

PUBLIC BANK

2006 ANNUAL REPORT

PUBLIC BANK (6463-H)

2006 ANNUAL REPORT

Building On
*40 Years
of Excellence*



Building on 40 years of Excellence.

Any 40th anniversary or Ruby Jubilee is an amazing achievement. For Public Bank, having stood the test of time, the achievements are numerous. Naturally it is no surprise that the inspiration for our annual report theme is the magnificent ruby.

In the ancient language of Sanskrit, the ruby is known as “the King of Precious Stones”. Its deep red shade represents strength, vitality, energy and drive. Aptly it is our corporate colour.

What makes the ruby outstanding and so deeply coveted is its inherent qualities. Besides its dazzling appearance it is also blessed with indomitable strength, versatility, and rarity. Each brilliant ruby you see represents perfection.

What sets an organization apart is not the appearance of success but the accumulation of it. Year after year, we at PUBLIC BANK have acquired wealth that has been forged from experience, expertise and example. It is the kind of wealth that is priceless yet one we gladly share with all our stakeholders.

Because 40 years of excellence is never found. It is earned.



Not all wealth springs from the surface.
Sometimes it's safely ensconced inside.





Tinted with passion and energy and tempered by the shades of experience and expertise. The hue of excellence is rich in colour.

What holds us together, drives us to excel and inspires us to transcend is the shared goal of delivering a service that is tangible in quality as it is in reputation. At Public Bank our strength comes from the fact that despite a rainbow of diversities we see things through the same coloured lens.



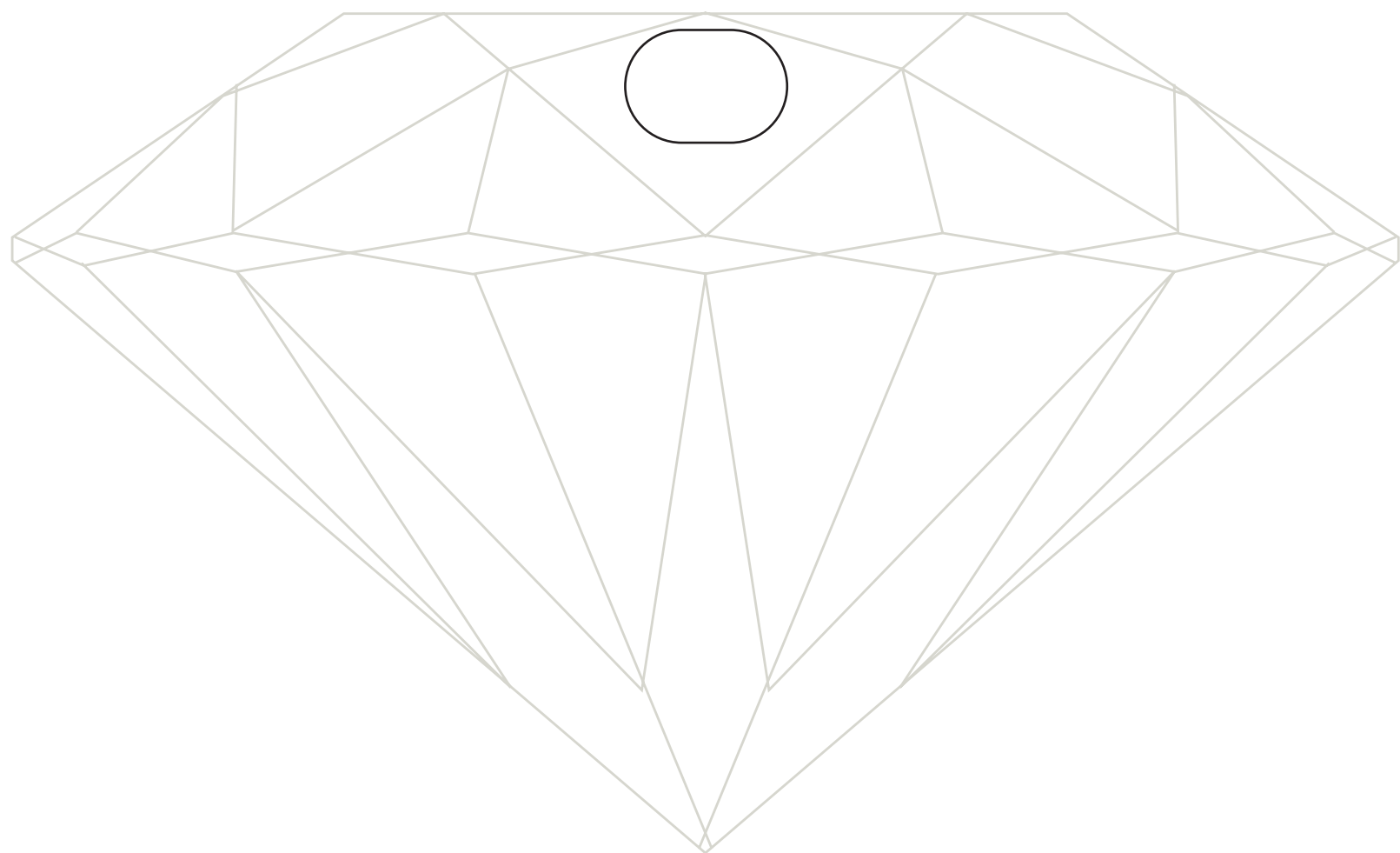
With clarity there is the certainty of confidence.

Transparency is of great importance. It allows everyone to see into the very fabric of our organisation. The blueprints of our strength, the precise methods we employ and the great efforts we take. But whilst some might think that we at PUBLIC BANK employ transparency as a matter of showing we have nothing to hide, it is in actual fact a matter of pride.



There is more to substance than what you see.
More often, it is about what you can feel.

They say achievements are testaments to success. If that is the case we have many. 40 years of awards and several industry first and benchmarks are a good way to go about setting milestones. But to us our true success is how far we have come as a bank, how much we have grown as a brand and the trust we continue to earn. To us, this is the true measurement of success.





Brilliance is only attained when every facet available is perfectly aligned.

How a ruby is cut is essential. Each facet is the result of precise and deliberate planning. Ultimately, the brilliance that is a ruby is a story of synergy at work. Each part, with its own role to play, is no less important than its counterparts. Their combined sum; perfection defined. Which is pretty much the same story of a multi-faceted bank such as ours.



CORPORATE MISSION

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

Financial Calendar

Financial Year 2006

18 APRIL 2006
Tuesday

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2006

20 JULY 2006
Thursday

Announcement of the unaudited consolidated results for the 2nd quarter and half-year ended 30 June 2006

1 SEPTEMBER 2006
Friday

Date of notice of entitlement and payment of the interim dividend of 20% less 28% income tax

5 OCTOBER 2006
Thursday

Date of entitlement to the interim dividend of 20% less 28% income tax

16 OCTOBER 2006
Monday

Date of payment of the interim dividend of 20% less 28% income tax

17 OCTOBER 2006
Tuesday

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2006

22 JANUARY 2007
Monday

Announcement of the audited consolidated results for the 4th quarter and year ended 31 December 2006

31 JANUARY 2007
Wednesday

Date of notice of entitlement and payment of the final dividend of 30% less 27% income tax and special dividend of 10% less 27% income tax

16 FEBRUARY 2007
Friday

Date of notice of 41st Annual General Meeting and date of issuance of the 2006 annual report

15 MARCH 2007
Thursday

Date of 41st Annual General Meeting

20 MARCH 2007
Tuesday

Date of entitlement to the final dividend of 30% less 27% income tax and special dividend of 10% less 27% income tax

28 MARCH 2007
Wednesday

Date of payment of the final dividend of 30% less 27% income tax and special dividend of 10% less 27% income tax



CONTENTS



• CORPORATE MISSION

1 FINANCIAL CALENDAR

- 4 Notice of Annual General Meeting

THE CORPORATE

- 8 Corporate Information
- 10 Corporate Profile
- 13 Group Corporate Structure
- 14 Four Decades of Milestones 1966 to 2006
- 18 Customer Care

ENHANCING VALUE IN 2006

- 22 Financial Highlights
- 23 Simplified Group Balance Sheets
- 24 Five-Year Group Financial Summary
- 26 Summary of Five-Year Group Growth
- 27 Segmental Analysis
- 28 Group Quarterly Performance
- 29 Statement of Value Added
- 30 Market Capitalisation & Ranking

CHARTING THE WAY FORWARD

- 31 Awards & Recognitions
- 41 Board of Directors
- 51 Letter to Stakeholders

UPHOLDING THE FRAMEWORK FOR INTEGRITY AND TRUST

- 70 Statement on Corporate Governance
- 92 Risk Management
- 110 Ethics, Integrity and Trust
- 112 Statement on Internal Control
- 115 Audit Committee Report

DRIVING PERFORMANCE EXCELLENCE

- 122 Board Executive Committee
- 123 Heads of Divisions
- 130 Chairman's Review
 - 132 Overview
 - 146 Business Operations Review
 - 190 Outlook for 2007





FOSTERING A CARING CULTURE

- 192 Corporate Social Responsibility
- 202 Media Highlights 2006
- 204 Leveraging on Human Resource for Business Advantage
- 207 Calendar of Significant Events 2006

FINANCIALS

- 224 Analysis of the Financial Statements
- 229 Statement of Responsibility by Directors
 - Financial Statements 2006
 - 230 Directors' Report
 - 241 Statement by Directors
 - 241 Statutory Declaration
 - 242 Report of the Auditors to the Members
 - 243 Balance Sheets
 - 245 Income Statements
 - 246 Consolidated Statement of Changes in Equity
 - 248 Statement of Changes in Equity
 - 250 Cash Flow Statements
 - 253 Notes to the Financial Statements

- 416 Bursa Securities Listing Requirements Compliance Information
- 419 Review and Prospects of the Malaysian Economy
- 425 Investor Information
- 428 Analysis of Shareholdings
- 432 Authorised and Issued Share Capital
- 444 List of Properties
- 459 International Network
- 460 Group Corporate Directory
 - Form of Proxy



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Forty-First 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 Thursday, 15 March 2007 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 2006 and the Reports of the Directors and Auditors thereon. Ordinary Resolution 1
2. To declare a final dividend of 30% less 27% income tax and a special dividend of 10% less 27% income tax in respect of the financial year ended 31 December 2006 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' Sri Tay Ah Lek Ordinary Resolution 3
 - ii. Dato' Yeoh Chin Kee 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 RM970,000 for the financial year ended 31 December 2006. Ordinary Resolution 8
6. To re-appoint Messrs KPMG as Auditors of the Company for the financial year ending 31 December 2007 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 Ordinary 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.”

Ordinary Resolution 10

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 (“Act”), 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 2006, the retained profits and the share premium account of PBB amounted to approximately RM352,215,000.00 and RM1,782,081,000.00 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;

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



DATE OF ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND AND SPECIAL DIVIDEND

NOTICE HAS BEEN GIVEN ON 31 JANUARY 2007 THAT subject to the approval of Members at the Annual General Meeting to be held on 15 March 2007, a final dividend of 30% less 27% income tax and a special dividend of 10% less 27% income tax for the financial year ended 31 December 2006 will be paid on 28 March 2007 to Depositors whose names appear in the Record of Depositors on 20 March 2007.

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 20 March 2007 in respect of transfers;
- b. Securities deposited into the Depositor's Securities Account before 12.30 p.m. on 16 March 2007 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

MAICSA 7008270

Company Secretary

Kuala Lumpur

16 February 2007



Notice of Annual General Meeting

NOTES:

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 8 March 2007 ("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 16 February 2007 which is despatched together with this 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), FlntAM (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

HAJI ABDUL AZIZ BIN OMAR

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

Independent Non-Executive Director

LEE CHIN GUAN

BSc (Hons), BCL (Oxon), LLM (Cantab),
JD (Chicago-Kent), Barrister-at-Law (Middle Temple)



COMPANY SECRETARY**CHIA LEE KEE**

MAICSA 7008270

Tel: 03-21766341

E-mail: pbbcosec@publicbank.com.my

AUDITORS**MESSRS KPMG**

Chartered Accountants

SHARE REGISTRAR**EPSILON REGISTRATION SERVICES****SDN BHD**

312, 3rd Floor

Block C, Kelana Square

17 Jalan SS7/26

47301 Petaling Jaya

Selangor Darul Ehsan

Malaysia

Tel: 03-78062116, 78031126

Fax: 03-78061261

E-mail: ers@epsilonas.com

REGISTERED OFFICE

27th Floor, Menara Public Bank

146 Jalan Ampang

50450 Kuala Lumpur

Malaysia

Tel: 03-21766341, 21638888

Fax: 03-21639917

HEAD OFFICE

Menara Public Bank

146 Jalan Ampang

50450 Kuala Lumpur

Malaysia

Tel: 03-21766000, 21766666,

21638888, 21638899

Fax: 03-21639917

WEBSITEwww.publicbank.com.my**STOCK EXCHANGE LISTING****Main Board of Bursa Malaysia****Securities Berhad**

(Listed since 6 April 1967)



Corporate Profile

Started in 1966, Public Bank was founded by its Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow, as a bank for the public. From a single branch beginning, it has grown to be a premier banking group in Malaysia. Since its inception, Public Bank has played a fundamental role in improving the quality of life of citizens not only in Malaysia but also in other economies in the region. The Public Bank Group now has over 13,300 well trained and committed employees who have the capability of delivering exceptionally strong organic growth as experienced by the Group in the past few years.

Listed on the Main Board of Bursa Securities in 1967, Public Bank is now the largest non-government-linked corporation in Malaysia by market capitalisation which stood at RM26.941 billion at the end of 2006. It is also the third largest banking group in Malaysia by balance sheet size and the third largest lender in the country, controlling 13.2% market share of the lending business in Malaysia.

The Public Bank Group continues to remain focused in its core business of retail banking and maintains its leadership in the retail banking market and is committed to its goal of being a one-stop financial center in Malaysia. The Group's growth strategy remains unchanged, which is to continue to deliver value to its customers, increase its market share through organic growth

and enhance shareholder value through strong and consistent financial performance and efficient capital management.

As a financial conglomerate, the Public Bank Group offers a wide array of innovative products and services in the areas of commercial banking, hire purchase financing, investment banking, credit cards, Islamic banking, share broking, sales of trust units and management of unit trust funds, bancassurance and general insurance products and other related financial services such as trustee and nominee services. In addition to its strong domestic operations, the Group has operations overseas in Hong Kong and the People's Republic of China, Vietnam, Cambodia, Laos and Sri Lanka. It also has representative offices in Shanghai and Shenyang in the People's Republic of China and in Taipei, Taiwan.

With the completion of the acquisition of Asia Commercial Bank Limited in Hong Kong, which has been renamed Public Bank (Hong Kong) Limited, in May 2006, the Public Bank Group's scale and scope of business in Hong Kong and Greater China has expanded significantly. The Group has 56 branches in Hong Kong, consisting of 15 commercial bank branches, 40 Public Finance branches and a Public Bank branch, and a Public Bank (Hong Kong) Limited branch in Shenzhen, the People's Republic of China.



**EXCELLENCE
IS OUR
COMMITMENT**



The Public Bank Group has expanded its electronic delivery channels significantly. In addition to its 240 full-service bank branches nationwide, the Group has 365 Automated Teller Machines, 282 self-service Cheque Deposit Machines and Cash Deposit Terminals, Internet banking (PBeBank.com) and telebanking channels. This is complemented by the Group's sales and marketing teams and financial planners to provide personalised service to customers.

The Public Bank Group continues to sustain its differentiation strategy by maintaining its superior service delivery standards. Public Bank remains the only bank in Malaysia to attain internationally recognised ISO certification throughout its branch network nationwide for customer service at its branches' counters and in loan delivery.

Public Bank continues to be accorded strong financial ratings based on its strong and consistent financial performance and prudent management. In 2006, Moody's Investors Service reaffirmed Public Bank's long-term rating of A3, and short-term rating of Prime-1. Standard & Poor's Rating Services reaffirmed Public Bank's A- long-term rating and A-2 short-term rating. Rating Agency Malaysia reaffirmed Public Bank's long-term rating of AAA and its short-term rating of P1.

Public Bank's Chairman and Founder, Tan Sri Dato' Sri Dr. Teh Hong Piow, continues to be accorded awards recognising his excellent leadership and extraordinary achievement. Public Bank also continued to receive major best bank awards in Malaysia. In 2006, the Bank won the Malaysian Business Corporate Governance Award for the fourth consecutive year. Public Bank was again ranked number 1 in the Corporate Governance Survey Report 2006 by the Minority Shareholder Watchdog Group and Nottingham University Business School.

