shares at a price of RM4.54 per Public Bank (Local) share at the beginning of 2003 or an investment of RM4,540 and held them for 5 years to the end of 2007 would have received gross dividends totaling RM3,955 and will have 1,250 Public Bank (Local) shares as at the end of 2007. At the price of Public Bank (Local) shares of RM11.00 per Public Bank (Local) share at the end of 2007, the shareholder would have shares worth RM13,750 which together with the gross dividends of RM3,955, would give the shareholder an exceptionally high annual rate of return on investment of 36.4% or a total return of 290% for the 5-year period.

If a shareholder of Public Bank had bought 1,000 shares in Public Bank when it was listed in 1967, and assuming the shareholder had subscribed for all the rights issues to date and had not sold any of the Public Bank shares, he would have, at the end of 2007, 129,730 Public Bank shares worth RM1,427,030, based on the share price of Public Bank (Local) shares of RM11.00 as at the end of 2007,

in addition to receiving a total gross dividend of RM487,902, which Public Bank has unfailingly paid every year since 1970. With a capital outlay of RM48,760, including subscription for all rights issues, the total return to this shareholder would be RM1,914,932 or a remarkable average rate of return of 20.6% annually for each of the 40 years that this shareholder has held the shares in Public Bank since it was listed in 1967.

TO OUR CUSTOMERS

Well Informed Customers

Consumers and businesses are today offered a wide spectrum of products and services options by increasingly aggressive and competitive service providers who compete for every single customer. Customers are also increasingly knowledgeable and well-informed as Bank Negara Malaysia continues to promote greater customer awareness and greater products and services transparency, including the availability of comparative information of products and services features as well as pricing and service charges to the general public on the Internet.

With increasing commoditisation of products and services and increasingly well-informed customers, the manner in which a product or service is delivered, and how a customer is served, becomes a key differentiation in capturing the customer.

Customer Service Infrastructure

The Public Bank Group's resolute commitment to excellence in delivering distinctive customer service is demonstrated by the Group's continued investment in its already extensive multi-channel customer service delivery infrastructure which has attained international ISO standards.

In 2007, the Public Bank Group expanded its network of self-service machines by adding 56 ATMs, 92 cheque deposit machines and 166 cash deposit terminals with an outlay of over RM27 million. The Group is planning to further expand the number of self-service machines in 2008 to further enhance customer convenience.

The Public Bank Group proactively assesses the location, size and layout of its branches with a view to enhancing customer accessibility, comfort and convenience. In 2007,

Public Bank relocated 31 branches and expanded the size of a further 23 branches. In order to provide a more dedicated level of service to hire purchase customers, the hire purchase operations of selected branches were centralised into hire purchase centres located at generally bigger and more centrally located branches.

A key support of the customer service infrastructure of the Public Bank Group is its continued investment in information and communication technology and technological innovation applicable to the systems and processes that assist all levels of service providers in the Group to sustain the Group's delivery of service excellence and sustain the Group's competitive edge in the globalised financial services industry.

ISO Standards

The maintenance of quantitative customer service delivery standards for the key customer contact points at customer counters of branches and in loan service delivery and the systems and processes in place to measure and monitor the achievement of these quantitative standards form the core of the Public Bank Group's continued certification of the Group's "Provision of Customer Service at the Front Office" and the "Provision of Customer Service in Loan Delivery" under the ISO9001:2000 standards. The quantitative customer service standards include a 2-minute standard waiting time for the front office, and depending on the complexity of the credit arrangement, 1 to 3 working days turnaround time for approval of consumer loans and 5 to 7 working days for approval of commercial loans.

Although not ISO-certified, the Public Bank Group's extension of the setting of quantitative standards to its overseas operations, particularly in Hong Kong and in Cambodia, is also testament of the Group's commitment to excellent customer service delivery.

The Public Bank Group's pursuit of the delivery of distinctive customer service and its commitment of resources to this facet of its business have generated a level of customer loyalty that is reflected in its higher market share of individual customers. The Group, in this context, has captured a 18.5% domestic market share of savings deposits as compared to an overall domestic market share of total core customer deposits of 13.3%, with deposits from individuals accounting for over 70% of core customer deposits.

TO OUR STAFF

The remarkable success and consistent award-winning performance of the Public Bank Group owes, in no small measure, to the contribution of a united team of committed, knowledgeable and dedicated employees who are focused on a common goal and share a common mission in constantly striving for excellence. The human capital of the Group has continuously been nurtured and proactively managed to bring out the best in each and every staff and as an integrated team, deliver more than the sum of the individual team members' contribution. Collectively, the staff force represents the most valuable asset of the Group.

Skill and Knowledge Development

The Public Bank Group continued to allocate significant management and financial resources to enhance the long-term value of its human capital. In line with the Group's policy of mandatory training for all levels of staff, a total of over 2,100 man-days of classroom courses were conducted in 2007. In seeking greater efficiency in the utilisation of its training resources, the Group continued to expand its e-learning platform. 32 internal training courses have been made available on the e-learning platform with a healthy utilisation rate as measured by more than 22,000 participants undergoing e-learning courses.

Increased financial resources for the development of its human capital was provided for the Group's staff with training expenditure increasing to RM21.8 million in 2007. This represents 3.6% of total human resources related costs, a ratio that is above the 2.5% minimum requirement of Bank Negara Malaysia in respect of staff training allocation. Besides equipping the staff with the capability and skills needed to deliver the highest possible standards of performance, the continued investment in their training also prepares the staff for career progression within the Group and fulfills the structured management succession planning objectives of the Group. The desire of the staff force seeking career progression within the Group remains strong with over 90% of current managerial appointments being filled from within the Group, whilst overall staff turnover rate of Public Bank in 2007 remained at a low 7.6%, with turnover rate of supervisory level staff at a lower 6.7%.

Structured Management Succession

There is also a structured succession planning process for senior management staff established by the Public Bank Group as part of its human capital development investment. Instituted for many years, there are at least two candidates identified or earmarked for the succession of every senior managerial position. However, the identification or earmarking for the senior management succession process is not expressly made known to such candidates. Nevertheless, such earmarked candidates are nurtured with the relevant training programmes and job-related exposures to the relevant areas of the positions and responsibilities being planned for and in preparation of such candidates to assume higher levels of responsibilities eventually.

Rising Productivity

A key strategy to maintain profitability growth in an environment of intense competition and continued compression of margins is to improve operational efficiency by enhancing the productivity of the Public Bank Group's most significant resource, its staff. The productivity of the Group's staff force continued to rise as measured by standard industry indicators such as loans per staff and deposits per staff, which rose from RM3,731,000/staff and RM4,008,000/staff respectively in 2003 to RM7,098,000/staff and RM9,713,000/staff respectively in 2007. A well-trained and skilled staff force also has a greater capacity and flexibility to adapt to the changing needs of the Group. The ability of the Group to redeploy staff without compromising service delivery standards has also contributed to improving productivity of the Group as a whole, thereby sustaining healthy profitability growth in the intensely competitive environment of the Malaysian banking industry.

Performance-based Rewards

The performance-based remuneration system and meritocracy-based career progression path of the Public Bank Group underpin the strong human capital of the Group. The performance-based remuneration system, where rewards are closely and transparently correlated to the delivery of superior performance, has clearly incentivised staff to perform to the peak of their capability. In 2007, a total of RM85 million was paid in performance bonuses to all levels of staff, with top performers being paid bonuses of up to 24 months of salary. Such high performance driven rewards will also promote future stellar performance when staff push their limits of performance delivery further in striving for such high rewards and the satisfaction of personal achievement.

Staff Conduct

The Public Bank Group continues to uphold, and to inculcate in all its staff, a culture of commitment, trust, honesty and integrity as well as promote an environment of exemplary corporate conduct and meticulous regulatory compliance through the Group's extensive human capital development programmes. The stringent and uncompromising adherence to the Group's policy of zero tolerance of dishonesty and the lack of integrity is absolutely necessary to engender and sustain the trust implicit in the Group's role as a custodian of public funds and a trusted and respected leading financial institution in Malaysia and in the region.

The Public Bank Group's commitment to its staff force, its established and transparent performance-based remuneration system, a meritocracy driven career progression path and priority accorded to internal filling of vacancies by well trained and qualified existing staff have created a workforce that is passionately performance driven and one that seeks career advancement within the Group. The staff of the Group do proudly and professionally have a sense of dedication and commitment to serve and serve with a spirit of camaraderie, mutual trust, respect and sociability.

TO THE COMMUNITY

Contribution to the Country's Economy

The creation and delivery of distinctive value to stakeholders of the Public Bank Group also encompass the community that it serves with the Group fulfilling its corporate social responsibilities ("CSR"). The corporate citizenship responsibility of the Group extends well beyond the support of worthy causes in the community.

As a major anchor financial services provider, the Public Bank Group, with its 41 years of unbroken profitability track record, has played a significant role in contributing to the stability and integrity, as well as the development and maturity of Malaysia's financial system. A strong and stable financial system forms a cornerstone of the healthy Malaysian economy, in addition to being the most important component of the services sector, a sector to which the Government accords priority in driving socio-economic growth. This will ultimately benefit everyone in the community.

The focus of the Public Bank Group's business strategies on serving the consumers and SMEs also have positive impact on and benefits the wider community. With one of the largest market share of the residential mortgage business, the Group is helping to promote a higher level of home ownership by Malaysians. The Group's focus on serving the SMEs to further promote their growth and expansion will directly benefit the community by, inter alia, generating growing employment opportunities as well as higher economic growth. The Group's microcredit product offering, PB Microfinance, and the expanding microcredit customer base is also helping the promotion and growth of another segment of the business community, that of the very small businesses and micro enterprises.

With consistently rising profitability, the Public Bank Group is a major contributor to the fiscal revenue of the country with tax payments totaling RM2.45 billion since 2002, with the Group paying RM679.0 million of taxes in 2007. With the continued healthy profitability performance expected in the next few years as envisaged in the Group's medium-term scenario planning, the Group will, to be sure, continue to contribute significantly to the financing of the development efforts of the nation, particularly under the 9th Malaysia Plan.

Community Activities

In the Public Bank Group's commitment to give back to the community that supports its business and corporate activities, the Group's contribution to and participation in, both financial or otherwise, activities for the benefit and betterment of the welfare of the community have been geared towards benefiting as many in the community as possible. Such activities of the Group range from the setting up of education funds for the long-term benefit of young Malaysians with a total endowment of RM3.5 million for the setting up of the UTAR - Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund and the TARC - Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund to significant business and financial support in helping business enterprises and companies affected by extensive flooding at the beginning of 2007 in rebuilding their businesses, as well as direct financial support of projects and events promoting a healthy population, education, greening of the environment, professional development, sports and national pride and unity, besides direct charitable contributions to the welfare of the needy and less fortunate.

The extensive branch network of the Public Bank Group throughout Malaysia also enables the Group to participate directly in and support the activities and welfare needs of the local community served by a particular branch of the Group.

The total financial resources allocated to the Public Bank Group's corporate social responsibility initiatives and activities exceeded RM5.6 million in 2007, besides the time and effort of the staff and management of the Group devoted to fulfilling its corporate social responsibilities.

AWARDS AND RECOGNITION

A tangible validation of the success of the strategies of the Public Bank Group in delivering distinctive value to all its stakeholders is the awards and recognition accorded by third parties to the Group, Public Bank and its management.

The outstanding financial performance of the Public Bank Group, its commitment to the pursuit of excellence in its every endeavour and the consistent delivery of distinctive stakeholder value have once again been recognised by a total of 31 awards and recognitions of excellence conferred on the Public Bank Group in 2007.

Excellent Corporate Governance

Public Bank's entrenched culture of excellent corporate governance which complies with international best practices in corporate governance was once again recognised by being ranked No.1 in corporate governance, for the third consecutive year, in the Corporate Governance Survey Report 2007. The Corporate Governance Survey Report 2007 is the result of a study conducted jointly by the Minority Shareholder Watchdog Group and the Nottingham University Business School on the level of corporate governance compliance and practices of the top 350 main board listed companies on Bursa Securities, as measured by market capitalisation, as well as 100 small-cap main board, 40 top second board and the top 10 MESDAQ listed companies.

The excellent corporate governance of Public Bank was also recognised with the Malaysian Business Corporate Governance Award 2006 being awarded to Public Bank by Malaysian Business for the 5th consecutive year, with Public Bank being the sole recipient of this award since the inauguration of the Corporate Governance Awards by Malaysian Business.

In 2007, Public Bank was also awarded the Best Company in Malaysia for Corporate Governance by The Asset magazine.

Banking Excellence

Public Bank's leading position in Malaysia, its record of 41 years of unbroken profitability, its financial strength and strong profitability ratios and excellent asset quality as well as the delivery of excellence in customer service continued to be recognised by the 6 Best Bank or Company in Malaysia awards by various international organisations and publications in 2007.

At the National Annual Corporate Report Awards ("NACRA") 2007, the Annual Report 2006 of Public Bank won the Platinum Award of the NACRA Overall Excellence Award, the Industry Excellence Award for Main Board Companies in the Finance Sector, the Platinum Award for Best Annual Report in Bahasa Malaysia and the Platinum Award for the Best Designed Annual Report.

Contribution to Banking in Malaysia and Asia

The Public Bank Group is also delighted and honoured that Tan Sri Dato' Sri Dr. Teh Hong Piow, the Founder and Chairman of Public Bank, was again recognised by awards for life time achievement and contribution to the banking industry not just in Malaysia but also in Asia.

Tan Sri Dato' Sri Dr. Teh Hong Piow was awarded the following in 2007:

- Asean Most Astute Banker Award 2007 by The Asset
- Recognition Award 2007 for excellent achievement and significant contribution to the banking industry in Cambodia by the National Bank of Cambodia
- Lifetime Entrepreneurship Achievement Award 2007 by Enterprise Asia
- The Brand Laureate Brand Personality Award 2007 by the Asia Pacific Brands Foundation
- The Pila Recognition Award 2007 by the Institute of Public Relations Malaysia

Apart from acknowledging the outstanding achievements of the Public Bank Group and its Founder and Chairman, these awards and accolades will, to be sure, further motivate and reaffirm the commitment of the Group and all its staff to continue its relentless pursuit of the delivery of excellent and distinctive value to all its stakeholders.

MEDIUM-TERM SCENARIO PLANNING

In the pursuit of its mission for long-term expansion and the maintenance of its market leadership position, the Group has put in place medium-term plans for the next 3 years to deliver enduring growth and profitability as well as distinctive value to all its stakeholders.

The macro key performance indicators included in these medium-term plans include a medium-term net return on average equity ratio of 30%, core capital and risk weighted capital ratios of 8.0% and 12.5% respectively, a stable net NPL ratio of 1.0% and a cost income ratio of 30%. The Public Bank Group is also planning for an increase in its loan portfolio and balance sheet to RM150 billion and RM250 billion respectively in 3 years' time. The Group is confident that barring unforeseen circumstances and realisation of the key assumptions underlying these medium-term plans, the envisaged growth and profitability targets would be achieved.

PROSPECTS

The Public Bank Group expects 2008 to be even more challenging than 2007. The key challenge is to maintain a healthy rate of profitability growth and business expansion in an intensely competitive business environment that will become even more competitive. The unrelenting pace of liberalisation of the Malaysian financial services industry generally and the continued expansion of the Islamic banking and finance sector and stronger and more aggressive industry players will continue to drive the competitiveness of the financial services industry.

Two domestic banking groups emerged stronger in their pursuit of the retail banking and financing business after having undergone significant ownership and management restructuring in the past two years. Two other domestic banking groups saw major regional banks taking significant equity stakes in these domestic banking groups, bringing with them fresh capital and expertise to enhance the capacity of these domestic banking groups to pursue business expansion. These major shareholders can also contribute their capability to enhance new product development and technology and management expertise, thereby enhancing the capacity of these domestic banking groups to compete more effectively for market share.

More broadly, the major global economies are likely to experience moderation in Gross Domestic Product ("GDP") growth as the fall out from the sub-prime mortgage problems and consequential impact on credit markets continue to plague these major economies, particularly in the United States of America. The record high, and still rising, crude oil prices is also likely to further moderate growth in the global economies.

On the other hand, the Malaysian economy continues to be resilient and therefore supportive of the Malaysian financial services industry. Monetary policies of Bank Negara Malaysia remain supportive of growth with interest rates expected to remain stable at current levels in 2008. Inflation has fallen below 2% in 2007 and is expected to remain at moderate levels going forward into 2008. GDP growth for 2007 is likely to meet the Government's target of 6.0%.

With the progressive implementation of the 9th Malaysia Plan and the more widespread economic development as envisaged in the various regional development plans for the Iskandar Development Region, the Northern Corridor Economic Region and the East Coast Economic Region, as well as development programmes in Sabah and Sarawak, GDP growth for 2008 is likely to remain at a healthy 6.0% to 6.5% despite increasing global economic stress.

The Public Bank Group is confident of meeting the challenges in its path in 2008. Given its extensive network of branches and expanding electronic delivery channels, a comprehensive and competitively priced and innovatively packaged range of products and services, particularly geared towards the retail consumer and the SMEs, and the strong PB Brand, the Group will continue to sustain its competitive edge. In addition, the developmental thrust of the 9th Malaysia Plan and the 3rd Industrial Master Plan to promote SMEs will reinforce the Group's strategic focus on supporting and expanding its business with, and services to, the SMEs.

With the Public Bank Group's remarkable resilient and rising profitability, excellent asset quality and stringently uncompromising prudent credit culture as well as customer service delivery that is benchmarked to international standards and the blending of selective acquisitions with strong organic growth capabilities as well as smart partnerships, and most importantly, the unwavering commitment to excellence of all levels of staff, the Group is confident of scaling greater heights.

As one of the top 3 banking groups in Malaysia and one of the most profitable, the Public Bank Group will continue to contribute to the stability and integrity of the financial system and play its proper role for the development and well-being of the Malaysian economy.

To be sure, the Public Bank Group, having overcome all the challenges in its path on its 41-year journey thus far, will be ever much stronger and more resilient as a leading financial services provider and is well set for the next several decades and beyond, in delivering excellence and distinctive value to all its stakeholders.

ACKNOWLEDGEMENT

We wish to express our deep appreciation to the management and all staff of the Public Bank Group for their untiring commitment, dedication and loyalty in contributing to the continuing success of the Group.

We also wish to express our sincere appreciation and gratitude to all our customers and shareholders as well as the Minority Shareholder Watchdog Group for their continued support of and confidence in the Public Bank Group.

Once again, the Board and Management would also like to thank Bank Negara Malaysia and all other relevant authorities for their invaluable advice, guidance and support.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

TAN SRI DATO' THONG YAW HONG
Co-Chairman

DATO' SRI TAY AH LEK
Managing Director

DATO' LEE KONG LAM
Executive Director

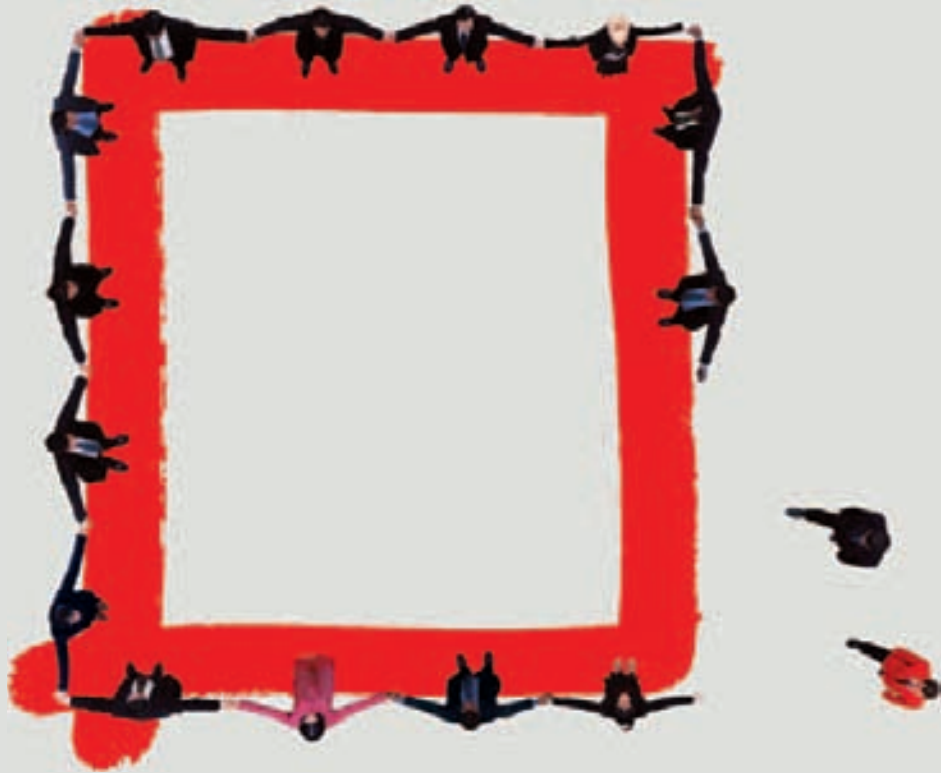
DATO' YEOH CHIN KEE
Director

**TENGKU ABDUL RAHMAN IBNI SULTAN HAJI
AHMAD SHAH AL-MUSTAIN BILLAH**
Director

DATO' HAJI ABDUL AZIZ BIN OMAR
Director

**DATO' DR. HAJI MOHAMED ISHAK
BIN HAJI MOHAMED ARIFF**
Director

21 January 2008



Strengthening our Foundation

At Public Bank, we believe that stakeholder expectations must be constantly assessed and managed. In every aspect of the business we unite in our unstinting commitment to strengthen our foundation by upholding good values and ethical conduct. Integrity, efficiency, transparency and accountability make up the four distinct pillars of our corporate governance policy and framework.

Statement On Corporate Governance

The Public Bank Board has consistently throughout the history of the Bank, instituted appropriate framework and structure to develop good corporate governance in the Public Bank Group. The Directors have been unequivocal in their commitment to ensuring robust governance system and responsible corporate conduct, founded on core values such as accountability, transparency, integrity and efficiency.

Corporate governance in Public Bank adheres to the principles and best practices of corporate governance as prescribed in the Malaysian Code of Corporate Governance (Revised 2007) and as stated in the Bank Negara Malaysia Guidelines on Corporate Governance for Licensed Institutions (BNM/GP1), and further, is in line with international best practices.

The Board of Directors, Management and staff of Public Bank are extremely encouraged and delighted that the Bank's corporate governance has been adjudged as leading that of other corporations in the country, as testified by the following awards received in 2007:

- Public Bank was ranked No. 1 in the Corporate Governance Survey Report 2007, a joint study by the Minority Shareholder Watchdog Group ("MSWG") and the Nottingham University Business School, Malaysia Campus ("NUBS"). Public Bank achieved a weighted average corporate governance score of 91%, compared with the average for the entire survey population of 51%.

This was the 3rd consecutive time that Public Bank was ranked No. 1 in corporate governance in the MSWG/NUBS survey, since the inaugural survey conducted in 2004 and a second survey done in 2006.

- Public Bank received the Platinum Award in the Overall Excellence Award (for the most outstanding annual reporting of the year) in the National Annual Corporate Report Awards ("NACRA") 2007.

This was the sixth consecutive year that Public Bank had won the NACRA Overall Excellence Award since 2002.

- Public Bank received the NACRA 2007 Industry Excellence Award for the Finance Sector (for the most outstanding annual reporting in the finance industry), making this the eleventh consecutive year that Public Bank had won this Award since 1997.
- Public Bank received the Malaysian Business Corporate Governance Award 2006, this being the fifth consecutive year that it was conferred this Award since being presented with the inaugural Award in 2002.

- Public Bank was ranked No. 1 in the Asia's Best Companies 2007 Poll by FinanceAsia in the category of "Most Committed to Corporate Governance".
- Public Bank was named the Best Company in Malaysia for Corporate Governance 2007 in The Asset annual governance ranking award.

The following awards which Public Bank received in 2007 are resounding testimony of the excellence that can only be achieved through sound corporate governance:

- Public Bank was voted the Best Bank in Malaysia 2007 by Euromoney.

This marks the ninth time that Public Bank had won this Award, after having received the Award for 1993, 1998, 1999, 2002, 2003, 2004, 2005 and 2006.

- Public Bank was named the Best Domestic Bank in Malaysia 2007 by Asiamoney, this being the sixth time that Public Bank had been conferred this Award after having received the Award for 1999, 2001, 2002, 2003 and 2004.
- Public Bank was named the Best Bank in Malaysia 2007 by FinanceAsia, making this the ninth consecutive year that it had won the Award since 1999.
- Public Bank was ranked No. 1 in the Asia's Best Companies 2007 Poll by FinanceAsia in the category of "Best Managed Company".
- Public Bank was named the Best Bank in Malaysia 2007 by Alpha South East Asia.
- Public Bank was named the Malaysia Retail Bank of the Year 2007 by Asian Banking & Finance.

BOARD OF DIRECTORS

Board Structure, Composition and Processes

In terms of Board structure, composition and processes, Public Bank has an explicit design that is consistent with the requirements mandated by Bank Negara Malaysia ("BNM") and Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements, and as prescribed by the principles and best practices of the Malaysian Code of Corporate Governance (Revised 2007).

The present size and composition of the Board is optimum and well balanced. As presently constituted, the Board has the stability, continuity and commitment as well as capacity to discharge its responsibilities effectively.

The Board comprises eight (8) Members, of whom two (2) are Executive Directors and six (6) are Non-Executive Directors. Five (5) of the Non-Executive Directors comply with the criteria on Independent Directors as set out in the Bursa Securities Listing Requirements and the BNM Guidelines on Corporate Governance for Licensed Institutions (BNM/GP1).

The Independent Non-Executive Directors do not participate in the day-to-day management of the Company and do not engage in any business dealing or other relationship with the Company in order that they are capable of exercising independent judgment and act in the best interests of the Company and its shareholders.

Tan Sri Dato' Sri Dr. Teh Hong Piow, the Founder and Chairman of Public Bank, is a renowned banker extraordinaire with an impeccable record since the onset of his banking career 58 years ago. He possesses transformational leadership skills and remarkable entrepreneurial qualities, and has received numerous accolades and awards in honour of his invaluable contributions to banking and finance industries and development efforts in the Asia Pacific Region.

Dato' Sri Tay Ah Lek, the Managing Director/Chief Executive Officer, joined Public Bank Group at the age of 24. He is well experienced in banking and finance industries. He is the Chairman of the Association of Finance Companies of Malaysia, Member of the Council of the Association of Banks in Malaysia and the Chairman of the Association of Hire Purchase Companies Malaysia. Dato' Lee Kong Lam, the Executive Director, is well respected and highly regarded in the financial industry. His long service with BNM of 29 years provided him with deep insight from the regulator's viewpoint which is invaluable to the discharge of his duties as an Executive Director of Public Bank.

Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Sri Tay Ah Lek and Dato' Lee Kong Lam who make up the Board Executive Committee, collectively possess 146 years of invaluable hands-on experience, knowledge and expertise in managing the Bank's business.

The Independent Non-Executive Co-Chairman, Tan Sri Dato' Thong Yaw Hong, had held various prominent and senior positions during his tenure of service with the Government. Upon his retirement from public service, he joined the private sector as Chairman/Director of several large public listed corporations. The other four (4) Independent Non-Executive Directors are persons of high calibre and professionals in their own right with wide experience, skills and expertise in various fields.

The Directors of Public Bank have the necessary skills, expertise, experience, intimate knowledge and qualities relevant to banking and finance. They possess professional qualifications in fields such as accounting, economics, business management, public policy and regulation.

Directors' Code of Ethics

The Directors continue to observe a code of ethics based on the code of conduct expected of Directors of financial institutions as set out in the BNM/GP7-Part 1 Code of Ethics: Guidelines on the Code of Conduct for Directors, Officers and Employees in the Banking Industry, and the Company Directors' Code of Ethics established by the Companies Commission of Malaysia.

Responsibilities of the Board

The Board is first and foremost responsible for ensuring the strategic guidance of the Company, the effective monitoring of management, and accountability to the Company and shareholders. In discharging their duties, the Board Members act on well-informed basis, in good faith, with due diligence and care, and in the best interests of the Company and stakeholders.

The Board Members are mindful to apply high ethical standards, taking into account the interests of all stakeholders, in their decision-making.

The five (5) Independent Directors in effect represent minority shareholders' interests in Public Bank by virtue of their roles and responsibilities as Independent Directors. They are proactively engaging with Management and auditors, in particular Tan Sri Dato' Thong Yaw Hong, who is the Chairman of the Audit Committee, and Dato' Haji Abdul Aziz bin Omar, who is the Co-Chairman of the Audit Committee.

The Independent Non-Executive Co-Chairman, Tan Sri Dato' Thong Yaw Hong, is the Senior Independent Non-Executive Director to whom concerns relating to the Bank may be conveyed by shareholders and other stakeholders.

The Directors, in discharging their duties and responsibilities, are constantly mindful of the public interests and concerns of the business community, particularly those of customers, shareholders and all other stakeholders.

The key duties of the Board include the following:

- Formulates the Bank's annual business plans, and the medium-term and long-term strategic plans
- Approves the Bank's annual budget and carries out periodic review of the progress made by the various operating divisions against their respective business targets

- Prescribes the minimum standards and establishes policies on the management of credit risks and other key areas of the Bank's operations
- Oversight of the Bank's business operations and financial performance
- Ensures that the operating infrastructure, systems of control, systems for risk management, financial and operational controls, are in place and properly implemented
- Undertakes various functions and responsibilities as specified in guidelines and directives issued by BNM from time to time

The Directors may obtain independent professional advice as deemed necessary for the effective discharge of their duties, at the Bank's expense.

The terms of reference of the Non-Executive Chairman and the Independent Non-Executive Co-Chairman are different and distinct from the duties and responsibilities of the Managing Director/Chief Executive Officer, thus ensuring a balance of power and authority.

Board Meetings and Supply of Information to the Board

Board meetings for the ensuing financial year are scheduled in advance before the end of each financial year so as to enable Directors to plan ahead and fit the year's Board meetings into their respective schedules.

The Board meetings are held very regularly, at least 16 times a year. In addition to monthly Board meetings, the Board also meets immediately upon the finalisation of the Bank's quarterly results to review and approve the quarterly financial results. The Board also meets on an ad-hoc basis to deliberate urgent issues concerning corporate proposals or matters that require the expeditious direction of the Board.

At the monthly Board meetings, the Board reviews management reports on the business performance of the Bank and major subsidiaries, and reviews, inter-alia, the results compared to the preceding month and year-to-date, and also the comparison against pro-rated business targets and against the industry. The Board also notes the decisions and salient issues deliberated by Board Committees and some main Management Committees through minutes of these committees. Members of the Board deliberate, and in the process, evaluate the viability of business propositions and corporate proposals and the principal risks that have significant impact on the Bank's business or on its financial position, and the measures to mitigate such risks. The Board also assesses various types of credit propositions and matters that are required to be submitted to the Board for concurrence or approval, in accordance with the guidelines issued by BNM.