The Public Bank Group also remains committed to its corporate social responsibility in the areas of nation building, enhancement of the marketplace and promotion of the work place. In addition, the Group supports the community through programmes in areas such as education, graduate employment, professional development, environmental conservation and in support of the underprivileged. The Group continues to believe that the fulfilment of its corporate social responsibilities will further enhance its corporate image, reputation, goodwill and the PB Brand.

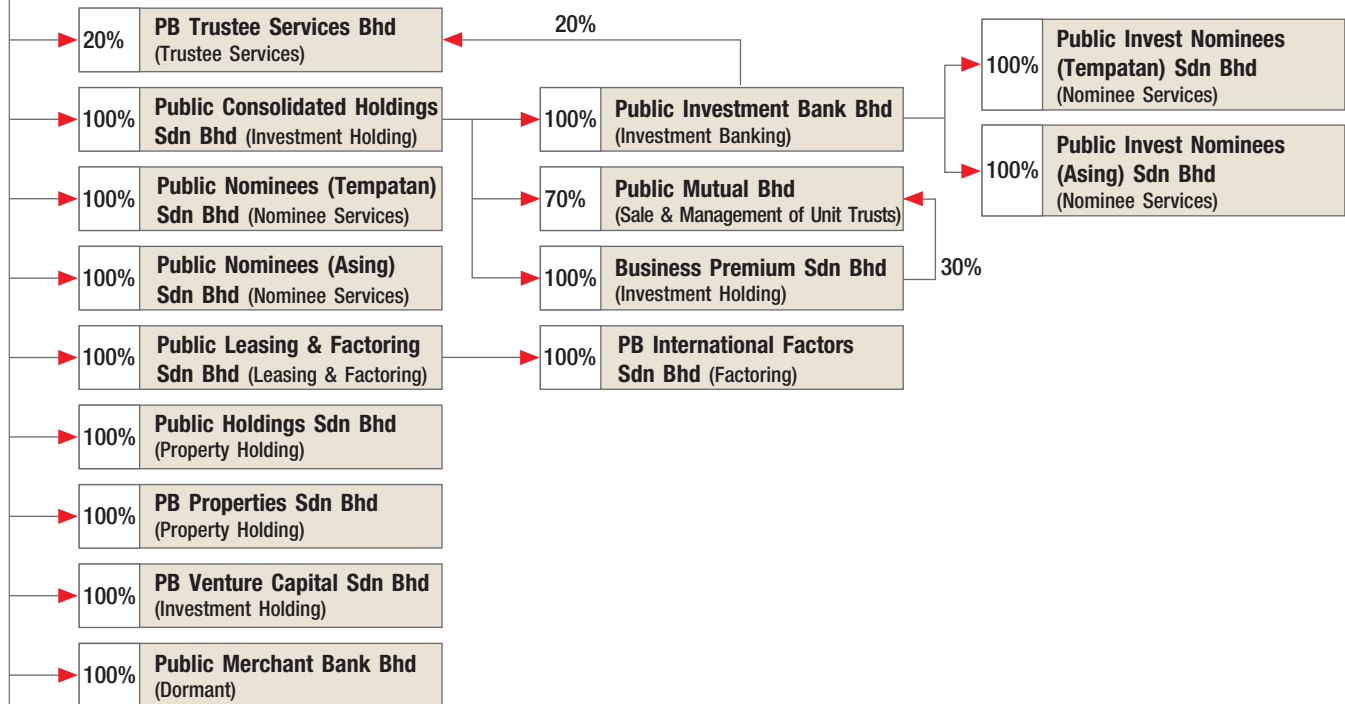


Group Corporate Structure

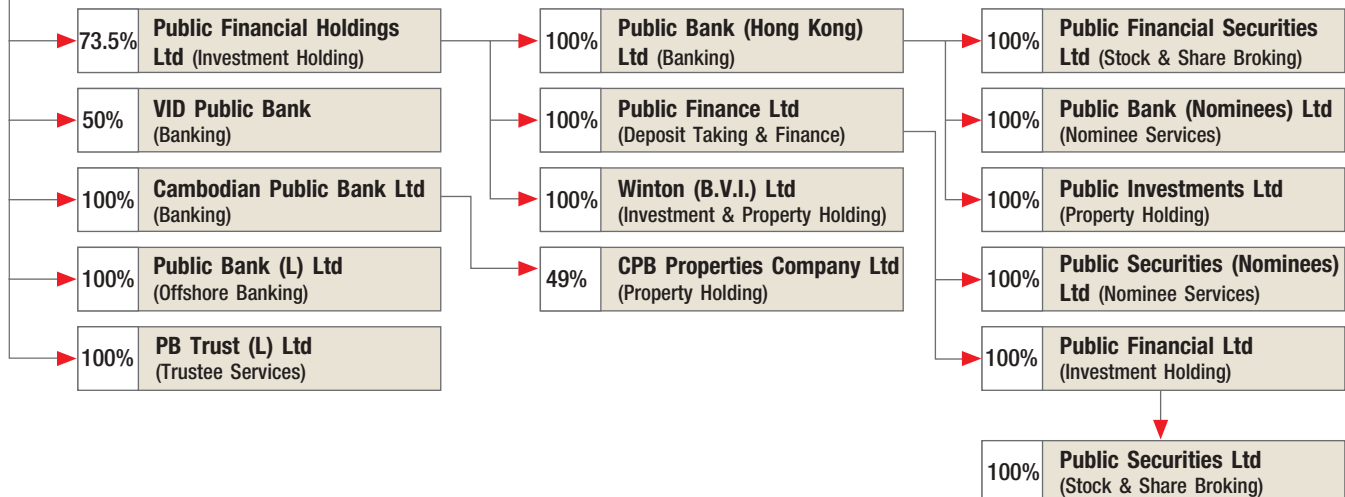
as at 30 January 2007

PUBLIC BANK

MALAYSIAN COMPANIES



OVERSEAS AND OFFSHORE COMPANIES



Four Decades of Milestones 1966 to 2006



1966

- On 6 August 1966, Public Bank opened its doors for business at No. 4 Jalan Gereja, Kuala Lumpur with 62 pioneer staff
- Public Finance Berhad, Public Bank's wholly-owned finance subsidiary, started business on 24 September 1966
- The start of an expanding network of Public Bank and Public Finance branches with the opening of Public Bank's Malacca Branch on 15 September 1966 and Ipoh Branch on 7 January 1967, a network that eventually peaked at 384 branches in total
- 1st five months of business yielded a profit of RM71,562, the start of an unbroken profitability track record of 40 years

1967

- 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 Securities, then known as the Kuala Lumpur Stock Exchange

1969

- 1st RM1 million annual pre-tax profit
- Implementation of Staff Housing Loan Scheme and Staff Car Loan Scheme of Public Bank

1970

- Public Bank paid its 1st dividend of 3.5% per ordinary share of RM1.00 each, the start of an unbroken stream of annual dividends paid by Public Bank to 2006

1977

- The present logo for Public Bank, in a modern geometric design comprising of 2 interlocking octagons, was adopted for the Public Bank Group
- Set up of Training Department of Public Bank
- Introduction of Public Bank's Retirement Benefits Scheme for Officers

1978

- Public Bank moved to Bangunan Public Bank, the first Head Office owned by the Bank
- 1st Public Bank Management Seminar held in October 1978 with a total of 64 participants

1979

- 1st computer system installed in Public Bank, the NCR IMOS 8250 system

1980

- 1st RM10 million annual pre-tax profit with RM21 million pre-tax profit in the year
- Total assets surpassed RM1 billion for the 1st time

1983

- Share split of Public Bank shares whereby one Public Bank share with par value of RM1.00 each was subdivided into two Public Bank shares with par value of RM0.50 each on 21 June 1983



1984

- 1st ATM installed in Public Bank, the start of automated banking services and electronic delivery channels

1986

- Public Bank's first venture overseas with the setting up of its Hong Kong representative office

1987

- 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 the stock broking business
- Launch of the 1st Staff Courtesy Contest

1988

- Linking up of the Public Bank Group's ATMs to a national shared ATM network under Malaysian Electronic Payment System

1989

- Installation of 1st centralised bank-wide Office Automation System called Office Productivity Network
- Introduction of the 1st Employee Share Options Scheme for staff of the Public Bank Group

1990

- 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
- Awarded the 1st of 6 National Annual Corporate Report Awards for Most Outstanding Annual Report
- 1st RM100 million annual pre-tax profit with RM128 million pre-tax profit in the year

1991

- Listing of Public Financial Holdings Limited (then known as JCG Holdings Limited) on The Stock Exchange of Hong Kong
- Total assets surpassed RM10 billion for the 1st time

1992

- Listing of Public Finance Berhad on Bursa Securities (then known as the Kuala Lumpur Stock Exchange) on 15 July 1992
- 1st issue of credit cards by Public Bank with the issue of the PB Visa Classic and PB Visa Gold credit cards
- VID Public Bank, Public Bank's joint venture bank with Bank for Investment and Development of Vietnam commenced business in Hanoi, Vietnam on 18 May 1992
- Commencement of a 5 year initiative to revamp and re-engineer Public Bank's ICT systems, work processes and business/disaster resumption capabilities which saw the NCR platform replaced entirely by IBM mainframe systems and best of breed application systems
- Establishment of Cambodian Public Bank Limited, a subsidiary of Public Bank in Cambodia on 25 May 1992 and Public Bank branches in Vientiane, Laos and Colombo, Sri Lanka

1993

- Commencement of the Public Bank Group's Islamic Banking service with the launch of "Skim Perbankan Tanpa Faedah" and the setting up of Public Bank's Islamic Banking Unit
- Commenced issuance of PB Mastercard Standard and PB Mastercard Gold credit cards
- Acquisition of 55% of 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



Four Decades of Milestones 1966 to 2006

1995

- Introduction of Service Recognition Awards for long service staff

1996

- Public Bank moved to Menara Public Bank, its present landmark head office building in the heart of Kuala Lumpur's central business district

1998

- Paid-up capital of Public Bank reached RM1 billion
- Launch of Public Bank's flagship "5 HOME Plan" residential mortgage offering with "Knock Out Rates" that kick started the strong growth in the Public Bank Group's residential mortgage loan portfolio
- The core of the Public Bank's ICT resources, including its IT Division, moved to a highly secured purpose-built computer centre in Bangi
- The first of the "PB" series of unit trust funds, the PB Balanced Fund, was launched which was marketed by the branches of Public Bank exclusively

1999

- Launch of Phase I of a multi-phase Customer Care Campaign with the theme "Doing it Right for You"
- Launch of Public Bank's flagship "Shophouse, Warehouse, Industrial Factory and Trade Financing ("SWIFT") Plan" offering to finance commercial enterprises, particularly small- and medium-sized enterprises

2000

- Awarded the inaugural KLSE Corporate Excellence Award by the Kuala Lumpur Stock Exchange, the 1st of four consecutive years which Public Bank was accorded this award and for which the KLSE Corporate Excellence Award programme was organised

- Acquisition of Public Merchant Bank Berhad (then known as Sime Merchant Bank Berhad) on 25 October 2000 expanded the Public Bank Group's business into merchant banking
- Achieved bank-wide ISO9001:2000 certification for "Provision of Customer Service at the front office", the 1st bank in Malaysia to achieve bank-wide ISO certification
- 1st RM1 billion annual pre-tax profit with RM1.25 billion pre-tax profit in the year

2001

- Completed the acquisition of Hock Hua Bank Berhad on 31 March 2001
- Launch of Public Bank's Internet banking channel, PBeBank.com, on 28 June 2001



2002

- Paid-up capital of Public Bank reached RM2 billion
- Awarded the inaugural Malaysian Business Corporate Governance Award, the 1st of four Corporate Governance Awards by Malaysian Business up to 2005, all of which were awarded to Public Bank
- Launch of collection service for tax and EPF payments for Lembaga Hasil Dalam Negeri and the Employees Provident Fund respectively, the first of a multi channel collection service for tax and EPF payment collections
- Achieved 2nd bank-wide ISO 9001:2000 certification in the area of "Provision of Customer Service in Loan Delivery"

2003

- 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
- Installation of Public Bank's 1st Cheque Deposit Machine
- Paid-up capital of Public Bank reached RM3 billion

2004

- 1st issue of subordinated debt of USD350 million
- Launch of the PB Manchester United Mastercard, a credit card co-branded with Manchester United Football Club
- Completed the merger of the finance company business of Public Finance Berhad with the commercial banking business of Public Bank on 4 September 2004
- Consolidation of the par value of the ordinary share of Public Bank from RM0.50 per ordinary share to RM1.00 per ordinary share on 2 June 2004

2005

- Public Bank ranked 1st amongst the top 100 companies listed on Bursa Securities in corporate governance in the Corporate Governance Survey Report 2004 by the Minority Shareholder Watchdog Group and Nottingham University Business School
- 1st offering of Shariah-based unit trust fund, the PB Islamic Equity Fund, for the "PB" series of unit trust funds
- Pre-tax profit surpassed RM2 billion for the 1st time
- Total assets surpassed RM100 billion for the 1st time

2006

- 1st issue of innovative 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
- Public Bank ranked 1st again amongst the top 200 companies listed on Bursa Securities in corporate governance in the Corporate Governance Survey Report 2006 by the Minority Shareholder Watchdog Group and Nottingham University Business School
- Public Bank Group Management Seminar reached a record attendance exceeding 1,400 participants from the Group, including those from its overseas operations
- Acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) in Hong Kong for HKD4.5 billion
- Public Mutual Berhad became a wholly-owned subsidiary of Public Bank on 12 July 2006 with the acquisition of the remaining 10% minority interest in Public Mutual Berhad by a wholly-owned subsidiary of Public Bank
- Completion of the formation of Public Investment Bank, through the merger of the merchant banking business of Public Merchant Bank and the stockbroking business of PB Securities, on 18 December 2006



Customer **Care**

Surmounting Challenges, Perpetuating Excellence

THE PUBLIC BANK GROUP FIRMLY BELIEVES THAT EXCELLENT SERVICE TO BUILD LONG-TERM RELATIONSHIPS WITH CUSTOMERS IS THE KEY TO HAVING A COMPETITIVE EDGE TO SUSTAIN LONG-TERM PROFITABILITY. THEREFORE, MAKING A DIFFERENCE IN SERVING EVERY CUSTOMER'S UNIQUE NEEDS AND EXPECTATIONS REMAINS A KEY BUSINESS STRATEGY OF THE GROUP.

CUSTOMER SERVICE EXCELLENCE IS OUR COMMITMENT

The Public Bank Group's corporate tagline "Excellence Is Our Commitment", which is geared towards enhancing greater customer satisfaction and retention, continues to encourage staff at all levels to deliver excellent service to all customers. Significant resources continue to be committed to the Group's pursuit of superior customer service which are benchmarked to international standards. The Group has long recognised that customer service excellence is an integral part of its strategy to stay ahead in an extremely competitive financial services industry besides competing on pricing and product benefits.

To drive continuous improvement in customer service delivery, all branches have established Customer Service Focus Groups to develop and drive initiatives to further improve customer service delivery. At the branch banking halls, Customer Service Representatives ("CSRs") are appointed to assist and interact with customers on banking enquiries and provide prompt resolutions to customer issues to meet the varied needs of customers. At the end of 2006, a total of 447 CSRs have been deployed for this purpose at most branches nationwide. The Group has also issued a Customer Service Handbook to reinforce the staff's delivery of customer service and to ensure that the manner of delivery is consistent at all branches of the Group.





CUSTOMER CARE AND CUSTOMER SATISFACTION

The Customer Care Campaign with the theme “Doing It Right For You” was launched in 1999 and over the years it has moved on to Phase V with various sub-themes to emphasise the continuous drive for customer service delivery excellence. The Customer Care Campaign has yielded positive results as they improved the qualitative aspects of service delivery at all branches and has inculcated a strong customer-centric culture of practising courtesy, efficiency, accuracy, empathy and integrity amongst all staff.

The Public Bank Group has always strived to better understand customer behaviour and has continuously sought to improve its products and services to meet and exceed the different needs and expectations of customers. In the need to listen to the customer and understand their insights to fulfil their future needs, the Customer Satisfaction Survey (“CSS”) has been enhanced and expanded to include feedback on customer preferences and expectations with regards to financial services such as deposits, loans and wealth management products. The previous CSS had focused on rectifying service short-comings and developing strategies to enhance service quality levels. The updated CSS has been renamed the Customer Feedback Questionnaire and incorporates feedback on service quality standards as well as feedback on customers’ needs.

MAINTAINING OUR WORLD CLASS CUSTOMER SERVICE QUALITY STANDARDS

The Public Bank Group has achieved ISO 9001-2000 certification for “Provision of Customer Service at the Front Office” and the “Provision of Customer Service in Loan Delivery” since 2000 and 2003 respectively. Maintaining the ISO certification of, and further improvements in, these two critical areas of its business remain a top priority of the Group.

Over the years, improvements have been made for the “Provision of Customer Service at the Front Office”. Customers’ waiting time to be served over the counter have been reduced from the benchmark Standard Waiting Time (“SWT”) of 5 minutes to the current 2 minutes. In July 2006, the Bank implemented a Mentoring Programme to further improve the overall compliance rate of the 2-minute SWT. Appointed mentors from selected branches with consistent high levels of customer service performance were assigned to conduct on-site visits of the under performing branches to implement best practices at these branches which are placed under close monitoring by Public Bank’s Customer Services Department at the Head Office of the Bank. The success of this programme can be gauged by the marked improvement in the compliance rate of the 2-minute SWT of these branches after being coached by the appointed mentors.



The “Provision of Customer Service in Loan Delivery” is supported extensively through the Public Bank Group’s in-house developed electronic Loans Delivery System (“eLDS”) which routes loan applications electronically from branches to the relevant approving authorities and measures the Standard Turnaround Time (“STT”) of each stage of the process. The eLDS continues to be enhanced for faster response time and increased data storage capacity. Statistics of the STT and the analysis of the reasons for non-conformance with the STT are used to further enhance loan service delivery. The eLDS has been extended to Public Bank’s Hong Kong branch and to its share margin financing business under PB Sharelink.

MULTIPLE DELIVERY CHANNELS FOR CUSTOMER CONVENIENCE

The Public Bank Group serves its customers through multiple delivery channels. For customers who prefer face-to-face service, there are 240 branches throughout Malaysia which serve as the front-line in delivering the full range of the PB Brand of products and services. To enhance the services of the branches, the Group has more than 300 specialised Sales and Marketing Executives to service customers who require financing services, wealth management services, Islamic financing services, share trading and margin financing services and the Group’s credit card services.

The Public Bank Group has invested heavily in automated self-service delivery channels with the installation of 365 Automatic Teller Machines and 282 Cheque Deposit Machines and Cash Deposit Terminals, located in-branch and off-branch locations. The use of these self-service machines contributed to improved efficiency by freeing up branch service counters and front-line staff, thereby enabling more staff resources to be allocated to providing personalised face-to-face services to customers who seek it. For the tech-savvy customers, banking transactions can be carried out from the comfort of the home or office anywhere using the Group’s PBeBank.com Internet banking service and its PB Telebanking service.

TAKING CARE OF CUSTOMERS

The response of the Public Bank Group to its customers affected by the wide spread flooding at the end of 2006 and early part of 2007 reflects the Group’s philosophy of looking after its customers. A Relief Assistance Programme was immediately put into place to alleviate the cash flow problems and hardship of the Group’s customers who have been affected by the floods and to place them back on their feet. The Relief Assistance Programme provides for inter alia, accommodation of requests by affected customers to restructure their loans and reschedule repayments as well as a period of repayment moratorium.



Financial Highlights

	Group		Bank	
	2006	2005*	2006	2005*
PROFITABILITY (RM'Million)				
Operating revenue	7,844	5,863	6,371	4,993
Operating profit	2,873	2,422	2,782	2,050
Profit before tax expense	2,416	2,059	2,440	1,745
Net profit attributable to equity holders of the Bank	1,727	1,459	1,789	1,290
KEY BALANCE SHEET DATA (RM'Million)				
Total assets	147,790	111,689	134,267	107,447
Portfolio of securities	16,268	7,862	13,496	6,967
Loans, advances and financing	82,788	66,813	75,891	64,580
Total liabilities	138,127	102,689	125,297	99,227
Deposits from customers	111,793	84,130	102,643	82,205
Shareholders' equity	9,034	8,564	8,970	8,220
Commitments and contingencies	33,359	28,952	28,387	28,755
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest bearing assets ¹	3.4	3.6	3.1	3.2
Net return on equity ²	21.9	19.1	23.3	17.5
Return on average assets	1.9	2.0	2.0	1.8
Return on average risk-weighted assets	3.2	3.3	3.5	2.9
Capital Adequacy Ratios				
Core capital ratio	10.2	11.6	12.5	11.2
Risk-weighted capital ratio	15.8	17.3	15.3	15.0
Asset Quality Ratios				
Net non-performing loans ratio (3-month classification)	1.6	1.7	1.6	1.7
Loan loss coverage	99.9	91.7	92.5	88.1
Net loan to deposit ratio	74.1	79.4	73.9	78.6
Deposits to shareholders' funds (times)	12.4	9.8	11.4	10.0

¹ Excluding negotiable instruments of deposit which are on-lent to interbank.

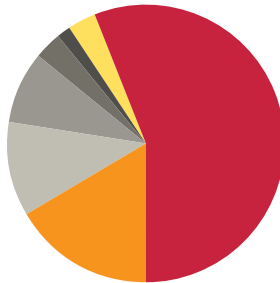
² Adjusted for proposed dividends.

* Certain comparative figures have been restated due to changes in accounting policies, as disclosed in Note 50 to the financial statements.



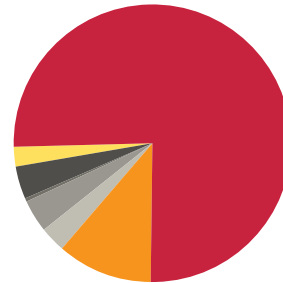
Simplified Group Balance Sheets

ASSETS 2006



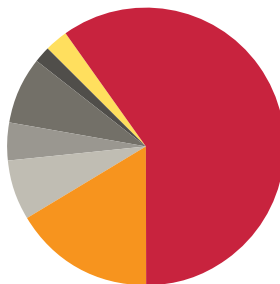
- ◆ 56.0% Loans, advances and financing
- ◆ 16.5% Cash and short-term funds
- ◆ 11.0% Portfolio of securities
- ◆ 8.4% Securities purchased under resale agreements
- ◆ 3.2% Deposits and placements with banks and other financial institutions
- ◆ 1.6% Statutory deposits with Central Banks
- ◆ 3.3% Other assets (including intangible assets)

LIABILITIES & EQUITY 2006



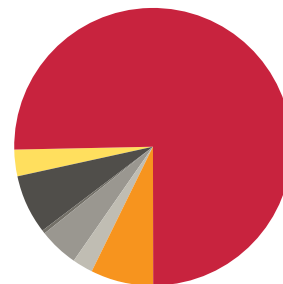
- ◆ 75.6% Deposits from customers
- ◆ 11.1% Bills and acceptances payable and other liabilities
- ◆ 3.0% Subordinated notes and hybrid Capital Securities
- ◆ 3.8% Reserves
- ◆ 0.4% Minority interests
- ◆ 3.8% Deposits and placements of banks and other financial institutions
- ◆ 2.3% Share capital

ASSETS 2005



- ◆ 59.8% Loans, advances and financing
- ◆ 16.4% Cash and short-term funds
- ◆ 7.0% Portfolio of securities
- ◆ 4.4% Securities purchased under resale agreements
- ◆ 7.8% Deposits and placements with banks and other financial institutions
- ◆ 1.9% Statutory deposits with Central Banks
- ◆ 2.7% Other assets (including intangible assets)

LIABILITIES & EQUITY 2005



- ◆ 75.3% Deposits from customers
- ◆ 7.3% Bills and acceptances payable and other liabilities
- ◆ 2.4% Subordinated notes and hybrid Capital Securities
- ◆ 4.6% Reserves
- ◆ 0.4% Minority interests
- ◆ 6.9% Deposits and placements of banks and other financial institutions
- ◆ 3.1% Share capital



Five-Year Group Financial Summary

Year ended 31 December	2006	2005*	2004*	2003*	2002*
OPERATING RESULTS (RM'Million)					
Profit before tax expense	2,416	2,059	1,884	1,435	1,254
Net profit attributable to equity holders of the Bank	1,727	1,459	1,294	989	779
KEY BALANCE SHEET DATA (RM'Million)					
Total assets	147,790	111,689	92,403	64,628	61,869
Loans, advances and financing	82,788	66,813	55,719	45,540	37,535
Total liabilities	138,127	102,689	83,327	55,382	53,538
Deposits from customers	111,793	84,130	72,246	50,217	47,986
Paid-up capital	3,463	3,417	3,356	3,207	2,315
Shareholders' equity	9,034	8,564	8,708	8,669	6,998
Commitments and contingencies	33,359	28,952	19,781	14,246	12,316
SHARE INFORMATION					
Per share (sen)					
Basic earnings	52.1	44.5	40.2	32.5	27.0
Diluted earnings	51.6	44.1	39.5	31.7	26.8
Gross dividend	60.0	55.0	90.0	22.0	18.0
Net assets	270.6	260.0	267.5	273.0	302.3
Share price as at 31 December (RM)					
– Local	7.75	6.55	7.10	5.66	3.64
– Foreign	7.85	6.40	7.60	6.20	4.16
Market capitalisation (RM'Million)	26,941	22,230	24,329	18,669	10,966
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest bearing assets ¹	3.4	3.6	4.1	4.1	4.1
Net return on equity ²	21.9	19.1	16.5	13.3	12.1
Return on average assets	1.9	2.0	2.4	2.3	2.2
Return on average risk-weighted assets	3.2	3.3	3.6	3.3	3.5
Cost/income ratio	34.8	35.5	36.3	37.5	40.2



Year ended 31 December	2006	2005*	2004*	2003*	2002*
Productivity Ratios					
No. of employees	13,396	12,800	12,659	12,530	12,535
Gross loan per employee (RM'000)	6,298	5,320	4,496	3,731	3,089
Deposits per employee (RM'000)	8,345	6,573	5,707	4,008	3,828
Profit before tax per employee (RM'000)	180	161	149	115	100
Asset Quality Ratios					
Net loan to deposit ratio	74.1	79.4	77.1	90.7	78.2
Net non-performing loans ratio (3-month classification)	1.6	1.7	2.1	3.0	3.2
Loan loss coverage	99.9	91.7	79.0	67.6	68.5
Market Share					
Domestic market share					
Loans, advances & financing	13.2	12.0	11.1	9.6	8.2
Deposits from customers	12.9	12.0	11.6	8.9	9.3
Capital Adequacy Ratios					
Core capital ratio	10.2	11.6	14.0	17.6	19.6
Risk-weighted capital ratio	15.8	17.3	18.0	19.4	21.4
Valuation on Local Share					
Gross dividend yield	7.7	8.4	12.7	3.9	4.0
Dividend payout ratio	84.2	89.6	163.6	51.7	38.5
Price to earnings multiple (times)	14.9	14.7	17.7	17.4	13.5
Price to book multiple (times)	2.9	2.5	2.7	2.1	1.2

¹ Excluding negotiable instruments of deposit which are on-lent to interbank.

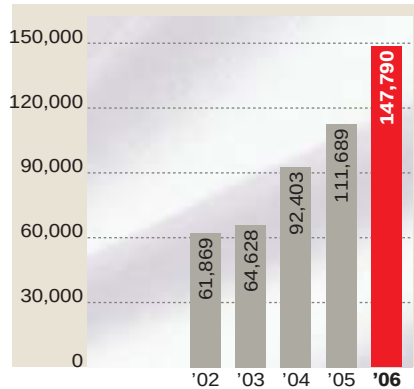
² Adjusted for proposed dividends.

* Certain comparative figures have been restated due to changes in accounting policies, as disclosed in Note 50 to the financial statements.

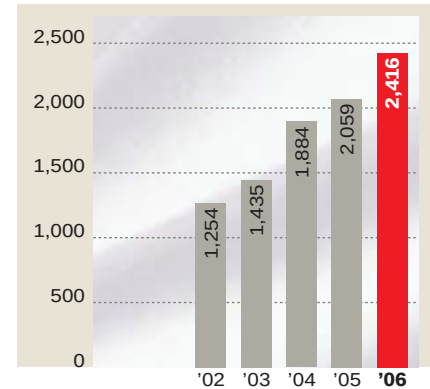


Summary of Five-Year Group Growth

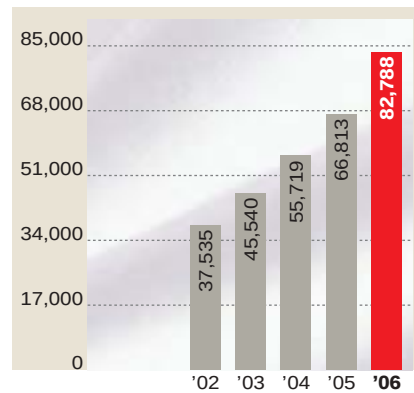
TOTAL ASSETS
RM'Million



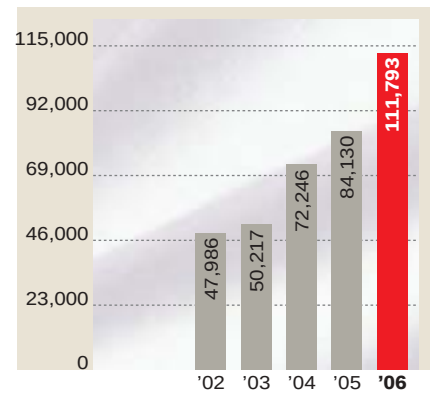
PROFIT BEFORE TAX EXPENSE
RM'Million



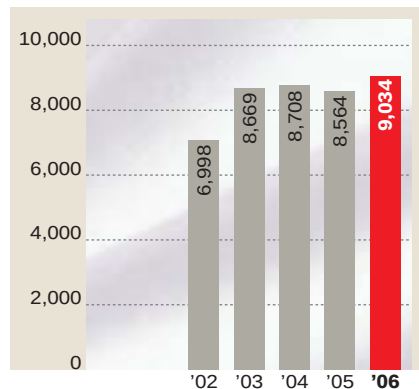
LOANS, ADVANCES & FINANCING
RM'Million



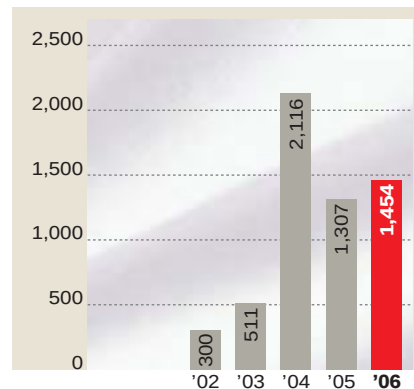
DEPOSITS FROM CUSTOMERS
RM'Million



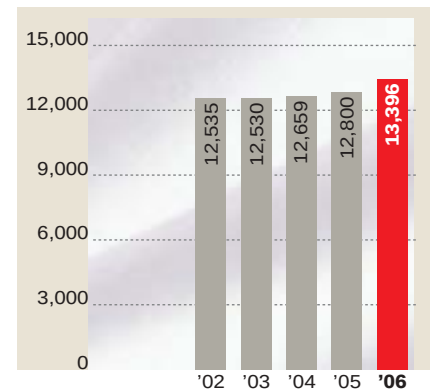
SHAREHOLDERS' EQUITY
RM'Million



DIVIDENDS
RM'Million



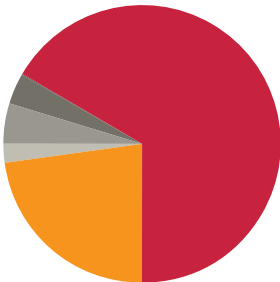
TOTAL STAFF STRENGTH
NUMBER



Segmental Analysis

for the year ended 31 December 2006

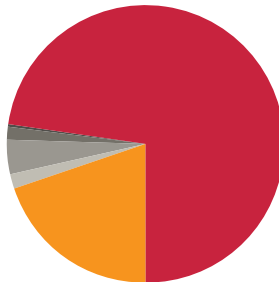
OPERATING REVENUE



By Business Segments

- ◆ 66.6% Retail operations
- ◆ 22.8% Treasury and capital market operations
- ◆ 2.2% Investment banking
- ◆ 4.7% Fund management
- ◆ 3.6% Corporate lending
- ◆ 0.1% Others