The Chairman of the Audit Committee would inform the Directors at Board meetings, of any salient matters noted by the Audit Committee and which require to be highlighted to the Board for implementation.

Tan Sri Dato' Thong Yaw Hong, the Independent Non-Executive Co-Chairman, chairs all the Board meetings.

Board meetings are conducted in accordance with a structured agenda. The agenda for each Board meeting and papers relating to the agenda items are forwarded to all Directors at least 5 days before the Board meeting. This is to facilitate the Directors to peruse the Board papers and review the issues to be deliberated at the Board meeting well ahead of the meeting date.

The Board meeting papers are presented in a comprehensive and concise manner. Board meeting papers furnished to Directors include progress reports on business operations; detailed information on business propositions and corporate proposals including where relevant, supporting documents such as professional advice from solicitors or advisers; new policies and guidelines issued by BNM, and reports for updating the Board on the Bank's business. In order to maintain confidentiality, issues or corporate proposals which are material information and price-sensitive, would be discussed at Board meetings with written papers being tabled at the meeting.

The Directors will make a declaration to that effect at the Board meeting in the event they have interest in proposals considered by the Board. The interested Directors will thereupon abstain from deliberations and decisions of the Board on the subject proposal. In the event a corporate proposal is required to be approved by shareholders, the interested Directors will abstain from voting in respect of their shareholdings in Public Bank on the resolutions relating to the corporate proposal, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

Minutes of each Board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes before the commencement of the following Board meeting. The Directors may request for clarification or raise comments on the minutes prior to the confirmation of the minutes.

The Board has direct access to Senior Management and has full and unrestricted access to information relating to the Bank's business and affairs in the discharge of their duties. The Directors may require to be provided with further insights or clarifications on matters tabled at Board meetings. The Chief Operating Officer and Senior Management Officers are invited to attend the Board meetings to update the Board on their respective areas of business, and also to brief and provide details to the Directors on proposals submitted for the Board's consideration.

Every Member of the Board has ready and unrestricted access to the advice and services of the energetic and skilfully knowledgeable Company Secretary. The Directors are regularly updated and advised by the Company Secretary on new statutory and regulatory requirements, and the impact and implication to the Company and Directors in carrying out their fiduciary duties and responsibilities. The Company Secretary organises and attends all Board meetings and ensures that accurate and proper records of the proceedings of Board meetings and resolutions passed are recorded and kept in the statutory register at the registered office of the Bank.

The commitment and dedication of the Board of Directors are reflected by the full attendance of all Directors at Board meetings held during the financial year ended 31 December 2007.

A total of 16 Board meetings were held during the financial year ended 31 December 2007 on dates as stated below:

Date of Board Meeting	Percentage of Attendance	
	Independent Directors	Non-Independent Directors
11 January 2007	100%	100%
30 January 2007	100%	100%
28 February 2007	100%	100%
28 March 2007	100%	100%
9 April 2007	100%	100%
25 April 2007	100%	100%
30 May 2007	100%	100%
27 June 2007	100%	100%
9 July 2007	100%	100%
31 July 2007	100%	100%
29 August 2007	100%	100%
28 September 2007	100%	100%
8 October 2007	100%	100%
31 October 2007	100%	100%
28 November 2007	100%	100%
28 December 2007	100%	100%



Training and Development of Directors

The Directors possess the commitment to quality, and to create value by being relevant at all times, consistent with evolving changes and challenges in the banking environment, domestically, regionally and also globally. The Directors, in this connection, have participated in and benefitted from numerous conferences, seminars and training programmes on areas pertinent to the enhancement of their roles and responsibilities as Directors of a financial institution and public listed company.

The Directors also keep abreast with banking and other business developments through monthly Board luncheon discussion meetings with the Chief Operating Officer and other Senior Management Officers, and through the Bank's bi-annual management seminars. These provide the platforms to disseminate emergent strategic directions and ideas as well as intellectual innovations which enhance the knowledge and relevance of the Directors.



Conferences, seminars and training programmes attended by Directors in 2007 are as follows:

Banking & Finance

- Global Islamic Finance Forum
- Training Programme on Tax Incentives, Accounting and Financial Reporting Regime and Capital Adequacy in relation to Islamic Banking
- Seminar on Islamic Finance: Concept, Issues and Challenges
- Seminar on Shared Services & Outsourcing in the Financial Sector
- Discussion with Bank Negara Malaysia on Issues Pertaining to Malaysia as Islamic Financial Centre

Corporate Governance

- Seminar on Related Party Transactions
- Training Programme on Responsibilities of Audit Committee
- Training Programme on Key Corporate Governance Developments
- Training Programme on Emerging Audit Committee Challenges
- Conference on Corporate Social Responsibility

Statutory & Compliance

- Briefing on Anti-Money Laundering Act 2001
- Briefing on Companies (Amendment) Act 2007
- Briefing on Capital Market & Services Act 2007

Financial Reporting

- Seminar on Risk Based Capital Framework
- Training Programme on Implications of Major New Accounting Rules for Banks
- Training Programme on International Convergence of Capital Measurement and Capital Standards

Appointment of Board Members and Terms of Reference of Nomination Committee

Pursuant to provisions of the Banking and Financial Institutions Act, 1989 ("BAFIA") and guidelines issued by BNM, the appointment of a new Director and the re-appointment of Directors upon the expiry of their respective tenure of office as approved by BNM, are subject to the prior approval of BNM.

The Nomination Committee will review and assess the proposed re-appointment of Directors, and thereupon recommend to the Board for approval that an application be submitted to BNM.

Public Bank's Nomination Committee comprises entirely of Independent Non-Executive Directors; all the five (5) Independent Non-Executive Directors are Members of the Nomination Committee.

The terms of reference of the Nomination Committee are as follows:

- To establish the minimum requirements on the skills, knowledge, expertise, experience, qualifications and other core competencies of a Director and of the Chief Executive Officer ("CEO")
- To assess and recommend to the Board technically competent persons of integrity with strong sense of professionalism and who foster and practise the highest standard of banking and finance in the country for appointment as Directors/CEO
- In the case of persons for the position of Independent Non-Executive Director, to evaluate the persons' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors
- To assess and recommend to the Board, the re-appointment of Directors/CEO upon the expiry of their respective terms of appointment as approved by BNM
- To oversee the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review
- To determine annually whether a Director is independent as may be defined in the guidelines issued by BNM and in the Bursa Securities Listing Requirements
- To establish the mechanisms for the formal assessment on the effectiveness of the Board as a whole; the effectiveness of each Director; and the performance of the CEO. The annual assessment to be conducted would be based on objective performance criteria as approved by the Board

- To assess, on an annual basis, that the Directors/CEO and key Senior Management Officers are not disqualified under Section 56 of the BAFIA and that the Directors and CEO continue to comply with the standards for “fit and proper” criteria as approved by the Board
- To ensure that all Directors receive appropriate continuous training programmes in order to broaden their perspectives and to keep abreast with developments in the market place and with changes in new statutory and regulatory requirements
- To recommend to the Board the removal of a Director/CEO if he is ineffective, errant or negligent in discharging his responsibilities
- To oversee the appointment, management succession planning and performance evaluation of the key Senior Management Officers
- To recommend to the Board the removal of key Senior Management Officers if they are ineffective, errant or negligent in discharging their responsibilities
- To assess and recommend to the Board, the terms of reference of Board Committees and to review the adequacy of committee structure of Board Committees
- To assess and recommend to the Board persons of acceptable reputation, character, integrity and possess necessary knowledge, expertise or experience in Islamic jurisprudence (Usul al-Fiqh) or Islamic transaction/commercial law (Fiqh al-Mu’amalat) for appointment as members of the Bank’s Shariah Committee subject to the approval of BNM
- To carry out such other responsibilities as may be specified by BNM or delegated by the Board from time to time

The Nomination Committee upon its recent annual review carried out, is satisfied that the size of the Public Bank Board is optimum and that there is appropriate mix of knowledge, aptitude and core competencies in the composition of the Board. The Nomination Committee is satisfied that all the Members of the Board are suitably qualified to hold their positions as Directors of Public Bank in view of their respective academic and professional qualifications, experience and qualities; furthermore, all the Directors comply with the “fit and proper” criteria as established by BNM in the BAFIA and the Guidelines on Corporate Governance for Licensed Institutions (BNM/GP1).

The Nomination Committee has also upon its recent annual review carried out, concluded that all the Directors have received training during the financial year ended 31 December 2007 that is relevant and would serve to enhance their effectiveness in the Board and the Audit Committee.

Meetings of the Nomination Committee are held as and when required, and at least once a year. The Members registered full attendance at all eleven (11) meetings held by the Nomination Committee in 2007.

Directors’ Remuneration and Terms of Reference of Remuneration Committee

The Remuneration Committee carries out the annual review of the overall remuneration policy for Directors, CEO and key Senior Management Officers whereupon recommendations are submitted to the Board for approval. The Remuneration Committee and the Board ensure that the Bank’s remuneration policy remains supportive of the Bank’s corporate objectives and is aligned with the interest of shareholders, and further that the remuneration packages of Directors, CEO and key Senior Management Officers are sufficiently attractive to draw in and to retain persons of high calibre.

The Remuneration Committee reviews annually the performance of the CEO and the Executive Director and submits recommendations to the Board on specific adjustments in remuneration and/or reward payments that reflect their respective contributions for the year, and which are competitive and are in tandem with the Bank’s corporate objectives, culture and strategy.

The Board as a whole determines the remuneration of Non-Executive Directors, and each individual Director abstains from the Board decision on his own remuneration.

The Directors are paid annual fees, and attendance allowance of RM1,000 each for every Board meeting that they attend.

Details of the Directors' remuneration (including benefits-in-kind) for each Director during the financial year 2007 are as follows:

	RM'000						
	Salary	Fees	Bonus	Other Emoluments	Benefits-in-kind		Total
					ESOS	Others	
Executive Directors							
Dato' Sri Tay Ah Lek	846	110	2,100	699	2,385	37	6,177
Dato' Lee Kong Lam	737	110	1,600	568	1,550	36	4,601
	1,583	220	3,700	1,267	3,935	73	10,778
Non-Executive Directors							
Tan Sri Dato' Sri Dr. Teh Hong Piow	–	150	–	5,417	–	91	5,658
Tan Sri Dato' Thong Yaw Hong	–	150	–	363	1,060	25	1,598
Dato' Yeoh Chin Kee	–	110	–	76	2,333	–	2,519
Y.A.M. Tengku Abdul Rahman	–	110	–	76	954	–	1,140
Ibni Sultan Haji Ahmad Shah							
Al-Mustain Billah							
Dato' Haji Abdul Aziz bin Omar	–	110	–	94	1,384	–	1,588
Dato' Dr. Haji Mohamed Ishak bin	–	110	–	76	1,278	–	1,464
Haji Mohamed Ariff							
Lee Chin Guan *	–	55	–	37	1,006	–	1,098
	–	795	–	6,139	8,015	116	15,065
Total	1,583	1,015	3,700	7,406	11,950	189	25,843

* This represents remuneration paid to Mr Lee Chin Guan during the financial year until his resignation on 3 July 2007.

The Remuneration Committee is made up entirely of Independent Non-Executive Directors; all the five (5) Independent Non-Executive Directors are Members of the Remuneration Committee.

The terms of reference of the Remuneration Committee are as follows:

- To review annually and recommend to the Board the overall remuneration policy for Directors, CEO and key Senior Management Officers to ensure that rewards commensurate with their contributions to the Bank's growth and profitability; and that the remuneration policy supports the Bank's objectives and shareholder value and is consistent with the Bank's culture and strategy
- To review annually the performance of the CEO and the Executive Director and recommend to the Board specific adjustments in remuneration and/or reward payments if any, reflecting their contributions for the year; and which are competitive and consistent with the Bank's objectives, culture and strategy
- To ensure that the level of remuneration for Non-Executive Directors and Independent Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board
- Keeps abreast of the terms and conditions of service of the CEO, the Executive Director and key Senior Management Officers including their total remuneration package for market comparability; and reviews and recommends changes to the Board whenever necessary
- Keeps abreast of the remuneration packages for Members of Board Committees to ensure that they commensurate with the scope of responsibilities held and reviews and recommends changes to the Board whenever necessary
- To determine the remuneration of the members of the Bank's Shariah Committee, which shall be commensurate with and reflective of the roles and functions of the Shariah Committee

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year. The Members registered full attendance at all six (6) meetings held by the Remuneration Committee in 2007.

Re-Appointment and Re-Election of Directors

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every annual general meeting and may offer themselves for re-appointment to hold office until the next annual general meeting.

The Articles of Association of Public Bank provide that at every annual general meeting of Public Bank, one-third of Directors for the time being and those appointed during the financial year shall retire from office and shall be eligible for re-election. The Articles further provide that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

The re-appointment and re-election of Directors at the annual general meeting of Public Bank is subject to BNM's prior approval being obtained for the Director to continue to hold office.

BOARD COMMITTEES

The Board has established several Board Committees whose compositions and terms of reference are in accordance with the BNM Guidelines on Corporate Governance for Licensed Institutions (BNM/GP1) as well as the best practices prescribed by the Malaysian Code of Corporate Governance (Revised 2007).

The functions and terms of reference of Board Committees and Management Committees, as well as authority delegated by the Board to these Committees, are clearly defined by the Board.

The Board Committees in Public Bank are as follows:

- Board Executive Committee
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee

The composition of the Board Committees and the attendance of Members at Board Committees meetings are reflected as follows:

Board Executive Committee

	Attendance at Meetings
Tan Sri Dato' Sri Dr. Teh Hong Piow – Chairman (Non-Executive)	102/102
Dato' Sri Tay Ah Lek (Managing Director/Chief Executive Officer)	99/102
Dato' Lee Kong Lam (Executive Director)	101/102

Audit Committee

	Attendance at Meetings
Tan Sri Dato' Thong Yaw Hong – Chairman (Independent Non-Executive)	16/16
Dato' Haji Abdul Aziz bin Omar – Co-Chairman (Independent Non-Executive)	16/16
Dato' Yeoh Chin Kee (Independent Non-Executive)	16/16
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah (Independent Non-Executive)	15/16
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff (Independent Non-Executive)	16/16

Nomination Committee

	Attendance at Meetings
Tan Sri Dato' Thong Yaw Hong – Chairman (Independent Non-Executive)	11/11
Dato' Yeoh Chin Kee (Independent Non-Executive)	11/11
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah (Independent Non-Executive)	11/11
Dato' Haji Abdul Aziz bin Omar (Independent Non-Executive)	11/11
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff (Independent Non-Executive)	11/11

Remuneration Committee

	Attendance at Meetings
Tan Sri Dato' Thong Yaw Hong – Chairman (Independent Non-Executive)	6/6
Dato' Yeoh Chin Kee (Independent Non-Executive)	6/6
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah (Independent Non-Executive)	6/6
Dato' Haji Abdul Aziz bin Omar (Independent Non-Executive)	6/6
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff (Independent Non-Executive)	6/6

Risk Management Committee

	Attendance at Meetings
Tan Sri Dato' Thong Yaw Hong – Chairman (Independent Non-Executive)	12/12
Dato' Yeoh Chin Kee (Independent Non-Executive)	12/12
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah (Independent Non-Executive)	11/12
Dato' Haji Abdul Aziz bin Omar (Independent Non-Executive)	12/12
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff (Independent Non-Executive)	12/12

The salient terms of reference and frequency of meetings of the Board Committees are as follows:

Board Executive Committee

- Manages the Bank in all aspects of its business
- Implements strategic business plans and policies as approved by the Board of Directors
- Identifies, formulates and prioritises strategic issues and charts strategic directions for action by the Management and staff
- The Board Executive Committee holds meetings with Heads of Divisions and Senior Management staff twice every week

Audit Committee

- The terms of reference of the Audit Committee are set out under the Audit Committee Report
- The Audit Committee meets at least once a month

Nomination Committee

- The terms of reference of the Nomination Committee are set out in the paragraph on “Appointment of Board Members and Terms of Reference of Nomination Committee” in this Statement on Corporate Governance
- The Nomination Committee meets as and when required, and at least once a year

Remuneration Committee

- The terms of reference of the Remuneration Committee are set out in the paragraph on “Directors’ Remuneration and Terms of Reference of Remuneration Committee” in this Statement on Corporate Governance
- The Remuneration Committee meets as and when required, and at least once a year

Risk Management Committee

- Oversees the overall management of all risks covering market risk management, liquidity risk management, credit risk management and operational risk management
- Reviews and approves risk management policies and risk tolerance limits
- Ensures infrastructure, resources and systems are in place for risk management
- The Risk Management Committee holds monthly meetings

MANAGEMENT COMMITTEES

The Board has also established various Management Committees to assist it in the running of the Bank.

The main Management Committees are as follows:

- Group Human Resource Committee
- Credit Committee
- Credit Risk Management Committee
- Operational Risk Management Committee
- Assets & Liabilities Management Committee
- Share Investment Committee
- IT Steering Committee
- Business Resumption and Contingency Plan Committee

The salient terms of reference and frequency of meetings of the main Management Committees are as follows:

Group Human Resource Committee

- Formulates human resource policies and practices for the Bank and wholly-owned subsidiaries of the Bank
- Deliberates and decides on human resource operational issues which do not fall within the ambit of authorised individual officers
- The Group Human Resource Committee holds meetings twice a month

Credit Committee

- Approves loan applications which are beyond the individual discretionary powers of senior officers
- Recommends credit policy and direction of lending
- The Credit Committee holds weekly meetings

Credit Risk Management Committee

- Evaluates and assesses the adequacy of strategies to manage the overall credit risk associated with the Bank’s activities
- Evaluates risks under stress scenarios and the capacity of the capital to sustain such risk
- The Credit Risk Management Committee holds monthly meetings

Operational Risk Management Committee

- Oversees the formal development of operational risk management policies encompassing all business activities, and ensuring the development of policy manuals, processes, procedures and practices

- Evaluates and assesses the adequacy of controls to manage the overall operational risks associated with business activities including physical/premises security
- The Operational Risk Management Committee holds monthly meetings

Assets & Liabilities Management Committee

- Develops the framework and sets the objectives for the asset and liability management function
- Develops adequate policies, procedures and internal control measures for the carrying out of the asset and liability management function
- The Assets & Liabilities Management Committee holds monthly meetings

Share Investment Committee

- Formulates investment strategies and policies relating to the Bank's investment in shares and interest in shares
- Ensures risk processes and systems are put in place and that all risks on the Bank's investment in shares and interest in shares are clearly identified and monitored
- The Share Investment Committee holds quarterly meetings

IT Steering Committee

- Formulates short term and long term IT plans and the budgets to be allocated
- Ensures that the IT short term and long term strategic plans support the overall organisational strategic business plan and, where necessary, the group IT strategic plan
- The IT Steering Committee holds monthly meetings

Business Resumption and Contingency Plan Committee

- Manages the overall formulation, implementation and maintenance of the Bank's business resumption and contingency plan
- Compiles the overall schedule for carrying out the Bank's business resumption and contingency plan from all Head Office Divisions (including branches and IT systems) and plans for its testing at least once a year or as and when appropriate
- The Business Resumption and Contingency Plan Committee holds quarterly meetings

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board is committed to providing a balanced, clear and comprehensible assessment of the financial performance and prospects of Public Bank and Public Bank Group in all the disclosures made to the stakeholders and the regulatory authorities.

Timely releases of announcements on quarterly financial statements and the press releases accompanying these results announcements reflect the Board's commitment to provide transparent and up-to-date disclosures of the performance of Public Bank and Public Bank Group.

The Board, assisted by the Audit Committee, oversees the financial reporting process and the quality of the financial reporting of Public Bank Group. The Audit Committee reviews and monitors the integrity of Public Bank's and the Group's annual and interim financial statements. It also reviews the appropriateness of the Bank's and the Group's accounting policies and the changes to these policies.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of Public Bank and Public Bank Group is set out on page 163 of this Annual Report.

Related Party Transactions

All related party transactions are reviewed by the internal auditors on a monthly basis and a report on the reviews conducted is submitted to the Audit Committee for their monitoring on a quarterly basis.

Details of these transactions are set out under Notes to the Financial Statements on pages 248 to 251 of this Annual Report.

Internal Control

The Board has overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations and compliance with laws and regulations, as well as with internal procedures and guidelines.

The size and complexity of the operations of Public Bank and Public Bank Group involve the acceptance and management of a wide variety of risks. The nature of these risks means that events may occur which would give rise to unanticipated or unavoidable losses. The Bank's and the Group's systems of internal controls are designed to provide reasonable and not absolute assurance against the risk of material errors, frauds or losses occurring. The Risk

Management Committee meets monthly to ensure that the accountability for managing the significant risks identified is clearly assigned and that identified risks affecting the Bank and the Group are being satisfactorily addressed on an ongoing basis.

The effectiveness of the system of internal controls of Public Bank and Public Bank Group is reviewed by the Audit Committee during its monthly meetings. The review covers the financial, operational and compliance controls as well as the risk management functions. Internal Audit Division monitors compliance with policies and standards and the effectiveness of internal control structures across the Group.

The Statement on Internal Control, which provides an overview of the state of internal controls within the Group, is set out on pages 85 and 86 of this Annual Report.

Audit Committee

In addition to the duties and responsibilities set out under its terms of reference, the Audit Committee assists the Board in its review of the effectiveness of the internal control, risk management and governance processes of Public Bank and Public Bank Group. The Group Chief Internal Auditor is present at every Audit Committee meeting.

The minutes of the Audit Committee meetings are tabled to the Board for noting and for action by the Board where appropriate.

The activities carried out by the Audit Committee during the year are set out under the Audit Committee Report on pages 89 and 90 of this Annual Report.

Relationship With External Auditors

It is the policy of the Audit Committee to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and Public Bank's financial statements. These meetings are held without the presence of the Executive Directors and the Management. The Audit Committee also meets with the external auditors whenever it deems necessary. In addition, the external auditors are invited to attend the annual general meeting of the Bank and are available to answer shareholders' questions on the conduct of the audit and the preparation and content of the audit report.

The Audit Committee is responsible for approving audit, recurring audit-related and non-audit services provided by the external auditors. These recurring audit-related and non-audit services comprise regulatory reviews and

reporting, interim reviews, tax advisory and compliance services. Terms of engagement for these services are reviewed by the Audit Committee and approved by the Board. The Audit Committee approves all ad-hoc non-audit services on a case by case basis. In approving such cases, the Audit Committee ensures that the independence and objectivity of the external auditors are not compromised.

The details of the statutory audit, audit-related and non-audit fees paid/payable in 2007 to the external auditors are set out below :

	Bank RM'000	Group RM'000
Fees paid/payable to KPMG		
• Audit	840	974
• Audit-related	161	161
– Half-year limited review	125	125
– Withholding tax audit	20	20
– Reviews of Statement on Internal Control	12	12
– Cagamas loan audit	4	4
• Non-audit *	50	124
Fees paid/payable to other auditors		
• Audit	–	1,584
• Audit-related	–	124
– Interim review		63
– Long form accountant report		61
• Non-audit *	–	57
Total	1,051	3,024

* The non-audit fees paid/payable to the external auditors were for advice on taxation matters and for preparation, review and submission of tax returns. The provision of these services by the external auditors to the Bank and Group were cost effective and efficient due to their knowledge and understanding of the operations of the Bank and the Group, and did not compromise their independence and objectivity.

EFFECTIVE COMMUNICATIONS WITH SHAREHOLDERS

The key elements of good corporate governance are transparency and accountability to all stakeholders. Underlying these is the communication of clear, relevant and comprehensive information which is timely and which is readily accessible by all stakeholders.

The Public Bank Group maintains a high level of disclosure and extensive communication with its stakeholders with the provision of clear, comprehensive and timely information through a number of readily accessible channels. This is particularly important to shareholders and investors for informed investment decision making.

The annual report of Public Bank is a major channel of communication with stakeholders. The contents of the annual report of Public Bank extends well beyond the Bursa Securities Listing Requirements and other regulatory requirements. As a financial institution, Public Bank prepares and presents its financial statements in accordance with BNM's guidelines, BNM/GP8, in respect of the contents and format of financial statements of financial institutions which mandates a significantly higher level of disclosure of financial and risk management information than that of other non-financial corporations. The extensive BNM/GP8 information contents and disclosure requirements also extend to financial institutions' quarterly Bursa Securities results announcements, thereby enhancing the transparency level of financial institutions generally.

Public Bank also provides a separate executive summary together with its annual report, highlighting key financial and corporate information, to facilitate shareholders' easy access to such key information.

An important forum for communication and dialogue with shareholders is the general meetings of Public Bank, where shareholders are given both the opportunity and the time to seek clarifications or raise questions on the agenda items of the general meetings and where Directors of Public Bank would provide the answers and appropriate clarification.

At the annual general meetings of Public Bank, the Chairman presents a comprehensive review of the financial performance of the Public Bank Group and value created for shareholders. This review is supported by visual and graphical presentation of key points and financial figures. Printed copies of this review of the Group's financial performance by the Chairman are also made available to shareholders upon their request. The turnout of shareholders at general meetings of Public Bank has always been high, a

clear indication of the engagement of shareholders. The annual general meetings held in 2006 and 2007 both saw a very large shareholder turnout of about 3,000 each.

Public Bank conducts separate media and analysts briefings in conjunction with the release of its half-year and annual results announcements. The media briefings are intended not only to promote the dissemination of the financial results of the Public Bank Group to as wide an audience of investors and shareholders as possible but also to keep the investing public and shareholders updated on the progress and development of the business of the Group. In addition, the Group also provides timely press releases to the media on all significant corporate developments and business initiatives.

To maintain as high a level of transparency as possible, all corporate and financial information that is made public, such as the annual report of Public Bank, the quarterly announcement of the financial results of the Public Bank Group, announcements and disclosures made pursuant to the disclosure requirements of Bursa Securities Listing Requirements and other corporate information are available on Public Bank's website, www.publicbank.com.my.

Prompt and timely information is important for shareholders and investors to make informed investments decisions. Information that is out-of-date, albeit comprehensive and accurate, would be less useful for such investment purposes. As such, the Public Bank Group accords high priority to making available and disseminating information as early as possible. The release of periodic financial information such as the issue of Public Bank's annual report and the Group's quarterly financial results are generally earliest amongst large listed companies and are always well ahead of the deadlines specified in the Bursa Securities Listing Requirements.

Release of Annual Report and Quarterly Financial Results

	Date of Issue/Release	Number of Days after end of Year/Quarter	Bursa Securities Deadline
Annual Report 2007	4 February 2008	35	30 June 2008
Annual Report 2006	16 February 2007	47	30 June 2007
2007 Quarterly Results			
1st Quarter	16 April 2007	16	31 May 2007
2nd Quarter	17 July 2007	17	31 August 2007
3rd Quarter	16 October 2007	16	30 November 2007
4th Quarter	21 January 2008	21	29 February 2008

The Public Bank Group has been able to achieve such early issuance of annual reports and releases of quarterly financial results despite the additional regulatory requirements that need to be complied with, including a significantly higher level of disclosure of financial information, and the approval of the Group's annual financial statements and quarterly financial results by BNM prior to their release to the public. The prompt and timely availability of information clearly enhances the value of such information to shareholders and investors and reflects the high standard of transparency that the Group seeks to achieve.

INVESTOR RELATIONS

An important channel of communications with shareholders, investors and the investment community generally, both in Malaysia and internationally, is the Public Bank Group's investor relations activities. The Group has a strong following amongst domestic and international institutional investors, fund managers and equity research analysts, and a direct channel to them exists in the investor relations function of the Group. Management personnel responsible for the Group's investor relations function are of very senior levels, thereby providing views and information on the Group that is appropriate and substantive to investors and equity research analysts.

Investor Relations Activities in 2007

	Total
Analysts/Fund Managers' Meetings	177
Investors/Conferences/Forums/Roadshows	6
Teleconferences held	10

The extensive investor relations activities of the Public Bank Group has led to a wide coverage of the Group by stock brokerages and equity research companies. This is reflected in the high number of contributors to the Bloomberg earnings estimates for Public Bank.

	Public Bank	Public Financial Holdings Ltd.
No. of contributors to Bloomberg earnings estimates	23	6

Public Bank also has an Investor Relations Unit within the Bank's Economics and Corporate Planning Division as a one-stop centre for management of investor relations activities to improve further accessibility of equity research analysts, fund managers and institutional shareholders and investors.

The significant level of resources allocated to the investor relations function of the Public Bank Group is again a reflection of the commitment of the Group to achieve a high level of communication with and transparency to its shareholders and the investment community.

Senior Management Personnel in Investor Relations Activities

Public Bank

- Dato' Sri Tay Ah Lek, Managing Director/Chief Executive Officer
- Leong Kwok Nyem, Senior General Manager
- Wong Jee Seng, Senior General Manager
- Nasaruddin Arshad, Group Economist
- Chang Siew Yen, Chief Financial Officer

Public Financial Holdings Limited

- Tan Yoke Kong, Executive Director

Public Bank conducts briefings of equity research analysts and fund managers immediately upon the release of the Public Bank Group's half yearly and annual results announcements. Representatives of the Public Bank Group also conduct presentations and investor meetings at investor conferences or forums domestically, regionally and internationally. In addition, management personnel responsible for investor relations activities meet regularly with a large number of equity research analysts, fund managers, institutional shareholders and investors on a one-on-one basis as well as host teleconferences with them.

Primary contacts for investor relations matters
PUBLIC BANK

Leong Kwok Nyem
Senior General Manager

Mr Leong is an accountant by profession and was attached to the accounting and auditing industry for 8 years before joining the Public Bank Group in 1988. Attached initially to the Finance Division in Head Office, he was transferred to Public Finance Limited in Hong Kong in 1990. He returned to Head Office in 1994 and was appointed Senior General Manager in 2001.

Contact Details

Telephone number: 603-21766270

E-mail: leongkn@publicbank.com.my

Wong Jee Seng
Senior General Manager

Mr Wong is an accountant by profession. He joined Public Bank in 1993 as a Manager in Finance Division. He was subsequently promoted Senior Manager in 1997 and transferred to Treasury Division in 1998. He was promoted Director of Risk Management Division in 2000. He was appointed General Manager in 2002 and promoted to Senior General Manager in 2006.

Contact Details

Telephone number: 603-21766320

E-mail: wongjs@publicbank.com.my

PUBLIC FINANCIAL HOLDINGS LIMITED

Tan Yoke Kong
Executive Director

Mr Tan was appointed a Director of Public Financial Holdings Limited in 1992 and has more than 26 years of experience in the banking and finance industry, all of which were with the Public Bank Group since 1981. He is also the Chief Executive and Director of Public Bank (Hong Kong) Limited. He is an accountant by profession and is currently the Vice-Chairman of The DTC Association of Hong Kong.