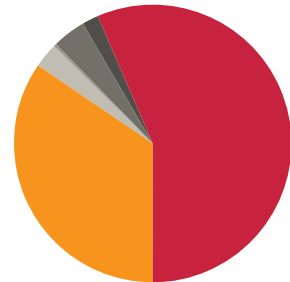
PROFIT BEFORE TAX EXPENSE



By Business Segments

- ◆ 72.7% Retail operations
- ◆ 19.8% Treasury and capital market operations
- ◆ 1.7% Investment banking
- ◆ 4.0% Fund management
- ◆ 1.5% Corporate lending
- ◆ 0.3% Others

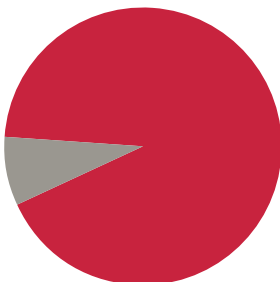
ASSETS EMPLOYED



By Business Segments

- ◆ 56.5% Retail operations
- ◆ 34.5% Treasury and capital market operations
- ◆ 2.9% Investment banking
- ◆ 0.3% Fund management
- ◆ 3.9% Corporate lending
- ◆ 1.9% Others

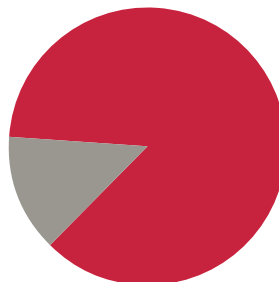
OPERATING REVENUE



By Geographical Location

- ◆ 89.4% Malaysia
- ◆ 10.6% Overseas

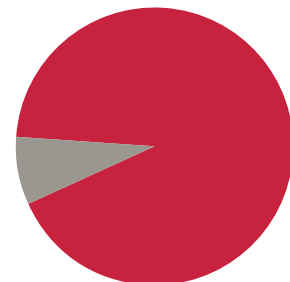
PROFIT BEFORE TAX EXPENSE



By Geographical Location

- ◆ 86.3% Malaysia
- ◆ 13.7% Overseas

ASSETS EMPLOYED



By Geographical Location

- ◆ 92.1% Malaysia
- ◆ 7.9% Overseas



Group Quarterly Performance

	2006				
	First* Quarter	Second* Quarter	Third* Quarter	Fourth Quarter	Year 2006
FINANCIAL PERFORMANCE (RM'Million)					
Operating revenue	1,687.3	1,801.0	2,121.9	2,233.3	7,843.5
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	545.8	615.0	606.3	649.3	2,416.4
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
Dividends per share (sen)	—	20.0	—	40.0	60.0
	2005				
	First* Quarter	Second* Quarter	Third* Quarter	Fourth* Quarter	Year* 2005
FINANCIAL PERFORMANCE (RM'Million)					
Operating revenue	1,405.2	1,400.8	1,512.6	1,544.8	5,863.4
Net interest income					
(incl income from Islamic Banking business)	680.7	699.8	724.0	729.8	2,834.3
Operating profit	573.0	596.8	620.4	631.7	2,421.9
Profit before tax expense	484.2	523.5	502.5	549.2	2,059.4
Profit attributable to equity holders of the Bank	348.5	368.2	349.7	392.7	1,459.1
Earnings per share (sen)	10.7	11.2	10.7	11.9	44.5
Dividends per share (sen)	—	20.0	—	35.0	55.0

* Certain comparative figures have been restated due to changes in accounting policies, as disclosed in Note 50 to the financial statements.

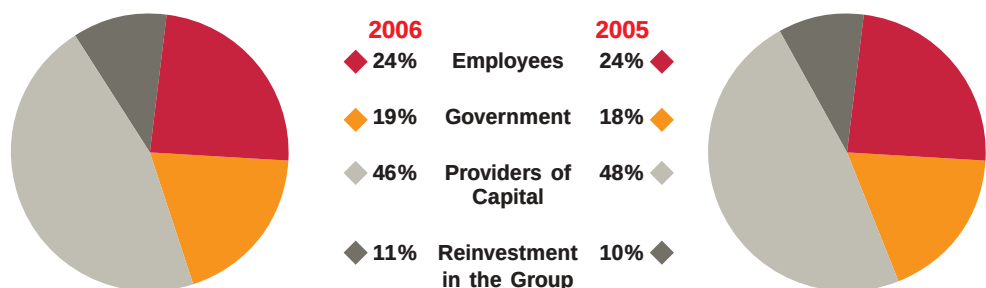


Statement of Value Added

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	2006 RM'000	2005 RM'000
Net interest income	2,870,069	2,442,720
Net income from Islamic Banking business	428,026	391,594
Other operating income	1,106,667	917,944
Operating expenses excluding staff costs, depreciation and amortisation	(620,942)	(487,905)
Allowance for losses on loans, advances and financing	(466,045)	(382,006)
Impairment written back	4,646	15,443
Share of results of associated companies	4,888	4,114
Value added available for distribution	3,327,309	2,901,904

Distribution of Value Added	2006 RM'000	2005 RM'000
To employees:		
Personnel costs	811,544	703,835
To the Government:		
Taxation	621,200	514,146
To providers of capital:		
Dividends paid to shareholders	1,453,903	1,307,115
Minority interests	68,473	86,151
To reinvest in the Group:		
Depreciation and amortisation	99,404	138,633
Retained profit	272,785	152,024
Total distributed	3,327,309	2,901,904



Market Capitalisation & Ranking

MARKET CAPITALISATION (RM'Billion)
LOCAL SHARE PRICE (RM)



Public Bank's Ranking by Market Capitalisation on Bursa Malaysia Securities Berhad

Year	2002	2003	2004	2005	2006
Ranking	8th	6th	5th	5th	5th





Awards & Recognitions

The Public Bank Group's steadfast adherence to its corporate mission "To sustain the position of being the most efficient, profitable and respected premier financial institution in Malaysia" leading to its sterling performance and the Group's strong commitment to excellence in all aspects of its business and operations has been, and continues to be attested to by the numerous awards and accolades accorded to Public Bank over the past four decades, many of which were for a number of consecutive years. Indeed, Public Bank is what it is today – *the nation's second largest banking group and largest non-government linked corporation by market capitalization* – because of this commitment to excellence. These awards and accolades, besides reaffirming the Group's position as a leading financial institution, also motivate the Group to continue with its pursuit of excellence in everything it does.



2006 Awards

- 1 THE ASSET TRIPLE A COUNTRY AWARDS FOR BEST DOMESTIC BANK IN MALAYSIA**

The Asset Magazine

2006, 2005, 2004, 2003, 2002

- 2 FINANCEASIA ANNUAL COUNTRY ACHIEVEMENT AWARDS FOR THE BEST BANK IN MALAYSIA**

FinanceAsia Magazine

2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999

- 3 EUROMONEY AWARDS FOR EXCELLENCE FOR THE BEST BANK IN MALAYSIA**

Euromoney Magazine

2006, 2005, 2004, 2003, 2002, 1999, 1998, 1993

- 4 MALAYSIAN INSTITUTE OF MANAGEMENT VALUED PARTNER AWARD**

Malaysian Institute of Management

2006

- 5 TECHNOLOGY BUSINESS REVIEW INDUSTRY AWARD FOR EXCELLENCE IN BANKING & FINANCE FOR LOCAL BANK**

Technology Business Review Magazine

2006

- 6 CORPORATE GOVERNANCE ASIA RECOGNITION AWARD**

Corporate Governance Asia Journal

2006, 2005

THE WALL STREET JOURNAL ASIA'S 200 MOST ADMIRED COMPANIES SURVEY:

- 7 2nd of Top 10 Malaysian Companies**

- 8 1st in 'Financial Soundness'**

- 9 1st in 'Reputation'**

The Wall Street Journal Magazine

2006

- 10 HIGHLY COMMENDED AWARD FOR BEST INVESTOR RELATIONS IN THE SINGAPORE MARKET BY MALAYSIAN COMPANY**

IR Magazine

2006





11 READER'S DIGEST TRUSTED BRAND GOLD AWARD
Reader's Digest Trusted Brand Survey
 2006, 2005, 2004

12 NACRA OVERALL EXCELLENCE AWARD – GOLD AWARD
National Annual Corporate Report Awards
 2006

13 INDUSTRY EXCELLENCE AWARD FOR MAIN BOARD COMPANIES IN THE FINANCE SECTOR
National Annual Corporate Report Awards
 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, 1997

14 BEST ANNUAL REPORT IN BAHASA MALAYSIA – PLATINUM AWARD
National Annual Corporate Report Awards
 2006, 2005, 2004, 1998, 1996

15 FINANCEASIA DEAL OF THE MONTH
Public Bank's USD200 Million Hybrid Tier-1 Offering
FinanceAsia Magazine
 2006

16 FINANCEASIA BEST BANK CAPITAL DEAL OF THE YEAR
Public Bank's USD200 Million Hybrid Tier-1 Offering
FinanceAsia Magazine
 2006

FINANCEASIA'S 6TH ANNUAL ASIA'S BEST COMPANIES 2006 POLL:

17 3rd in 'Best Managed Company'
18 3rd in 'Best Corporate Governance'
19 2nd in 'Best Commitment to Strong Dividends'
FinanceAsia Magazine
 2006

JPMORGAN'S FUNDS TRANSFER QUALITY RECOGNITION AWARD FOR 2005:

20 Elite Quality Recognition Award for MT202 Category
21 Elite Quality Recognition Award for MT103 Category
JPMorgan Chase
 2006



2006 Awards

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

Minority Shareholder Watchdog Group (MSWG) & Nottingham University Business School, Malaysia Campus

2006, 2005

23 THE BRANDLAUREATE 2006-07 AWARD FOR BRAND EXCELLENCE IN FINANCIAL SERVICES

Asia Pacific Brands Foundation
2006

24 ASIAN BANKER AWARD FOR BEST RETAIL BANK IN MALAYSIA

Asian Banker Journal
2005, 2004, 2003, 2001

25 MALAYSIAN BUSINESS CORPORATE GOVERNANCE AWARD

Malaysian Business Magazine
2005, 2004, 2003, 2002

26 MALAYSIAN BUSINESS CORPORATE SOCIAL RESPONSIBILITY CATEGORY AWARD 2005

Malaysian Business Magazine
2005

27 CGC TOP SMI SUPPORTER AWARD

Credit Guarantee Corporate Malaysia Berhad
2005

28 MERIT AWARD FOR ANNUAL REPORT IN BAHASA MALAYSIA ANUGERAH CITRA WANGSA MALAYSIA SEKTOR SWASTA Dewan Bahasa & Pustaka
2005, 2003

29 SAHABAT SMI AWARD 2005 SMI Association of Malaysia
2005

30 ASIA'S BEST BANK CAPITAL ISSUE FOR 2006 – PBB'S USD200 MILLION HYBRID TIER-1 OFFERING
The Asset Magazine
2006



Chairman's Awards and Recognitions 2006



1 THE ASIAN BANKER LEADERSHIP ACHIEVEMENT AWARD FOR MALAYSIA
Asian Banker Magazine
2005

2 MALAYSIAN INSTITUTE OF MANAGEMENT GOLD MEDAL AWARD OF THE 'CONFRERE D'HONNEUR' (HONOURED COMPANION)
Malaysian Institute of Management (MIM)
2006

3 EUROMONEY AWARD FOR OUTSTANDING CONTRIBUTION TO THE DEVELOPMENT OF FINANCIAL SERVICES IN ASIA
Euromoney Magazine
2006

4 FINANCEASIA LIFETIME ACHIEVEMENT AWARD
FinanceAsia Magazine
2006

5 TECHNOLOGY BUSINESS REVIEW AWARD FOR LIFETIME ACHIEVEMENT IN CORPORATE EXCELLENCE, DEDICATION & INDUSTRY
Technology Business Review Magazine
2006

6 FINANCEASIA ASIA'S 50 MOST INFLUENTIAL 1996-2006
FinanceAsia Magazine
2006

7 THE ASSET ASIA'S BANKER OF HIGH DISTINCTION AWARD
The Asset Magazine
2006

8 THE BRANDLAUREATE BRAND PERSONALITY AWARD
Asia Pacific Brands Foundation
2006-2007

YAZHOU ZHOUKAN TOP 500 INTERNATIONAL CHINESE ENTREPRENEURS:

9 33rd amongst Top 500 International Chinese Entrepreneurs

10 1st amongst Top 10 Malaysian Chinese Entrepreneurs

11 6th amongst Top 10 Banking & Finance Entrepreneurs
Yazhou Zhoukan Magazine
2006



Record of **Past Awards**



NACRA AWARD FOR THE MOST OUTSTANDING ANNUAL REPORT
National Annual Corporate Report Awards
2005, 2004, 2003, 2002, 1997, 1990



KLSE CORPORATE EXCELLENCE AWARDS
Kuala Lumpur Stock Exchange Berhad
2003, 2002, 2001, 2000



FINANCEASIA ASIA'S BEST MANAGED COMPANIES
FinanceAsia Magazine
2005, 2004



KLSE CORPORATE AWARD FOR BEST CORPORATE DISCLOSURE IN ANNUAL REPORT
Kuala Lumpur Stock Exchange Berhad
2003



THE BANKER AWARDS FOR BANK OF THE YEAR IN MALAYSIA
The Banker Magazine
2005, 2001



GLOBAL FINANCE BEST BANK AWARD FOR THE BEST BANK IN MALAYSIA
Global Finance Magazine
2004, 2003, 2002, 2000



THE ASSET TRIPLE A REGIONAL AWARDS FOR BEST BANK BOND
The Asset Magazine
2005



BEST INVESTOR RELATIONS
Institutional Investor Research Group
2004



ASIAMONEY AWARD FOR OVERALL BEST-MANAGED COMPANY IN MALAYSIA
Asiamoney Magazine
2004



ASIAMONEY DOMESTIC BANKS AWARDS FOR THE BEST DOMESTIC COMMERCIAL BANK IN MALAYSIA
Asiamoney Magazine
2004, 2003, 1999





THE ASSET AWARD FOR A
LEADER IN CORPORATE
GOVERNANCE IN MALAYSIA
The Asset Magazine
2003



ASIAMONEY AWARD FOR
THE BEST COMPANY
OVERALL FOR INVESTOR
RELATIONS 2001 IN
MALAYSIA
Asiamoney Magazine
2002

VOTED AND RANKED AS
NO. 2 IN THE REVIEW
200: ASIA'S LEADING
COMPANIES AWARD
Far Eastern Economic Review
Magazine
2003, 2002, 2001, 2000



SPECIAL JURY'S AWARD
FOR ANNUAL REPORT
(BAHASA MALAYSIA)
ANUGERAH CITRA WANGSA
MALAYSIA SEKTOR SWASTA
Dewan Bahasa & Pustaka
2002, 2001



BANK-WIDE ISO 9001:2000
QUALITY MANAGEMENT
SYSTEMS CERTIFICATION
FOR "PROVISION OF
CUSTOMER SERVICE IN
LOAN DELIVERY"
SIRIM
2003



KLSE CORPORATE
SECTORAL AWARD FOR THE
FINANCE AND CLOSED-END
FUND SECTOR
Kuala Lumpur Stock
Exchange Berhad
2001, 2000



NATIONAL CREATIVE &
INNOVATION AWARD
Malaysia Design Technology
Centre
2004



BANK-WIDE ISO 9001:2000
QUALITY MANAGEMENT
SYSTEMS CERTIFICATION
FOR "PROVISION OF
CUSTOMER SERVICE AT THE
FRONT-OFFICE"
SIRIM
2001



ANUGERAH KRISTAL 2004
(SPECIAL MENTION)
CONSUMER PUBLIC
RELATIONS CATEGORY: PB
MANCHESTER UNITED
MASTERCARD
Institute of Public Relations
Malaysia
2004



THE STRONGEST BANK IN
MALAYSIA AND FOURTH
STRONGEST BANK IN ASIA
Asiamoney Magazine
2001