Contact Details

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E-mail: yktan@publicbank.com.hk

INVESTOR RELATIONS UNIT

Denise Fong Po Yen
Economics and Corporate Planning Division

Contact Details

Telephone number: 603-21766293

E-mail: ir@publicbank.com.my

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 9 January 2008.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

Risk Management

OVERVIEW

The Public Bank Group recognises and takes proactive measures to manage the various risks posed by the ever-changing business environment. These risks which include credit risk, market risk, liquidity risk and operational risk are comprehensively dealt with and systematically managed by established limits and controls.

The key strength of the Public Bank Group lies in its prudent risk management culture, supported by an integrated enterprise risk management framework which emphasises on effective risk management and risk-return management as critical success factors for sustainable profitability, strong asset quality and continuous enhancement of shareholders' value.

The Public Bank Group continues to direct corporate-wide efforts to maintain its risk-conscious corporate culture which is instilled through communication, training, clear policies, procedures, organisational structure, and clearly defined roles and responsibilities. Continuous commitment of the employees in managing risks, and together with a proper risk management framework in place would ensure the risk management functions are carried out effectively.

OVERALL RISK MANAGEMENT FRAMEWORK

The Public Bank Group's risk management infrastructure provides clear accountability and responsibility for the risk management process based on the following six fundamental principles which outline the principal risk management and control responsibilities:

1. The Board of Directors ("Board") is ultimately responsible for the management of risks. The Board, through the Risk Management Committee ("RMC"), maintains overall responsibility for risk oversight within the Group.
2. The RMC is responsible for total risk oversight which includes inter-alia reviewing and approving risk management policies and limits, reviewing risk exposure and portfolio composition, and ensuring that infrastructure, resources and systems are put in place for risk management activities.
3. Dedicated committees namely the Credit Risk Management Committee, the Operational Risk Management Committee and the Assets & Liabilities Management Committee assist the RMC in managing credit risk, operational risk, and market and liquidity risks respectively. These committees are responsible for overseeing the development and assessing the effectiveness of policies.

4. The dedicated independent risk management and control functions, namely, Risk Management Division, Credit Administration & Supervision Division and Banking Operations Division are responsible for ensuring the risk policies are implemented and complied with. They are also responsible for the identification, measurement and monitoring of risks.
5. The Business Risk Units being the first line of defense against risks, are responsible for identifying, mitigating and managing risks within their lines of business. They are to ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits.
6. The Audit Committee's role, supported by Internal Audit Division, is to provide an independent assessment of the adequacy and reliability of the risk management processes and system of internal controls, and compliance with risk policies and regulatory requirements.

ESTABLISH RISK POLICY	1. Board of Directors	6. Audit Committee
	2. Risk Management Committee	
ENSURE IMPLEMENTATION OF RISK POLICY AND COMPLIANCE	3. Dedicated Committees	
	Credit Risk Management Committee Operational Risk Management Committee Assets & Liabilities Management Committee	
	4. Independent Risk Management and Control Functions	
	Risk Management Division Credit Administration & Supervision Division Banking Operations Division Internal Audit Division	
IMPLEMENT AND COMPLY WITH RISK POLICY	5. Business Risk Units	
	Retail Banking and Financing Operations Treasury and Capital Market Operations Corporate Lending Investment Banking Share Broking and Fund Management Islamic Banking	

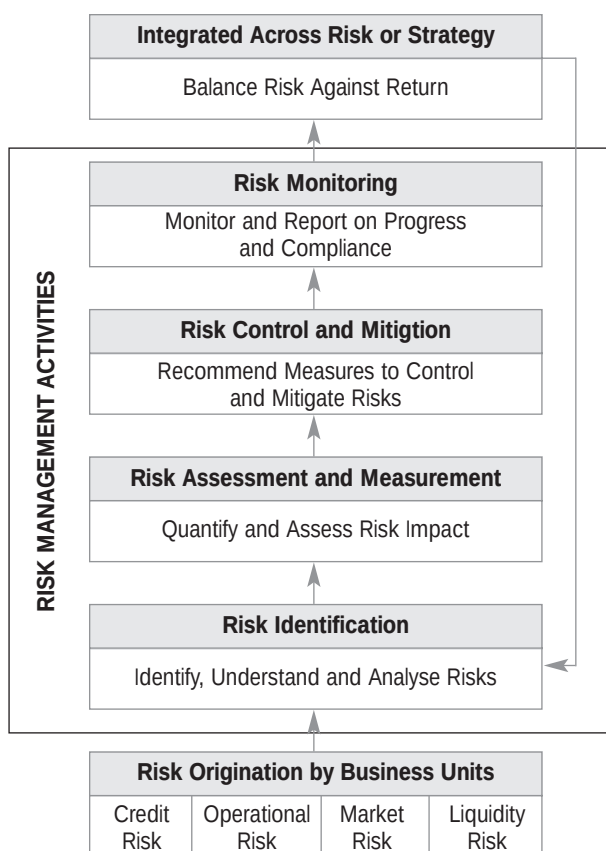
SENIOR INTERNAL CONTROL AND RISK MANAGEMENT OFFICERS

Senior Internal Control Officer Mr Soong is an accountant by profession. He has a total of 32 years of audit experience. He was attached to an audit firm prior to joining Public Bank in 1991 as Head of Internal Audit Division. He is the Group Chief Internal Auditor.

Senior Risk Management Officer Mr Lim is an accountant by profession. He worked in Bank Negara Malaysia for 18 years prior to joining the private sector. He joined Public Bank in 2001 and became the Head of Risk Management Division in January 2007.

RISK MANAGEMENT PROCESS

The Public Bank Group has established, within its enterprise-wide risk management framework, a structured approach to risk management which balances risk against return, as well as integrated risk management processes for credit risk, market risk, liquidity risk and operational risk. The risk management activities encompass four broad processes which lead to a balanced risk-return framework integrated across areas of risk.



CREDIT RISK MANAGEMENT

Credit risk is the potential loss of revenue as a result of defaults by the borrowers or counterparties through the Public Bank Group's lending, hedging, trading and investing activities. The key methods used to identify, assess, control and monitor credit risk are as follows:

1. Risk Identification

- Benchmarking of asset quality against industry peers.
- Post-mortem review of delinquent accounts to identify weaknesses in credit.

2. Risk Assessment and Measurement

- Use of credit risk rating system to grade the quality of borrowers and track shifts in credit risk profile of loan portfolios.
- Stress testing of loan portfolios under various scenarios.

Credit Risk Management

3. Risk Control

- Credit Policy which documents the credit risk rating, collateral policy and policies on rehabilitation and restructuring of problematic and delinquent loans.
- Qualified credit personnel with certified credit program for credit approval, processing and review.
- Segregation of duties between credit approval function and loan origination.
- Independent credit control and monitoring.

4. Risk Monitoring

- Analysis of loan exposures, quality of loan portfolios, movements and adequacy of specific provisions for NPLs.
- Review and evaluation of risk-return of products and services.
- Independent credit review to monitor quality of credit appraisals and credit personnel.
- Credit profiling of loan portfolios for in-depth understanding of borrowers and refinement of credit risk rating scoresheets.

The management of credit risk starts with experienced key personnel being appointed to the Credit Committee which is chaired by the Managing Director. All significant loans are approved at Head Office or by the Credit Committee while experienced senior officers at branches are given authority to approve loans with lower risk exposure. The Board has the power to reject or modify terms and conditions of loans exceeding certain amount which have been approved by the Credit Committee. The quality of the credit appraisals by the officers is monitored and reviewed regularly to ensure that high credit standards are maintained. It is the Public Bank Group's policy to practise a stringent credit appraisal system with individual accountability and a sound system of centralised credit control.

The Public Bank Group emphasises the importance of credit risk management information system where information on loan exposures, quality of loan portfolios, credit concentration, movements and adequacy of specific provision for non-performing loans ("NPL") are reported to Management, the Credit Committee, the Board Executive Committee, the Risk Management Committee and the Board regularly.

Lending activities of the Public Bank Group continued to grow and remain focused mainly on retail loans such as residential mortgage loans and financing of passenger vehicles as well as lending to SME. The retail loan portfolio accounted for 90.0% of the Group's loans portfolio and are well diversified with low volatility of credit risk as evidenced by the Group's low NPL ratios for these loans. Details of the Group's credit risk concentration are found in Note 9 to the Financial Statements.

Notwithstanding the strong loan growth, the Public Bank Group's asset quality continued to improve in 2007 reflecting the Group's prudent credit culture, policies and practices, and proactive credit risk management. The Group's net NPL ratio was 1.2% as at 31 December 2007 (2006: 1.6%) and currently stands at approximately one third of the banking industry's net NPL ratio of 3.3% as at November 2007.

Credit Risk Management Initiatives

In keeping with international best practice, an independent external consultant has completed a data gap analysis with the objective of enhancing the Public Bank Group's risk management capability and capacity as well as facilitating the requirements for migrating to the advanced approaches under Basel II.

The Stress Test Program has been reviewed and redesigned to reinforce the importance of stress testing as a risk management tool to evaluate the potential financial

impact on the Public Bank Group, business units or specific industry sectors arising from specific adverse credit risk events or movements in a set of financial variables. The results of the stress tests are deliberated upon by the Risk Management Committee and the Board to enable remedial measures to be taken, if necessary. The stress tests results based on the worst case scenario show that the Group's risk-weighted capital ratio remains well above the minimum regulatory requirement of 8.0%.

MARKET RISK MANAGEMENT

Market risk which comprises interest rate risk, exchange rate risk and equity risk is the risk of loss arising from adverse movements in the level of market prices or rates. The key objective of market risk management is to manage the effects of adverse market movements on the Public Bank Group's earnings and capital.

Trading Market Risk Management

The Public Bank Group's trading market risk is principally from market-making, arbitraging and proprietary trading activities to benefit from market opportunities. Details of the Group's trading portfolio are found in Note 6 to the Financial Statements. The key methods used to identify, assess, control and monitor trading market risk are as follows:

1. Risk Identification - Review both local and global interest rate outlook. - Review trends and analysis of market movements.	2. Risk Assessment and Measurement - Mark-to-market techniques for marketable securities, equities and foreign currency denominated positions. - Stress testing under adverse but plausible stressed conditions.
3. Risk Control - Policies and procedures on valuation and validation of trading positions. - Market risk limits and management trigger limits. - Approval by the RMC and the Board prior to engaging in complex derivative product.	4. Risk Monitoring - Periodic review of trading policies and trading limits. - Report on adherence to approved limits and policies. - Review of interest rate strategies and policies.

Trading Market Risk Management

The incorporation of the regulatory market risk charge on trading exposures has a 0.3% impact on both the Public Bank Group's and Public Bank's risk weighted capital ratio respectively as at 31 December 2007.

Equity Risk Management

The management of equity risk is governed by the Share Investment Policy. The Public Bank Group's exposure in quoted equity shares is not significant. As at 31 December 2007, quoted equity shares held under Securities Held-For-Trading and Securities Available-For-Sale had a fair value of RM1.8 million (2006: RM5.1 million) and RM72.8 million (2006: RM76.8 million) respectively. During the year, the Group recorded a gain of RM42.4 million (2006: RM0.9 million) in its equity trading activities.

Interest Rate Risk Management

The key methods used to identify, assess, control and monitor interest rate risk are as follows:

The Public Bank Group and Public Bank had an overall positive interest rate sensitivity gap of RM18.2 billion (2006 : RM15.1 billion) and RM16.2 billion (2006 : RM13.3 billion) respectively, which represents the net difference between the interest rate sensitive assets and liabilities across time buckets for the entire balance sheet.

Based on the interest rate risk sensitivity repricing gaps and after adjusting for basis risk and for behavioural maturity, it is estimated that a hypothetical immediate and sustained 1.0% increase in interest rates would increase the NII for the 12 months to 31 December 2008 as follows:

	The Group	The Bank
For 2008		
Increase in NII	RM117.9 million	RM119.0 million
Impact on increase in NII against NII in 2007	3.2%	3.8%

Exchange Risk Management

The Public Bank Group does not maintain significant open trading foreign currency positions other than structural foreign exchange positions which arise primarily from its investment in overseas subsidiaries and head office funds in overseas branches. Such structural positions are minimised via funding the Group's investments with the same currencies and hedging of the positions based on economic considerations.

Market Risk Management Initiatives

In line with the introduction of derivative products by the Public Bank Group, the risk controls for the derivative activities have been further enhanced. Specific approvals from the RMC and the Board are required prior to engaging in any derivative activities. In addition, confirmation by the risk control units on the readiness in engaging in such activities is mandatory before launching any derivative product.

LIQUIDITY RISK MANAGEMENT

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet financial commitments and obligations when they fall due at a reasonable cost. To achieve this, the Public Bank Group requires its subsidiaries and overseas branches to be self-sufficient in funding capabilities, whenever possible.

The key methods used to identify, assess, control and monitor liquidity risk are as follows:

1. Risk Identification - Analyse the behavioural maturity of deposits. - Abnormal withdrawals and/or deposits. - Projecting cashflow maturity mismatches for major currencies.	2. Risk Assessment and Measurement - Analyse liquidity ratios. - Analyse cashflow maturity mismatches. - Analyse depositors concentration. - Stress testing of cash flows under adverse but plausible stressed conditions.
3. Risk Control - Liquidity policies and limits. - Maintenance of high quality liquefiable assets. - Diversification of funding base. - Proactive management of core deposits. - Liquidity contingency funding plan.	4. Risk Monitoring - Review effectiveness of liquidity strategies. - Report on adherence to internal limits and to local regulatory liquidity requirements.

Liquidity Risk Management

Maintenance of customers' confidence is key in ensuring liquidity. Such confidence is founded on the Public Bank Group's strong reputation, earnings generation capacity, strong financial position and strong credit rating.

Set out below are the liquidity ratios of the Public Bank Group, Public Bank and the banking system:

	The Group	The Bank	Banking System ²
For 2008			
Net liquidity surplus/ Total Deposits ¹	7.1%	6.7%	13.9%
Net loan to deposit ratio	71.6%	71.0%	74.2%
Interbank borrowings/ Total Borrowings	7.0%	6.9%	12.1%
Number of large depositors (>1% of total from customers)	6	6	Not Available

¹ This represents the net liquidity surplus after complying with the requirements of Bank Negara Malaysia's Liquidity Framework.

² As at November 2007.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The key methods used to identify, assess, control and monitor operational risk are as follows:

1. Risk Identification - Risk review and assessment prior to launching of new products. - Use of key risk indicators and threshold/limits. - Incident reporting with analysis of causes and actions taken on the incidents.	2. Risk Assessment and Measurement - Benchmarking of customer service and operational efficiency against industry. - Regular review of the adequacy of premises controls and safety. - Regular review of ICT systems to ensure networks availability and security features in place.
3. Risk Control - Comprehensive system of internal controls based on segregation of duties, segmented system access control and multi-tier authorisation processes. - Documented and regularly tested disaster recovery and business resumption plans. - Review of outsourcing activities to ensure integrity and service quality of service providers are not compromised.	4. Risk Monitoring - Self Compliance Audit Programs used by business units where control issues identified are resolved promptly. - Review of measures on anti-money laundering and counter financing of terrorism. - Overall assurance on the adequacy and reliability of the operational risk management systems by Internal Audit Division.

Operational Risk Management

Operational risk is monitored and controlled through an operational risk management framework designed to provide a sound and well-controlled operational environment within the Public Bank Group. The day-to-day management of operational risk exposures is through a comprehensive system of internal controls to ensure that operational policies and procedures are being adhered at different levels throughout the Group.

In order to further enhance the operational risk management in response to the threat of external fraud, losses arising from fraud or control lapses are extensively analysed with emphasis on identifying the causes of such losses. Pre-emptive measures and guidelines are implemented to combat fraud and this includes the use of Biometrics Mykad Readers to authenticate customers' identities during opening of new accounts and performing banking transactions.

Another area of operational risk management is the analysis of non-performing loans attributed to operational lapses where the findings are disseminated to all business units involved to prevent recurrence. The Public Bank Group places great emphasis on the need to continuously exercise vigilance and strict adherence to internal guidelines and established procedures by its staff to avert perpetration of fraud and to minimise operational risk incidents due to staff negligence. Appropriate actions are taken against errant staff involved.

The Public Bank Group has further strengthened its measures on anti-money laundering and to counter financing of terrorism. These measures include performing risk profiling of customers and enhancing the management information system for prompt reporting of suspicious transactions. On-going training on anti-money laundering is conducted to ensure that staff possess the required skills and knowledge to manage this risk.

Operational Risk Management Initiatives

The Public Bank Group has utilised the Key Risk Indicators ("KRIs") Library Services to supplement the range of KRIs in use to detect changes that may be indicative of risk concerns and potential areas of operational control weaknesses.

Another operational risk management initiative is the development of the Operational Risk Incident Reporting System. This web-based application enables efficient and timely reporting of any operational risk incident that occurred within the Public Bank Group. The operational risk loss data are categorised into business lines and loss event types to meet the reporting requirements of the regulatory authorities.

IMPLEMENTATION OF BASEL II CAPITAL FRAMEWORK ("BASEL II")

The Public Bank Group is ready to adopt the Standardised Approach for credit risk and Basic Indicator Approach for operational risk under the Bank Negara Malaysia's "Risk Weighted Capital Adequacy Framework" with effect from 1 January 2008. Under this Framework, the risk-weighted capital ratio of the Group is expected to be further strengthened with lower capital charge for credit risk due to its focus on retail-based loans and strong asset quality.

An independent external consultant has completed a comprehensive assessment of the Public Bank Group's enterprise-wide risk management practices that are benchmarked against the industry best practices and Bank Negara Malaysia's requirements. The objectives are to enhance the risk management practices as well as capabilities of the Group and to assess the Group's readiness to migrate to the more advanced approaches under Basel II.

REVIEW OR ASSESSMENT CONDUCTED ON THE GROUP'S RISK MANAGEMENT SYSTEMS

It is the Public Bank Group's policy that all risk management policies are subject to periodic reviews to ensure that they remain applicable and effective in managing the associated risks brought about by changes in the market and regulatory environments. Appropriate changes are also made to the Group's risk reporting framework to ensure adequate and timely risk reporting to the various risk management committees for decision making.

Ethics, Integrity and Trust

The Public Bank Group serves an industry where the trust and confidence in the Group are of paramount importance given its role as a custodian of public funds. The Group therefore actively seeks to conduct itself with integrity and trustworthiness to engender such trust and confidence as well as actively takes steps to safeguard its integrity and credibility and to minimise the exposure to reputational risk arising from unethical or fraudulent conduct by the Group's employees and customers.

A key determinant of the reputation of a trusted financial institution is the way its employees conduct themselves in their work and in the delivery of services to customers and the public. The Public Bank Group has taken, and continues to take, proactive initiatives to ensure that employees have values and principles, and conduct themselves to behavioural standards, that are consistent with the expectations of customers and the public, of that of a trusted financial institution.

The formalisation and dissemination of what constitute acceptable conduct expected of employees of the Public Bank Group in the form of clear and documented codes and policies which are issued to all employees is an essential part of building a culture of trust and integrity in employee conduct. Included amongst such codes and policies are a Code of Ethics, an Anti-Fraud Policy and an Anti-Money Laundering Policy.

CODE OF ETHICS

Bank Negara Malaysia issues guidelines to financial institutions, amongst which is BNM Garis Panduan 7 ("BNM/GP7") in respect of the Code of Conduct for Directors, Officers and Employees in the Banking Industry. Part 1 of BNM/GP7 sets out the minimum standards of conduct expected of directors, officers and employees in the banking industry. In implementing the BNM/GP7 Code of Ethics, the Public Bank Group issued staff circulars to guide employees' conduct based on 6 key basic principles:

- Avoid conflict of interest
- Avoid misuse of position

- Prevent misuse of information for personal gain or any purpose other than its intended purpose
- Ensure integrity and completeness of records
- Ensure confidentiality of communication and transactions with customers
- Fair and equitable treatment of customers

ANTI-FRAUD POLICY

Fraud undermines the integrity and erodes the confidence and trust in, and poses significant reputational risk to, a financial institution and the banking system. In addition to the extensive infrastructure established to prevent and detect fraud and fraudulent activities, the Public Bank Group also has a formalised anti-fraud policy, with the following objectives:

- Ensure the Group's business is conducted in accordance with the law
- Promote an environment of honesty and integrity
- Enhance awareness of the Group's stand on improper, illegal and dishonest acts and the consequences of such acts
- Create staff awareness of their roles, rights and responsibilities in relation to improper, illegal and dishonest acts

The anti-fraud policy sets out the responsibility of employees of the Public Bank Group for preventing and detecting defalcations, misappropriations and other irregularities, the specific roles of employees in prevention and detection of fraud and fraud discovery reporting as well as the steps the Group will take in respect of employees involved in fraudulent acts.

ANTI-MONEY LAUNDERING POLICY

The Public Bank Group, as a leading Malaysian banking group and with an extensive network of branches throughout the country, is at the forefront of the Government's and Bank Negara Malaysia's initiatives and efforts in the prevention of the use of the banking system for illicit and laundering activities. The Anti-Money Laundering Act, 2001 provides the legal framework to counter money laundering and terrorist financing.

The Group has established processes and infrastructure for the prevention and detection of illicit and laundering activities, amongst which is the Group's anti-money laundering policy, which sets out the following:

- The purpose of the anti-money laundering policy
- Expectations of employees in effecting the anti-money laundering policy
- Accountability of each level of employee for anti-money laundering detection and prevention
- Education and training in preventing and detecting money laundering
- Extensive procedures covering customer identification, account opening, record keeping and recognition and reporting of suspicious transactions

The demanding standards expected of the behaviour of the Public Bank Group's staff is reinforced by training programmes on internal controls, anti-money laundering

and prevention of fraud, whilst conduct of staff in the Group's day-to-day business is also subject to extensive supervisory controls and procedures. The regularity of such training courses and their availability on the e-learning platform of the Group ensures that the commitment of the Group to building trust and integrity in employee conduct reaches as wide an audience as possible.

The Public Bank Group's zero tolerance of fraud and lack of integrity in staff behaviour is supported by established disciplinary procedures which, after due process, would result in various forms of action being taken against staff who lack integrity or who are dishonest.

Statement on Internal Control

RESPONSIBILITY

The Board of Directors ("Board") is responsible for the Public Bank Group's ("the Group") system of internal controls and its effectiveness. However, such a system is designed to manage the Group's risks within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes updating the system of internal controls when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and accords with the guidelines for directors on internal control, the *Statement on Internal Control: Guidance for Directors of Public Listed Companies*.

The Board is of the view that the system of internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

KEY INTERNAL CONTROL PROCESSES

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- The Board Executive Committee is established by the Board to assist the Board in ensuring the effectiveness of Public Bank's ("the Bank") daily operations and that the Bank's operations are in

accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved. The Board Executive Committee also formulates strategies on an on-going basis and addresses issues arising from changes in both the external business environment and internal operating conditions. Management committees are established by the respective Boards of major operating subsidiaries in the Group to assume the functions as stated above in these subsidiaries.

- The Internal Audit Divisions of the Bank and its major subsidiaries monitor compliance with policies and procedures and the effectiveness of the internal control systems and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of these units and branches. The annual audit plan is reviewed and approved by the respective subsidiaries' Audit Committees and the findings of the audits are submitted to the said subsidiaries' Audit Committees for review at their monthly or periodic meetings.
- The Audit Committees of the Bank and its major subsidiaries review internal control issues identified by the respective Internal Audit Division, the external auditors, regulatory authorities and management, and evaluate the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. The minutes of the Audit Committee meetings are tabled to the Boards of the Bank and its major subsidiaries on a monthly or periodic basis. Further details of the activities undertaken by the Audit Committee of the Bank are set out in the Audit Committee Report.

- The Risk Management Committee was established by the Board to assist the Board to oversee the overall management of principal areas of risk of the Group. The other committees set up to manage specific areas of risk for the Group are the Assets & Liabilities Management Committee which manages market and liquidity risks; the Credit Risk Management Committee which manages credit risk and the Operational Risk Management Committee which manages operational risk.
- Operational committees have also been established with appropriate empowerment to ensure effective management and supervision of the Group's core areas of business operations. These committees include the Human Resource Committee, the Credit Committee, the Share Investment Committee and the Information Technology Steering Committee.
- Annual business plans are prepared by the Bank's business units and all major operating subsidiaries and are reviewed and approved by their respective Boards. Annual budgets are also approved by the respective Boards and the business units' and operating subsidiaries' performance are assessed against the approved budgets and explanations are provided for significant variances on a monthly basis to the respective Boards.
- There are proper guidelines within the Group for hiring and termination of staff, formal training programmes for staff, annual or semi-annual performance appraisals and other relevant procedures in place to ensure that staff are competent and adequately trained in carrying out their responsibilities.
- The Boards of the Bank and the major operating subsidiaries in the Group receive and review reports from management on a regular basis. In addition to the monthly accounts and financial information reports and reports on monitoring of compliance with banking laws and Bank Negara Malaysia's and other central bank's guidelines on lending, capital adequacy and other regulatory requirements, monthly progress reports on business operations are tabled to the respective Boards at their monthly or periodic meetings.
- There are policy guidelines and authority limits imposed on executive directors and management within the Group in respect of the day-to-day banking and financing operations, extension of credits, investments, acquisitions and disposals of assets.
- Policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, guidelines and directives issued by the Bank and its subsidiaries in the Group which are updated from time to time.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Internal Control for the inclusion in the annual report of the Bank for the year ended 31 December 2007 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

Audit Committee Report

MEMBERS OF THE AUDIT COMMITTEE



Members

Dato' Yeoh Chin Kee
DIMP, FCPA (Aust), FAIBF (Aust)
Independent Non-Executive Director

**Y.A.M. Tengku Abdul Rahman
Ibni Sultan Haji Ahmad Shah
Al-Mustain Billah**
DK II, SSAP
Independent Non-Executive Director



Chairman

Tan Sri Dato' Thong Yaw Hong
PSM, SIMP, DSAP, DIMP, JMN, SMP, JBS,
AMN, BA (Econs Hons), MPA (Harvard),
AMP (Harvard)
Independent Non-Executive Director

Co-Chairman

**Dato' Haji Abdul Aziz
Bin Omar**
DIMP, ACA (England & Wales),
CA (M'sia), FBM (M'sia)
Independent Non-Executive Director



Member

**Dato' Dr. Haji Mohamed Ishak
Bin Haji Mohamed Ariff**
DSPN, JSM, DJN, SMS, KMN, PPT, PJK FRTPi
(London), FMIP (M'sia), FILA (M'sia), D.C.L.
(Hon) Newcastle-upon-Tyne
Independent Non-Executive Director

Secretary

Soong Hoe Seng
Group Chief Internal Auditor

1. ATTENDANCE OF MEETINGS

The details of attendance of each member at the Audit Committee ("Committee") meetings held during 2007 are as follows :

Name of Committee Member	Number of Committee Meetings	
	Held	Attended
Tan Sri Dato' Thong Yaw Hong <i>Chairman/Independent Non-Executive Director</i>	16	16
Dato' Haji Abdul Aziz bin Omar <i>Co-Chairman/Independent Non-Executive Director</i>	16	16
Dato' Yeoh Chin Kee <i>Member/Independent Non-Executive Director</i>	16	16
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah <i>Member/Independent Non-Executive Director</i>	16	15
Dato' Dr Haji Mohamed Ishak bin Hj Mohd Ariff <i>Member/Independent Non-Executive Director</i>	16	16

2. COMPOSITION AND TERMS OF REFERENCE

2.1 Composition

- The Committee shall be appointed by the Board of Directors and shall consist of not less than three (3) members, all of whom shall be non-executive directors. The majority of the Committee members shall be independent directors.

b. Chairman/Co-Chairman

- The Chairman/Co-Chairman of the Committee shall be approved by the Board of Directors and shall be an independent non-executive director.
 - The Chairman or Co-Chairman shall be a member of the Malaysian Institute of Accountants ("MIA").
- At least one (1) member of the Committee :
 - must be a member of the MIA; or
 - if he is not a member of MIA, he must have at least three (3) years working experience and :
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.

2.2 Frequency of Meetings

Meetings shall be held not less than four times a year.

2.3 Quorum

A quorum shall consists of two members and shall comprise of independent directors.

2.4 Secretary

The Secretary of the Committee shall be the Head of Internal Audit Division.

2.5 Authority

The Committee shall have the authority to :

- seek any information relevant to its activities from employees of Public Bank and Public Bank Group.
- obtain such independent professional advice as it considers necessary.
- have full and unrestricted access to any information and documents pertaining to Public Bank and Public Bank Group.

2.6 Responsibilities and Duties

The responsibilities and duties of the Committee shall be :

a. Risk Management

To review the adequacy and effectiveness of risk management, internal control and governance systems instituted in Public Bank and Public Bank Group.

b. Internal Audit

- To approve the appointment, replacement and dismissal of the Chief Internal Auditor.

- To review the adequacy of the scope of audits conducted by Internal Audit Division, functions and resources of Internal Audit Division and that it has the necessary authority to carry out its work.
- To evaluate the performance and decide on the remuneration of the internal auditors.

c. External Audit

- To review the external auditors' audit plan, scope of their audits and their audit reports.
- To assess the performance of the external auditors and make recommendations to the Board of Directors on their appointment and removal.
- To review the independence and objectivity of the external auditors and their services, including non-audit services.
- To approve the provision of non-audit services by the external auditors.

d. Audit Reports

To review the :

- Internal and external audit reports to ensure that appropriate and adequate remedial actions are taken by management on significant lapses in controls and procedures that are identified.
- Significant internal and external audit findings and management's response.

e. Financial Reporting

To review the quarterly and annual financial statements of Public Bank and Public Bank Group for recommendation to the Board of Directors for approval, focusing particularly on:

- changes in or implementation of new accounting policies and practices;
- significant and unusual events; and
- compliance with the applicable approved accounting standards and other legal and regulatory requirements.

f. Related Party Transactions

To monitor and review any related party transactions that may arise within Public Bank and Public Bank Group.

g. Other Matters

To consider such other matters as the Committee considers appropriate or as authorised by the Board of Directors.

3. SUMMARY OF ACTIVITIES

During the year, the Committee carried out the following activities :

3.1 Financial Reporting

- Reviewed the quarterly and half-yearly unaudited financial results of Public Bank and Public Bank Group before recommending them for approval by the Board of Directors.
- Reviewed the annual audited financial statements of Public Bank and Public Bank Group with the external auditors prior to submission to the Board of Directors for their approval. The review was to ensure that the financial reporting and disclosures are in compliance with :
 - Provisions of the Companies Act, 1965 and the Banking and Financial Institutions Act, 1989;
 - Listing Requirements of Bursa Malaysia Securities Berhad;
 - Applicable approved accounting standards in Malaysia, and
 - Other legal and regulatory requirements.

In the review of the annual audited financial statements, the Audit Committee discussed with management and the external auditors the accounting principles and standards that were applied and their judgement of the items that may affect the financial statements.

3.2 Internal Audit

- Reviewed the annual audit plan to ensure adequate scope and comprehensive coverage over the activities of Public Bank and Public Bank Group.
- Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of Internal Audit Division.
- Reviewed all the examination reports issued by the regulatory authorities and a total of 244 internal audit reports which were tabled during the year, the audit recommendations made and management's response to these recommendations. Where appropriate, the Committee has directed management to rectify and improve control and workflow procedures based on the internal auditors' recommendations and suggestions for improvement.
- Monitored the corrective actions on the outstanding audit issues to ensure that all the key risks and control lapses have been addressed.

- e. Reviewed Internal Audit Division's audit methodology in assessing and rating risks of auditable areas and ensure that all high and critical risk areas are audited annually.
- f. Conducted half-yearly reviews of the performance, progress and adequacy of coverage of the internal audit functions.
- g. Reviewed the staffing requirements of Internal Audit Division, skills and the core competencies of the internal auditors.

3.3 External Audit

- a. Reviewed with the external auditors :
 - their audit plan, audit strategy and scope of work for the year.
 - the results of the annual audit, their audit report and management letter together with management's response to the findings of the external auditors.
- b. Assessed the independence and objectivity of the external auditors during the year and prior to the appointment of the external auditors for adhoc non-audit services. The Committee also received reports from the external auditors on their own policies regarding independence and the measures used to control the quality of their work.
- c. Evaluate the performance and effectiveness of the external auditors and made recommendations to the Board of Directors on their appointment and remuneration.
- d. Reviewed the inspection and examination reports issued by Bank Negara Malaysia and other regulatory authorities and the remedial actions taken in respect of the issues raised by them.

3.4 Related Party Transactions

Reviewed the related party transactions entered into by Public Bank and Public Bank Group.

4. TRAINING

During the year, the Committee members have attended conferences, seminars and training programmes on the following areas :

a. Banking and Finance

- Global Islamic Finance
- Tax Incentives, Accounting and Financial Reporting Regime and Capital Adequacy in relation to Islamic Banking
- Islamic Finance : Concept, Issues and Challenges
- Shared Services and Outsourcing in the Financial Sector

b. Corporate Governance

- Related Party Transactions

- Responsibilities of the Audit Committee
- Key Corporate Governance Developments
- Emerging Audit Committee Challenges
- Corporate Social Responsibility

c. Statutory and Compliance

- Anti-Money Laundering Act 2001
- Companies (Amendment) Act 2007
- Capital Markets And Services Act 2007

d. Financial Reporting

- Risk Based Capital Framework
- Implications of Major New Accounting Rules for Banks
- International Convergence of Capital Measurement and Capital Standards

5. INTERNAL AUDIT FUNCTION

Internal Audit Division assists the Committee in the discharge of its duties and responsibilities. Its role is to provide independent assurance on the adequacy and effectiveness of the risk management, internal control and governance processes.

A structured risk assessment approach is used to examine all Public Bank Group's activities and the inherent risks. The high risk activities in each auditable area are audited annually. Audits are prioritised according to an assessment of the potential risk exposures.

The internal audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets, management efficiency and level of customer services, amongst others. These audits ensure that the instituted controls are appropriate, effectively applied and achieve acceptable risk exposures consistent with Public Bank's and Public Bank Group's risk management policy.

Internal Audit Division also audits the various computer hardware and application systems and telecommunications network of Public Bank Group.

Internal Audit Division assists in the evaluation of risk exposures of new business products and projects prior to implementation and ensures that control procedures are in place to mitigate the risks identified.

Internal Audit Division also works collaboratively with the Risk Management Division to monitor the risk governance framework and the risk management processes of Public Bank and Public Bank Group to ensure their adequacy and effectiveness.

Further details of the activities of Internal Audit Division are set out in the Statement on Internal Control.



Leading the Industry

Standing strong on quality manpower and mindpower, Public Bank constantly pushes boundaries to set new standards in the industry. Our top ranks are distinguished by experienced high-calibre individuals whose passion and keen insights elevate our ability to maintain a highly motivated workforce. In 2007 Public Bank continues to maintain its distinctive lead in the banking industry, testifying to our solid leadership and strong teamwork.

Board Executive Committee

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1

1 Tan Sri Dato' Sri Dr. Teh Hong Piow

Chairman

A respected banking entrepreneur with a banking career spanning more than 56 years. Commencing his banking career in Singapore, he founded Public Bank in 1965 after spending six years in a senior management position in another prominent local bank. Since inception Tan Sri Teh has been at the helm of Public Bank and personally steered its growth till today.



2

2 Dato' Sri Tay Ah Lek

Managing Director/Chief Executive Officer

Holder of a Masters degree in Business Administration, Dato' Sri Tay is a veteran in the financial services industry with 47 years of experience. A pioneer staff of Public Bank in 1966, he held several portfolios over the years including the Executive Vice President position in Public Finance and Public Bank. He was appointed Executive Director of Public Bank in 1997 and Managing Director/Chief Executive Officer in 2002. He sits on the Board of Directors of several subsidiary companies in the Public Bank Group.



3

3 Dato' Lee Kong Lam

Executive Director

An accountant by profession, Dato' Lee was attached to Bank Negara Malaysia for 29 years and retired as Head of its Examination Department. He joined Public Bank as General Manager in 1996 and was subsequently appointed Senior General Manager and Executive Vice President. He was appointed Executive Director in 2001. He is also a member on the Board of Directors of several subsidiary companies in the Public Bank Group.

Heads Of Divisions



4



5



6

4 Dato' Chang Kat Kiam

Chief Operating Officer

Holder of a Masters degree in Business Administration, Dato' Chang has been with Public Bank since 1975. He is experienced in all aspects of banking having managed branches and banking business portfolios in Head Office. Appointed Senior General Manager in 2001 and Chief Operating Officer in 2006.

5 Leong Kwok Nyem

Senior General Manager

An accountant by profession. Mr Leong was attached to the accounting and auditing industry for eight years before joining the Public Bank Group in 1988. Attached initially to the Finance Division in Head Office, he was transferred to Public Finance Limited in Hong Kong in 1990. He returned to Head Office in 1994 and was appointed Senior General Manager in 2001.

6 Wong Jee Seng

Senior General Manager

An accountant by profession. He joined Public Bank in 1993 as a Manager in Finance Division. He was subsequently promoted to Senior Manager in 1997 and transferred to Treasury Division in 1998. He was promoted to Director of Risk Management Division in 2000 and was appointed General Manager in 2002 and Senior General Manager in 2006.

7



7 Soong Hoe Seng

Group Chief Internal Auditor

An accountant by profession. He has a total of 33 years of audit experience. He was attached to an audit firm prior to joining Public Bank in 1991 as Head of Internal Audit Division. Mr Soong oversees the Group's Internal Audit portfolio.

8



8 Jenny Cheng Siew Ngoh (Ms)

General Manager, Human Resource Division

Holder of a Bachelor of Economics degree and a HR practitioner with more than 31 years of experience. She has been with Public Bank since 1976 and was appointed Head of HR Division in 1991. Ms Cheng oversees the Group's Human Resource portfolio.

9



9 Chia Lee Kee (Ms)

General Manager, Secretariat Division

Holder of an ICSA qualification and is a Fellow of The Malaysian Association of The Institute of Chartered Secretaries and Administrators. She joined Public Bank in 1978 with exposure in banking operations for 12 years. She was transferred to the Bank's Secretariat in 1990 and appointed Head of Secretariat Division in 1997. Ms Chia is the Bank's Company Secretary and oversees the Group's Company Secretarial matters.



10



11



12

10 Chong You Lin (Ms)

General Manager, PB Card Services & Support

Holder of a Bachelor of Arts (Economics) degree. Ms Chong was with the credit card industry for 11 years before joining Public Bank in 1991 as Manager, PB Card Services. She was promoted to Director in 1996, appointed Head of Division in 2000 and promoted to General Manager in 2004.

11 Ismail bin Ibrahim

General Manager, Islamic Banking

Holder of a Diploma in Business Studies and has been in the banking industry since 1973. Having gained wide experience serving in several financial institutions, En. Ismail joined Public Bank in 1992 as Director of Credit Operations. He is now the General Manager overseeing the Bank's Islamic Banking operations.

12 Nasaruddin bin Arshad

Group Economist, Economics & Corporate Planning Division

Holder of a Masters degree in Agriculture Economics, En. Nasaruddin was in the academic field for 17 years and the last position held was as the Dean of the School of Economics & Public Administration, UUM. He was attached to the Malaysian Institute of Economic Research for two years before joining the Public Bank Group in 1995 as Director of Economics Division. He was appointed Group Economist in 1999.

13



13 Sulaiman bin Abd Manap

General Manager, Credit Operations Division

Holder of a Masters degree in Business Administration, he joined Public Bank in 1981. Experienced in all aspects of banking having managed branches and banking business portfolios in Head Office. En. Sulaiman was appointed Senior Manager of Retail Credit in 1995 and is now the General Manager overseeing the Bank's Credit Operations Division.

14



14 Abd Razak bin Md Dali

General Manager, Public Affairs Division

Holder of Bachelor of Mass Communication and Masters of Science (Corporate Communication) degrees. He has a total of 31 years of service with the Bank, having served as a Branch Manager prior to his present appointment. He has been heading the Public Affairs Division since 1994 and is responsible for the Bank's PR, corporate communication, advertising and sports portfolio.

15



15 Chan Chew Fung (Ms)

Director, Corporate Banking & Trade Finance Division

Holder of a Bachelor of Arts (Economics) degree, Ms Chan has been with Public Bank since 1982. Specialising in corporate banking and marketing, she was appointed Manager in 1991 and Head of Corporate Banking & Trade Finance Division in 1995.



16



17



18

16 Eddie Chan Kok Kwai

Director, Credit Administration & Supervision Division

Holder of a Bachelor of Economics degree, FSD and AIBM, he joined Public Bank in 1982. He was appointed Head of Credit Administration & Supervision Division in 1992 and promoted to Director in 1996. He is responsible for the Bank's credit control functions and recovery of NPLs in the Bank.

17 Chew Han Kang

Director, HP Financing

Holder of a Diploma in Management, Mr Chew joined Public Finance in 1976. He had a total of 28 years of service with Public Finance, of which nine years were as the Manager of several branches before his appointment as Director of HP Financing in 1997. He has been responsible for the Bank's HP Financing portfolio since 2004.

18 Tan Teck Kong

Director, Information Technology Division

An IT specialist with a Bachelor of Science/Mathematics degree, Mr Tan has been attached to IT Division since joining Public Bank in 1983. He is experienced in all aspects of the Bank's IT operations and was appointed Director to head the IT Division of the Bank in 2000.

19



19 Chang Siew Yen (Ms)

Chief Financial Officer

An accountant by profession, Ms Chang had more than 12 years of experience in the accounting/financial services/IT industries before joining Public Bank in 2005 as Deputy Director of Finance Division. She was appointed Head of Finance Division and Chief Financial Officer in 2006.

20



20 Mohd Najeeb bin Abdullah

Director, Islamic Banking Division

Holder of a Masters degree in Business Administration, En. Najeeb was attached to a local bank for 10 years before joining Public Bank in 1983 as a Branch Manager. He was transferred to Head Office in 1995 as Senior Manager and is now Head of the Bank's Islamic Banking Division.

21



21 Lim Then Fui

Director, Risk Management Division

An accountant by profession. Mr Lim had a total of over 22 years of working experience including 18 years in Bank Negara Malaysia before joining Public Bank in 2001. Initially he was head of the Bank's Share Investment Business Centre and was appointed Head of Risk Management Division in 2007.



22

22 Nizam bin Hj Zainal Abidin

Director, Security Division

En. Nizam was attached to the Royal Malaysian Police for 13 years. He joined Public Bank in 1993 as Head of Security Division. Initially he held the position of Manager and was appointed Director in 2003.



23

23 Sim Goay Chye

Director, Property Division

Holder of a Masters degree in Business Management, Mr Sim joined Public Finance in 1983. He held several managerial portfolios in the Head Office of both Public Finance and Public Bank for the past 24 years. He was appointed Head of the Bank's Property Division in 2004.



24

24 Lim Loong Seng

Acting Director, Banking Operations Division

Holder of Bachelor of Science (Agribusiness) and Masters in Business Administration degrees, Mr Lim has been with Public Bank since 1983. He is experienced in all aspects of banking having managed branches and banking business portfolios in Head Office. Mr Lim was promoted to Senior Manager in 1996 and Deputy Director in 2003. He was appointed Head of Banking Operations Division in 2007.

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**Tan Sri Dato' Sri
Dr. Teh Hong Piow**
Chairman

A year of distinctive performance

OVERALL BUSINESS ENVIRONMENT

Malaysia's economy is expected to expand by 6.0% in 2007 with a forecast growth of 6.0% to 6.5% in 2008. Economic growth in 2007 was mostly driven by public and private investment, underpinned by the development projects under the 9th Malaysia Plan, ample liquidity, low and stable interest rates, as well as sustained consumer confidence and business sentiment that has helped support domestic aggregate demand despite a moderation in external demand. Given its strong fundamentals, the Malaysian economy is expected to weather the fall out from the problems related to the US subprime mortgage market and high global crude oil prices.

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OVERVIEW

Competition in the banking industry remained intense due to the deregulated operating environment, high liquidity in the banking system and the entry of new Islamic banking players. Despite pressures on lending margins due to intense competition in retail lending, the banking industry continued to strengthen with healthy loan growth, improving asset quality and stronger fee-based income as well as robust capitalisation and profitability. The banking system achieved a year-on-year loan growth of 10.5% as at November 2007, with improvement in the net non-performing loans ratio to 3.3% as at November 2007 as compared to 4.8% as at the end of 2006.

Despite the more competitive landscape, the Public Bank Group's strategy remained focused on increasing its market share in consumer credit and retail commercial lending to mid-market SMEs as well as in deposit-taking by leveraging on its wide branch network, efficient multiple delivery channels, strong PB Brand and superior service standards. To mitigate pressures on interest margins, the Group had continued to undertake strategic initiatives to diversify its revenue streams and increase its fee-based activities, particularly in fund management, bancassurance and other wealth management services by launching new products to meet the diverse investment needs of the Group's customers.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

At a glance

	2007 RM'million	2006 RM'million
Profit before tax and zakat	3,004	2,416
Net profit attributable to shareholders	2,124	1,727
Total assets	174,155	147,790
Loans, advances and financing	99,328	82,788
Deposits from customers	138,765	111,793
Shareholders' equity	9,342	9,034
Earnings per share (sen)	63.3	52.1
Net return on equity	26.3%	21.9%
Cost-to-income ratio	33.1%	32.7%
Net non-performing loans ratio	1.2%	1.6%
Risk-weighted capital ratio	13.6%	15.8%

PROFITS AND DIVIDENDS

- The Public Bank Group's pre-tax profit increased by 24.3% to RM3.00 billion in 2007 as compared to RM2.42 billion in 2006, contributed by strong growth of 24.0% in operating revenue. Net profit attributable to shareholders of the Group also rose by 23.0% to RM2.12 billion. The strong profit performance was driven by a sustained high rate of growth in both quality loans as well as customer deposits and continued improvement in asset quality, coupled with a strong growth in fee-based income.
- Net return on equity for 2007 improved further to 26.3% compared to 21.9% in 2006.
- Earnings per share for 2007 improved to 63.3 sen compared to 52.1 sen in 2006.
- Productivity and efficiency remained high as reflected by the cost-to-income ratio of 33.1% for 2007 as compared to 32.7% in 2006.
- The Board of Directors recommends a final dividend of 40 sen per ordinary share less 26% tax and a special dividend of 10 sen per ordinary share less 26% tax. Together with the interim dividend of 25 sen per ordinary share less 27% tax, the total gross dividend for 2007 would amount to 75 sen per ordinary share as compared to 60 sen per ordinary share for 2006.

Profit Before Tax By Segment

	2007 RM'million	2006 RM'million
Retail Operations	2,308	1,893
Treasury and Capital Market Operations	390	478
Corporate Lending	105	36
Fund Management	183	97
Investment Banking	166	41
Others	19	13
	3,171	2,558
Unallocated expenses	(167)	(142)
Profit before tax	3,004	2,416

- Retail Operations continued to be the Group's forte, accounting for 76.8% of the Group's pre-tax profit in 2007, followed by Treasury and Capital Market Operations and Fund Management which contributed 13.0% and 6.1% respectively to the Group's pre-tax profit.
- While domestic operations continued to be the main contributor to the Group's pre-tax profit at 85.5%, the Group's focus on growing its regional business in Hong Kong and Indo-China yielded satisfactory results. Pre-tax profits from the Group's overseas operations improved by RM104.5 million to RM435.6 million in 2007 despite the strengthening of the Ringgit against the US Dollar and the Hong Kong Dollar in 2007.

Profit Before Tax By Geographical Locations and Major Companies

	2007		2006	
	RM'million	% of contribution	RM'million	% of contribution
In Malaysia :	2,568	85.5	2,085	86.3
<i>of which :</i>				
Public Bank Berhad *	2,343	78.0	1,829	75.7
Public Mutual Berhad	183	6.1	97	4.0
Public Investment Bank Berhad	96	3.2	35	1.5
Outside Malaysia :	436	14.5	331	13.7
<i>of which :</i>				
Public Financial Holdings Group	348	11.6	278	11.5
Cambodian Public Bank Limited	83	2.7	53	2.2
Profit before tax	3,004	100.0	2,416	100.0

* Profit before dividends from subsidiaries and associated companies

BALANCE SHEET GROWTH, ASSET QUALITY AND CAPITAL POSITION

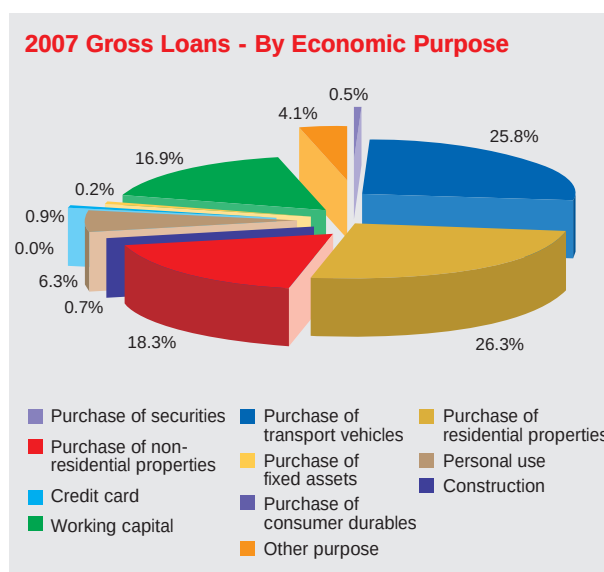
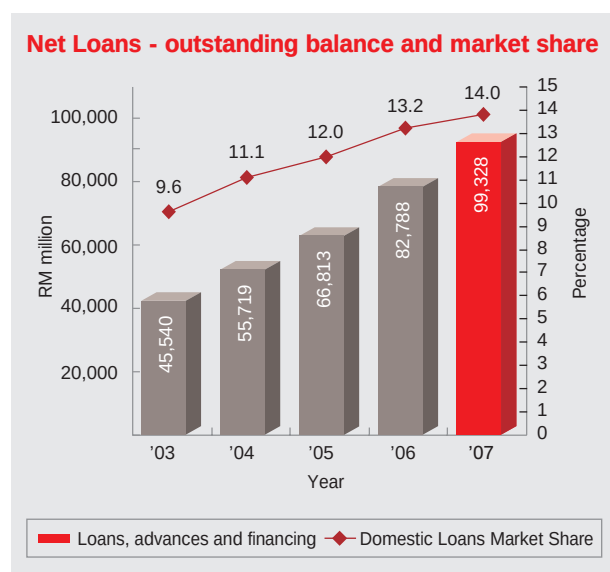
- The Public Bank Group's total assets increased by 17.8% during the year to stand at RM174.16 billion as at the end of 2007.
- Total net loans and advances increased by RM16.54 billion to RM99.33 billion as at the end of 2007, representing a growth rate of 20.0%.
- Total customer deposits grew by RM26.97 billion to reach RM138.76 billion as at the end of 2007, representing a growth rate of 24.1%.
- Net non-performing loans ratio improved from 1.6% as at the end of 2006 to 1.2% as at the end of 2007 and compares very favourably with the banking industry's ratio of 3.3% as at November 2007. Loan loss coverage stood at 119.5% which is the highest and most prudent in the Malaysian banking industry.
- Risk-weighted capital ratio remains strong at 13.6% as at the end of 2007.

LOANS & ADVANCES

Loans, Advances and Financing	Outstanding (Gross)		Growth Rate		
	2007	2006	2007 %	2006 % Organic Growth	2006 % Including acquisition of PB (HK)
Group (RM'mil)*	101,415	84,365	20.2	17.5	23.9
Public Bank (RM'mil)*	91,726	77,219	18.8	17.5	17.5
Public Bank (Hong Kong) Ltd (HKD'mil)	15,465	10,226	51.2	NA	NA
Cambodian Public Bank Limited (USD'mil)	363	158	129.7	91.2	91.2

* Including Islamic Financing sold to Cagamas of RM410 million as at the end of 2007

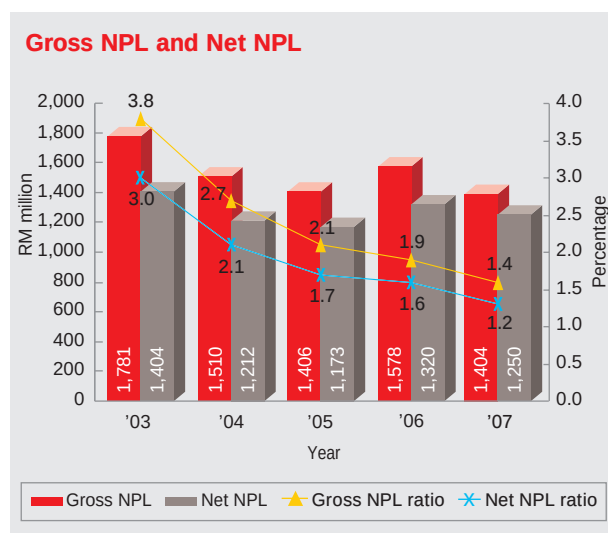
NA Not applicable



Strong Loans Growth and Increasing Market Share

- The Public Bank Group expanded its lending business by 20.2% in 2007 with gross loans, advances and financing, including Islamic financing sold to Cagamas, increasing by RM17.05 billion to stand at RM101.41 billion as at the end of 2007. This compared favourably to the banking system's annual loan growth rate of 10.5% as at November 2007.
- As a result of the significantly higher than industry rate of loan growth, the Group's domestic market share for loans increased further to 14.0% as at November 2007 from 13.2% as at the end of 2006 and 9.6% as at the end of 2003.
- The lending activities of the Group remained focused on the financing of residential properties, SMEs and passenger vehicles. As at 31 December 2007, loans to these key sectors accounted for 68.1% of the Group's total loan portfolio.
- The Group's strong loan growth is mainly driven by loans to purchasers of residential properties and to SMEs which grew by 16.0% to RM26.65 billion and 11.0% to RM21.09 billion respectively as at the end of 2007. Total lending for purchase of transport vehicles grew by 11.9% to RM26.13 billion as at the end of 2007.

ASSET QUALITY



Sustained Strong Asset Quality

- The Public Bank Group's asset quality remains the strongest in the industry and is ranked the best amongst all banks in Malaysia, bearing testimony to the Group's stringent and prudent lending and credit policies.
- The Group's total gross non-performing loans ("NPL") amount decreased by RM174 million or 11.0% during the year to RM1.40 billion as at the end of 2007, despite a RM17.05 billion growth in total gross loans, advances and financing.
- Gross NPL ratio improved to 1.4% as at the end of 2007 as compared to 1.9% as at the end of 2006. Net NPL ratio further improved to 1.2% as compared to 1.6% as at the end of 2006.
- The Group's gross NPL ratio continue to remain well below the industry average in both the consumer and SME sectors. Gross NPL ratio of the Group for residential properties and transport vehicles stood at 2.5% and 0.9% respectively as at the end of 2007 which is approximately one third the industry average of 6.7% and 2.3% respectively as at September 2007. In the credit card sector, the Group's gross NPL ratio was 1.6% as at the end of 2007 which is lower than the industry

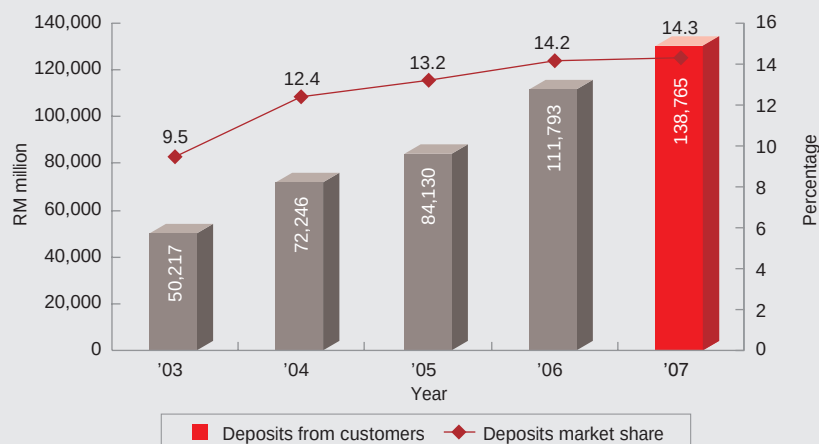
Gross NPL ratio by sector	Public Bank Group		Latest available industry average
	2007	2006	
	%	%	%
Consumer :			
Residential properties	2.5	3.1	6.7
Transport vehicles	0.9	1.1	2.3
Credit cards	1.6	1.9	2.3
SME	1.2	1.6	10.2

average of 2.3% in September 2007. The Group's asset quality in SME financing is far superior as reflected by its gross NPL ratio of 1.2% as at the end of 2007 as compared to the industry average of 10.2% as at the end of 2006.

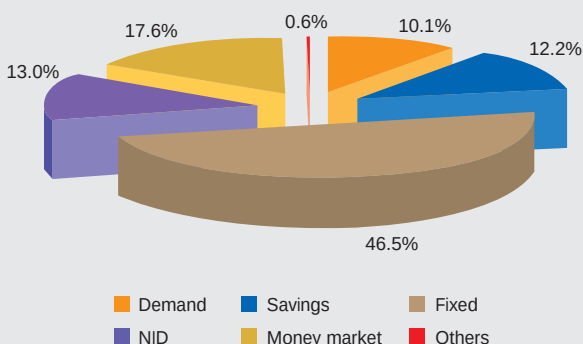
- Over the past 5 years, the Group's asset quality had shown a consistently improving trend with its gross and net NPL ratios of 3.8% and 3.0% respectively as at the end of 2003 improving to 1.4% and 1.2% respectively as at the end of 2007.
- Apart from the healthy net NPL ratio, the Group also maintained the most prudent approach to provisioning with a loan loss coverage ratio, before taking into account collateral, of 119.5%, significantly higher than the banking industry's coverage of 73.0% as at November 2007. The increase in the Group's loan loss coverage was contributed by additional general allowance set aside while maintaining stable NPLs.
- The Group's general allowance of RM1.52 billion was sufficient to cover the entire net NPL amount of RM1.25 billion as at the end of 2007 despite that 90% of the NPLs are secured.

CUSTOMER DEPOSITS

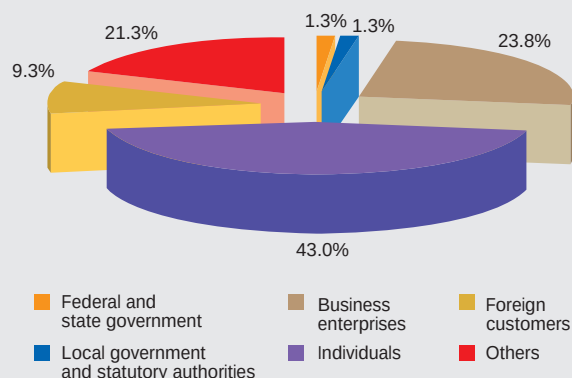
Customer Deposits - Outstanding balance and market share



2007 - Customer Deposits Mix



2007 - Customer Deposits By Type of Customers



Strong Expansion in Customer Deposits

- Total customer deposits of the Public Bank Group rose by 24.1% or RM26.97 billion to stand at RM138.76 billion as at the end of 2007.
- The Group's wholesale deposits in the form of negotiable instruments of deposits and money market deposits expanded by 33.2% to RM42.54 billion as at the end of 2007.
- The core customer deposits of the Group continued to register healthy growth, with lower cost savings deposits and current accounts as well as fixed deposits growing by 14.4%, 24.2% and 20.8% respectively during the year.
- The strong growth, which was supported by the Group's strong PB Brand and high standards of customer service delivery at its extensive branch

network, resulted in an increase in the Group's market share of domestic deposits to 14.3% as at November 2007 compared to 14.2% as at the end of 2006.

- Individual depositors accounted for 43.0% of the Group's total customer deposits as at the end of 2007, and approximately 70% of the Group's demand, savings and fixed deposits. The 16.5% domestic market share of deposits by individuals as at November 2007 provides the Group with a stable deposit base and its low-cost deposit funding structure.
- As a result of the strong customer deposits growth, the Group's liquidity continued to improve with loan to deposit ratio standing at 71.6% as at 31 December 2007 as compared to 74.1% as at 31 December 2006.

COMPARISON AGAINST BANKING INDUSTRY'S PERFORMANCE

The table below compares the key financial indicators of the Public Bank Group with those of the domestic banking system.

Key Financial Indicators	2007			2006		
	Public Bank Group	Latest Industry Average	Rank #	Public Bank Group	Latest Industry Average	Rank #
Profitability (%)						
Pre-tax Return on Average Equity	34.5	18.8	1	28.7	16.1	1
Pre-tax Return on Average Assets	1.9	1.5	@	1.9	1.3	1
Cost-to-Income	33.1	44.0	1	32.7	44.0	1
Productivity (RM'000)						
Pre-tax Profit/Average Employee	210	165	@	180	132	1
Gross Loans/Employee	7,098	6,444	1	6,298	5,834	1
Deposits/Employee	9,713	8,321	1	8,345	7,329	1
Asset Quality (%)						
Gross NPL Ratio	1.4	5.7	1	1.9	7.4	1
Net NPL Ratio	1.2	3.3	1	1.6	4.8	1
Loan Loss Coverage	119.5	73.0	1	99.9	58.9	1
Growth rate (%)						
Total assets	17.8	14.1*	NA	25.4^	17.3*	NA
Gross loans	20.2	10.5*	NA	17.5^	6.4*	NA
Deposits	24.1	18.5*	NA	25.4^	17.0*	NA

* Banking industry annual growth rate

Latest available ranking for domestic commercial banking operations

@ Above industry average; ranking not available

NA Not applicable

^ Organic growth rate excluding acquisition of Public Bank (Hong Kong) Limited

In 2007, the Public Bank Group continued to grow its market share, maintained a high level of productivity and further improved its asset quality. The Group's domestic market share of total loans and total deposits increased from 13.2% and 14.2% respectively as at the end of 2006 to 14.0% and 14.3% respectively as at November 2007. The Group's domestic market share of total assets remained high at 12.3% as at November 2007.