Record of **Past Awards**



**BEST BANK IN MALAYSIA
Emerging Markets Investor
Magazine**
2001



**NACRA COMMENDATION
AWARD FOR BEST
CORPORATE INFORMATION
National Annual Corporate
Report Awards**
1994, 1989



**CITRA ANNUAL REPORT
AWARD (BAHASA MALAYSIA)
Dewan Bahasa & Pustaka**
2000



**NACRA COMMENDATION
AWARD FOR ACCOUNTING
INFORMATION
National Annual Corporate
Report Awards**
1995, 1994, 1989



**THE ASIAN BANKING
AWARDS FOR THE MOST
OUTSTANDING CUSTOMER
SERVICE PROGRAMME
CATEGORY**
The Asian Banking Awards
2000



**ASIAMONEY AWARD FOR
BEING VOTED ONE OF THE
TOP 10 BEST MANAGED
COMPANIES 1996 IN MALAYSIA
IN A REGIONAL POLL BY
INSTITUTIONAL INVESTORS**
Asiamoney Magazine
1997



**THE BEST BANK IN
MALAYSIA AND THE 5TH
MALAYSIA BEST MANAGED
COMPANIES AWARDS**
Asiamoney Magazine
1999



**NACRA COMMENDATION
AWARD FOR BAHASA
MALAYSIA ANNUAL REPORT**
**National Annual Corporate
Report Awards**
1995, 1994, 1989



**FIABCI'S AWARD OF
DISTINCTION FOR THE BEST
COMMERCIAL
DEVELOPMENT BUILDING**
FIABCI
1999



**MANAGEMENT AWARDS OF
ASIA**
**Asian Institute of
Management**
1996





WINNER OF THE 'BEAUTIFUL
COMPOUND COMPETITION'
FOR PRIVATE SECTOR
COMPLEX/BUILDING
CATEGORY
**Dewan Bandaraya Kuala
Lumpur**
1994



MALAYSIAN CORPORATE
REPORT AWARD (MACPA)
GOLD AWARD FOR THE
MOST OUTSTANDING
ANNUAL REPORT
MACPA and MIM
1989



INDUSTRY EXCELLENCE
AWARD UNDER THE SERVICE
EXPORT EXCELLENCE FOR
THE FINANCIAL CATEGORY
**Ministry of International Trade
& Industry**
1994

CHAIRMAN'S AWARDS AND RECOGNITIONS



BEST CEO IN
MALAYSIA 2004
**Asiamoney
Magazine**
2004



THE MOST PR
SAVVY CEO 2004
**Institute of Public
Relations Malaysia**
2004



MEDAL "FOR THE
COURSE OF
VIETNAMESE
BANKING"
**State Bank of
Vietnam**
2002



MALAYSIA'S CEO
OF THE YEAR AWARD
**Business Times and American
Express**
1999



THE BUSINESS ACHIEVER
OF THE YEAR
Yazhou Zhoukan Magazine
1997



ASEAN BUSINESSMAN
OF THE YEAR AWARD
ASEAN Business Forum
1994



ASIA'S COMMERCIAL
BANKER OF THE YEAR
**Asiamoney and Finance
Magazine**
1991



EXCELLENCE
IS OUR
COMMITMENT



Board of Directors



TAN SRI DATO' SRI DR. TEH HONG PIOW

Non-Executive Chairman

TAN SRI DATO' THONG YAW HONG

Independent Non-Executive Co-Chairman



Board of Directors

DATO' SRI TAY AH LEK

Managing Director/
Chief Executive Officer

DATO' LEE KONG LAM

Executive Director



DATO' YEOH CHIN KEE

Independent Non-Executive
Director

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

Independent Non-Executive
Director



**HAJI ABDUL AZIZ BIN
OMAR**

Independent Non-Executive
Director

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

Independent Non-Executive
Director



LEE CHIN GUAN

Independent Non-Executive
Director

CHIA LEE KEE

Company Secretary



TAN SRI DATO' SRI DR. TEH HONG PIOW

Non-Executive Chairman



Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 77, began his banking career in 1950 and has 57 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
- Award for Lifetime Achievement in Corporate Excellence, Dedication and Industry
- Asia's Banker of High Distinction Award
- The BrandLaureate Brand Personality Award

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. In recognition of his contributions to society and the economy, he was conferred the Doctor of Law (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 Financial Holdings Ltd (Chairman) and Public Bank (Hong Kong) Ltd (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 18 Board meetings which were held in the financial year ended 31 December 2006.



TAN SRI DATO' THONG YAW HONG

Independent Non-Executive Co-Chairman



Tan Sri Dato' Thong Yaw Hong, aged 76, 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 Financial Holdings Ltd (Co-Chairman) and Public Bank (Hong Kong) Ltd (Co-Chairman); he is also a Director of several subsidiaries of the Public Bank Group. His directorships in other public companies are in Berjaya Land Bhd (Chairman), Berjaya Sports Toto Bhd (Chairman), Berjaya General Insurance Bhd (Chairman), Batu Kawan Bhd, Kuala Lumpur Kepong Bhd, Glenealy Plantations (Malaya) Bhd and Malaysian South-South Corporation Bhd.

Tan Sri Dato' Thong Yaw Hong attended all of the 18 Board meetings which were held in the financial year ended 31 December 2006.



DATO' SRI TAY AH LEK

Managing Director/Chief Executive Officer



Dato' Sri Tay Ah Lek, aged 64, has 46 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 Honorary Advisor to 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 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 18 Board meetings which were held in the financial year ended 31 December 2006.



DATO' LEE KONG LAM

Executive Director



Dato' Lee Kong Lam, aged 65, has 39 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 and Public Mutual Bhd; he is also a Director of several other subsidiaries of the Public Bank Group.

Dato' Lee Kong Lam attended all of the 18 Board meetings which were held in the financial year ended 31 December 2006.

Board of Directors

DATO' YEOH CHIN KEE

Independent Non-Executive Director



Dato' Yeoh Chin Kee, aged 64, began his banking career in 1961 and has 46 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 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 18 Board meetings which were held in the financial year ended 31 December 2006.

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 46, 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 directorship in other public company in the Public Bank Group is in Public Investment 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 18 Board meetings which were held in the financial year ended 31 December 2006.



Haji Abdul Aziz bin Omar

Independent Non-Executive Director



Haji Abdul Aziz bin Omar, aged 59, 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 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 and Public Mutual Bhd.

Haji Abdul Aziz bin Omar attended all of the 18 Board meetings which were held in the financial year ended 31 December 2006.

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

Independent Non-Executive Director

Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff, aged 71, 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 qualified as a professional Chartered Town Planner in 1964 and as a professional Landscape Architect in 1973 from the University of Newcastle-upon-Tyne, England.

He was the Director-General of the Department of Town and Country Planning from 1986 to 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 was conferred the Doctor of Civil Law (Honorary) from the University of Newcastle-upon-Tyne, England in May 1993.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd and Public Mutual Bhd. His directorships in other public companies are in Yee Lee Corporation Bhd (Chairman) and Faber Group Bhd.

Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff attended all of the 18 Board meetings which were held in the financial year ended 31 December 2006.

Board of Directors

LEE CHIN GUAN

Independent Non-Executive Director



Lee Chin Guan, aged 48, 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 qualified as a Barrister-at-Law from the Middle Temple, United Kingdom in 1982. He also holds a Bachelor's Degree in Science (Hons) from the University of Manchester Institute of Science & Technology, England and Degrees in Law from Cambridge University, Oxford University and Chicago-Kent College of Law.

His directorships in other public companies in the Public Bank Group are in Public Investment Bank Bhd, Public Financial Holdings Ltd and Public Bank (Hong Kong) Ltd. His directorships in other public companies are in LPI Capital Bhd, Lonpac Insurance Bhd and Transmile Group Bhd.

Lee Chin Guan attended all of the 18 Board meetings which were held in the financial year ended 31 December 2006.

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.



Letter to **Stakeholders**

INTRODUCTION

In Year 2006, as Public Bank celebrated the 40th anniversary of its founding in 1966, the Public Bank Group remained at the forefront of the Malaysian financial services industry, meeting and overcoming the challenges of intense competition, continuing liberalisation and a more challenging business and economic environment confronting its customers. This is due in no small measure to the Group's single-minded focus on its core strategies, which have served the Group well and remained entirely valid and relevant in 2006, in addition to a number of key initiatives undertaken by the Group in 2006 that will also position the Group for the future. The stronger pace of economic growth of Malaysia in 2006 as compared to 2005 also provided the positive backdrop to sustaining the strong performance of the Group in 2006.

The Public Bank Group chalked up another year of record profitability and continued to expand its lending business at more than twice the industry's pace of loan growth. The expansion of the Group's loan portfolio by 17.5% in 2006, excluding the effect of the acquisition of Public Bank (Hong Kong) Limited, continued the trend of strong organic growth rates of its lending business in recent years. The Group continues to play an important

supportive role in the Government's drive to strengthen the domestic orientated economy as the driver of the future economic development of Malaysia. The Group's focus on providing financing for consumer expenditure on housing and purchase of passenger vehicles, with strong 27.8% and 18.8% expansion in the Group's residential mortgage and vehicle hire purchase financing portfolios respectively, supports the increasingly significant role that consumption activities will play in the domestic economy. The Group's commercial lending business which is directed primarily at domestic middle market commercial enterprises, particularly small- and medium-sized enterprises ("SMEs"), is consistent with the focus of the Government's economic policy direction and the 9th Malaysia Plan in promoting domestic SMEs as the backbone of a healthy domestic orientated economy.

The growth of the Public Bank Group's customer deposits had kept pace with the growth of its lending business, with deposits from customers expanding by 32.9% in 2006. The Group is thus fulfilling its role in mobilising the savings of Malaysian citizens, corporates and institutions and channeling these savings to facilitate productive economic activities through its lending business.



With the Public Bank Group's continued healthy expansion of its core lending and deposit-taking businesses and a consistently rising trend of profitability over the past 8 years, the Group has cemented its leading position as the largest non-government linked corporation and the 2nd largest banking group by market capitalisation in Malaysia. However, being ever mindful of the many stakeholders that have an interest in the Group, the unwavering commitment of excellence to each and every stakeholder remains undiminished as the Group seeks to meet, and even exceed, the expectations of these stakeholders.

TO OUR SHAREHOLDERS

2006 Financial Performance

The Public Bank Group turned in another year of record profits in 2006 with pre-tax profit growing by 17.3% to reach RM2.416 billion. Net profit grew by 18.3% from RM1.459 billion in 2005 to RM1.727 billion in 2006, earnings per share improved to 52.1 sen from 44.5 sen in 2005 with net return on equity reaching 21.9% from 19.1% in 2005.

Total assets of the Public Bank Group expanded from RM111.689 billion at the end of 2005 to stand at RM147.790 billion at the end of 2006. This strong 32.3% expansion of the balance sheet was driven by strong organic business growth and the acquisition of Asia Commercial Bank Limited in Hong Kong in May 2006. Asia Commercial Bank Limited has been renamed Public Bank (Hong Kong) Limited in June 2006.

The Public Bank Group continued to achieve strong growth in both the lending business and deposit-taking business. Total gross loans of the Group increased by RM16.263 billion or 23.9% to stand at RM84.365 billion. Excluding the impact of the acquisition of Public Bank (Hong Kong) Limited, organic growth accounted for RM11.914 billion of the increase in the Group's gross loans in 2006 or a growth rate of 17.5%. The strong organic growth rate resulted in the Group accounting for 32.6% of the total growth of the Malaysian banking system's loans in 2006. The Group's domestic loans amounted to RM77.485 billion as at the end of 2006, making the Group the 3rd largest domestic lender in Malaysia.

Customer deposits expanded by RM27.663 billion to stand at RM111.793 billion, an increase of 25.4% from the end of 2005, excluding the impact of the acquisition of Public Bank (Hong Kong) Limited. Besides the strong growth in the wholesale deposit market through the issuance of negotiable instruments of deposits, the core customer deposits of the Group continued to show healthy growth rates, with lower cost savings deposits and current accounts growing by 10.2% and 15.4% respectively in 2006.

Net interest income and Islamic financing income expanded by a healthy 16.4% to RM3.298 billion in 2006. The effects of an intensely competitive Malaysian lending market which continued to exert downward pressures on lending rates and spreads were partly offset by the rise in Malaysian interest rates at the beginning of 2006. As a result, the strong growth in the lending and deposit-taking businesses of the Group flowed through in the healthy expansion in the net



interest income of the Group. Other operating income exceeded the RM1 billion mark at RM1.107 billion, growing by 20.6% as compared to 2005. Operating expenses growth continued to be constrained at 15.1%.

The consistently strong financial performance of the Public Bank Group continued to be underpinned by the strong asset quality of the Group. Gross and net non-performing loan ("NPL") ratios of the Group fell from 2.1% and 1.7% respectively at the end of 2005 to 1.9% and 1.6% respectively at the end of 2006.

The Group has sustained its strong asset quality even as the Group achieved strong lending growth rates of or close to 20% per year, a rate which was well above the industry growth rate of loans, for the past 6 years, with the Group's net NPL ratio of 1.6% at the end of 2006 amounting to one third of the Malaysian banking industry's net NPL ratio of 4.8%.

A Quick Take

As the Public Bank Group reached its 40th year in business, it would be an opportune moment to take stock and review the progress of the Group over the medium term, with the turn of the millennium as the reference point.

Since the beginning of 2000, the Public Bank Group has seen:

- Profit before tax growing from RM830.1 million to RM2.416 billion.
- Net profit growing from RM622.0 million to RM1.727 billion.

- Total assets expanding from RM43.844 billion to RM147.790 billion.
- Total loans growing from RM23.373 billion to RM84.365 billion, a more than three fold increase, with the Group's share of the domestic banking industry's loans rising from 4.9% to 13.2%.
- Total customer deposits expanding from RM33.044 billion to RM111.793 billion and the Group's domestic market share of customer deposits rising from 7.1% to 12.9%.
- Net NPL ratio based on a 3-month classification has declined from 4.3% in 2000 to 1.6%.
- Public Bank had paid total gross dividends of RM4.56 per Public Bank share, adjusted for bonus issues, in this 7 year period.

By all the measures used, the Public Bank Group has charted exceptional progress which had been driven primarily by organic growth strategies, with the acquisitions of the former Hock Hua Bank and the former Asia Commercial Bank Limited playing a key supportive role in the Group's unrelenting expansion trail.

Strategic Business Direction

In 2006, the Public Bank Group continued to pursue its long-term business strategy of organic growth, focusing on the consumer and middle market commercial enterprises, particularly SMEs, whilst positioning the Group for future expansion regionally with the acquisition of Public Bank (Hong Kong) Limited.



High organic growth in consumer and SME financing

The Public Bank Group maintained its high and above industry rate of growth of its lending business in 2006, with the Group's total loan growing by 23.9%. Excluding the impact of the acquisition of Public Bank (Hong Kong) Limited, the Group's organic growth rate of loans stood at 17.5% in 2006. Despite the extremely competitive market place, the Group, with its comprehensive range of innovative and competitively priced lending products, was able to outpace its competitors in expanding its lending business, particularly in the financing of consumers. The Group achieved growth rates of 27.8% and 18.8% in its key target consumer lending sectors of residential mortgages and passenger vehicle financing respectively, as compared to the industry's growth rates of 8.8% and 7.0% respectively of these two sectors.

The Public Bank Group's continued focus on the financing needs of SMEs is evident in the 31.5% and 38.4% growth in the financing of non-residential properties and working capital, a significant proportion of which goes to support the businesses of SMEs. As a result of the focus on consumers' and SMEs' financing needs, as at the end of 2006, RM22.552 billion or 26.7% of gross loans outstanding were for residential mortgages, RM19.669 billion or 23.3% were for passenger vehicle hire purchase financing and RM17.713 billion or 21.0% were to finance the business needs of SMEs.

Focus on retail deposit-taking

The Public Bank Group continued to strengthen its long-term core deposit funding base of retail depositors through sustaining the high level of its ISO-standard customer service delivery infrastructure, particularly at the front office of the Group's branches nationwide. In 2006, the Group's current accounts, savings deposits and fixed deposits, excluding the impact of the acquisition of Public Bank (Hong Kong) Limited, grew by 15.4%, 10.2% and 13.4% respectively compared to 15.6%, 7.4% and 13.2% respectively for the Malaysian banking industry. In the more rate sensitive fixed deposit segment, the competitive fixed deposit rates offered by the Group contributed to the above industry growth rate of fixed deposits. Individual depositors accounted for 63.4% of the Group's core customer deposits, reflecting the focus of the Group's deposit-taking business on the retail depositor.