Public Bank maintained its top ranking in terms of profitability and cost efficiency for its domestic commercial banking operations. In 2007, the Public Bank Group registered a pre-tax return on average equity of 34.5%, which was well above the banking industry's average of 18.8%. In terms of cost-efficiency, the Group's cost-to-income ratio of 33.1% was the lowest cost-to-income ratio amongst Malaysian banking groups and was significantly lower than the industry average of 44.0%.

To maintain profitability growth in an environment of intense competition, the Public Bank Group continued to focus on operational efficiency by improving productivity of the

Group's staff. The Group's pre-tax profit per employee grew by 16.7% to RM210,000, whilst its gross loans per employee and total deposits per employee achieved 12.7% and 16.4% growth respectively to RM7.1 million and RM9.7 million as at the end of 2007. This has enabled the Bank to maintain its no.1 ranking in terms of productivity for its domestic commercial banking operations.

The Public Bank Group also continued to maintain its top ranking amongst banking groups in Malaysia in terms of asset quality and loan loss coverage. Gross NPL ratio improved to 1.4% from 1.9% and net NPL ratio improved to 1.2% from 1.6% a year ago. The Group's net NPL ratio of 1.2% is about one third that of the banking system's ratio of 3.3% as at November 2007. The Group maintains the highest loan loss coverage of 119.5% as at 31 December 2007 as compared to the industry average of 73.0% as at November 2007 reflecting the Group's prudent provisioning vis-a-vis its low and stable level of non-performing loans.

The table below compares the key financial indicators of the Public Bank Group with those of the leading regional banks in the Asia Pacific region.

Banks	Net return on equity %	Cost to income %	Dividend payout ratio %
Public Bank Group	26.3	33.1	87.3
SINGAPORE			
DBS Group	12.3	44.3	40.5
UOB	17.0	35.9	48.0
HONG KONG			
Hang Seng Bank	27.4	29.0	82.5
Hongkong and Shanghai Banking Corporation Limited of Hong Kong ("HSBC HK")	31.1	41.4	55.0
AUSTRALIA			
ANZ Bank	20.9	43.5	60.9
Commonwealth Bank of Australia	22.1	45.8	73.0
National Australia Bank	17.1	50.8	67.4

The Public Bank Group's key performance indicators were also outstanding when benchmarked against the leading regional banks as listed above. In the Asia Pacific region, Public Bank's net return on equity of 26.3% was the third highest after HSBC HK and Hang Seng Bank of Hong Kong while the Group's cost to income ratio of 33.1% was second best after Hang Seng Bank. The Group's dividend payout ratio of 87.3% was top among the leading regional banks.

CAPITAL MANAGEMENT

	Group		Public Bank		Banking System ¹
	2007	2006	2007	2006	
Shareholders' equity (RM'mil)	9,342	9,034	9,351	8,970	NR
Capital base (RM'mil)	13,478	13,000	11,869	11,518	NR
of which:					
Tier 1 capital (RM'mil)	8,973	8,413	9,917	9,429	NR
Tier 2 capital (RM'mil)	4,505	4,587	4,222	4,281	NR
Risk weighted assets (RM'mil)	99,092	82,425	89,152	75,168	NR
Core capital ratio	9.1%	10.2%	11.1%	12.5%	10.1%
Risk-weighted capital ratio	13.6%	15.8%	13.3%	15.3%	13.2%

¹ As at 30 November 2007.

NR Not Relevant

Strong Capitalisation and Enhancing Value to Shareholders

The Public Bank Group has always been active in the management of its capital to improve the efficiency of its capital structure whilst maintaining a strong and robust capital position to support the growth of the Group's business. As part of the Group's on-going initiatives to pursue an efficient capital position, the Group had implemented several key strategies as follows:

Gearing up of capital :

The gearing up of the Group's capital started in 2004 and 2005 with the issuance of a total of USD750 million Subordinated Notes and was followed by two issuances of Innovative Tier 1 capital securities of USD200 million and RM1.2 billion in 2006. This has allowed the Group to pursue expansion of its business and balance sheet without burdening shareholders for more equity capital and at the same time had reduced the cost of capital and further enhanced the Group's return on equity.

Continuing share buy-back :

In 2007, Public Bank spent RM489.1 million to buy back a total of 52.1 million Public Bank shares. Including share buy-backs since 2003, the total Public Bank shares bought back as at the end of 2007 amounted to 176.3 million shares representing 5.0% of the issued and paid-up share capital of Public Bank.

High dividend payout :

Public Bank continued to pursue a high dividend payout policy in 2007 with the payment of an interim dividend of 25 sen less 27% tax and the proposed final and special dividends totaling 50 sen less 26% tax subject to the approval of shareholders. The total net dividends paid and payable for 2007 would amount to RM1,854.2 million which represents 87.3% of the Group's net profit attributable to equity holders of the Bank for 2007.

These key initiatives undertaken by the Public Bank Group on capital management over the past few years, coupled with the strong profitability growth had resulted in a significant improvement in the Group's net return on equity from 13.3% in 2003 to 26.3% in 2007. The enhancement of value to shareholders is reflected in the significant appreciation in the Public Bank's share price in addition to the high dividend yield. Since the beginning of 2003, Public Bank's share price had appreciated by 202.2% to RM11.00 per Public Bank (Local) share and its market capitalisation has more than tripled from RM10.97 billion to RM38.81 billion as at the end of 2007. In 2007 alone, Public Bank's share price rose by 41.9% and its market capitalisation grew by RM11.87 billion or 44.0%.

As at the end of 2007, Public Bank is the 2nd largest domestic lender in Malaysia and the 5th largest listed company on Bursa Securities in terms of market capitalisation. The market capitalisation of Public Bank relative to the largest listed company in Malaysia has also improved from 5 years ago. As at the beginning of 2003, Public Bank was the 8th largest company on Bursa Securities and its market capitalisation was 37.1% of that of the top ranked company then. As at the end of 2007, Public Bank's market capitalisation stood at 54.3% of that of Sime Darby, the largest listed company by market capitalisation in Malaysia in 2007.

As at the end of 2007, the Public Bank Group's risk-weighted capital ratio ("RWCR") remained strong at 13.6% compared to the banking system's RWCR of 13.2% and was well above the statutory requirement of 8.0%. Public Bank's core capital ratio and RWCR also remained strong at 11.1% and 13.3% respectively as at the end of 2007.

Basel II Capital Accord

With effect from 1 January 2008, the Public Bank Group has adopted the Standardised Approach for both credit risk and market risk and the Basic Indicator Approach for operational risk under the Basel II Capital Accord. This is expected to further improve the Public Bank Group's and Public Bank's risk-weighted capital ratios by approximately 0.4% and 0.6% to 14.0% and 13.9% respectively, whilst the core capital ratios of the Group and the Bank are expected to strengthen by about 0.3% and 0.5% to 9.4% and 11.6% respectively.

CREDIT RATINGS

Public Bank Berhad	Long Term	Short Term
RAM	AAA	P1
Moody's	A3	P-1
Standard & Poor's	A-	A-2

In May 2007, Rating Agency Malaysia ("RAM") reaffirmed Public Bank's long-term and short-term general bank ratings at AAA and P1 respectively. The AAA rating is the highest rating given by RAM and reflects Public Bank's strong position as one of the largest commercial banks in Malaysia that offers the highest safety for timely payment of financial obligations. The reaffirmation of the ratings was based on Public Bank's reputable franchise in the consumer and small-and medium-sized enterprises segment, consistently strong asset quality, commendable financial performance as well as robust capital management. Concurrently, RAM has also reaffirmed its rating of AA2 for the RM1.20 billion hybrid capital securities issued by Public Bank.

In December 2007, Moody's Investors Service reaffirmed Public Bank's long-term deposit rating of A3 and Bank Financial Strength Rating of C due to its strong domestic franchise and its sound financial fundamentals. Public Bank's short term deposit rating stands at P-1. In May 2007, Moody's upgraded its rating of Public Bank's USD750 million subordinated debt to A3 from Baa1. The USD200 million hybrid capital securities issued by Public Bank was concurrently upgraded to A3 from Ba2.

In July 2007, Standard & Poor's reaffirmed Public Bank's long-term credit rating of A- and short-term credit rating of A-2. Concurrently, Standard & Poor's upgraded Public Bank's outlook to Positive from Stable. Public Bank continues to be one of only two Malaysian banks with a single A rating by Standard & Poor's. The high credit ratings reflect Public Bank's strong domestic market position especially in the consumer and middle market segments, underpinned by good asset quality and strong income generation capability.

At a glance

Retail Operations	2007	2006	Increase/ (Decrease) %
Profit before tax (RM'mil)	2,307.8	1,893.0	21.9
Gross loans, advances and financing (RM'bil)	91.27	77.60	17.6
of which:			
Consumer			
- Residential properties	26.20	22.55	16.2
- Transport vehicles	21.77	19.67	10.7
SME	21.09	19.01	11.0
Net NPL ratio (%)	1.3	1.7	(23.5)

28.7% of the Group's retail loans portfolio. During the year, total approved residential property loans of RM7.0 billion accounted for 24.9% of total consumer loans approved and led to the growth in the Group's residential property loans portfolio by RM3.65 billion or 16.2%. The Group's growth in its residential property loans outpaced the industry's annual rate of growth of residential property loans of 7.4% as at November 2007, resulting in an increase in the Group's market share of the residential property loans sector to 13.9% as at November 2007 as compared to 13.1% as at the beginning of 2007.

Business Operations Review

RETAIL BANKING AND FINANCING OPERATIONS



The Public Bank Group maintained its core business strategy of robust and above industry rate of growth in the Group's retail banking and financing business in 2007. Lending to retail customers increased by 17.6% in 2007 to stand at RM91.27 billion. As at the end of 2007, loans to consumers accounted for 76.9% of the retail loans portfolio whilst loans to SMEs amounted to 23.1% of the retail loans portfolio.

CONSUMER CREDIT**Residential Property Financing**

The Public Bank Group's residential property financing remained a core lending business activity of the Group in 2007. Lending to the residential property sector stood at RM26.20 billion as at the end of 2007 and accounted for

The Public Bank Group's growth in its residential property financing business was mainly attributed to the aggressive marketing efforts of Public Bank's well distributed network of 241 branches and a strong sales force of nearly 300 sales and marketing executives.

In August 2007, the Public Bank Group introduced a new loan product called the HomeSave Package. This new residential property loan package links the residential property loan to the customer's current account, whereby the interest calculated on the residential property is based on the outstanding residential property loan less the balance in the current account. This HomeSave Package provides interest savings on the customer's residential property loan and flexibility in the customer's cashflow.

The Free Legal Documentation ("FLD") package under Public Bank's 5HOME ("Home Ownership Made Easy") Plan and MORE ("Mortgage Refinancing") Plan for completed properties in the primary and secondary market remains one of the most popular and competitive residential property loan package in the market. In 2007, 40% of Public Bank's residential property loans were approved under the FLD package.

To stay ahead in a very competitive residential property loan market, the Public Bank Group offered special end-financing packages to house purchasers with attractive pricing and features for 67 selected newly launched housing projects in 2007. During the year, the Group also participated in 13 property roadshows and exhibitions held nationwide.

In supporting the Government's initiatives to promote home ownership among low income earners, the Public Bank Group continued to fulfill its obligations to provide financing for residential properties under this priority sector for low cost properties costing RM60,000 and below for Peninsular Malaysia and RM72,000 and below for properties in East Malaysia. For the period from 1 January 2006 to 31 December 2007, the Group had committed to the financing of a total of 3,205 units of such low cost properties, more than that required of the Group by Bank Negara Malaysia.

Passenger Vehicle Financing

Another core retail lending business of the Public Bank Group is passenger vehicle hire purchase financing which accounts for 23.9% of the Group's retail loans portfolio as at the end of 2007.

In 2007, the Public Bank Group was the top passenger vehicle financier in Malaysia with a hire purchase financing portfolio of RM21.77 billion, achieving a growth of RM2.10 billion or 10.7% as compared to RM19.67 billion as at the end of 2006. The Group's growth was considerably higher than the industry annual rate of growth of 2.9% as at November 2007. Consequently, the Group's market share of the passenger vehicle hire purchase financing business increased to 23.2% as at November 2007 as compared to its 21.9% market share as at the beginning of 2007.

The strong volume growth in passenger vehicle hire purchase financing was partly the result of exclusive tie-ups with leading passenger vehicle distributors and dealers to offer special financing packages, as well as higher sales of passenger vehicles with the launch of new and replacement models during the year. In 2007, the Public Bank Group participated in and supported a total of

362 joint sales promotional activities of leading motor vehicle distributors and dealers throughout the country as part of the Group's strategy to expand its passenger vehicle hire purchase financing business.

The Public Bank Group also sought to improve the operational efficiency of its passenger vehicle hire purchase financing business and to improve customer service by centralising the hire purchase operations of a further 75 branches to form another 21 hire purchase centres during the year. The well trained and experienced managers and officers from these hire purchase centres are more focused on promoting the passenger vehicle hire purchase financing business and further cementing the relationship with motor vehicle distributors and dealers, in addition to providing value-added personalised services to passenger vehicle hire purchase financing customers, including motor insurance and road tax renewal.

With the Public Bank Group's aggressive marketing strategy supported by competitive pricing and efficient service delivery in fast turnaround time for approval and disbursement of passenger vehicle hire purchase loans, the Group is well positioned to grow its passenger vehicle hire purchase financing business.

Personal Consumer Loans

The personal consumer loans business of the Public Bank Group comprise the personal loans business to individuals of Public Finance Limited and Public Bank (Hong Kong) Limited in Hong Kong and the provision of personal financing under the Islamic Financing principle of Bai Al Einah ("BAE") in Malaysia.

The favourable economic climate prevailing in Hong Kong and the People's Republic of China ("PRC") has resulted in significant improvement in consumer confidence and benefited the personal consumer loans business of Public Finance Limited and Public Bank (Hong Kong) Limited. Despite the challenging and competitive operating environment in Hong Kong and the PRC, Public Bank's personal consumers loans recorded a growth of 40.2% to stand at HKD14.25 billion as at the end of 2007 as compared to HKD10.16 billion in the preceding year end.

Besides leveraging on the large network of 64 branches in Hong Kong and 2 branches in Shenzhen in the PRC, both Public Finance Limited and Public Bank (Hong Kong) Limited had mobilised a dedicated team of sales and marketing officers to aggressively promote and market their personal loan products to increase awareness of such products and improve take-up rates. Continuous

enhancement of existing personal loan product features and new initiatives such as customer-get-customer programmes, instant loan approvals at the Phone Application Centre and Centralised Telemarketing have been implemented to further grow the personal consumer financing business in Hong Kong and the PRC.

In Malaysia, the Public Bank Group's personal consumer loan business is driven by its BAE Personal Financing-i offerings. The BAE Personal Financing-i is offered primarily to staff of government agencies, quasi government corporations and cooperatives. In 2007, the Group continued to expand its BAE Personal Financing-i business by enlisting 31 new government and state agencies with an additional estimated 71,000 eligible employees. As at the end of 2007, the Group provides its BAE Personal Financing-i to a total of 148 government agencies, quasi government corporations and cooperatives with approximately 257,000 employees eligible for BAE Personal Financing-i. With the proactive enlistment of additional new agencies, the Group BAE Personal Financing-i portfolio increased significantly by RM547.8 million or 109.3% from RM501.2 million as at the end of 2006 to RM1,049.0 million as at the end of 2007.

In addition, the Public Bank Group also offer Plus BAE Personal Financing-i in the form of term financing to existing Al Bai Bithaman Ajil ("ABBA") house and term financing-i customers with healthy repayment track record as part of the Group's customer retention strategy. Customers who have repaid part of their ABBA house and term financing-i are offered the Plus BAE Personal Financing-i which is priced competitively. In 2007, a similar product known as the Plus Fixed Loan was offered to existing housing and fixed loan borrowers with similar product features. During the year, the Group approved a combined total of RM115.4 million of both Plus BAE Personal Financing-i and Plus Fixed Loans to existing customers.

Credit Cards

The Public Bank Group embarked on a new distribution model to expand its credit card base in 2007. Three direct sales companies and the agents of Public Bank's subsidiary, Public Mutual, were engaged to enhance the acquisition of credit cards in addition to the existing credit and debit card acquisition activities of the Group. This new initiative proved successful as the credit card base grew by 26.8% in 2007 as compared to 25.9% in 2006.

Complementing the above efforts were the continuous cross selling of credit cards to the existing customers of the Public Bank Group and the internal Staff Get Member campaigns where staff were rewarded with cash incentives for every principal credit card introduced. This initiative was also extended to Public Bank's credit cardholders via a Member Get Member campaign wherein existing cardmembers were also rewarded with cash incentives for bringing in a new member whilst the new member was rewarded with a welcome gift.

Card receivables increased by 24.2% to RM944.3 million whilst card sales grew by 31.7% to RM3.02 billion in 2007. This growth was supported by numerous usage programmes throughout the year focusing on festivals and events such as Chinese New Year, Mother's and Father's Day, Hari Raya, Christmas, the Malaysia Mega Sale and the MATTA Fair. The Public Bank Group also partnered major event organisers as the official partner, sponsor and acquiring bank for a number of exhibitions and fairs in 2007 such as the Malaysia International Wedding Expo, Malaysia International Jewellery & Gem Fair, HomeDec and Bookfest @ Malaysia 2007. The Public Bank Group was also the official credit card partner for the inaugural Malaysia Food Festival 2007. Public Bank credit cardmembers enjoyed special dining privileges and offers at over 100 participating merchants in the Malaysia Food Festival 2007.

On the acquiring front, merchant sales registered an impressive growth of 42.6% to RM4.74 billion in 2007. This was made possible by the aggressive promotion of the Public Bank Group's 3D e-Commerce and wireless terminals. The Group continues to be the main acquirer for well established merchant chains and large corporates such as Air Asia, American International Assurance, ExxonMobil, Malaysia Airlines, Popular Book Stores, Tune Money and Tune Hotels. To further expand the merchant acquiring business, the Group started the acquiring of China Union Pay card transactions in Malaysia in December 2007. Under this strategic collaboration, the holders of China Union Pay Co. Ltd's 1.3 billion debit and credit cards are now able to make payments at the Group's merchant outlets.

The commercial card business of the Public Bank Group also recorded strong growth with increased card sales of 36.9% to RM176.7 million in 2007. This was primarily attributed to existing users increasing card usage by including their related and associate companies and the recruitment of 56 new corporate users in 2007. The commercial card business in the form of corporate

procurement, travel and entertainment card usage is expected to gain even greater prominence as more companies and corporations become aware of its benefits.

In 2007, the Public Bank Group's credit card business was extended to Public Bank (Hong Kong) Limited and Cambodian Public Bank Limited.

Share Financing

The Public Bank Group's share trading and share margin financing business, PB Sharelink, recorded an increase of RM6.23 billion or 173.7% in share volume traded to RM9.81 billion in 2007 as compared to RM3.58 billion in 2006. This increase was partly attributed to the strong performance of the Malaysian stock market in 2007. The number of accounts and approved share loan limits grew by 29.5% and 37.7% to 17,408 and RM979.6 million respectively. Total gross brokerage and interest income amounted to RM48.9 million in 2007, an increase of RM24.5 million or 100.4% as compared to 2006.

In order to further expand its share trading and share margin financing business, Public Bank increased its panel of stockbroking companies from 11 to 13 and the number of share investment units in its branches to 32 in 2007. The Bank also enhanced the existing Share Trading System for faster service delivery to customers.

SME LENDING

As part of the core lending business of the Public Bank Group and in supporting the Government's on-going efforts to develop and strengthen small-and medium-sized enterprises as a key engine of domestic economic activities, the Group has continued to provide access to adequate and timely financial resources to SMEs for their working capital and business expansion needs. In 2007, the Group approved a total of RM11.6 billion of commercial loans to SMEs, a 65.7% increase over the RM7.0 billion approved in the previous year and accounted for 27.8% of the Group's total new loans approved of RM41.8 billion for 2007. With the higher volume of loans approved to SMEs, the Group's SME loan portfolio grew by 11.0% from RM19.01 billion in 2006 to RM21.09 billion in 2007. Loans to SMEs accounted for 23.1% of the Group's total retail loan portfolio as at the end of 2007.

The Public Bank Group's flagship commercial lending product, the SWIFT ("Shophouse, Warehouse, Industrial

Factory and Trade Financing") Plan continued to be the main driver of growth in SME financing. In 2007, a total of RM10.5 billion of loans were approved under the SWIFT Plan as compared to RM7.5 billion approved in the previous year.

Existing good fixed loan and overdraft SME customers get to enjoy the Utilisation Incentive Program, which offers preferential pricing for incremental utilisation of the facilities.

In line with the Government's efforts to develop micro financing and improve access to financing by small businesses and micro enterprises, the Public Bank Group introduced PBMicro Finance aimed at micro enterprises and small businesses for productive purposes such as working capital or for asset acquisition to increase the productivity of their operations. To promote the PBMicro Finance product, all branches of Public Bank have been actively identifying small businesses and micro enterprises in their locality for their marketing initiatives. During the year, the Group approved RM34.5 million of PBMicro Finance loans to micro enterprises.

Public Bank's Bumiputra Business Development Department has been actively supporting bumiputra entrepreneurs by increasing business development activities with bumiputra SMEs and micro enterprises. The activities of the Bumiputra Business Development Department include the following :

- Conducting market studies on targeted bumiputra segments to identify their financing needs.
- Developing competitive loan products to meet the needs of bumiputra entrepreneurs, including those which leverage on Credit Guarantee Corporation schemes such as the new "Credit Enhancer Scheme", the revised "Small Entrepreneur Guarantee Scheme", the revised "Flexi Guarantee Scheme" and Bank Negara Malaysia funding schemes such as the "New Entrepreneur Fund 2" and the "Fund for Small and Medium Industries 2".
- Establish liaison and rapport with Government agencies and corporations to explore new business opportunities for financing.
- Participate in seminars and exhibitions organised by Government agencies related to the development of bumiputra SMEs.

To facilitate SMEs to purchase or import materials for their production activities and to cater for the growth of SMEs in the export market, the Public Bank Group provides a full range of trade bills facilities geared towards meeting the financing needs of SMEs. In 2007, the Group's trade bills business grew by 21.2% or RM557.7 million from RM2.62 billion recorded in 2006. The ISO9001:2000 certification for Public Bank's Quality Management System in Loan Delivery was extended to the Bank's Trade Finance Centre in 2007. For the convenience of SMEs, the Group's enhanced e-banking service enables trade bills customers to perform online trade financing transactions such as applying for letters of credit and bank guarantees under the Public Bank Client Trade system.

In supporting export orientated customers, the Public Bank Group has promoted two trade financing facilities introduced by Bank Negara Malaysia, these being the Multi Currency Trade Financing and the Indirect Exporter Financing schemes with the objective of encouraging more SMEs to access the export markets, particularly in the non-traditional markets as well as trade with countries of the Organisation of Islamic Conference.

In addition to providing financing to SMEs, the Public Bank Group is also an active participant in major trade exhibitions and business events relating to the promotion and development of SMEs including training, seminar and dialogue sessions. The Group has also actively participated in trade exhibitions and seminars organised by bodies such as the Malaysia External Trade Development Corporation, the SMI Association of Malaysia, the National SMI Consultative Centre, and the Federation of Malaysian Manufacturers to build stronger business relationships with SMEs and to obtain better insights into the operations and financing requirements of these SMEs.

To further reach out to the SMEs and improve SMEs' knowledge of banking products and services, information on financing facilities and options, loan packages and other banking services are provided in Public Bank's website, www.pbebank.com. Through the website, SMEs can also submit their enquiries on financing and banking related matters or seek an appointment with the sales and marketing personnel of the Public Bank Group.

CUSTOMER DEPOSITS

The Public Bank Group continued to focus its efforts in attracting low cost savings and current account deposits by capitalising on its strong PB Brand, superior service delivery at the front office of its branches and the widening of its delivery channels. For 2007, the Group's domestic core customer deposits reported a higher growth rate of 18.9% as compared to the banking industry's annual growth rate of 10.5% as at November 2007, increasing the Group's domestic market share of customer deposits including wholesale deposits to 14.3%. The Group's

- Initiatives taken to increase deposits through product bundling and by offering attractive interest rates
- Close monitoring of existing customers upon maturity of their fixed deposits to prevent migration of these deposits to other banks

In the Public Bank Group's continued efforts to increase its market share in retail savings, current account and fixed deposits, Public Bank launched the PB Diamonds Dazzle U campaign for its deposit products. The PB Diamonds Dazzle U campaign, which ran from 1 May 2007 to 31 December 2007 offered up to RM2 million worth of

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Business Operations Review

WEALTH MANAGEMENT

domestic core customer deposits growth of RM13.68 billion in 2007 represented 22.6% of the industry growth in core customer deposits of RM60.40 billion.

In 2007, the Public Bank Group's fixed deposits expanded by 20.8%, savings deposits increased by 14.4% and demand deposits grew by 24.2% as compared to the banking industry's annual growth rate of 8.5%, 12.1% and 16.3% respectively as at November 2007. During the year, a total of 542,218 savings accounts, 70,953 current accounts and 129,480 fixed deposits accounts were opened. The Group's strong growth in fixed deposits, despite greater competition from other banks, was due to effective marketing activities by branches and business departments in Head Office such as:

- Direct marketing visits to high net-worth individuals, corporate and institutional customers

Lazare Diamonds as campaign prizes. A total of 288 prizes were given away to the winners under the campaign. The campaign attracted RM5.79 billion of deposits from both new and existing depositors. The number of deposit accounts increased by over 154,200 during the campaign period.

From 1 April 2007, Bank Negara Malaysia further liberalised the Foreign Exchange Administration ("FEA") rules to facilitate further development of the financial and capital markets and provide greater flexibility for businesses to actively manage financial risks. With the relaxation of the FEA rules, Public Bank launched a promotional campaign for the Bank's PB Foreign Currency Fixed Deposit Account ("FCY FD"). The campaign which ran from 16 April 2007 to 31 December 2007 offered additional interest rate of up to

1.0% p.a. above the FCY FD counter rates as well as preferential exchange rates to the customers of new FCY FD placements. The campaign increased the Bank's FCY FD deposits significantly from RM464.0 million as at 15 April 2007 to RM1,178.5 million as at the end of 2007, an increase of RM714.5 million. During the campaign period, the number of FCY FD accounts increased from 262 accounts to over 9,105 accounts as at the end of 2007.

In Hong Kong, Public Bank (Hong Kong) Limited intensified its efforts to increase its retail deposit base and launched two new deposit products with its Maxi-Wealth Savings Account and w-IN Current Account (Interest Bearing Current Account) in May 2007 and June 2007 respectively. In 2007, customer deposits of Public Bank (Hong Kong) Limited increased by 43.9% to HKD20.44 billion.

FUND MANAGEMENT

At a glance

Public Mutual Berhad	2007 RM million	2006 RM million	Increase/ (Decrease) %
Operating revenue*	437.3	244.5	78.9
Profit before tax	182.9	97.3	88.0
Total assets	525.3	432.7	21.4
Shareholders' funds	34.3	39.1	(12.3)

* After offsetting direct sales commission

Public Mutual Berhad ("Public Mutual"), the wholly-owned unit trust and fund management subsidiary of Public Bank, significantly outperformed the industry in 2007. Public Mutual's net asset value ("NAV") of assets under management ("AUM") grew by 75.4% or RM12.20 billion in 2007, exceeding the increase of 34.1% or RM4.12 billion in the previous year. The launch of a record number of new funds offering a wider range of investment themes and diversified portfolios led

Public Mutual's new unit trust funds to register total gross sales of RM13.12 billion compared with RM4.10 billion achieved in 2006. Coupled with strong fund performance, this raised Public Mutual's AUM to RM28.39 billion as at the end of 2007 from RM16.19 billion as at the beginning of the year. Public Mutual's market share of AUM of the private sector unit trust management business rose from 27.6% as at the beginning of 2006 to 40.0% as at the end of 2007. Public Mutual further improved its market share of equity funds to 51.7% as at the end of 2007 from 40.3% as at the end of 2006. In the Islamic funds market, Public Mutual also expanded its market share to 57.3% as at the end of 2007 from 51.0% as at the end of 2006, further strengthening its market leadership in these key unit trust fund sectors.

As the leading and most awarded fund management company in the Malaysian asset management industry, Public Mutual advocates a prudent investment approach and delivers consistent fund performance over the long-term to help investors achieve their investment goals. The expansion of Public Mutual's in-house fund management team in 2007 enabled Public Mutual to extend further its range of equity funds for investors. A total of 21 new unit trust funds were launched by Public Mutual in 2007, of which 16 were equity funds. All of these equity funds saw strong demand from investors, leading to increases to the initial approved fund size for 12 of these funds. Four of these funds, the Public China Select Fund, the Public Islamic Asia Dividend Fund, the Public China Ittikal Fund and the Public South-East Asia Select Fund, exceeded RM1 billion in fund size shortly after their launch, with the Public China Select Fund registering a fund size of RM1.70 billion while the Public Islamic Asia Dividend Fund reached a fund size of RM1.21 billion as at the end of 2007.

The sale of Public Mutual unit trust funds by Public Bank as an Institutional Unit Trust Agent, marketing a separate and dedicated PB-series of unit trust funds, also grew strongly with total sales of trust units growing by almost eight-fold in 2007 from the launch of 9 new unit trust funds. In 2007, over 66% of new sales of PB-series unit trust funds were in PB-series equity funds.

Number of Funds and Number of Fund Holders

	2002	2003	2004	2005	2006	2007
No. of Funds	15	18	19	26	34	55
NAV (RM billion)	5.80	8.23	9.88	12.08	16.19	28.39
Units in Circulation (billion)	11.32	14.77	16.91	23.59	32.70	68.70
No. of Account Holders (million)	0.51	0.54	0.57	0.73	0.90	1.66

With the strong sales of trust units and high number of new unit trust funds launched in 2007, the number of account holders of Public Mutual continued to grow, reaching 1.66 million as at the end of 2007.