Wholesale deposit-taking strategy

The rise in Bank Negara Malaysia's overnight policy rate from 2.70% in November 2005 to 3.50% in April 2006 resulted in generally higher yields for financial institutions' short-term liquid assets. The Public Bank Group expanded its wholesale deposit-taking business by tapping highly liquid corporate and institutional depositors with competitive deposit rates. As a result, the negotiable instruments of deposits and securities sold under repurchase agreements ("repo") portfolios expanded by 72.7% and 149.3% respectively in 2006 to stand at RM31.934 billion and RM10.076 billion respectively and contributed to the growth in the net interest income line in 2006.



Narrowing interest margins

The competitiveness of the banking and financing sector intensified further in 2006 and this trend is expected to continue in the future, with the competition for business, particularly in the highly commoditised lending sectors such as residential mortgages and passenger vehicle hire purchase financing, manifesting itself in increasingly lower lending spreads. The Public Bank Group is constantly vigilant of what its competitors are offering and has responded promptly to changes and developments in the market place, with the Group's lending product offerings being generally the most competitively priced. As a consequence, the Group has to contend with the continued narrowing of interest margins in its lending business. The core strategies to sustain profitability growth in an environment of persistent narrowing interest margins are the pursuit of volume expansion, improving cost efficiency and sustaining strong asset quality.

The organic growth in the lending business of the Public Bank Group of 17.5% in 2006 continued the trend of growth rates which are well above industry rates of growth of loans. This has seen the Group's lending business achieving growth rate of close to or exceeding 20% per annum over the past six years.

With top line growth under constant pressure, improving cost efficiency is key to continued bottom line growth. The Public Bank Group continued to seek improvements in cost efficiency through the elimination of overlapping branches, thereby decreasing the Group's domestic branch network from 251 branches at the end of 2005 to 240 at the end of 2006. In the pursuit of improving staff productivity, the Group had been able to maintain

a stable head count of about 13,000 staff, without taking into account the acquisition of Public Bank (Hong Kong) Limited, a level of staffing which had been maintained for the past few years whilst both the lending and the deposit-taking businesses of the Group expanded at rates well in excess of industry growth rates. Together with appropriate cost control measures and the enhancement and promotion of the use of the lower cost electronic delivery channels of the Group, the Group's cost to income ratio continued to improve to 34.8% as compared to 35.5% in 2005, a ratio which is one of the lowest in the Malaysian banking and financing industry.

Maintaining strong asset quality is also critical in sustaining profitability growth whilst contending with narrowing margins. The Public Bank Group's lower gross and net NPL ratio of 1.9% and 1.6% respectively at the end of 2006, compared to 2.1% and 1.7% respectively at the end of 2005, continued to relieve the pressure of narrowing lending margins on profitability by keeping both the non-accrual of interest-in-suspense as well as specific allowance charges low.

Regional expansion

In addition to the expansion of profitable banking operations in Vietnam, Cambodia and Laos, the Public Bank Group's international operations in Hong Kong have undergone a major rebranding exercise at the start of 2006 which, together with the acquisition of Public Bank (Hong Kong) Limited in 2006, have greatly enhanced and extended the scope and scale of the Group's business in Hong Kong.



In January 2006, JCG Finance Company, Limited changed its name to Public Finance Limited as part of the rebranding exercise of the Public Bank Group's consumer financing business in Hong Kong. The hitherto "JCG" brand was transformed and with changes made to signboards and an intensive television and print media advertising campaign, the PB Brand, as represented by the "Public" name and the Public Bank logo, was promoted extensively in Hong Kong.

On 30 May 2006, Public Financial Holdings Limited, a 73.5% subsidiary of Public Bank completed the acquisition of the entire issued and paid-up share capital of Asia Commercial Bank Limited for HKD4.6 billion (RM2.1 billion). Asia Commercial Bank Limited was renamed Public Bank (Hong Kong) Limited on 30 June 2006 and the Public Bank name and logo went up at the branches of Public Bank (Hong Kong) Limited.

Public Bank (Hong Kong) Limited is a full-service commercial bank in Hong Kong with an original network of 12 branches in Hong Kong, a branch in Shenzhen in the People's Republic of China and representative offices in Shanghai and Shenyang in the People's Republic of China and in Taipei, Taiwan. Public Bank (Hong Kong) Limited has opened another 3 branches in Hong Kong by the end of 2006 and is in the process of opening a second branch in Shenzhen in the People's Republic of China, further extending the reach of the Public Bank Group's branch network in Hong Kong and Greater China. The Group now has a network of 56 branches in Hong Kong, comprising 40 branches of Public Finance Limited, 15 branches of Public Bank

(Hong Kong) Limited and Public Bank's Hong Kong branch, all carrying the "Public" name and the Public Bank logo. In addition, the Group is now equipped with an immediate banking operations in the People's Republic of China with the Shenzhen branch and the Shanghai and Shenyang representative offices of Public Bank (Hong Kong) Limited, thereby providing a sound and solid platform for the Group to further expand in the People's Republic of China.

The Public Bank Group will seek to capitalise on maximum synergies from the combined retail network of Public Finance Limited's existing 40 branches and the expanding branch network of Public Bank (Hong Kong) Limited. Revenue growth will be pursued vigorously through the leveraging of the combined branch network and the enlarged customer base of the Group in Hong Kong and Greater China as well as leveraging on the Group's strength in retail consumer banking and serving the SMEs. Public Bank (Hong Kong) Limited will also enable the Group to tap into a wider funding source from the retail deposits market in Hong Kong.

The significant expansion of the Public Bank Group's business in Hong Kong and reaching into Greater China will position the Group to compete more effectively with the major Malaysian banks that have also expanded their regional operations, whilst still adhering to the Group's traditional prudent risk standards with the expansion in a market where the Group has had a presence since 1986.



Public Investment Bank Berhad

On 18 December 2006, the merchant banking business of Public Merchant Bank Berhad and the stockbroking business of PB Securities Sdn Bhd were merged to form the investment banking subsidiary of the Public Bank Group named as Public Investment Bank Berhad. This is in line with another objective of the Financial Sector Masterplan which seeks to improve the efficiency and competitiveness of capital markets operations of Malaysian banking groups which have traditionally been carried out by separate merchant banks and stockbroking companies. The creation of Public Investment Bank Berhad will position the Group to compete more effectively in the Malaysian capital markets and will expand the Group's sources of non-interest income and profit by building on the synergies of the merchant banking and stockbroking businesses of Public Investment Bank Berhad as well as leveraging on the extensive customer base of the Group in its pursuit of investment banking business.

ENHANCING CAPITAL EFFICIENCY

Innovative Tier 1 capital

Having geared up the Public Bank Group's core capital position with the issuance of a total of USD750 million of Subordinated Notes in the previous 2 years, the Group further enhanced the efficiency of its capital structure by raising its level of regulatory capital through the issuance of innovative Tier 1 capital securities in 2006, which qualifies as Tier 1 capital under the capital adequacy framework of Bank Negara Malaysia.

In August 2006, Public Bank issued USD200 million of Innovative Tier 1 Capital Securities with a 30 year maturity and a call option after 10 years. The structure and features of the USD200 million Innovative Tier 1 Capital Securities was innovatively revolutionary in the hybrid Tier 1 capital market, and was the first issue of hybrid Tier 1 capital with such a structure in Asia. The revolutionary structure of the USD200 million Innovative Tier 1 Capital Securities and the high regard that international investors have for the Group with its consistently strong financial performance, excellent asset quality and high ratings by international rating agencies, led to a successful issue in what were difficult conditions in the international bond market, particularly for emerging market bonds. The USD200 million Innovative Tier 1 Capital Securities issue was named Deal of the Month by FinanceAsia magazine in September 2006 with a commentary on the structure, viz: "The success and strength of this structure could provide a turning point for future tier 1 deals. No doubt other banks and issuers in the bank capital market will take a long hard look at this new structure."

In December 2006, Public Bank issued RM1.2 billion Innovative Tier 1 Capital Securities in the domestic capital market with the same structure as the USD200 million Innovative Tier 1 Capital Securities issue. The RM1.2 billion Innovative Tier 1 Capital Securities is the first issue of such innovative Tier 1 capital securities by a financial institution in Malaysia. Investors' overwhelming response to the issue was reflected in the 8.5 times oversubscription of the upsized issue amount from RM1.0 billion to RM1.2 billion as well as pricing 10 basis points lower than the low end of the initial price guidance. The RM1.2 billion Innovative Tier 1 Capital



Issue was eventually allocated to 56 quality investors in Malaysia as well as from Singapore and Hong Kong. The overwhelming response by investors to this landmark issue again reflects the remarkably high standing of the Public Bank Group amongst investors and the innovatory structure of the issue.

The two issues of innovative Tier 1 capital securities have further strengthened both the core capital ratios as well as the risk-weighted capital ratios of Public Bank and the Public Bank Group, thereby allowing the Group to pursue the expansion of its business and balance sheet aggressively without burdening shareholders for more equity capital and at the same time further enhance the return on equity of the Group.

Basel II Capital Accord

The implementation of the Basel II Capital Accord scheduled on 1 January 2008 by Bank Negara Malaysia, for which Public Bank is fully prepared, is also likely to see an enhancement of the Public Bank Group's capital adequacy ratios given the business focus of the Group on lending to the retail consumer and SMEs as well as having one of the lowest NPL ratios in the Malaysian banking system. The Group is ready to implement the Standardised Approach under the Basel II Capital Accord which will see an improvement in the capital adequacy ratios of the Group.

SHAREHOLDER VALUE

The Public Bank Group is fully committed to the delivery of superior shareholder value. Initiatives ranging from having more efficient capital structures and improving return on equity, pursuing a high dividend payout policy to the pursuit of excellent corporate governance have been undertaken with a view to enhancing superior shareholder value. With an unbroken profitability track record of 40 years since Public Bank started business and consistently rising profitability since the Asian financial crisis in 1997/1998 underpinning the investment of shareholders in Public Bank, these initiatives have led to consistently improving and superior shareholder value.

Efficient capital structures

Through the successful issuance of innovative Tier 1 capital securities in the international and Malaysian capital markets denominated in US Dollar and Ringgit respectively, Public Bank has increased the level of regulatory Tier 1 capital to support the expansion of the Public Bank Group's business and balance sheet without turning to shareholders for equity capital. Together with the gearing up of its core capital with Tier 2 subordinated debt and the share buy back by Public Bank in 2004 and 2005, the more efficient capital structure, combined with strong profitability growth, has resulted in improving net return on equity from 12.1% in 2002 to 21.9% in 2006. This ranks Public Bank the highest amongst domestic banking groups in Malaysia as well as amongst the major regional banks in terms of return on equity.



High dividend payout

The Public Bank continued to pursue a high dividend payout policy. Since 2001, Public Bank had maintained an annual dividend payout ratio of over 95% of its net profit each year after the transfer of profit after taxation to the statutory reserves, as required by the Banking and Financial Institutions Act, 1989. Together with the interim dividend of 20 sen less 28% taxation paid in October 2006, the proposed final dividend of 30 sen and a proposed special dividend of 10 sen, totaling 40 sen less 27% taxation, Public Bank would have paid or will pay net dividends of 43.6 sen, or a total of RM1.454 billion. The interim dividend of 2006 already paid and the proposed final dividend of 30 sen less 27% taxation would account for RM1.210 billion of the total dividend payout of RM1.454 billion for 2006 and amounts to 90.2% of Public Bank's profit after taxation and minority interest and after transfer to the statutory reserve for 2006.

As part of the Public Bank Group's high dividend payout policy, Public Bank intends to pay out all its profit after taxation and minority interest and after transfer to statutory reserves, as required by the Banking and Financial Institutions Act, 1989 as interim and final annual dividends for 2007, subject to the approval of Bank Negara Malaysia.

Strong corporate governance

The Public Bank Group's pursuit of excellence in corporate governance has also positively impacted shareholders as investors, particularly institutional investors, increasingly focus on the way corporates conduct their business and on the level of transparency of the corporates and their accountability to stakeholders. Public Bank's publicly recognised record

of excellence in corporate governance and corporate conduct has again been validated by being ranked No.1 for the second consecutive year in the Corporate Governance Survey Report 2006 issued jointly by the Minority Shareholder Watchdog Group and the Nottingham University Business School. The No.1 ranking in 2006 is even more significant as the companies covered by the 2006 survey comprised the top 200 companies by market capitalisation listed on Bursa Securities as compared to the top 100 companies in the previous survey.

The efficient capital structure and improving return on equity of Public Bank, its high dividend payout ratio and strong corporate governance together with the strong and continuously improving financial performance of the Public Bank Group have benefited shareholders of Public Bank directly in the premium valuation multiples that investors attach to these factors. In 2006, Public Bank shares traded at a premium to the price-to-book value multiples of listed banking groups in Malaysia. Shareholders have thus been rewarded and benefited by the Group's proactive initiatives to enhance shareholder value.

Superior returns to shareholders

The Public Bank Group has delivered superior shareholder value in 2006, over the medium term and over the entire period since Public Bank was listed in 1967.



Public Bank (Local) shares and Public Bank (Foreign) shares rose from RM6.55 and RM6.40 respectively at the start of 2006 to RM7.75 and RM7.85 respectively at the end of 2006. Taking into account the final and special dividend for 2005 of 35 sen paid in 2006 and the interim dividend for 2006 of 20 sen, the annual return of a Public Bank (Local) share and a Public Bank (Foreign) share for 2006 were 26.7% and 31.3% respectively.

Over the medium term of 5 years, a shareholder of Public Bank who purchased Public Bank (Local) shares at a price of RM5.00 per Public Bank (Local) share at the beginning of 2002 and held it for 5 years to the end of 2006 would have received gross dividends totaling RM3.33 per Public Bank (Local) share over the 5 years. With the price of Public Bank (Local) shares standing at RM7.75 per Public Bank (Local) share at the end of 2006, the shareholder would have an exceptionally high annual return on investment of 28.8% for each of the 5 years that a shareholder had held shares in Public Bank.

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 2006, 129,720 Public Bank shares worth RM1,005,330, based on the share price of Public Bank (Local) shares of RM7.75 at the end of 2006, in addition to having received a total gross dividend of RM390,576, with Public Bank unflinching paying dividends every year since 1970, whilst having spent a capital outlay of RM47,760, including subscription for all rights issue. The dividends received and the appreciation in value work out to a remarkable average rate of return of 19.5% for each of the 39 years that this shareholder has held the shares in Public Bank since it was listed in 1967.

It is not surprising, therefore, that in a series of educational articles called “Smart Stock Market Investing: Success Stories” contributed by Chartered Financial Analysts Malaysia and published in a leading newspaper in Malaysia that the article was headlined “Public Bank stands out in shareholder value creation”.

TO OUR CUSTOMERS

Well informed customers

Customers of financial institutions continue to be offered an increasingly wider array of products and services options as well as services providers as the unrelenting process of liberalisation continues unabated with both new and existing players competing for every single customer. Customers are also increasingly better informed as Bank Negara Malaysia pursues the objectives of the Financial Sector Masterplan to foster greater customer education and awareness as well as greater levels of products and services transparency, including availability of comparative information of financial institutions’ products and services features as well as pricing and service charges to the general public on the Internet.

The increasingly well-informed customers, together with the increasing commoditisation of products and services brought about by greater transparency means that the manner in which a product or service is delivered, and how a customer is being served, becomes a key differentiation in capturing the customer.



Customer service infrastructure

The Public Bank Group's resolute commitment to customer service delivery excellence is clearly demonstrated in the Group's continued investment in its already extensive customer service delivery infrastructure which has already attained international ISO standards. This customer service delivery infrastructure encompasses multiple delivery channels of an extensive branch network, network of ATMs, cheque deposit machines and cash deposit terminals and e-banking and telephone banking services, as well as quantitative customer service delivery standards for the key customer contact points at branch counters and in loan delivery, and the systems and processes put in place to measure and monitor the achievement of these quantitative standards.