In terms of fund performance, under the Malaysia equity sector, all the equity unit trust funds managed by Public Mutual outperformed the Kuala Lumpur Composite Index ("KLCI") with total returns ranging between 29.62% and 59.31% for 2007. In particular, the Public Aggressive Growth Fund and the PB Growth Fund outperformed significantly with returns of 53.79% and 59.31% respectively.

In the regional unit trust funds sector, Public Mutual's unit trust funds generally outperformed their respective benchmarks with robust returns ranging between 25.69% and 46.51%. Public Mutual's first foreign equity unit trust fund, the Public

Far-East Select Fund, chalked up a return of 46.51% for the year as the fund's portfolio capitalised on the strong uptrend in regional markets. The Public Regional Sector Fund, Public Far-East Dividend Fund and PB Asia Equity Fund also outperformed their respective benchmarks with returns of 39.84%, 32.49% and 36.59% respectively in 2007.

In the Malaysia Islamic equity unit trust fund sector, Public Mutual's unit trust funds achieved total returns ranging between 36.98% and 46.58% for 2007 with the PB Islamic Equity Fund outperforming its benchmark with a high return of 46.58%.

In the small cap unit trust funds sector, the Public SmallCap Fund achieved stellar returns of 65.34% while Public Islamic Opportunities Fund also outperformed with a return of 51.19% in 2007.

Public Mutual Berhad Award Winning Funds in 2007

Fund Awards Won			Total Awards
The Edge-Lipper Malaysia Fund Awards 2007	3 Year Category	1) Equity Malaysia: PB Growth Fund 2) Equity Malaysia Small & Mid Cap: Public SmallCap Fund 3) Equity Malaysia - Islamic: Public Ittikal Fund 4) Mixed Asset MYR Balanced: PB Balanced Fund 5) Bond MYR-Islamic: Public Islamic Bond Fund 6) Best Fund Group (Equity Group) for 3 Years	9
	5 Year Category	1) Equity Malaysia - Islamic: Public Ittikal Fund 2) Mixed Asset MYR Balanced: PB Balanced Fund 3) Bond MYR: Public Islamic Bond Fund	
The Star / Standard & Poor's Investment Fund Awards Malaysia 2007	1 Year Category	1) Asset Allocation Islamic Neutral: Public Islamic Balanced Fund	12
	3 Year Category	1) Equity Malaysia: PB Growth Fund 2) Smaller Companies Malaysia: Public SmallCap Fund 3) Islamic / Syariah: Public Ittikal Fund 4) Asset Allocation Malaysia Neutral: PB Balanced Fund 5) Fixed Income Islamic: Public Islamic Bond Fund 6) Best Performing Fund Management Group Award for 3 Years	
	5 Year Category	1) Equity Malaysia: Public Equity Fund 2) Islamic / Syariah: Public Ittikal Fund 3) Asset Allocation Malaysia Neutral: PB Balanced Fund 4) Fixed Income MYR: Public Bond Fund 5) Best Performing Fund Management Group Award for 5 Years	
Total of Best Performing Fund Awards			21

For the fourth consecutive year in 2007, Public Mutual received the highest number of fund performance awards among private unit trust management companies in Malaysia, by winning a total of 21 fund performance awards for 2006 with 9 Lipper Fund Awards and 12 Standard and Poor's Fund Awards in the various key fund categories including 3 group awards for overall best fund performance.

Public Mutual also received the "Best Fund Manager in Asia 2006" award from Failaka Advisors and the "Most Outstanding Islamic Fund Manager" award at the Kuala Lumpur Islamic Finance Forum Islamic Finance Awards 2007 in recognition of its consistent outstanding performance in the Islamic fund management industry.

As part of the Mutual Gold Service enhancement in 2007, high net worth investors who are Mutual Gold members enjoyed further benefits such as Free-For-Life Public Bank credit cards and special gifts with their Public Bank home loan packages. Investment seminars and financial planning talks continued to be held for such investors in major towns across the country as part of Public Mutual's investor education programme. A top notch priority client service, Mutual Gold Elite, offering additional rewards and privileges such as subsidised health screening packages, discounts on insurance plans, birthday surprises and year end celebratory gifts, was also introduced in 2007.

Public Mutual's proactive recruitment and agency support programmes accelerated the expansion of its agency distribution channel in 2006 and 2007, leading to a significant increase in the size of its agency force from 11,844 agents as at the beginning of 2006 to 29,947 agents as at the end of 2007. This growth in the number of Public Mutual agents was supported by the enhanced agency development and training initiatives including the introduction of several new agency training programmes during the year.

During the year, a further 4 branches of Public Mutual were installed with "hotspot" wireless broadband internet access which facilitates the use of the in-house developed Client &

Agency Management System software and Financial Planning Advisor software by the agency force, bringing the number of Public Mutual branches offering "hotspot" wireless broadband access services to 14 out of the 25 branches of Public Mutual nationwide.

Public Mutual has also embarked on the construction of a multi-storey corporate headquarters in Jalan Raja Chulan, on a piece of prime land in the central business district that was acquired for RM59.0 million. The new headquarters will be able to accommodate Public Mutual's rapidly expanding business as well as other future growth plans.

STRUCTURED INVESTMENT PRODUCTS

The financial planning industry has evolved rapidly in recent years as the demands of customers seeking wider investment options rises. To expand the range of investment choices offered to customers, Public Bank launched its first structured investment product called PB OrientExpress Investment. PB OrientExpress Investment is 100% principal protected at maturity with a minimum investment amount of RM250,000. The product offered a potential return of up to 11.0% for an investment tenure of 18 months. This was a Ringgit investment product linked to the performance of a portfolio of equities in China's selected growth industries in banking, telecommunication, energy and alternative energy. The Bank achieved total sales of RM263 million of PB Orient Express Investment, which far exceeded the initial fund size of RM100 million.

As the demand for alternative investment products increases, the Public Bank Group will continue to offer more innovative structured investment products to enhance the competitiveness of the Group's investment products. The Group's focus is to identify opportunities in the various asset classes and the best ways to profit from it, employing the best strategies and product vehicles. The structured investment product offerings will also further strengthen relationships with customers with a higher product holding ratio.

BANCASSURANCE

Growing competition has resulted in the thinning of interest margins in the commercial banking business and it is timely for the Public Bank Group to expand to other banking related business activities to bolster its core earnings. The Public Bank Group has entered into a 10-year exclusive bancassurance distribution agreement with the ING Group to provide life insurance and health insurance products and investment-linked insurance products to the customers of the Group in Malaysia and in Hong Kong.

Bancassurance is a strategy by which the Public Bank Group and ING Group cooperate in an integrated approach to provide a wider range of financial services. It is essentially a means for allowing the Group to increase the number of product holdings of customers by distributing traditional whole life insurance and investment-linked insurance products to its customers.

The bancassurance model encompassed the following distribution channels :

- a) Insurance Advisors ("IAs")
- b) Personal Financial Executives ("PFEs")
- c) Branch credit staff
- d) Telemarketing
- e) Work-site Marketing
- f) Web-based Selling

The IAs and PFEs will undergo training and selling skills conducted jointly by the Public Bank Group and ING Group which will prepare them to fulfill the licensing requirements of the Life Insurance Association of Malaysia and the Persatuan Insurans Am Malaysia in order for them to distribute the traditional life insurance and investment-linked insurance products. The branch credit staff will continue to sell the credit life protection to loan customers. The distribution via outsourced telemarketing will be based on referral by Public Bank. Going forward, the distribution channels can be extended to include work-site marketing to sell employee benefits and web-based selling for simple credit protection plans.

Insurance related products to be developed for distribution will be for the purpose of financial planning cum life and health protection. These products would be simple enough for the Public Bank Group's staff to sell and easy for customers to understand. To begin with, the Group will offer simple term, disability and critical illness products to allow the marketing staff to increase their comfort level with the products. A majority of bancassurance sales will be savings-related with a higher return than bank deposits with the customers still enjoying life and health protection.

From the Public Bank Group's perspective, bancassurance is attractive as the capital requirements of this distribution business model is low, resulting in higher return on equity to shareholders than traditional lending businesses. For the Group's customers, the bancassurance products will be able to meet their future financial needs and any cost savings will be potentially passed back to them in the form of more competitive insurance premiums and better benefits.

WEALTH MANAGEMENT CENTRES

Public Bank plans to set up wealth management centres in early 2008 at prime locations nationwide to develop a more extensive banking relationship with the Bank's high networth customers through personalised financial planning services to manage, preserve and enhance their wealth.

In addition to Public Bank's existing range of financial products, a full suite of wealth management products and services such as structured investment products, offshore investment products, special insurance packages, trustee and will writing services will be developed to meet the requirements of these high networth customers which cover the areas of investment planning, insurance planning, estate planning and retirement planning. Wealth relationship managers will be appointed to provide the personalised financial needs of these high networth customers at these wealth management centres. In the pilot stage, the Bank will set up 3 centres initially at its Mont Kiara, Bukit Damansara and KL City Main Office branches.

The Public Bank Group continues to offer competitive Cash Management Services ("CMS") solutions built upon the Group's up-to-date technology infrastructure to help the Group to meet both its corporate and retail customer service level expectations in an increasingly competitive business environment.

Through the Public Bank Group's CMS solutions, corporate customers can integrate their existing business process to manage payables and receivables effectively, by helping to eliminate time consuming administrative tasks. An integrated CMS also provides instant connectivity and enable real-time

To further cement the relationship with its customers, the Public Bank Group will continue to enhance the existing channels to help corporations receive payments more conveniently from their customers. This is reflected in the recent innovative tie-up with Air Asia, with the extension of a new collection channel to enable payments for Air Asia ticket reservations to be performed through Public Bank's extensive ATM network with real-time generation of confirmation reference numbers. This service is a first in the Malaysian banking industry.

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CASH MANAGEMENT SERVICES

access to consolidated information. Transactions are then conducted electronically in a secured manner.

In 2007, the number of companies subscribing to the bulk payment service known as Electronic Credit Payment ("ECP") increased by 124% as compared to 2006. ECP is a web-based fund disbursement service that enables the Public Bank Group's corporate customers to make bulk payments electronically. To complement the CMS solution offerings, Positive Pay service is available to corporate customers to enable online reconciliation of the cheques issued and protection from fraud by identifying discrepancies between cheque presented and those issued by these customers.

Public Bank continues to provide an internet payment gateway through the Financial Process Exchange ("FPX") platform which is supported by Malaysian Electronic Payment Systems to facilitate e-commerce transactions. The wide choice of payment channels will translate into faster cash inflow and additional liquidity for the Bank's corporate customers.

The diversification of collection channels has resulted in the Public Bank Group's CMS revenue increasing to RM37.5 million in 2007 as compared to RM32.5 million in 2006, representing a 15.4% increase.



TREASURY

The treasury operations of the Public Bank Group are focused primarily on the management of the excess liquidity of the Group, the sale and distribution of foreign exchange related products to meet the business requirements of its customers and the acceptance of deposits from corporate and institutional investors. The Group is also engaged in proprietary trading in the Malaysian capital market for debt securities through Public Bank and Public Investment Bank, while Public Bank (Hong Kong) Limited is engaged in limited proprietary trading in the foreign exchange market in Hong Kong.

RM24.52 billion, compared to outstanding obligations on securities sold under Repurchase Agreements of RM9.60 billion as at 31 December 2006.

For the Public Bank Group, demand for its foreign exchange related products and services continued to grow in 2007, spurred by the requirements of business entities for protection from the volatilities in foreign exchange markets and by further liberalisation of Foreign Exchange Administration rules by Bank Negara Malaysia. In 2007, the volume of commercial and retail foreign exchange transactions with customers grew by approximately 42% from that in 2006, while income earned from such activities

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CAPITAL MARKET OPERATIONS

Throughout 2007, Bank Negara Malaysia remained vigilant in maintaining Ringgit interest rate stability and regularly absorbed excess liquidity through direct borrowings from Principal Dealers and through Repurchase Agreements with banking institutions. As such, short-term Ringgit interest rates in the Malaysian wholesale deposit market traded close to the official Overnight Policy Rate which remained unchanged at 3.5% throughout 2007. Stability of this nature allowed Public Bank to manage its liquidity position with minimal market risk, and also provided opportunities for the Bank's treasury operations to expand further its corporate and institutional depositor base. In June 2007, the Bank introduced a new deposit product, the Public Money Market Deposit, which are short-term money market deposits similar to the acceptance of short-term deposits through Repurchase Agreements, except in an uncollateralised form. As at 31 December 2007, outstanding Public Money Market Deposits stood at

constituted the bulk of total foreign exchange income earned by the Public Bank Group in 2007. During this period, foreign exchange income earned by the Group amounted to RM176.9 million, which was an increase of 9.2% from the foreign exchange income earned in 2006. Public Bank's treasury operations also generated income by arbitraging between the swap and money markets, whenever opportunities presented themselves.

Despite the turmoil in global capital markets in 2007 as a result of the subprime mortgage crisis in the United States of America, the Public Bank Group was unaffected by this crisis as the Group had no exposure to subprime mortgage-backed securities. In the Malaysian bond market, Public Bank continued to provide market liquidity as a Principal Dealer for securities specified by Bank Negara Malaysia. In 2007, it accounted for approximately 5% of the overall trading volume in the secondary market for such securities.

CORPORATE LENDING

At a glance

	2007	2006	Increase/ (Decrease) %
Profit before tax (RM'mil)	105.2	35.8	193.9
Gross Loan, advances and financing (RM'bil)	10.14	6.77	49.8
Net NPL ratio (%)	0.4	0.5	(20.0)

Fuelled by strong demand for loans from mid-sized to large corporates, the Public Bank Group's corporate lending portfolio recorded a 49.8% growth to stand at RM10.14 billion as at the end of 2007.

The robust growth was primarily from lending to the agriculture, property, tourism and financial services sectors which had enjoyed strong growth in 2007. Various marketing strategies adopted during the year have proven to be effective. Public Bank added to its portfolio many new borrowers and at the same time continue to enjoy support from its existing borrowers.

While lending margin was squeezed by increased competition and liberalisation of the financial sector, other operating income has improved. Fee and commission income from corporate lending activities grew by 74.6% to RM32.3 million in 2007. This is due partly to the active role played by Public Bank in the private debt securities market, both as secondary market participant and as guarantor for private debt securities.

Notwithstanding the strong growth of Public Bank's corporate lending portfolio, the net NPL ratios has also improved to 0.4% as at the end of 2007 as compared to 0.5% as at the end of 2006. This is attributed to the Bank's stringent credit policy and proactive action taken by the Review and Rehabilitation Unit of the Bank's Corporate Banking Division. The total NPL recovery and net gain from sale of debt-converted securities amounted to RM60.5 million in 2007. As a result of the Public Bank Group's strong growth in corporate loans and good asset quality, profit before tax of the Group's corporate lending operations grew three fold to RM105.2 million in 2007.

INVESTMENT BANKING

At a glance

Public Investment Bank Berhad	2007	2006*	Increase/ (Decrease) %
Operating revenue (RM'mil)	254.3	172.9	47.0
Profit before tax (RM'mil)	96.4	35.2	173.9
Total assets (RM'mil)	5,442.6	4,372.8	24.5
Shareholders' funds (RM'mil)	290.7	218.8	32.9
Net NPL ratio (%)	–	3.6	(100.0)
Capital adequacy ratio (%)	24.9	28.1	(11.4)

* Includes the results of both the stockbroking and merchant banking businesses for the period prior to the merger on 18 December 2006.

Public Investment Bank Berhad (Public Investment Bank)

The investment banking operations of the Public Bank Group is undertaken by Public Investment Bank following the merger of the Group's merchant banking business carried on by Public Merchant Bank Berhad and its share broking subsidiary, PB Securities Sdn Bhd, on 18 December 2006. Public Investment Bank provides an extensive range of services from corporate advisory services, placement and underwriting of public securities to private debt securities, share broking and providing financing solutions to corporate clients through its extensive and innovative financing schemes and structured products.

In 2007, Public Investment Bank had successfully completed 76 corporate exercise mandates, including initial public offerings ("IPOs"), corporate restructuring exercises and had participated in a number of merger and acquisition exercises in varying roles, both as a main adviser as well as an independent adviser. Public Investment Bank maintained its market share of the share broking business by focusing on its retail business, further developing its institutional business and leveraging on the Public Bank Group's large branch network and retail customer base. Public Investment Bank has also been quick to adapt to changes in market conditions and focus its efforts to develop new areas of businesses that are tailored to meet increased customer expectations.

Public Investment Bank recorded operating revenue and profit before tax of RM254.3 million and RM96.4 million in 2007 respectively, a 47.0% and 173.9% improvement from 2006. This was achieved mainly on the back of Public Investment Bank's share broking and corporate finance and advisory operations. Public Investment Bank achieved a 152.6% increase in brokerage and commission income in 2007 as a result of the strong performance and higher trading volumes on Bursa Securities.

The competitive landscape and continued volatility and further liberalisation in the capital market is expected to further intensify competition. Although competition in the stock broking business will also remain intense, Public Investment Bank is well positioned to take on the challenges by leveraging on the Public Bank Group's existing and well established middle market business customers, which have the capacity and desire to access the capital market for either domestic equity or debt capital. At the same time, Public Investment Bank will continue with its existing focus on securing new mandates for IPOs and other corporate exercises.

ISLAMIC BANKING

The Public Bank Group's Islamic banking and financing business continued to show strong growth in 2007. The Group's Islamic banking assets as at 31 December 2007 stood at RM13.74 billion, an increase of RM3.52 billion from RM10.22 billion as at the end of 2006. The Islamic banking business of the Group registered a 9.9% increase in pre-tax profit from RM300.3 million in 2006 to RM330.0 million in 2007, with Islamic banking operations contributing 11.0% to the Group's pre-tax profit.

Savings Account-i ("WSA-i") of RM2.92 billion and Wadiah Current Account-i ("WCA-i") of RM1.77 billion accounted for approximately 46.2% of the Group's total Islamic deposits as at the end of 2007. The high proportion of lower cost funds of WSA-i and WCA-i also contributed to the Group's strong Islamic banking profitability.

The market share of Public Bank Group's Islamic financing and core deposits as at the end of 2007 stood at 12.5% and 7.0% of the Islamic banking sector financing and deposits respectively.



Business Operations Review

ISLAMIC BANKING

The Public Bank Group's Islamic financing portfolio expanded from RM9.19 billion as at the end of 2006 to RM11.01 billion as at the end of 2007, an increase of RM1.82 billion or 19.8%. Islamic financing constitute 10.9% of the Group's total loans, advances and financing. In 2007, Islamic financing continued to focus on its niche retail segment of Ijarah Thumma Al Bai ("AITAB") Hire Purchase-i, Bai Bithaman Ajil ("ABBA") and Bai Al Einah ("BAE") Personal Financing-i. A dedicated team of Islamic banking marketing managers and executives, which was enlarged from 26 in 2006 to 46 in 2007 contributed to the expansion of the Group's Islamic financing business.

In 2007, the Public Bank Group's Islamic deposits grew by 31.2% or RM2.41 billion from RM7.74 billion as at the end of 2006 to RM10.15 billion as at the end of 2007. Wadiah

The Islamic banking business of the Public Bank Group remained well capitalised with risk-weighted capital ratio and core capital ratio at 18.5% and 17.0% respectively.

In seeking a continued expansion of its Islamic banking business, the Public Bank Group will continue to focus on growing Islamic retail-based financing, particularly Islamic passenger vehicle, home and personal financing. The number of Islamic banking sales and marketing personnel is targeted to increase to 100 in 2008.

In support of Bank Negara Malaysia's effort in promoting greater awareness of Islamic banking to the public, the Public Bank Group participated in the inaugural Global Islamic Finance Forum ("GIFF") Exhibition in March 2007. The GIFF was hosted by Bank Negara Malaysia in conjunction with the Islamic Financial Services Board's 5th General Assembly and 10th Council Meeting.

As part of the Public Bank Group's continued development of its Islamic banking human capital, Public Bank sponsored 10 staff for the Chartered Islamic Finance Professional Programme conducted by the International Centre for Education in Islamic Finance.

For its 2006 Islamic banking and financing operations, the Public Bank Group allocated a higher zakat of RM150,000 compared with RM131,800 paid for 2005. The zakat was paid to zakat collection centres in eight states in Malaysia and two orphanages.

The Public Bank Group is now gearing itself for the migration of its Islamic banking business from a "window" operation to a full-fledged Islamic subsidiary, targeted for the first quarter of 2008. With the incorporation of its Islamic subsidiary, the Group is poised to undertake a wider range of products and services, including Islamic investment banking and Islamic asset management.

ROLE AND AUTHORITY OF SHARIAH COMMITTEE

The Shariah Committee's ("SC") main duty and responsibility is to advise the Public Bank Group on the operations of its Islamic banking business in order to ensure that it does not include any elements not permitted by Islam. The roles of the SC in monitoring the Group's Islamic banking activities include:-

- To advise the Board of Directors on Shariah matters in its Islamic business operations
- To endorse Shariah compliant manuals which specify the manner in which a submission or request for advice is to be made to the SC, the conduct of meetings of the SC and the manner of compliance with any Shariah decision
- To endorse Islamic banking products and services and validate relevant Islamic banking documentation to comply with Shariah principles
- To assist relevant parties such as legal advisors, auditors or consultants that require advice on Shariah matters
- To advise on matters to be referred to the Shariah Advisory Council of Bank Negara Malaysia
- To provide written Shariah opinions on Islamic banking matters where necessary

In compliance with Bank Negara Malaysia's Guidelines on the Governance of Shariah Committee for Islamic Financial Institutions (BNM/GPS1), the following Shariah scholars were re-appointed as the Public Bank Group's SC effective 1 April 2007 for a two-year term:

1. Professor Dato' Dr. Mahmood Zuhdi Bin Haji Ab Majid - Chairman
2. Associate Professor Mohd Ridzuan Bin Awang
3. Assistant Professor Dr. Mohd Afandi Bin Awang Hamat

Attendance at SC meetings in 2007:

Shariah Committee Members	Number of SC Meetings	
	Held	Attended
Professor Dato' Dr. Mahmood Zuhdi Bin Haji Ab Majid	7	7
Associate Professor Mohd Ridzuan Bin Awang	7	6
Assistant Professor Dr. Mohd Afandi Bin Awang Hamat	7	6

ZAKAT OBLIGATIONS

This represents business zakat payable by Public Bank to comply with the principles of Shariah. Zakat is calculated using the Profit and Loss method at a zakat rate of 2.5% and is based on the percentage of estimated Muslim individual shareholders.

	2007	2006	Increase/ (Decrease) %
Total overseas operations			
Operating revenue	RM1,101.6 mil	RM830.5 mil	32.6
Profit before tax	RM435.6 mil	RM331.0 mil	31.6
Profit before tax			
Public Financial Holdings Group	HKD785.1 mil	HKD596.1mil	31.7
Cambodian Public Bank Limited	USD24.0 mil	USD14.6 mil	64.4
VID Public Bank	USD4.2 mil	USD3.6 mil	16.7

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INTERNATIONAL OPERATIONS

Gross loans, advances and financing

Public Bank (Hong Kong) Limited	HKD15,464.5 mil	HKD10,225.7 mil	51.2
Public Finance Limited	HKD3,623.8 mil	HKD3,548.2 mil	2.1
Cambodian Public Bank Limited	USD363.0 mil	USD158.3 mil	129.3

Deposits from customers

Public Bank (Hong Kong) Limited	HKD20,437.6 mil	HKD14,201.2 mil	43.9
Public Finance Limited	HKD2,532.0 mil	HKD 2,373.2 mil	6.7
Cambodian Public Bank Limited	USD300.0 mil	USD189.0 mil	58.7

Net NPL ratio (%)

Public Bank (Hong Kong) Limited	0.3	0.4	(25.0)
Public Finance Limited	1.8	2.6	(30.8)
Cambodian Public Bank Limited	Nil	Nil	Nil

Risk-weighted capital ratio (%)

Public Bank (Hong Kong) Limited*	14.5	19.5	(25.6)
Public Finance Limited*	31.5	39.7	(20.7)
Cambodian Public Bank Limited	24.7	23.6	4.7

* presented in accordance with the Risk-Weighted Capital Adequacy Framework issued by Bank Negara Malaysia.

The Public Bank Group has presence in 5 overseas locations with branches in Hong Kong, Sri Lanka and Laos, subsidiaries in Hong Kong and Cambodia and a joint venture bank in Vietnam. The international operations of the Group contributed 14.5% of the Group's profit before tax for 2007.

The Public Bank Group's operations in Hong Kong had undertaken extensive brand-building initiatives since the beginning of 2006, and which intensified after the acquisition of Public Bank (Hong Kong) Limited, to create greater awareness and recognition of the PB Brand in Hong Kong. Advertisements in the print and electronic media, sponsorship of TV programmes and billboards on buses, trams, MTR stations and bus stops were some of the activities carried out to promote Public Bank (Hong Kong) Limited and Public Finance Limited as well as the PB Brand.

With the opening of 8 branches in Hong Kong and 1 branch in Shenzhen in the People's Republic of China ("PRC") in 2007, Public Bank (Hong Kong) Limited has expanded its branch network to 25 branches. The Public Bank Group will continue to pursue the expansion of its branch network in strategic locations in Hong Kong and Shenzhen in the PRC.

During the year, the active marketing of loans by the branches of Public Bank (Hong Kong) Limited as well as the newly formed sales and marketing teams contributed to the increase in mortgage loans and hire purchase loans by 47.1% to HKD4.34 billion and 27.7% to HKD2.30 billion respectively. The total loans of Public Bank (Hong Kong) Limited increased 51.2% to HKD15.46 billion in 2007.

Customer deposit growth of 43.9% to HKD20.44 billion was contributed by growth in fixed deposits, savings deposits and demand deposits. In 2007, Public Bank (Hong Kong) Limited launched 2 new deposit products with the Maxi-Wealth Savings Account and w-IN Current Account (Interest-Bearing Current Account) to increase low cost deposits. Fixed, savings and demand deposits increased by 41.7%, 17.2% and 18.2% respectively in 2007.

Public Finance Limited recorded a profit before tax of HKD469.7 million in 2007. Public Finance Limited's loans and advances stood at HKD3.62 billion while deposits stood at HKD2.53 billion as at 31 December 2007. Public Finance Limited undertook several customer acquisition and retention programmes for its personal loans business in 2007 such as Instant Loan Approval via Telephone, Young/New Customers programme, Personal Loan Customer Retention programme and the setting up of a Centralised Telemarketing team.

As a result of the expansion in retail banking activities and branch network of Public Bank (Hong Kong) Limited and Public Finance Limited, Public Financial Holdings Group recorded a 31.7% growth in pre-tax profit from HKD596.1 million in 2006 to HKD785.1 million in 2007.

Cambodian Public Bank Limited ("Campu Bank"), a wholly-owned subsidiary of Public Bank continued its impressive track record of strong business and profitability growth in 2007, recording a profit before tax of USD24.0 million, an increase of 64.4% over that of 2006. Loans and deposits of Campu Bank stood at USD363.0 million and USD300.0 million respectively as at the end of 2007, a growth of 129.3% and 58.7% respectively compared to 2006. Campu Bank further expanded its branch network with the opening of 4 new branches in 2007 bringing the total number of branches of Campu Bank to 9. The ATM network in Cambodia was further expanded with the installation of ATMs in all the 6 branches outside Phnom Penh City.

During the year, Campu Bank added passenger vehicle financing services to its range of loan products. The MasterCard merchant acquiring business and credit card issuance business in Cambodia was also launched during the year. The electronic Loans Delivery System of the Public Bank Group was implemented in Campu Bank to facilitate efficient transmission of loan applications electronically by branches to relevant approving authorities resulting in faster loan approvals and loan disbursements.

To capitalise on the untapped insurance industry in Cambodia, an insurance subsidiary called CampuBank Lonpac Insurance Plc was established in 2007 with Campu Bank and Public Bank holding 51% and 4% shareholdings respectively and LPI Capital Bhd holding the remaining 45% shareholding in CampuBank Lonpac Insurance Plc. Campubank Lonpac Insurance Plc commenced business in August 2007.

The Public Bank Group's joint venture bank in Vietnam, VID Public Bank, recorded a profit before tax of USD4.2 million for 2007, an increase of 16.7% as compared to 2006 while loans and deposits increased by 66.4% and 89.4% respectively. To further enhance and promote its banking services and presence in Vietnam, VID Public Bank launched its ATM service in 2007 in all its 6 branches.

In Laos, Public Bank will be opening 2 new branches in the 1st quarter of 2008, increasing the number of branches in Laos to 3. Public Bank is the first foreign bank in Laos to be allowed to open a branch outside the capital city, Vientiane, with its Savannakhet City branch.

Public Bank's Colombo Branch in Sri Lanka recorded a profit before tax of LKR69.6 million for 2007. Loans and advances grew 58.3% to LKR923.5 million while deposits grew 95.5% to LKR1,051.2 million in 2007.

CUSTOMER SERVICE EXCELLENCE

The Public Bank Group has long recognised the need to provide both value-added services and excellent customer service to remain competitive in the more liberalised banking environment. In addition to competitive pricing, the Group has continued to review and enhance its customer service initiatives in 2007 to further raise the bar of excellence in customer service.

The Public Bank Group's customer base has evolved over time with an increasing number of customers who are technologically savvy and are comfortable with automated

In 2007, the Public Bank Group invested RM5.4 million to upgrade and replace 150 Automated Teller Machines ("ATMs"), in addition to increasing the number of ATMs throughout its extensive branch network in the country to 421 ATMs as at the end of 2007. This is to cater for the increase in the Group's customer base as well as the increase in the volume of ATM transactions. The additional ATMs and the upgraded machines served to reduce waiting time and ensure continuous automated services to the Group's customers.

In addition to the purchase and upgrading of ATMs, the Public Bank Group had also invested over RM23 million in



Business Operations Review

SERVING THE CUSTOMER

banking services. To cater to customers' varied service preferences and needs, the Group has not only cultivated a strong service culture at the front line counters of its branches but has also invested heavily in electronic delivery channels that offer expedient and convenient banking services to its customers. The Group's self-service terminals, its PB Telebanking service and PBeBank.com Internet banking service are designed with the capacity and capability to meet customers' needs both during banking and non-banking hours from a location of the customers' choice. Apart from banking at the counters of the Group's branches, self-service machines at branches are provided to further shorten customer waiting time in addition to offering convenience and privacy for transactions.

2007 for the installation of 92 additional Cheque Deposit Machines ("CDM") and 166 additional Cash Deposit Terminals ("CDT"). As at the end of 2007, there were 309 CDMs at 156 branches and 231 CDTs at 143 branches of the Group, offering customers more convenient banking service.

In 2007, the Public Bank Group had also reviewed, enhanced and embarked on improving its account opening process with the aim of shortening the process and curbing incidences of identity theft. The Biometric MyKad Reader with Optical Fingerprint Scanner was successfully tested in a pilot branch. This device is able to automatically update the customer information contained in the MyKad chip to the Public Bank's account opening screen, thus shortening the processing time for opening of an account.

The Biometric MyKad Reader is also able to verify the customer's thumb print with the MyKad presented by the customer. As this device can verify, extract and store relevant customer information such as the customer's photograph and thumb print, the identification theft problem can be prevented. This ultimately provides greater security for Public Bank Group's customers and safeguards their interest.

LOAN SERVICE DELIVERY

The Public Bank Group's domestic loan delivery standard is driven by its ISO 9001:2000 certified Customer Service in Loan Delivery Programme. Under the ISO certification process requirement, Public Bank implemented standard operating procedures, continuous work process improvement and standard turnaround time ("STT") for loan approval and disbursement. This is enhanced by the Electronic Loans Delivery System ("eLDS") which facilitates straight through loans origination and approval processes. With the eLDS, the Group is able to achieve STT for loan approval for consumer loans of 1 to 3 working days and within 5 to 7 working days for commercial loans for over 90% of loan applications in 2007. The eLDS has also been extended to cover loans processing and approvals in Public Bank's Hong Kong branch and Campu Bank.

For loan documentation and disbursement, the processes are being monitored by the electronic Disbursement Tracking System ("e-DTS"). Under the e-DTS, the Public Bank Group has achieved STT of 30 days for disbursement of loans secured by unencumbered properties with individual titles, 55 days for encumbered properties with individual titles as well as unencumbered properties without individual titles and 70 days for encumbered properties without individual titles for more than 75% of loans disbursed in 2007.

CHANNEL MANAGEMENT

The Public Bank Group continues to optimise its self-service delivery channels by providing more value-added convenience to its customers through:

- Automatic Teller Machines ("ATM")
- Cheque Deposit Machines
- Cash Deposit Terminals
- TeleBanking via Interactive Voice Response
- Internet Banking

In 2007, the number of in-branch and off-branch ATMs were increased to 393 and 28 respectively. Further customer access and convenience was created through enabling regional links with Network for Electronic Transfer Singapore and China UnionPay for China for card holders to conduct cash withdrawals at the Group's ATMs.

The number of Cheque Deposit Machines and Cash Deposit Terminals at branches were further increased to 309 and 231 respectively in 2007. These self-service machines provide added convenience to customers to perform banking transactions, particularly repayment of loans, cash deposits, credit card payments and bill payments outside of banking hours.

The monthly average number of financial transactions performed through PBeBank.com, Public Bank's Internet Banking channel, increased by 55.4% over that of 2006 with total value of PBeBank.com monthly average financial transactions amounting to RM542 million as compared to RM285 million in 2006.

In 2007, the number of online share trading transactions under the PB Sharelink service increased by 356.3% as compared to 2006. This was supported by encouraging equity market sentiments as well as increasing customer confidence in using the Public Bank Group's online share trading services.

Banking transactions processed via the Public Bank Group's electronic channels constituted 67% of total banking transactions for 2007 as compared to 57% in 2006. With the on-going initiatives undertaken by Public Bank's Cash and Channel Management Services, the Group expects the percentage of the banking transactions performed via electronic channels to reach 85% by the end of 2008.

The Public Bank Group continued to invest significant resources in the Group's Information and Communication Technology ("ICT") infrastructure with strategic initiatives that focused on seeking greater operational effectiveness and the application of technology innovation to equip the Group with the capability to gain a competitive edge and meet its stringently high standards of service delivery.

In 2007, the Public Bank Group intensified its efforts to replace legacy systems with state of the art technology platforms. One major development is the initiation of the migration of the aging OS/2 Client Server branch delivery system to a Smart Client environment built on

roadmap has been drawn up to replace the legacy credit card system with one having greater capability and flexibility while ensuring that relevant existing functionalities are preserved.

The Electronic Loan Delivery System ("eLDS") has allowed the Public Bank Group to achieve faster turnaround for loan processing, and track various stages of the lending workflow for real-time credit risk assessment. Public Bank was awarded the Financial Insights Innovation Awards 2007 for Operational Processes for the implementation of its eLDS system.



Business Operations Review

INFORMATION AND COMMUNICATION TECHNOLOGY

Microsoft.NET technology. The entire revamp is expected to take three years.

New functions have been introduced to facilitate straight-through processing, such as centralised image processing of customer signature authorisation, integration of MyKAD readers for account opening identity authentication and online posting of cheques from cheque deposit machines. These capabilities enhance operational efficiency, data integrity and system security.

The Public Bank Group is also upgrading its legacy human resource system to a new web-based system which amongst its new capabilities empowers employees to handle many human resource related tasks directly and widen the Group's e-learning capacity considerably. A

With the greater adoption of web-based applications and increased transmission of data, voice and video over the communications network, bandwidth demands have begun to exceed tolerable performance thresholds. Work is underway to build a new network that offers higher performance, resilience and scalability. In this ambitious initiative, the Public Bank Group is collaborating with Telekom Malaysia to implement the advanced Metro Ethernet. Bandwidth for trunk highways is increased to at least 200 megabits per second ("Mbps") while branches' circuits are configured with 1 or 2 Mbps links. More powerful Cisco integrated service routers ("ISR") have been installed. These ISRs allow priority levels to be set for different applications in the network to ensure that delay-sensitive traffic receives the required bandwidth.

Convergence of data, voice and video traffic is also achieved. Metro Ethernet also provides the benefit of granularly scalable bandwidth upgrade through parameter settings instead of having to resort to time-consuming and costly commissioning of new circuits and new equipment.

The Public Bank Group also continued to invest substantially in enhancing its electronic banking delivery channels. A new mobile banking service was introduced in 2007 to provide customers an alternate channel to conduct banking transactions on the move. The system was developed using the J2ME midlet and WAP browser

which enables centralised management of all Windows PCs and servers. Together with other Microsoft management tools such as Short Messaging Service and Microsoft Operations Management and using the automation capabilities provided by these tools, the Group has achieved a high level of control over its large population of Windows PCs and servers, particularly in the areas of configuration management, software deployment, event management and activity and performance monitoring.

In assessing the long-term strategies for managing risks across the enterprise, the Public Bank Group has engaged



technology for mobile devices. The mobile banking system currently supports a variety of 3G and GPRS handphones and service functionalities include balance inquiry, fund transfers, bill payments, credit card payments and loan repayments. To better manage the fluctuating workload of the PBeBank.com internet banking system, the internet banking system servers were upgraded to higher capacity Sun Fire and IBM pSeries servers, with significant improvement in response time.

In order to administer, configure and manage the large and extensive installed base of Windows personal computers ("PCs") and servers, the Public Bank Group has adopted Microsoft Active Directory, an enterprise directory service

i-flex Consulting, a global leader in business and IT solutions for the financial services industry to provide expert advice on credit risk management and Basel II compliance. Public Bank has completed the necessary system modifications and conversion to comply with the Standardised Approach for Basel II and is embarking on an assessment of the Internal Rating Based Approach of Basel II. The ICT framework has also been expanded to support Financial Reporting Standard FRS139 issued by the Malaysian Accounting Standards Board.

As part of Public Bank's performance based reward structure, the Bank accords annual recognition of top-performing branches which have excelled in the various key areas of branch performance in the form of the Branch Performance Awards. These Branch Performance Awards, which come with substantial monetary prizes, also motivate and inspire branches to achieve superior business performance as well as higher productivity and efficiency.

To determine the winners of the Branch Performance Awards, each branch is assessed on very stringent criteria in the areas of business performance, loan asset quality, management of risks, efficiency of costs and productivity,

management whilst for customer service, branches are assessed on achievement of front-line and loan service delivery standards and channel management performance.

The Branch Performance Awards comprise 13 Special Awards, 6 Best Branch Awards and the prestigious Founder and Chairman's Award for the overall best branch for the year.

The winners of the Best Branch Awards for 2007 were as follows:

- Group 1 Jalan Raja Laut Branch
- Group 2 Sandakan Branch



Business Operations Review

BRANCH PERFORMANCE AWARDS

as well as customer service delivery. Each branch is rated against other branches within the same peer group determined according to branch size.

In the key areas of business performance, branches are assessed on specific measures in respect of profitability and performance of branches' retail loans, passenger vehicle hire purchase financing and Islamic banking businesses, deposits and sales of credit cards and unit trusts. These performance measures are based on achievement against management targets, growth rates and on a per staff basis. For cost efficiency and risk management, branches are assessed on credit risk management, branch internal controls and cost-income

- Group 3 Overseas Union Garden Branch
- Group 4 Sea Park Branch
- Group 5 Bentong Branch
- Group 6 Taman Sentosa, Klang Branch

For 2007, the Founder and Chairman's Award, which includes a cash prize of RM50,000 and a gold crafted challenge trophy went to Jalan Raja Laut Branch. A total of 78 awards with cash prizes of almost RM1.0 million were awarded to the winners of the Branch Performance Awards for 2007.

OUTLOOK FOR THE BANKING INDUSTRY

The performance of the banking industry is expected to remain healthy, despite the uncertainties in the global financial market. The banking industry's loan quality, underlying profitability, earnings profile and capitalisation are expected to further strengthen due to sustained growth and modest inflation in the domestic economy.

The industry's lending activity will continue to be driven by retail commercial lending to SMEs and lending to households. Lending to SMEs will be boosted by the

The asset quality of the banking system is expected to further improve due to the steady economic outlook, low and stable interest rates, low unemployment and strengthened risk management practices of the banking industry.

The competition, however, will continue to intensify due to strengthened domestic banking groups undergoing ownership and operational restructuring, the liberalisation of the operating environment for incumbent foreign controlled domestic banks, excess liquidity, rapid introduction of new products and services by industry players and the entry of

OUTLOOK FOR 2008



implementation of the projects under the 9th Malaysia Plan, the Government's deficit spending on infrastructure and high impact projects.

Lending to households, in particular for the purchase of residential properties and passenger vehicles, will remain steady. Measures such as the upward salary revision for civil servants and the flexibility for withdrawal of EPF funds, including monthly EPF contributions, for housing purposes will support household consumption.

Lending to corporates, however, is expected to remain subdued due to strong corporate liquidity and easy access to the capital market.

Deposits in the banking system are expected to grow strongly due to higher household disposable income and large surplus of the current account of the balance of payments.

three foreign Islamic banks. Because of the heightened competition, net interest margins will remain under pressure.

EXPECTATIONS AND OPPORTUNITIES

In view of the highly competitive landscape, domestic banks will continue to focus on building their capacity to compete not only against other banking institutions but also increasingly against non-bank financial institutions. Banks are also expected to intensify their efforts to innovate and introduce a wider range of new products and services and implement competitive pricing investment strategy.

Banks are expected to continue to promote fee-based activities. These include intensive efforts to promote sales of bancassurance and general insurance products, wealth management products and structured investment products.

On the liability side of the balance sheet, banks are expected to remain active in promoting both retail and wholesale deposits. To sustain their profitability performance, banks will continue to focus on improving cost efficiency and staff productivity. This effort is expected to result in banks improving their cost income ratios.

Because of the competitive pressure in the domestic market, some industry players will continue to assess the potential of expanding overseas, particularly in the Asean emerging economies.

The implementation of Basel II with effect from 1 January 2008 will result in improved risk management practices by banks in Malaysia.

The banking industry is expected to see further growth in Islamic banking and financing. More Islamic banking subsidiaries of domestic banks and several Islamic International Currency Business Units are expected to be established in 2008.

STRATEGIES AND DIRECTION

The Public Bank Group will continue to focus on its core business of consumer financing and retail commercial lending to mid-market SMEs. The Group will also continue to build its micro finance business. The Group will further intensify its efforts to promote lower cost customer deposits to sustain its low funding cost and mitigate the pressure on net interest margins. The Group will continue to mobilise wholesale deposits from corporates to enhance its net interest income.

The Public Bank Group is expected to accelerate the expansion of its fee-based activities, particularly in the sales of unit trust funds and fund management, sales of bancassurance and general insurance products, credit cards and structured investment products. The Group will ensure that its bancassurance strategic tie-up with ING Group to distribute ING Group life and health insurance products progress as planned.

The Public Bank Group will continue to focus on its Islamic banking business by offering a wider range of Islamic deposit and financing products. The Group is expected to establish its full-fledged Islamic banking subsidiary in the first quarter of 2008 and is considering to establish an Islamic International Currency Business Unit in the Islamic bank subsidiary.

In its overseas operation, the Public Bank Group will continue to intensify efforts to grow its loans in Hong Kong and the PRC, Cambodia, Laos and Vietnam by opening new branches and providing competitive products and services.

OUTLOOK FOR THE MALAYSIAN ECONOMY

The Malaysian economy is expected to remain strong in 2008, despite the increasingly challenging external environment due to high global oil prices, tighter global credit conditions and deceleration of the US economy. Malaysia's strong economic fundamentals such as high international reserves, large current account surplus and a strong Ringgit will cushion Malaysia from major setbacks from the external environment, whilst domestic inflation is expected to remain modest.

The Malaysian economy will be driven by domestic demand. Private consumption is expected to remain strong due to firm commodity prices, stable employment conditions and low interest rates. Private investment is expected to sustain because of high capacity utilisation and the implementation of the 9th Malaysia Plan projects.

The Government's anti-cyclical fiscal stance in 2008 is expected to further boost private investment and private consumption. Measures to improve the cost of doing business such as the progressive lowering of the corporate tax rate are expected to attract new foreign direct investments to Malaysia. The present accommodative monetary policy will also continue to support economic activity in 2008.



Caring for our Stakeholders

Our customers, employees, shareholders, community and nation are the apples of our eye. Beyond mere duty and service, Public Bank derives immense satisfaction from forging bonds that effect mutual growth and fulfilment. This is achieved through our unrelenting dedication in developing programmes that create a brighter future for all.

Corporate Social Responsibility (“CSR”) is often perceived or described as one or more of the following: corporate citizenship, ethical and transparent business values, environmental sustainability or corporate philanthropy. Increasingly, CSR is seen as the combination of all of these and with clear emphasis on the word “responsibility”.

In Bursa Securities’ CSR Framework, which is basically a set of guidelines for Malaysian public listed companies to help them in the practice of CSR, Corporate Social Responsibility is defined as “open and transparent business practices that are based on ethical values and respect for the community, employees, the environment,

- 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



CORPORATE SOCIAL RESPONSIBILITY

shareholders and other stakeholders. It is designed to deliver sustainable value to society at large.”

CSR can also be seen as the corporate version of the national agenda of the creation of a competitive nation, yet a moral, ethical, caring and economically just society.

The Public Bank Group has long subscribed to the notion of conducting its business in an economically, socially and environmentally sustainable manner and this is embodied in its long-held corporate philosophy that:

Public Bank Cares...

For its Customers

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

- 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

As a leading financial institution with its business deeply rooted in the community that it serves and whose multiple delivery channels extend to every part of the country, the Public Bank Group is clearly aware of its CSR obligations and remains fully committed to its CSR. The Group also subscribes fully to the notion that in the conduct of its

business and the delivery of its corporate and social responsibilities, the Group is creating value for all its stakeholders and enhancing the long-term sustainability of the Group.

With the rising trend towards socially responsible investment, where investment criteria have increasingly expanded beyond pure financial returns to encompass corporate behaviour and the impact of business on society and the environment, as well as the market's and consumers' growing demand for businesses to demonstrate greater CSR, there is clearly value for the Public Bank Group in meeting its corporate and social responsibilities to the fullest extent.

In respect of the CSR Triple Bottom Line's impact on the economy, people and the environment, the Public Bank Group has focused on specific key areas of :

- Nation building
- Enhancement of the market place
- Promotion of the work place
- Building the future through education
- Support of the community
- Greening the environment

CSR IN NATION BUILDING

As the second largest non-government-linked corporation, and the second largest bank in Malaysia by market capitalisation, Public Bank is an integral and vital part of the financial system of the country. Together with its unbroken 41-year profitability track record, Public Bank has fulfilled its role in helping to promote the stability and integrity of Malaysia's financial system. As a strong and stable financial system is a pre-requisite to a healthy economy, the Public Bank Group has played, and continues to play, a key role in the progress of the economic development of Malaysia and in contributing to nation building.

One of the core lending businesses of the Public Bank Group is the financing of home purchasers with over one quarter of the Group's total loan portfolio comprising residential mortgages. In 2007, 84% of residential mortgages approved were for the purchase of properties costing RM300,000 and below. Public Bank also consistently exceeds the minimum commitment levels for the financing of low-cost housing required by Bank Negara Malaysia, with the Bank's commitment to financing low-cost housing for 2006 and 2007 exceeding 3,200 units of such low-cost houses. One of the Group's core business is

therefore also helping Malaysians, particularly the average man in the street and low-income families, in owning their own homes and generally promoting the level of home ownership in the country.

The launch of PB MicroFinance by Public Bank in 2007 and the proactive identification of micro enterprises which can benefit from access to financing is also helping small businesses and micro enterprises to expand, which in the medium to longer term will benefit the country through higher tax revenues and the creation of employment opportunities for Malaysians.

The strong and rising profitability of the Public Bank Group mean that the Group has been a significant contributor to the fiscal revenue of the country. With total tax payments made of RM 2.45 billion since the end of 2002, Public Bank has contributed significantly to the financial well-being and development of Malaysia.

More directly, Public Bank participated in the Perdana Leadership Foundation's research programme with the setting up of the Tan Sri Dato' Sri Dr. Teh Hong Piow Resident Fellowship Programme. A research grant of RM80,000 was committed by the Bank under this Resident Fellowship Programme for university faculties or scholars to pursue research interest in Malaysia's history and rich intellectual heritage and publication of such research findings by the Perdana Leadership Foundation to promote global understanding and peaceful resolution of conflicts.

CSR IN THE MARKET PLACE

The Public Bank Group's excellent corporate governance track record, recognised by the Minority Shareholder Watchdog Group, together with the Nottingham University Business School, in ranking Public Bank No.1 for corporate governance for the third consecutive year in their Corporate Governance Survey Report 2007 covering a total of the top 500 companies listed on Bursa Securities, attests to Public Bank as a standard bearer of corporate governance excellence in Malaysia. This position continues to be reaffirmed by Malaysian Business awarding its Corporate Governance Award 2006 to Public Bank, this being the fifth consecutive year that this award was given to Public Bank. Being a key player in the financial services sector of the economy, where public trust is vital, Public Bank with its excellent corporate governance and the high level of transparency which comes with it, is contributing to the stability and integrity of the financial system and the market place.



The creation and proactive management of a culture of integrity, ethical behaviour and honesty that is pervasive throughout the organisation as well as a zero tolerance of fraud and unethical conduct mean that the way in which the Public Bank Group behaves in making its profits is just as important as the profits that it makes.

The high level of engagement of shareholders and investors through the various channels of communications such as the general meetings of shareholders, investor relations activities, regular financial results briefings of the investor community and the media ensures that the Public Bank Group remains at the forefront of the investing market place in meeting expectations of investors, thereby contributing to the promotion of investments, including foreign investment in Malaysia, and the development of the capital markets of Malaysia.

Another key area in the development of the market place is the Public Bank Group's contribution to a broad spectrum of professional development activities which will benefit the market place in the long-term. Public Bank, in collaboration with the Malaysian Institute of Management, launched the "MIM-Public Bank Manager of the Year" award programme to recognise exemplary managers and to promote the development of managerial excellence in the country, with Public Bank committed to a total funding of RM300,000 for five years of this programme.

Public Bank continued to support the National Award for Management Accounting ("NAfMA") jointly organised by the Malaysian Institute of Accountants and the Chartered Institute of Management Accountants Malaysia Division as the main sponsor of the NAfMA 2007, with a RM50,000 contribution for the fourth consecutive year. Public Bank was also the main sponsor of the Universiti Tunku Abdul Rahman Investment Game 2007 for the second year and also sponsored the inaugural Tun Abdul Razak Lecture organised by the Yayasan Tun Abdul Razak, where Tun Musa Hitam, former Deputy Prime Minister, gave a lecture on "Recipe for National Unity in a Changing World".



At the beginning of 2007, the heavy flooding of many parts of the country affected both businesses and households alike. The Public Bank Group participated actively in relief efforts particularly in helping businesses get back on their feet after the adverse effects of flooding by channeling low-cost financing to these businesses. Public Bank approved a total of RM92.4 million of loans under the Special Relief Guarantee Facility to flood-affected businesses, accounting for one fifth of such special relief facilities approved for flood-affected businesses by the banking industry. Public Bank, together with Lonpac Insurance Berhad, also paid out a total of RM1.5 million special relief payments to residential mortgage customers of Public Bank for flood damage to their houses although their house insurance policies did not cover flood damage, thereby providing relief to the Group's customers in their time of need.

CSR IN THE WORK PLACE

The Public Bank Group, which has over 14,100 employees spread across Malaysia and in its regional operations, underpins its philosophy of caring for its employees by:

- Providing a fair and equitable remuneration to employees
- Providing growth and progression opportunities for employees
- Providing a safe, secure, healthy and conducive work environment
- Ensuring that employees' well-being are well taken care of

The activities and initiatives undertaken to put into practice the Group's philosophy of caring for its employees and effectively discharging its corporate social responsibilities in the work place cover the areas of human capital development, employee engagement, health and safety, labour rights and quality of life.

The Public Bank Group invests substantial resources in the development and training of employees to enhance their skills and competencies. With a purpose-built, dedicated

Knowledge and Learning Centre located in Bangi which is staffed by 21 full time trainers and Public Bank's policy of mandatory training for all levels of staff, over 2,100 man-days of classroom courses were conducted in 2007. The training serves to enhance the skills and competency of its workforce to enable employees to properly discharge their duties as well as prepare employees for progression along the structured career path that the Group offers to all employees. Promotion of employees from within the Group has always been a priority of the Group to accord upward opportunities to performing employees. As at the end of 2007, more than 90% of the Group's managerial staff are appointed from within. In addition, to promote the professional development of employees, the Group sponsors staff for various relevant certification programmes and provides incentives to staff to pursue related qualifications.

To promote employee engagement, twice-yearly management seminars involving 1,500 managerial and marketing employees, including those from the Public Bank Group's international operations, are held. With significant levels of input from employees, these management seminars provide opportunities for employee involvement in the business direction of the Group as well as aligning employees' delivery expectations with the goals and strategies of the Group. In addition, by continuing to uphold a high level of transparency and adherence to high ethical standards, the Group continues to instill in its employees the core values of the organisation as a trusted financial institution.

Long service with the Public Bank Group is recognised tangibly with long-service gold medallions which were awarded to 1,944 employees in 2007 with a total value of RM1.4 million. At the other end of the service scale, the Group's graduate employment initiatives provide the opportunity for young people just embarking on their career to develop it with an award-winning and progressive yet stable banking group. This starts with the partnership with institutions of higher learning to provide employment to graduating students and participation in these institutions' career fairs, which in 2007 contributed to the recruitment of 428 fresh graduates by the Group.



Public Bank adopts a proactive role to promote a safe and healthy working environment for all its employees. The formulation and enforcement of the Bank's Safety and Health Policy ensure that all employees are aware of their roles and responsibilities in respect of the safety and health aspects of the work place. 81 Safety and Health Committees, comprising representatives of management and employees, based throughout the nationwide branch network and in Head Office, meet quarterly to review safety and health matters. To promote a healthy lifestyle for employees through exercise and sporting activities, the Bank organises various sporting competitions amongst employees of the Bank. All employees are encouraged to undergo a biannual medical check at a Bank panel clinic or hospital to facilitate early detection of effects of an unhealthy lifestyle or any serious illness. The Bank also regularly liaises with health service providers to organise health talks and forums for staff of the Bank.

The promotion of labour rights by the Public Bank Group involves the employment of staff under fair and equitable terms with an equal opportunity for career advancement based on merit. Employee remuneration and benefits packages are monitored constantly and regularly reviewed to ensure they remain competitive in the labour market. A well established and highly quantitative performance appraisal system, which is highly transparent to employees, provides the basis for both a performance-related remuneration structure and career progression path that reflects the performance of employees. Public Bank also adheres closely to the Code of Conduct for Industrial Harmony to promote a harmonious labour environment and adopts an open door policy where employees are provided with access to appropriate channels of communication for feedback and grievances.



The Public Bank Group continues to enhance the quality of life of its employees. The 41-year unbroken track record of profitability and strong financial performance provide the backdrop to long-term, stable employment for employees who choose the Public Bank Group. With competitive remuneration packages and employees well-being looked after through attractive benefits such as medical coverage for the employee and immediate family members, personal accident and group term life insurance coverage which in 2007, Public Bank paid out a total of RM3.5 million to families of staff under such insurance coverage. Together with other benefits including the provision of low-interest loans for housing and purchase of cars as well as other forms of financial assistance, the Group seeks to provide a high and sustainable quality of life to its employees.

The Public Bank Group as a caring employer is also manifested in its assistance of employees of the Group who were affected by the widespread flooding of the country in early 2007 with direct monetary aid totaling RM95,000 as well as deferment of loan repayment commitments, whilst the Public Bank Group Sports Club chipped in with its donation drive which raised another RM48,000 for the flood-affected staff.

The Public Bank Group strongly believes that it is its people who will define the Group. It has therefore, right at the onset, sought to create a conducive and caring environment for its employees and be their 'Employer of Choice'.



BUILDING THE FUTURE THROUGH EDUCATION

The Public Bank Group continues to build the foundation for the nation's future with the Group's initiatives in working with and supporting school and university students and their activities. In the past, such initiatives were focused on rewarding students with high academic achievements through the Public Bank Hadiah Bistari programme or

promoting the savings habit amongst school children by working with schools on the branch school adoption program to educate school children on the values of saving for the future.

In 2007, the Public Bank Group continued with its support of the education of the nation's youth with more direct initiatives.

Public Bank contributed RM2.0 million to the setting up of the 'UTAR - Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund' and RM1.5 million to set up the 'TARC - Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund' to support Malaysian youths who have the capacity and intellect but lack the means to pursue a higher education. Both Student Loan Funds will provide financial assistance to those who are able to gain entry to Universiti TAR and TAR College but lack the financial means or support to pursue their higher education aspirations.

The Public Bank Group continues to offer practical training to university undergraduates with paid attachment as trainees to provide practical work experience to 19 undergraduates.

In 2007, the Public Bank Group also contributed RM100,000 to the Yayasan Nanyang Press to assist schools affected by flooding to rebuild and replace affected equipment and teaching aids destroyed or damaged by the floods.



CSR IN THE COMMUNITY

As part of fulfilling its corporate social responsibilities, the Public Bank Group has also sought to give back to the community that it operates in with its efforts and initiatives in the areas of healthcare and healthy living, youth and sporting activities and support of the underprivileged.

Healthcare and Healthy Living

The Public Bank Group contributed RM100,000 to the Institut Jantung Negara for the support of heart patients requiring treatment but lack the financial resources for such treatment. Public Mutual Fund also donated nearly RM200,000 each to the Majlis Kanser Nasional ("MAKNA") and the Malaysian Medical Relief Society ("MERCY") in support of their core activities of providing medical care to the needy.

Besides financial support, the Public Bank Group also organises activities and participates in events promoting a healthy lifestyle. Public Bank and the National Blood Centre jointly organised a blood donation clinic in 2007, which has been a yearly feature of the Bank's calendar since 1994, where over 200 staff and customers donated blood.

Public Bank also contributed RM15,000 to support the Malay Mail Big Walk 2007 with the theme of "If They Can Walk, Why Can't You", an event that promotes a healthy lifestyle. Public Bank also supported the Kuala Lumpur Fire Services and Rescue Department in its "Larian Bersama Bomba 2007".



Youth and Sporting Activities

The Public Bank Group's contribution to the community in support of activities geared towards younger Malaysians ranged from financial contributions of RM50,000 to assist the Girl Guides Association of Malaysia in hosting the World Association of Girl Guides and Girl Scouts 9th Asia Pacific Regional Conference, a RM50,000 contribution to the Kuantan Open Hockey Tournament as well as RM20,000 for the Pahang Cycling Association's Y.A.M. Tengku Mahkota Pahang Cup Cycling Competition 2007.

Other sporting events or activities supported by Public Bank included contributions to the Royal Malaysian Police Sports Council's participation in the World Police and Fire Games in Australia, the Jabatan Akauntan Negara Malaysia's annual "Pesta Sukan JANM 2007" and futsal tournaments organised by The Star Publications and The New Straits Times Press for their staff and family.



Support of the Underprivileged

The Public Bank Group continued to support the underprivileged within the community with both direct financial contributions as well as organisation of festival celebrations for the underprivileged.

Proceeds from the sale of the book, "Teh Hong Piow - A Banking Thoroughbred", a chronicle of the banking journey of the Founder and Chairman of Public Bank and his achievements will be donated to various charities to be identified in the coming year.

Public Bank contributed food hampers and "ang pows" amounting to RM100,000 to over 500 senior citizens and physically-challenged youths in the Klang Valley, in partnership with the Ministry of Women, Family and Community Development, in conjunction with Chinese New Year in 2007. Public Bank also contributed RM75,000 to host a 'RayaVali' celebration for children from four orphanages where over 200 orphans were given hampers and "duit raya", in addition to the experience of the festivities in a leading hotel.





Public Bank also sponsored the production of a special Chinese New Year programme entitled “Jalinan Kasih” or “Extending Compassion” by RTM in the promotion of a more caring society. In total, the Bank contributed RM23,000 for the production of the programme as well as a festive celebration for senior citizens at the Tiam Yam Toh Teng Old Folks Home, where the RTM programme was filmed.

Public Mutual Fund also donated RM128,000 and RM73,000 to the Pusat Penjagaan Kanak-Kanak Cacat Taman Megah and the Majlis Kebajikan Kanak-Kanak Malaysia respectively.

The Kuala Lumpur Traffic Police Club and the Persatuan Keluarga Polis Campbell also received contributions of RM50,000 and RM20,000 respectively from Public Bank to support their activities and welfare. Public Bank also donated RM5,000 to the widows of two traffic policemen killed whilst on official escort duties.



ENVIRONMENTAL CSR

In the global community that is reminded daily of the devastation and havoc wreaked by environmental changes and global warming, there is an urgent need for everyone to address the issue of the sustainability of the environment. The Government has made commendable efforts to check uncontrolled development and degradation of the environment resulting from economic development.

The Public Bank Group, in its role as a long-term partner with the Government in nation building is mindful of its role in sustaining and improving the environment as its responsibility to the future generations of Malaysians and the citizens of the world. By playing its part in both promoting environmental awareness and in the conservation of the environment, as well as direct participation in climate change initiatives, the Group actively seeks to play its part in environmental CSR.