The Public Bank Group proactively assesses the location and size of its branches with a view to enhancing customer accessibility and convenience. In 2006, Public Bank relocated 7 branches and expanded the size of a further 9 branches. As part of the Group's initiatives to improve its operational efficiency, a number of branches where there was a significant degree of customer base overlap were merged, generally with the merged branch premises being expanded. Although the number of domestic branches of the Group was reduced from 251 to 240 at the end of 2006, customer accessibility and convenience have not been compromised as branches were relocated or premises expanded to offer greater accessibility and convenience. The network of self-service machines of the Public Bank Group continued to be expanded, particularly with the continued addition of cheque deposit machines and cash deposit terminals,

with the number increasing to 217 and 65 respectively. The functionalities and services available on these self-service machines, including ATMs, have also been enhanced and expanded. The Group continues to undertake initiatives to actively promote the migration of customers' transactions at branch counters to these self-service machines, as well as the Group's other electronic banking channels, as part of the Group's efforts to improve the efficiency of branch counter service for customers' transactions that need to be carried out at branch counters, thereby improving such customers' convenience. The expansion of the network of self-service machines and the increased functionalities of these self-service machines also provide customers with added convenience and flexibility in being able to conduct their banking transactions outside of normal banking hours.

The Public Bank Group has also enhanced its e-banking channel, PBeBank.com, with additional functionalities and increased security features, including the introduction of a two-factor authentication of value transfer transactions on PBeBank.com, in the Group's continuing efforts to ensure a high degree of confidence of customers in the security of the Group's e-banking channel when carrying out transactions on the Internet.

ISO standards

The Public Bank Group fervently upholds the standards of customer service delivery as part of the continuing certification of the Group's "Provision of Customer Service at the Front Office" and the "Provision of Customer Services in Loan Delivery" under the ISO 9001:2000 Standards, the delivery of quantitative



customer service standards such as the 2-minute standard waiting time, 2 to 3 working days turnaround time for approval of consumer loans and 6 to 7 working days for approval of commercial loans. Together with the initiatives undertaken to improve the accessibility and convenience of customers to the Group's physical service delivery channels as well as its electronic delivery channels, the Group had engendered a level of customer loyalty that is reflected in its higher market share of individual customers as represented by a 18.1% market share of savings deposits as compared to the Group's overall market share of total core customer deposits of 12.2%, with deposits from individuals accounting for over 63.4% of core customer deposits. The strong and above industry rate of lending growth of the Group over the past few years has also been supported by the high standards of customer service delivery of the Group's electronic Loan Delivery System ("eLDS"), as loan customers' expectation of turnaround times have been met even as loans volume continued to grow.

TO OUR STAFF

The remarkable success and consistent award-winning performance of the Public Bank Group is underpinned by the contribution of a united team of committed, knowledgeable and dedicated employees who are focussed 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. Collectively, the staff force represents the most valuable asset of the Group.

Skill and knowledge development

The Public Bank Group continues to allocate significant management and financial resources to enhance the long-term value of its human capital. The Group's policy of mandatory training for all levels of staff saw a total of over 7,500 man-days of training courses being conducted for all levels of staff in 2006, including E-learning courses.

In line with the Group's objective of improving operational efficiency to achieve a competitive edge, the greater application of information and communication technology in the training of staff had led to an increasing focus on E-training. As at the end of 2006, 29 internal training courses have been made available on the Group's E-training platform with a healthy level of staff participation rate as measured by more than 9,000 staff undergoing one or more E-training courses.

In 2006, the Public Bank Group continued to increase the financial resources for the development of its human capital with an increase in the Group's expenditure for staff training to RM20.7 million from RM19.3 million in 2005. This expenditure represents 3.7% of total human resources related costs, a ratio that is above the requirement of Bank Negara Malaysia in respect of staff training expense allocation. The investment in training of all staff not only equip the staff with the capability and skills needed to deliver the highest standards of performance expected of them, it also prepares the staff for career progression within the Group and the staff's own professional development and, hence fulfills the structured management succession planning objectives of the Group. The desire of the staff force seeking career advancement within the Group remains high with over 90% of current managerial appointments being filled from within the Group.



Rising productivity

A well trained and skilled staff force is also critical in the Public Bank Group's efforts to improve operational efficiency as part of its strategy to maintain profitability growth in an environment of intense competition and continued compression in lending margins. Besides a continuous improvement in staff productivity, as measured by standard industry measures such as deposit per staff and loans per staff, which increased from RM3,828,200/staff and RM3,088,700/staff respectively in 2002 to RM8,345,300/staff and RM6,297,700/staff respectively in 2006, a well-trained and skilled staff force also has the capacity and flexibility to adjust to the changing needs of the Group, thereby allowing an efficient level of staff redeployment without service delivery standards being compromised. The improving productivity of the staff force and the ability of the Group to redeploy staff to wherever and whenever needed, have enabled the Group to grow both its lending business as well as its deposit-taking business at growth rates which often reach as high as 3 times the rate of growth of the banking industry. These have been attained over an extended period of 6 years with minimal increase in the total number of staff of the Group that has ranged from 12,641 in 2001 to 13,033 as at the end of 2006, excluding the 363 staff who joined the Group in 2006 with the acquisition of Public Bank (Hong Kong) Limited.

Performance-based rewards

A critical factor in developing the Public Bank Group's human capital is its established performance-based remuneration systems and a meritocracy-based career progression path. 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 capacity. This performance-based remuneration system has enabled the Group to fairly reward its top performers with performance related bonuses of up to 18 months salary as well as promoting future stellar performance as staff push their limits of performance delivery further in striving for such high rewards.

The staff continued to benefit from the remarkable performance of the Public Bank Group as reflected in the rising share price of Public Bank shares. The generous Group Employee Share Option Scheme ("ESOS") is extended to all levels of staff right down to the most junior grades. Given that the strong Public Bank share price continues to keep the ESOS share price in the money, the staff clearly have a financial and ownership stake in the performance of the Group and are motivated to enhance stakeholder value by the delivery of superior levels of performance and commitment to the Group.

Staff conduct

The Public Bank Group continues to inculcate and nurture 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 resource development programmes and the strict adherence to a policy of zero tolerance for dishonesty



and the lack of integrity. Such a stringent and uncompromising stand on honesty and integrity is absolutely necessary to engender the trust implicit in the Group's role as a custodian of public funds and a trusted and respected leading financial institution in the country.

The Public Bank Group's commitment to its staff force, the established and transparent performance-based remuneration system, a meritocracy driven career progression path and with 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 with the Group. The staff of the Group do proudly and professionally have a sense of dedication and commitment to serve.

TO THE COMMUNITY

Contribution to the country's economy

The unwavering commitment of excellence to each and every stakeholder of the Public Bank Group applies equally to the Group's commitment to the community it serves and in the performance of its corporate social responsibilities. The corporate citizenship of the Group extends well beyond the support of worthy causes in the community. As the largest non-government linked corporation in Malaysia by market capitalisation and with an unbroken 40 year profitability track record, Public Bank has played its role in contributing to the stability and integrity as well as the development and maturity of the country's financial system. A strong and

stable financial system forms the cornerstone of a healthy economy as well as being a key component of the services sector, a sector that the Government has looked to in driving economic growth, which ultimately benefits everyone in the community.

The focus of the Public Bank Group's business activities on serving the consumers and SMEs also have positive impact on the wider community. With the Group's support of the SMEs, which the Government regards as one of the important pillars of the country's economic growth and development, and by helping to finance the growth and expansion of the SMEs will, inter alia, generate growing employment opportunities which will benefit the community. By aggressively pursuing the residential mortgage business throughout its nationwide branch network, the Group is also helping to promote a higher level of home ownership by Malaysians.

With consistently rising profitability over the past 7 years, the Public Bank Group's contribution to the fiscal revenue of the country as a tax payer has been very substantial with tax payments totaling RM2.328 billion since 2002. The continued healthy profitability performance expected in the next few years as envisaged in the Group's scenario planning will, to be sure, contribute significantly to the financing of the development efforts of the nation, especially during the 9th Malaysia Plan period.



Community activities

In the Public Bank Group's commitment to giving back to the community that supports its business and corporate activities, the Group's participation in and contribution, both financial or otherwise, to activities for the 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 direct financial support of educational projects to support of environmental conservation and events promoting a healthy population and national pride and unity, besides direct charitable contributions to the welfare of the needy and less fortunate.

The extensive branch network of the Group throughout Malaysia also enables the Group to directly participate in and support the activities and welfare needs of the local community which a branch of the Group serves.

The commitment of the Public Bank Group to its corporate social responsibilities was recognised by the Malaysian Business which, as part of its Corporate Governance Awards Programme for 2005, awarded its inaugural Corporate Social Responsibility Category Award 2005 to Public Bank in 2006.

AWARDS AND RECOGNITIONS

A tangible validation of the degree of success of the strategies of the Public Bank Group in delivering value to all its stakeholders and exceeding the expectations of these stakeholders is the recognition and awards 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 stakeholder value have once again been recognised by a total of 26 awards and recognitions of excellence conferred on the Public Bank Group in 2006.

Excellent corporate governance

Public Bank's strong and entrenched culture of excellent corporate governance which not only complies with the Malaysian Code on Corporate Governance but also with international best practices in corporate governance was recognised by Public Bank being ranked No.1 in corporate governance, for the second consecutive year, amongst the top 200 listed companies in Malaysia, in the Corporate Governance Survey Report 2006. The Corporate Governance Survey Report 2006 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 200 companies listed on Bursa Securities, as measured by market capitalisation.



The excellent corporate governance of Public Bank was also recognised with the Malaysian Business Corporate Governance Award 2005 being awarded to Public Bank by Malaysian Business for the 4th consecutive year, with Public Bank being the sole recipient of this award since the inauguration of the Corporate Governance Awards by Malaysian Business.

Banking excellence

Public Bank continued to be accorded best bank awards in 2006 for the leading position of the Public Bank Group in Malaysia, its record of 40 years of continuous profitability, the delivery of excellence in customer service, its financial strength and excellent asset quality. The best bank awards received by Public Bank in 2006, some of which were for a number of consecutive years, include:

- Best Retail Bank in Malaysia by The Asian Banker
- Best Bank in Malaysia by Euromoney
- Best Bank in Malaysia by FinanceAsia
- Award for Excellence in Banking and Finance for Local Bank in Malaysia by Technology Business Review
- Best Domestic Bank in Malaysia by The Asset

At the National Annual Corporate Report Awards ("NACRA") 2006, the Annual Report 2005 of Public Bank won the Gold Award of the NACRA Overall Excellence Award, the Industry Excellence Award for Main Board Companies in the Finance Sector and the Platinum Award for the Best Annual Report in Bahasa Malaysia.

Contribution to banking in Malaysia and Asia

The Public Bank Group is also proud and honoured that Tan Sri Dato' Sri Dr. Teh Hong Piow, the Chairman and Founder of Public Bank, and the grandmaster of banking in Malaysia was recognised by no less than 5 awards for lifetime 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 2006:

- Leadership Achievement Award 2005 for Malaysia by The Asian Banker
- Award for Outstanding Contribution to the Development of Financial Services in Asia by Euromoney
- Lifetime Achievement Award by FinanceAsia
- Award for Lifetime Achievement in Corporate Excellence, Dedication and Industry by Technology Business Review
- Asia's Banker of High Distinction by The Asset

In addition, Tan Sri Dato' Sri Dr. Teh Hong Piow was named by FinanceAsia as one of Asia's 50 most influential in the 10 years from 1996 to 2006 whilst Yazhou Zhoukan magazine has ranked Tan Sri Dato' Sri Dr. Teh Hong Piow as 33rd amongst the Top 500 International Chinese Entrepreneurs and 1st amongst the Top 10 Malaysian Chinese Entrepreneurs.

Apart from acknowledging the outstanding achievement 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 excellence to all its stakeholders.



PROSPECTS

The Public Bank Group expects 2007 to be even more challenging than ever. The key challenge is how to maintain a healthy rate of business expansion and profitability growth in what is already an intensely competitive business environment – an environment with even more challenging competitive pressures. The unrelenting pace of liberalisation of the Malaysian financial services industry as the Financial Sector Masterplan prepares the Malaysian financial services providers to compete in the global market place remains the key driver of the competitive pressure.

A number of foreign controlled domestic banks had been expanding their branch networks, with some setting up their full quota of 4 branches a year that they are granted. Currently four major foreign controlled domestic banks have linked up their ATMs into a common network. These steps will extend the reach and customer service capabilities of the foreign controlled domestic banks. The third new Islamic bank will start operations in 2007, with the Malaysian banking groups now having to compete with 3 newly established Islamic banks.

There are also changes in the domestic banking groups giving rise to greater competition. The ongoing restructuring of the management of a major domestic banking group together with its acquisition of another domestic banking group is likely to result in improved performance, again leading to further intensification of competition in the Malaysian banking industry.

A number of domestic banking groups have also commenced negotiations with large regional banks with a view to these regional banks investing in significant equity stakes in these domestic banking groups. Apart from improvement in the capacity of such domestic banking groups to expand their business with any fresh capital injection, such strategic shareholders or partners are also likely to enhance the new product development expertise, technology and management resources of these domestic banking groups, thus enabling them to compete more effectively in the domestic banking industry. More broadly the major global economies are likely to experience moderation of GDP growth due to the effects of high oil prices and rising interest rates.

On the other hand, the Malaysian financial services industry can expect favourable macro economic conditions in 2007. GDP growth for 2006 is likely to surpass the Government's target of 5.8% as the external sector held up better than expected. Whilst the pace of GDP growth for 2007 is expected to moderate marginally when compared to 2006, the implementation of the 9th Malaysia Plan, with its focus on the domestic economy, will be supportive of economic activities in 2007.

Having seen Bank Negara Malaysia's overnight policy rate rising sharply from 2.7% in November 2005 to 3.5% in April 2006 and Malaysia's inflation rate reaching a peak of 4.8% in the first quarter of 2006, interest rates have remained stable for the rest of 2006. With the inflation rate moderating significantly to 3.1% in December 2006 and likely to ease further, domestic interest rates are likely to remain stable in 2007 with the possibility of a downward bias. Consumer confidence,



which took a dent in the early part of 2006, is likely to return with domestic consumption activities being again a key driver to support a healthy pace of GDP growth.

With liberalisation and a more competitive market place comes greater customer “empowerment” and the multitude of choices of a buyers’ market. The Public Bank Group, with its extensive network of branches and full range of electronic delivery channels, a comprehensive range of competitively priced and innovatively packaged products and services, particularly geared towards the retail consumer and SMEs, is well positioned to meet the challenges of the extremely competitive financial services landscape and to compete for more discerning customers. With the Group’s continued focus on the SMEs, a key target group under the 9th Malaysia Plan, the Group stands ready to support these SMEs whilst expanding its business with, and services to, the SMEs.

Given the Public Bank Group’s recent expansion of its regional presence with the acquisition of Public Bank (Hong Kong) Limited and the Group’s remarkably resilient and rising profitability, its strong organic growth capabilities, the strong PB Brand, its excellent asset quality and its stringently uncompromising prudent credit culture as well as customer service delivery that is benchmarked to international standards and most importantly, the unwavering commitment to excellence at all levels of staff, the Group is confident of overcoming the challenges in its path.

Medium term scenario planning

The financial services sector is expected to be even more competitive beyond 2007. Sustaining the business growth and rising profitability of the recent past will be increasingly challenging. But our Group, in its vision and mission for longer term expansion and maintenance of its market leadership position, has put in place medium term plans for the next 3 years to deliver long-term growth and profitability as well as value to all its stakeholders.

Amongst the myriad details of such medium term planning scenarios are future key performance indicators including key ratios and loan portfolio, deposits and balance sheet sizes. These include a medium term return on average equity ratio of 25%, core capital and risk-weighted capital ratios of 8.0% and 12.5%, a stable NPL ratio of 1.6% and cost income ratio of 33% over a 3 year period. The Group is also planning for an increase in its loan book and total balance sheet to RM120 billion and RM210 billion respectively in 3 years’ time, barring unforeseen circumstances and the key assumptions underlying these medium term plans being substantially realised.

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 encountered over the past 40 years, 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 to all its stakeholders in the 21st century.



ACKNOWLEDGMENT

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 for their continued support of and confidence in the Public Bank Group.

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/Chief Executive Officer

DATO' LEE KONG LAM
Executive Director

DATO' YEOH CHIN KEE
Director

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

HAJI ABDUL AZIZ BIN OMAR
Director

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

LEE CHIN GUAN
Director

19 January 2007



Statement on Corporate Governance

Public Bank continues to have properly in place an effective Corporate Governance framework that is based on the principles and best practices of corporate governance as contained in the Malaysian Code of Corporate Governance, and also in line with international best corporate governance practices.

The Board of Directors firmly believes that good corporate governance is the key to the improved long-term performance of Public Bank and that a sound governance structure is fundamental to safeguard the interests of all its stakeholders.