“Public Bank Tree Planting – Climate Change Programme”

Deforestation and unchecked development contribute directly to global warming, with the attendant climatic changes and resultant devastation and havoc wreaked globally, posing a formidable threat to the sustainability of the ecosystem. The Public Bank Group, together with its partners, the Malaysian Nature Society (“MNS”) and the Ministry of Natural Resources and Environment, has embarked on a two-year tree planting project that will have a long-lasting effect on the environment. The Group has also been a long-term partner with the MNS in a number of environmental initiatives and has supported the activities of the MNS.

The Public Bank Group will work with the MNS to develop a unique tree planting project involving the planting of 20,000 trees on a 45-acre site owned by the Drainage and Irrigation Department. Called the Kolam Takungan Banjir Seri Johor in Cheras, Kuala Lumpur, the site is a flood retention pond which forms part of the Kuala Lumpur city flood management system.



The planting of suitable species of indigenous trees and employment of appropriate planting techniques will significantly enhance the flood retention capabilities of the Kolam Takungan Banjir Seri Johor site. This will reduce water run-off and erosion, whilst in the long run, the 20,000 mature trees would have an annual carbon absorption capacity equivalent to 450,000 kilograms of environmentally harmful carbon dioxide emissions.



The Public Bank Group's contribution to this greening initiative amounted to RM1 million covering for the initial cost of planting 20,000 trees over a two-year period, and a commitment to subsequent maintenance of the trees in collaboration with the local authorities, with the assistance of the MNS.

This tree planting initiative is also aimed at raising awareness of the community about the effects of carbon emissions and to promote planting and appreciation of trees as a way of life. This tree planting project will also provide the staff of the Public Bank Group with the opportunity to take a proactive stance on greening the environment and promote long-term sustainability of the environment.

ANNUAL CORPORATE GIFTS PROMOTING THE NATURAL HABITAT

The Public Bank Group continued with its tradition of promoting environmental conservation with its annual corporate gifts. The Group's corporate calendar, desktop calendars and diaries continued to adopt an environmental theme and for 2008, the Group featured various endangered habitats of Malaysia via its partnership with Tourism Malaysia to further increase the awareness of Malaysia's national treasures and to promote the pressing need for their preservation.



Public Bank Q3 net up 25pc

Higher interest income, Islamic

PBB's first syariah regional fund

PETALING JAYA: Public Bank Bhd will tomorrow launch its first syariah-compliant regional sector fund, the PB Islamic Asia Strategic Sector Fund.

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ket sectors, which include basic
commu-

use while over
EPFR units were
in July 10, chief
Kim Hong said
today.
I more than

Public Bank set to sustain record

It plans to go big in China

By ELAINE ANG
elaine.ang@theedg.com.my

PUBLIC Bank Bhd (PBB) has the
reputation of being one of the most
conservative banks of the invest-
ment industry - shunning out wild

Group pre-tax profit (RM mil)	2007
Q3 2007	1,819.0
Q3 2006	1,452.0
Q3 2005	1,477.0
Q3 2004	1,477.0
Q3 2003	1,477.0
Q3 2002	1,477.0
Q3 2001	1,477.0
Q3 2000	1,477.0
Q3 1999	1,477.0
Q3 1998	1,477.0
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Q3 1646	1,477.0
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Q3 1641	1,477.0
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Q3 1618	1,477.0
Q3 1617	1,477.0

Public Bank posts record profit of RM1.7b

PROFIT UNDERPINNED BY HIGHER NET INTEREST INCOME & INCOME FROM ISLAMIC BANKING OPERATIONS



Recipients get more time to repay loan

"Total assets expanded at RM1.678 billion three times that of the RM45.5 billion at end of the current year."



Lessons from top notch companies

Cambodian award for Teh

PUBLIC Bank founder and chairman cum Campus Bank managing director Tan Sri Teh Hong Poh recently received an award from the National Bank of Cambodia, in appreciation of his contributions to the banking industry there for the past 15 years.

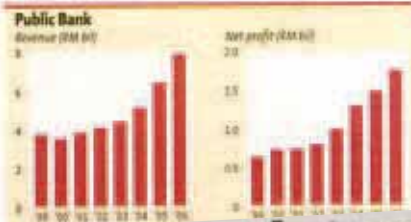


Investors well protected

Shareholders must be transparent



Darling stock among investors



Public Bank targets RM12b in small loans

RM5.6b approved for SMEs and micro financing

KUALA LUMPUR: Public Bank Ltd (PBL) is confident of doubling its small business portfolio (SMB) and micro-finance portfolio (MFI) by 2010, says Managing Director Datuk Seri Tan Sri Lee Kah. He said the bank would be an "easily achievable target" given a strong government support (MFI) and positive bank development policy (SMB).

"This will be an easily achievable target"

DATUK SERI TAN SRI LEE KAH



PB's pre-tax profit up 24% to RM2.18b for first nine months

Make developers think green, banks urged



KUALA LUMPUR: Banks have been urged to include the environment as a criterion when evaluating loan applications from the private sector. In making the call, Natural Resources and Environment Minister Tan Sri Ahmad Zahid said developers would then have to make sure that their projects do not have an adverse impact on the environment. He said such a move would help the country deal with climate change and global warming. The banking industry can contribute to the movement by doing this. Every citizen should do his or her part in making the world a better place. And that's what the Public Bank tree-planting campaign is all about.



Lessons from top notch companies

Local firms learn from top notch companies

Public Bank wins three award

Public Bank bags 3 top awards from FinanceAsia

By Jovana An

Public Bank in Cambodia tie-up



Bank gives RM3.5m to student loan funds



Analysts believe Public Bank can deliver higher



A STRONG CULTURE DRIVES PERFORMANCE

Culture can only be built over time through consistent and true commitment of the employees to an organisation's beliefs and values. A strong culture can be a powerful tool in aligning and driving an organisation's goals and objectives. It is a fact that the Public Bank Group has a strong culture which has helped drive its performance over the years.

The Public Bank Group's strong culture has been spearheaded by its Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow from the onset. It is built on the premise of the Group's 4 beliefs.

To ensure that customer service excellence is inculcated nationwide, Public Bank had since 2001 been ISO certified by SIRIM on its frontline and loan service delivery. Various cross functional working groups in Head Office chaired by senior management meet regularly to delve into issues pertaining to customer service, work and process improvement and business development. Human Resource Division representatives form an integral part of these work groups to keep up-to-date with the required business profile and identify the necessary competencies for staff alignment.

Public Bank's training curriculum is developed with the aim of motivating and inspiring employees to become informed brand ambassadors and help them establish a strong

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HUMAN RESOURCE DEVELOPMENT

Belief 1: Putting Customers First

The Public Bank Group firmly believes that excellent customer service is the cornerstone for sustaining increasing profitability through long-term relationships with customers.

As such, the Group's very first belief is **Putting Customers First** in every aspect of the Group's business to deliver the PB Brand. Staff are consistently trained to imbibe the appropriate skills set necessary to uphold the Group's service standards and be its brand ambassadors.

As an example, new clerical recruits are equipped with wholesome technical knowledge and soft skills via a blended training approach through:

- e-Induction
- e-Introduction to Banking Operations for New Clerks
- Integrated Approach to Frontline Operations

connection between the PB Brand and their daily activities. Training aids such as handbooks on customer service, loan service delivery and sales kits are produced and provided to staff for reference to reinforce customer service excellence.

Public Bank has been investing significant management and financial resources to develop the appropriate customer service behaviours and skills set. For 2007, 25% of the Bank's training investment is targeted towards entrenching a service culture and strong sense of pride to serve.

Belief 2: Selling Is Everyone's Responsibility

To grow shareholder value, it is a must to deliver business targets and grow income revenue and profits. Thus the need for Belief 2 **"Selling Is Everyone's Responsibility"**. Through the inculcation of this belief, the Public Bank Group strives to cultivate a strong sales culture across the organisation. Not only dedicated sales teams are engaged - all other staff across the organisation are consistently equipped

with selling skills which are regularly reinforced. Recognising that a committed and engaged workforce is one of the keys to successful selling, management ensures engagement with staff through regular sales conventions, regional visits by top management and motivational talks and in the process according public recognition for excellent sales performance. Sales personnel are also continually given upgrading in their skills to enable them to emerge winners in an increasingly competitive market.

Management has also carefully implemented a system of measurements, incentives and rewards which is designed not only to support the Public Bank Group's business strategies but also allow staff to share the Group's success.

Belief 3 - Having a Sense of Ownership

The Public Bank Group believes that in business there is no greater advantage than having committed, loyal employees with a deep sense of ownership. At the hiring stage, focus is given not only on overall value to the organisation but also on candidates' demonstration of values consistent with the Group's corporate culture. Over the years, the Group had put in place various measures and initiatives to enable staff to imbibe and practise employee ownership and a sense of belonging as members of a corporate family. Some of these measures include:

- Setting standards on turnaround times and service quality
- Providing feedback through customer satisfaction surveys
- Sponsoring regular staff gatherings
- Encouraging talent development through staff performances at Group functions
- Granting of employee share options

Management seminars are also held twice yearly to infuse enthusiasm and boost morale. The seminar participants include all key drivers from Head Office, branches throughout the country and overseas as well as local and overseas subsidiaries, allowing staff immersion in the business direction of the Public Bank Group while providing a platform for bonding and synergy.

Personalised New Year messages from the Founder and Chairman extended to all levels of staff in the Public Bank Group give the personal touch that goes a long way in building a sense of belonging. In these messages, the Founder and Chairman thanks the staff for the year's contribution and advises on the Group's thrust and direction for the coming year.

While demanding that there be no compromise on delivery standards, the Public Bank Group ensures also that performing staff are well rewarded and recognised with promotions and generous bonuses. Branches are also given generous awards yearly for emerging tops in selected key performance indicators to encourage team spirit and ownership.

In the Public Bank Group, it is no accident but an intent of clearly communicated goals, discipline, hard work and a love of the organisation that nurtures the sense of ownership so characteristic of the Group.

Belief 4: Learning is a Lifelong Commitment

The edge to the business performance of the Public Bank Group also hinges on its belief that **Learning is a Lifelong Commitment**. The Group firmly advocates that the right people drive performance. It therefore constantly reviews and upscales staff competencies to keep ahead of the financial landscape which has become increasingly complex and competitive.

This is reflected in Public Bank's annual training expenditure which has been on a steady upward trend over the years. In 2007, the Bank invested a total of RM21 million for training based on a policy of three days' mandatory training for all staff while key drivers of the Bank received intensified training averaging seven days. The investment expended for the year can be further categorised as follows:

Type of Training	% age of Training Investment
Sales and Service	43
Credit Skills	37
Operations	20

A total of more than **17,400** participants were trained over **2,000** classroom training days.

Since 2004, Public Bank had embarked on a blended approach to training, capitalising not only on classroom training but also the e-platform to widen the reach of training to more staff. The medium-term plan is to migrate at least one-third of the Bank's existing 200 programmes onto the e-platform. For the year 2007, a total of 22,000 participants had undergone e-platform training which is equivalent to 650 classroom training days. On-the-job and on-site training and attachments at Head Office are also arranged to complement classroom training.

To add value to their job performance and enhance their professionalism, staff are encouraged to pursue professional certification such as the Diploma in Banking, Certified Credit Professional, Certified Financial Planner, Registered Financial Planner, Certified Islamic Financial Professionals, Certified Documentary Credit Specialist and other qualifications with appropriate sponsorships and incentives provided.

Indeed the Public Bank Group's 4 beliefs have been the guiding beacon for staff in the performance of their functions and the creation of a culture of work excellence which underpins the Group's success over the years.



15 January



5 & 6 February



10 March

Calendar of Significant Events 2007

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CORPORATE

15 January

Public Bank convened the National Sales Convention 2007 with the theme "Renew, Revitalise and Reinforce to Outperform the Competition". Tan Sri Dato' Sri Dr. Teh Hong Piow presented the keynote address to 320 sales personnel and Regional Managers from around the country.

5 & 6 February

A two-day Risk Mapping Workshop was held to assess the probability and impact of loss scenarios for selected key risks. The workshop was part of Public Bank's subscription to the Risk Management Association's Key Risk Indicators Library Services.

10 March

A new record of 1,510 staff attended the Public Bank Group 2007 Management Seminar I which was presided over by Tan Sri Dato' Sri Dr. Teh Hong Piow.

12 March

A one-day strategy seminar entitled "Blue Ocean" was organised for Senior Management and Branch Managers, led by Mr. Tan Kee Hian, a senior global expert in the Blue Ocean Strategy network.

15 March

Tan Sri Dato' Sri Dr. Teh Hong Piow presented a comprehensive review of the performance of the Public Bank Group at Public Bank's 41st Annual General Meeting.

26 – 29 March

Public Bank participated in the inaugural Global Islamic Finance Forum that was held in conjunction with the Islamic Financial Services Board's 5th General Assembly.

31 July

Dato' Sri Tay Ah Lek and Chief Executive Officer of J&C Pacific Mr. Chong Tze Voon signed a Memorandum of Understanding where the Bank would provide credit facilities totalling RM46 million under PBMicro Finance to potential Malaysians wishing to join the Malaysian Independent Business Ownership programme introduced by J&C Pacific.

15 March



26 - 29 March



31 July





10 August



11 August

CORPORATE

10 August

Over 80 overseas participants comprising country Heads, Branch Managers and senior staff from the Public Bank Group's five overseas offices in Hong Kong, Vietnam, Cambodia, Laos and Sri Lanka attended a Working Session at Menara Public Bank. The Working Session, chaired by Dato' Sri Tay Ah Lek, was held to review the half-yearly business performance of the overseas business units, to discuss strategies and action plans to improve on the contribution to the Group's revenue, and to obtain feedback on matters pertaining to their operations.

11 August

The 2007 Management Seminar II was held with a total of 1,350 staff from the Public Bank Group in attendance including for the first time staff from overseas. The Management Seminar II was presided over by Tan Sri Dato' Sri Dr. Teh Hong Piow.

26 September

CampuBank Lonpac Insurance PLC, an insurance subsidiary of Cambodian Public Bank Limited, was launched by His Excellency Keat Chhon, Senior Minister of Economy and Finance of Cambodia. Tan Sri Dato' Sri Dr. Teh Hong Piow also officially opened the CampuBank Lonpac Insurance PLC office which is located in the heart of Phnom Penh City.

7 November

A 10-year strategic regional alliance between Public Bank and ING Group ("ING"), a global financial services group, was sealed to jointly develop the bancassurance business, Takaful business and various other services such as wealth management and co-branded credit card services in the Asia Pacific region.

26 December

Cambodian Public Bank ("Campu Bank") opened its ninth branch in Cambodia in the suburbs of Phnom Penh called the Tek Thla Branch. The branch opening was officiated by the Governor of the National Bank of Cambodia, His Excellency Chea Chanto, who also launched the Campu Bank Visa Credit and Debit Cards on the same day.

26 September



7 November



26 December





PRODUCTS & SERVICES

16 April

The "PB Foreign Currency Fixed Deposit Accounts" campaign was launched, offering customers an avenue to diversify their savings into foreign currencies for potentially higher returns.

1 May

Public Bank launched the "PB Diamonds Dazzle U" campaign, an eight-month deposit campaign which offers RM2 million worth of Lazare Diamonds to reward Public Bank's depositors for their loyalty and support.

15 May

11 individuals were the fortunate winners of the "PB Switch2Win Myvi" and the "PB Women Privileges" contests. 10 Perodua Myvi and a 1-Carat diamond were presented to these winners at the Perodua Showroom, Petaling Jaya.

21 May

Public Bank concluded the six-month "PB Staff Switch2Win II/2006" campaign with Grand Prize winner Ms. Sim Chui Eng of Muar Branch driving home a spanking new Perodua Kenari 1.0EZ, and Second Prize winner Mr. Ooi Gin Hoe of Corporate Banking bagging an LG 15" LCD TV.

13 July

Mr. Tan Choon Seng was the fortunate Grand Prize winner of the "PB Platinum MasterCard Card Acquisition and Usage Programme". His prize was a 12-day Mediterranean Medley Cruise on board the Queen Mary 2 for two persons worth RM60,000.

7 August

Pn. Siti Indun binti Ahmad, Dr. Lailawati binti Abdul Ghani and Cik Idawati binti Abdul Ghani took home the Grand Prize of RM100,000 cash in the "Million Ringgit Cash Bonanza Campaign".

1 October

Four PB Manchester United MasterCard Cardmembers were presented with the ultimate "One Red Day" dream prize. Mr. Suntharalingam A/L Subramaniam, Mr. Ng Hee Hwang, En. Ashari bin Osman @ Othman and Mr. Bok Teik Ming received their prizes that included a return economy flight (KL-Manchester-KL), a tour of the Old Trafford Stadium, the Red Museum and the Trafford Training Centre in Carrington, RM2,000 spending money and a priceless ticket to watch a home match "live" at the Theatre of Dreams.

13 July

7 August

1 October





17 October



30 November



7 December

PRODUCTS & SERVICES

17 October

Public Bank launched its first structured investment product called "PB OrientExpress Investment" that offers a potential return of up to 11% in just 18 months. This year also saw Public Bank launching five PB unit trust funds which were managed by Public Mutual, namely the PB Cash Plus Fund, the PB ASEAN Dividend Fund, the PB Islamic Cash Management Fund, the PB Euro Pacific Equity Fund, and the PB Islamic Asia Strategic Sector Fund.

29 November

Public Bank and China UnionPay Co. Ltd. announced a partnership that offers the convenience of cash withdrawals at Public Bank's ATMs for the 1.2 billion China UnionPay cardholders travelling to Malaysia.

30 November

Public Bank entered into a strategic alliance with AirAsia to enable the airline's customers who are Public Bank savings and current account holders to pay for their flight bookings at any of Public Bank's ATMs nationwide.

7 December

Presentation of prizes to the three fortunate PB Cardmembers who were winners of the "PB Switch2Win FD" contest. They were Mr. Wong Kuok Kiong, Grand Prize winner of RM88,000; Y.A.M. Raja Nazhatul Shima, First Prize winner of RM38,000; and Mr. Loo Yoke Chai, Second Prize winner of RM18,000.

CORPORATE SOCIAL RESPONSIBILITY

22 January

Public Bank sponsored RM10,000 to support the production of a special Chinese New Year programme at the Tiam Yam Toh Teng Old Folks Home entitled "Jalan Kasih" by Radio TV Malaysia that was broadcast on the third day of Chinese New Year. Public Bank also contributed RM13,000 towards a reunion dinner organised for the residents of the Home.

31 January

Public Bank donated RM100,000 to Nanyang Press Holdings Berhad in support of the Yayasan Nanyang Press' efforts to repair and/or replace equipment and buildings that were damaged by the unexpected floods.

22 January



31 January





12 February



10 April



19 April

CORPORATE SOCIAL RESPONSIBILITY

12 February

The Ministry of Women, Family and Community Development partnered with Public Bank to present food hampers and *ang pows* worth RM100,000 to 500 senior citizens and physically-challenged youths in the Klang Valley at Bangsar Sports Complex, in conjunction with the Chinese New Year celebrations.

10 April

Public Bank donated RM100,000 to the Institut Jantung Negara ("IJN") to support the healthcare needs of the sick and needy.

19 April

A blood donation clinic, jointly organised by the National Blood Centre and Public Bank, was held at Menara Public Bank, where 203 customers and staff members came forward to donate blood in support of this noble cause.

29 April

Public Bank donated RM5,000 to the widows of the two traffic policemen who perished in an accident whilst performing escort duties for the Sultan of Terengganu.

30 April

Public Bank contributed RM20,000 to the Persatuan Keluarga Polis Campbell ("PERKEP") in support of the Polis Diraja Malaysia's crime prevention activities.

8 May

Public Bank contributed RM50,000 to the National Award for Management Accounting ("NAfMA") 2007, making it the main sponsor of the NAfMA for the fourth consecutive year.

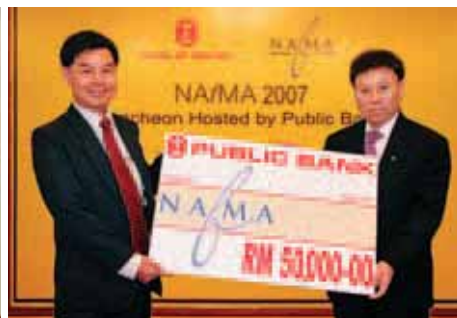
9 May

Public Bank and the Malaysian Institute of Management ("MIM") jointly launched the "MIM-Public Bank Manager of the Year" award programme to recognise management excellence in Malaysia, with a sponsorship of RM300,000 from Public Bank.

30 April



8 May



9 May





25 May



29 August



21 September



10 October

CORPORATE SOCIAL RESPONSIBILITY

25 May

Public Bank responded to the call of the Girl Guides Association of Malaysia for financial assistance with a generous donation of RM50,000.

29 August

The Kuantan Open Hockey Tournament Y.A.M. Tengku Muda of Pahang Trophy received a boost from Public Bank with its contribution of RM50,000.

21 September

Public Bank was the main sponsor of the Universiti Tunku Abdul Rahman Investment Game 2007 for the second consecutive year with a sponsorship of RM20,000. The Investment Game aimed to provide students with opportunities to build and test their analytical skills and levels of competency in investing.

10 October

The Kuala Lumpur Traffic Police Club received a donation of RM50,000 from Public Bank in appreciation of their diligent performance of their duties and responsibilities, especially during the "Hari Raya" season when traffic police personnel sacrifice their festive celebrations in the line of duty.

7 November

Public Bank played host to 150 children from four orphanages in the Klang Valley as well as members of the press and media agencies at a "RayaVali" Open House held at the Renaissance Hotel, Kuala Lumpur.

4 December

Public Bank donated a total of RM3.5 million to Universiti Tunku Abdul Rahman ("Universiti TAR") and Tunku Abdul Rahman College ("Kolej TAR") for the setting up of two student loan funds, namely the "Universiti TAR-Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund" (RM2.0 million) and the "Kolej TAR-Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund" (RM1.5 million).

5 December

Tan Sri Dato' Sri Dr. Teh Hong Piow, in the presence of the President and council members of the Malaysian Institute of Management ("MIM") as well as senior management staff of Public Bank, presented the prizes to the three managers who emerged tops in their respective age groups at the inaugural "MIM-Public Bank Manager of the Year" awards.

7 November



4 December



5 December





18 December



28 December



8 January

CORPORATE SOCIAL RESPONSIBILITY

18 December

Public Bank accepted the Perdana Leadership Foundation's ("PLF") invitation to participate in its research programme and has established the "Tan Sri Dato' Sri Dr. Teh Hong Piow Resident Fellowship Programme" with the PLF with the Bank's donation of RM80,000.

28 December

Public Bank committed RM1 million to the "Public Bank Tree Planting Campaign - A Climate Change Program", a collaborative effort between Public Bank, the Malaysian Nature Society, the Ministry of Natural Resources and Environment and the Department of Irrigation and Drainage that aims to plant 20,000 trees in the next two years at the Seri Johor Flood Retention Pond in Cheras, Kuala Lumpur.

AWARDS & ACCOLADES

8 January

Public Bank was accorded "The BrandLaureate Corporate Brand Award" for brand excellence in the Financial Services - Banking and Finance category by the Asia Pacific Brands Foundation. Tan Sri Dato' Sri Dr. Teh Hong Piow received "The BrandLaureate Brand Personality Award", whilst Public Mutual won "The BrandLaureate 2006-2007" for brand excellence in the Financial Services - Investment Funds category.

12 & 13 February

Public Mutual won nine of the 18 awards presented at The Edge-Lipper Malaysia Fund Awards 2007. The next day also saw Public Mutual emerging as the biggest winner at The Star/Standard & Poor's Investment Fund Awards Malaysia 2007 where it was accorded 12 out of 26 awards, including the prestigious "Best Group Awards" in the categories of 3 Years and 5 Years.

7 May

Public Bank's acquisition of Asia Commercial Bank Ltd. in 2006 was named the "Cross Border Deal of the Year" at the inaugural National Mergers & Acquisitions Awards 2007 organised by the Malaysian Mergers & Acquisitions Association.

7 May



13 February



12 February





20 May



9 June



28 June



12 July

AWARDS & ACCOLADES

20 May

Public Mutual was named winner of the “Best Fund Manager in Asia 2006 Award” by The Failaka Advisors. The award was presented by Managing Director of The Failaka Advisors Mr. Mark Smyth to Chairman of Public Mutual Tan Sri Dato’ Sri Dr. Teh Hong Piow at Public Mutual’s Annual Awards Night 2007 held at Sunway Pyramid Convention Centre.

9 June

Tan Sri Dato’ Sri Dr. Teh Hong Piow received the “Vietnam Prime Minister’s Award” on behalf of VID Public Bank from Deputy Governor of the State Bank of Vietnam, Mr. Dang Thanh Binh. This award was given in recognition of the Public Bank Group’s outstanding performance and contribution to the development of Vietnam.

28 June

Public Bank was the winner of the “Automotive Finance Company of the Year (Malaysia)” award presented by global consulting company Frost & Sullivan at the inaugural Frost & Sullivan 2007 ASEAN Automotive Awards.

12 July

Public Bank won the “Malaysian Business Corporate Governance Award 2006” for the fifth consecutive year.

14 July

Public Bank received double honours from The Asset once again when it was accorded the “Best Company in Malaysia for Corporate Governance 2007”, whilst Tan Sri Dato’ Sri Dr. Teh Hong Piow was named the “ASEAN Most Astute Banker”.

26 July

Tan Sri Dato’ Sri Dr. Teh Hong Piow was accorded the “Asia Pacific Lifetime Entrepreneurship Achievement Award” at the inaugural Asia Pacific Entrepreneurship Awards 2007.

28 July

Hong Kong-based international financial publication Asiamoney selected Public Bank as the winner of the “Best Domestic Bank in Malaysia” award for the sixth time.

2 August

Tan Sri Dato’ Sri Dr. Teh Hong Piow was awarded the “Pila Recognition Award” by the Institute of Public Relations Malaysia.



14 July



26 July



28 July



2 August



10 August



11 August



24 August



26 September

AWARDS & ACCOLADES

10 August

Hong Kong-based investment publication Alpha Southeast Asia named Public Bank the inaugural winner of its "Best Bank in Malaysia" award.

11 August

Hong Kong-based FinanceAsia awarded Public Bank double joy with two awards – "The Best Bank in Malaysia" and "The Best Managed Company in Malaysia".

24 August

Public Bank won the top awards at the CITRA Wangsa Malaysia 2006 - the "CITRA Award for the Private Sector Annual Report Category" and the "Incentive Award for Financial Institution Category".

26 September

Tan Sri Dato' Sri Dr. Teh Hong Piow was accorded the "Recognition Award" by the National Bank of Cambodia in appreciation of his excellent achievements and significant contributions to the banking industry of Cambodia in the past 15 years.

3 November

Public Bank received the prestigious "Best Bank in Malaysia" award from UK-based international financial publication Euromoney for the ninth time.

6 November

Public Bank received the inaugural "Malaysia Retail Bank of the Year 2007" award at the Asian Banking and Finance Retail Banking Awards 2007.

7 November

Public Bank was ranked second in the Top 30 Malaysia's Most Valuable Brands 2007 by the Association of Accredited Advertising Agents Malaysia.

15 November

Menara Public Bank won the "Datuk Bandar Trophy" in the Bank category in the Federal Territory Kuala Lumpur Beautiful and Illuminated Building Competition organised by Kuala Lumpur City Hall in conjunction with the 50th Merdeka celebrations.

3 November



6 November



7 November



15 November





20 November



20 November



30 November

AWARDS & ACCOLADES

16 November

Public Bank received the “Best Investor Relations in the Singapore Market by a Malaysian Company 2007” award at the IR Magazine South East Asia Awards 2007.

20 November

Public Bank was ranked No.1 in Corporate Governance in the Corporate Governance Survey Report 2007, jointly issued by the Minority Shareholder Watchdog Group and the Nottingham University Business School.

20 November

Public Mutual won the “Most Outstanding Islamic Fund Manager” award at the recent Kuala Lumpur Islamic Finance Forum (“KLIF”) Islamic Finance Awards 2007 ceremony organised by The Centre for Research and Training (“CERT”) together with the host, Halal Industry Development Corporation (“HDC”), and in collaboration with Dow Jones Islamic Market Indexes (“DJIM”), the International Institute of Islamic Finance (“IIIF”) and Messrs Hisham, Sibri & Kadir (“HSK”).

Public Bank swept four top awards at the National Annual Corporate Report Awards 2007, with the awards being the “Most Outstanding Annual Report - Overall Excellence Platinum Award” for the seventh time, the “Industry Excellence Award for the Finance Sector” for the eleventh consecutive year, the “Best Annual Report in Bahasa Malaysia - Platinum Award” for the fourth consecutive year, and the “Best Design – Platinum Award”.

30 November

Public Bank swept four top awards at the National Annual Corporate Report Awards 2007, with the awards being the “Most Outstanding Annual Report - Overall Excellence Platinum Award” for the seventh time, the “Industry Excellence Award for the Finance Sector” for the eleventh consecutive year, the “Best Annual Report in Bahasa Malaysia - Platinum Award” for the fourth consecutive year, and the “Best Design – Platinum Award”.

STAFF RELATIONS

20 February

Tan Sri Dato' Sri Dr. Teh Hong Piow hosted a Special Chinese New Year Gathering and Dinner at the Mandarin Oriental, Kuala Lumpur. About 500 staff members attended the dinner.

10 March

Tan Sri Dato' Sri Dr. Teh Hong Piow and Dato' Sri Tay Ah Lek presented 71 Special Awards to top-performing branches in conjunction with the 2007 Management Seminar I. The awards included the Best Branch Awards and the prestigious “Founder and Chairman's Award”, with the latter award going to Jalan Raja Laut Branch.

20 February



10 March





5 May



11 July



19 May

STAFF RELATIONS

May – November

Public Bank's various regions in Malaysia and its subsidiaries overseas celebrated the Bank's 41st Anniversary with dinner events at their respective locations.

5 May

Approximately 100 Public Bank staff from Head Office and branches participated in the Labour Day Rally organised by the Ministry of Human Resources at Stadium Putra, Bukit Jalil.

19 May

A graduation and awards presentation ceremony of the Institut Bank-Bank Malaysia was held for staff who obtained various qualifications and specialist certifications in 2006 under the sponsorship of Public Bank.

11 July

203 long-serving staff from Head Office were recognised at the Service Recognition Awards Presentation. The awards were presented by Tan Sri Dato' Sri Dr. Teh Hong Piow and Dato' Sri Tay Ah Lek.

26 September

Tan Sri Dato' Sri Dr. Teh Hong Piow, as Managing Director of Cambodian Public Bank Limited ("Campu Bank") and Chairman of CampuBank Lonpac Insurance PLC, hosted the Grand Official Dinner held at the InterContinental Hotel, Phnom Penh, in conjunction with the launch of Campu Bank's new insurance subsidiary, CampuBank Lonpac Insurance PLC.

26 September



May – November