The commitment of the Board of Directors, Management and staff of Public Bank in enhancing stakeholder value is attested by the total of 26 awards and accolades that PBB had received in 2006, the more significant ones of which include the following:

- Public Bank was ranked No. 1 in the Corporate Governance Survey Report 2006, a joint study by the Minority Shareholder Watchdog Group and the Nottingham University Business School, Malaysia Campus. Public Bank was accorded a weighted average corporate governance score of 89%, compared with the average for the whole survey sample of 53%.

Public Bank was also ranked No. 1 in the preceding Corporate Governance Survey Report 2004, which was the inaugural joint study by the Minority Shareholder Watchdog Group and the Nottingham University Business School, Malaysia Campus.

- Public Bank received the Gold Award in the Overall Excellence Award (for the most outstanding annual reporting of the year) in the National Annual Corporate Report Awards ("NACRA") 2006.

Public Bank had won the NACRA Overall Excellence Award in 2002, 2003, 2004 and 2005.

- Public Bank received the NACRA 2006 Industry Excellence Award for the Finance Sector (for the most outstanding annual reporting in the finance industry).

This was the tenth consecutive year that it had won this Award since 1997.

- Public Bank received the Malaysian Business Corporate Governance Award 2005, making it the fourth consecutive year that it was conferred this Award.
- Public Bank was named the Best Retail Bank in Malaysia for 2005 by The Asian Banker.

This was the fourth time that Public Bank had been adjudged the Best Retail Bank in Malaysia by The Asian Banker, after having won the Award for 2004, 2003 and 2001.



- Public Bank was voted the Best Bank in Malaysia 2006 by Euromoney.

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

- Public Bank was named the Best Bank in Malaysia 2006 by FinanceAsia.

This was the eighth consecutive year since 1999 that it had won the Award.

- Public Bank was voted the Best Domestic Bank in Malaysia for 2006 by The Asset.

This was the fifth consecutive year since 2002 that Public Bank had won the Award.

BOARD OF DIRECTORS

Optimum Size And Composition

The Board comprises nine (9) Members of whom two (2) are Executive Directors and seven (7) are Non-Executive Directors.

Six (6) of the Non-Executive Directors are independent as defined by the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements and the Bank Negara Malaysia Guidelines on Corporate Governance for Licensed Institutions (BNM/GP1).

The Independent Non-Executive Directors are independent of Management and free from any business or other relationship with the Company which could materially affect the exercise of their independent judgment. The substantial majority of Independent Non-Executive Directors facilitates the Board to exercise objective judgment independently in particular from the Management.

Tan Sri Dato' Sri Dr. Teh Hong Piow, the Founder and Non-Executive Chairman of Public Bank, is par excellence as an astute banker, leader and entrepreneur. He has received numerous accolades and awards for his outstanding contributions to banking and financial services in Asia, and in recognition of his sterling achievements as a banker of 57 years. Dato' Sri Tay Ah Lek, the Managing Director/Chief Executive Officer, has been in the banking and finance industry for 46 years. As the Chairman of the Association of Finance Companies of Malaysia and a Member of the Council of The Association of Banks in Malaysia, he brings wider perspectives to the conduct of Public Bank's business. Dato' Lee Kong Lam, the Executive Director, is well respected and highly regarded in the banking and finance industry. His long service with Bank Negara Malaysia ("BNM") of 29 years provided him insights from the regulator's view point which are invaluable to the discharge of his duties as an Executive Director of Public Bank. These three (3) Directors, who are Members of Public Bank's Board Executive Committee, have collectively amassed 143 years of experience in banking and finance.

The Independent Non-Executive Co-Chairman, Tan Sri Dato' Thong Yaw Hong, holds a highly eminent record of service in the public sector as well as the private sector. The other five (5) Independent Non-Executive Directors are persons of high calibre and professionals in their own right, and are well qualified in banking and various fields relevant to the Bank's business, such as accounting, law, economics and business management.

The size and composition of the Board is optimum and well balanced, and caters effectively to the scope and complexity of Public Bank's operations as a premier financial institution.



Statement on Corporate Governance

Training and Development of Directors

In 2006, the Directors attended seminars and briefings conducted by the Regulatory Authorities and members of professional bodies, in order to stay abreast with the latest developments in the industry and to better enable them to fulfil their responsibilities.

Seminars and briefings attended by Directors in 2006 are as follows:

- Seminar on Corporate Social Responsibility
- Seminar on Towards Credibility & Sustainability
- Directors Forum on Corporate Governance
- Discussion on Key Continuing Obligation Requirements of Companies Listed on Bursa Malaysia Securities Bhd
- Regulators Dialogue with the Financial Industry
- Briefing on Realignment of the Regulatory and Supervisory Functions of Bank Negara Malaysia
- Dialogue on Insurance and Takaful
- Briefing on Risk Management and Basel II Development
- Seminar on Managing Business Turnaround
- Briefing on Goods and Services Tax
- Briefing on Intangible Assets and Goodwill
- Seminar on Overview of Scenario of Thinking and Planning
- Global Leadership Forum 2006
- Seminar on Managing Going Global Strategies
- Seminar on The Malaysian Code on Take-Overs and Mergers
- Seminar on Strategic Consideration for Share Buy-Back

Directors' Code of Ethics

The Directors continue to observe a code of ethics that is consistent with 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.

The Directors subscribe to highly ethical standards and take into account the interest of all stakeholders.

Duties and Responsibilities of the Board

The Board establishes the Bank's business plans, and the medium-term and long-term strategic plans on an annual basis. These plans are developed upon taking into consideration the prevailing market scenarios and are aimed at entrenching Public Bank's position as one of the top-notch banks in Malaysia. The Board approves the Bank's annual budget and carries out periodic review of the progress made by the various operating divisions against their respective budgets. The Board



also reviews the action plans that are implemented by the business units and their performance against targets allocated to them.

The Board prescribes the minimum standards and establishes policies on the management of credit risks and other key areas of the Bank's operations.

The Board's other main duties include regular oversight of the Bank's business operations and financial performance, and ensuring that the infrastructure, internal controls, and risk management processes that are firmly in place to assess and manage business risks, inter-alia, operational, credit, market and liquidity risks, are implemented consistently and also enhanced regularly. The Board undertakes various functions and responsibilities that are required of them as specified in guidelines and directives issued by BNM from time to time.

The roles and responsibilities of the Non-Executive Chairman and the Independent Non-Executive Co-Chairman are distinct and separate from the duties and responsibilities of the Managing Director/Chief Executive Officer.

The Board has established the Board Executive Committee, comprising Tan Sri Dato' Sri Dr. Teh Hong Piow, Dato' Sri Tay Ah Lek and Dato' Lee Kong Lam, to manage Public Bank in all aspects of its business.

The Independent Non-Executive Co-Chairman, Tan Sri Dato' Thong Yaw Hong, is the Bank's Senior Independent Non-Executive Director responsible for providing clarifications on issues that may be raised by shareholders at Public Bank's general meetings, and he avails himself to clarify matters or enquiries from stakeholders.

The six (6) Independent Directors, and in particular Tan Sri Dato' Thong Yaw Hong, who is the Chairman of the Audit Committee, and Tuan Haji Abdul Aziz bin Omar, who is the Co-Chairman of the Audit Committee, in effect represent minority shareholders' interests in Public Bank by virtue of their respective roles and responsibilities as Independent Directors and as the Chairman/Co-Chairman of the Audit Committee.

The Directors discharge their duties as effective Board members with personal dedication of time and ability to bring new and different perspectives to the Board.

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 own schedule.

The Board meets very regularly, at least once every month. At the monthly Board meetings, the Board reviews various 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 of achievements against pro-rated business targets and against the industry. The Board also notes the decisions and salient issues deliberated by Board Committees and



Statement on Corporate Governance

main Management Committees through minutes of these committees. Members of the Board deliberate, and in the process evaluate the potential risks and viability of business propositions and corporate proposals that have significant impact on the Bank's business or on its financial position. 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, matters and recommendations which the Audit Committee view ought to be highlighted to the Board.

Board meetings are also held upon finalisation of the Bank's quarterly results in order for the Board to review and approve the quarterly financial results. In addition, the Board meets on an ad-hoc basis as and when necessary to consider corporate proposals or business issues that require the urgent decision of the Board.

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

Board meetings are governed by a structured formal agenda and the agenda for each Board meeting and papers relating to the agenda items are forwarded to all Directors for their perusal in advance of the date of the Board meeting. Board meeting papers circulated to Directors include progress reports on business operations; details of 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. The Directors are thus able to peruse the Board papers and appraise

the issues to be deliberated at the Board meeting well before the date of the meeting. Issues or corporate proposals which are deemed sensitive subject matters would be discussed at Board meetings without written materials being distributed in advance.

Minutes of every Board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes before the commencement of the following Board meeting. 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 complete and unimpeded access to information relating to the Bank in the discharge of their duties. The Directors may require to be provided with further details or clarifications on matters tabled at Board meetings. Senior Management Officers are invited to attend the Board meetings to update the Board on their respective portfolios and to brief the Directors on proposals submitted for the Board's consideration. Professional advisers, accountants and solicitors appointed by the Bank to advise on corporate proposals to be undertaken by the Bank, would be invited to attend Board meetings to render their advice and opinion, and also to clarify any issues raised by the Directors relating to the corporate proposals tabled for the Board's consideration. The Directors have the liberty to seek external professional advice at the Bank's expense, if they so require.

The Directors are also regularly updated and advised by the Company Secretary on new statutory and regulatory requirements relating to the discharge of their duties and responsibilities, including policies and guidelines issued by BNM concerning the Bank or the discharge of their duties as Directors of a financial institution. Every



Statement on Corporate Governance

Member of the Board has ready and unrestricted access to the advice and services of the Company Secretary. The Company Secretary attends all Board meetings and ensures that accurate and proper records of the proceedings of Board meetings and resolutions passed are kept.

The commitment of the Board of Directors in ensuring effective discharge of their duties and responsibilities is reflected by the high number of Board meetings held during the financial year ended 31 December 2006. Every Member of the Board attended all the 18 Board meetings held in 2006.

The Board meetings held in the financial year ended 31 December 2006 and the attendance by Directors at the Board meetings are as follows:

Date of Board Meeting	Attendance by Directors			Percentage of Attendance
	Total Number	Independent	Non-Independent	
12 January 2006	9	6	3	100%
25 January 2006	9	6	3	100%
14 February 2006	9	6	3	100%
28 February 2006	9	6	3	100%
29 March 2006	9	6	3	100%
7 April 2006	9	6	3	100%
26 April 2006	9	6	3	100%
31 May 2006	9	6	3	100%
28 June 2006	9	6	3	100%
7 July 2006	9	6	3	100%
26 July 2006	9	6	3	100%
30 August 2006	9	6	3	100%
27 September 2006	9	6	3	100%
9 October 2006	9	6	3	100%
31 October 2006	9	6	3	100%
29 November 2006	9	6	3	100%
18 December 2006	9	6	3	100%
27 December 2006	9	6	3	100%



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 proposed appointment of a new Member of the Board and the proposed re-appointment or re-election of existing Directors who are seeking re-appointment or re-election at the annual general meeting of Public Bank, will be reviewed and assessed by the Nomination Committee. The Nomination Committee will, upon its review and assessment, submit its recommendation on the proposed appointment, re-appointment or re-election of Directors to the Board for approval, subject to the approval of BNM being attained.

Public Bank's Nomination Committee comprises entirely of Independent Non-Executive Directors; all the six (6) 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, 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.
- 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 skills 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 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 2006 that is relevant and would serve to enhance their effectiveness in the Board.

Meetings of the Nomination Committee are held as and when required, and at least once a year. A total of seven (7) meetings were held by the Nomination Committee in 2006.

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.



Statement on Corporate Governance

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 for each Board meeting that they attend.

Details of the Directors' remuneration (including benefits-in-kind) for each Director during the financial year 2006 are as follows:

	RM'000
Executive Directors:	
Dato' Sri Tay Ah Lek	5,538
Dato' Lee Kong Lam	4,271
	9,809
Of which relating to benefits-in-kind from the exercise of share options:	
Dato' Sri Tay Ah Lek	2,520
Dato' Lee Kong Lam	1,638
	4,158
Non-Executive Directors:	
Tan Sri Dato' Sri Dr. Teh Hong Piow	4,450
Tan Sri Dato' Thong Yaw Hong	2,094
Dato' Yeoh Chin Kee	333
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	1,450
Haji Abdul Aziz bin Omar	176
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	237
Lee Chin Guan	554
	9,294
Of which relating to benefits-in-kind from the exercise of share options:	
Tan Sri Dato' Sri Dr. Teh Hong Piow	—
Tan Sri Dato' Thong Yaw Hong	1,575
Dato' Yeoh Chin Kee	158
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah	1,260
Haji Abdul Aziz bin Omar	—
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff	62
Lee Chin Guan	378
	3,433



The Remuneration Committee is made up entirely of Independent Non-Executive Directors; all the six (6) 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 Executive Director and the CEO 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 Executive Director, CEO 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. A total of six (6) meetings were held by the Remuneration Committee in 2006.

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 Board Committees as well as various Management Committees to assist the Board in the running of the Bank. 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 and main Management Committees in Public Bank are as follows:

Board Committees

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

Management Committees

- 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



Statement on Corporate Governance

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

Composition of Board Committees

	Board Executive Committee	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Tan Sri Dato' Sri Dr. Teh Hong Piow (Non-Executive Chairman)	C	—	—	—	—
Tan Sri Dato' Thong Yaw Hong (Independent Non-Executive Co-Chairman)	—	C	C	C	C
Dato' Sri Tay Ah Lek (Managing Director/Chief Executive Officer)	M	—	—	—	—
Dato' Lee Kong Lam (Executive Director)	M	—	—	—	—
Dato' Yeoh Chin Kee (Independent Non-Executive Director)	—	M	M	M	M
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah (Independent Non-Executive Director)	—	M	M	M	M
Haji Abdul Aziz bin Omar (Independent Non-Executive Director)	—	C ¹	M	M	M
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff (Independent Non-Executive Director)	—	M	M	M	M
Lee Chin Guan (Independent Non-Executive Director)	—	M	M	M	M

C – Chairman

C¹ – Co-Chairman

M – Member



Statement on Corporate Governance

Attendance at Board Committee Meetings

	Board Executive Committee	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Tan Sri Dato' Sri Dr. Teh Hong Piow (Non-Executive Chairman)	97/97	—	—	—	—
Tan Sri Dato' Thong Yaw Hong (Independent Non-Executive Co-Chairman)	—	17/17	7/7	6/6	12/12
Dato' Sri Tay Ah Lek (Managing Director/Chief Executive Officer)	*195/97	—	—	—	—
Dato' Lee Kong Lam (Executive Director)	*295/97	—	—	—	—
Dato' Yeoh Chin Kee (Independent Non-Executive Director)	—	17/17	*36/7	6/6	12/12
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah (Independent Non-Executive Director)	—	17/17	7/7	6/6	12/12
Haji Abdul Aziz bin Omar (Independent Non-Executive Director)	—	17/17	7/7	6/6	12/12
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff (Independent Non-Executive Director)	—	17/17	7/7	6/6	12/12
Lee Chin Guan (Independent Non-Executive Director)	—	17/17	7/7	6/6	12/12

*1 Did not attend 2 meetings due to other unavoidable official engagements.

*2 Did not attend 2 meetings as he was on annual leave.

*3 Did not attend as he was the interested party in the agenda item.



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.

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.



Statement on Corporate Governance

■ 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 policies, strategies, and other matters relating to share investment.
- Reviews the Bank's share investment portfolios and takes necessary measures to improve its value, profitability and risk.
- 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 provide a balanced, clear and meaningful assessment of the financial performance and prospects of Public Bank and the Public Bank Group in all the disclosures made to the stakeholders and the Regulatory Authorities.

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

The Board is assisted by the Audit Committee to oversee the financial reporting processes 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 Public Bank Group's annual and interim financial statements. It also reviews the appropriateness of the Public Bank's and Public Bank 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 229 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 review is forwarded to the Audit Committee every quarter.

Details of these transactions are set out under Notes to the Financial Statements on pages 341 to 347 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 the 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. Public Bank's and Public Bank 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 confronting Public Bank and the Public Bank Group are being satisfactorily addressed on an ongoing basis.

The effectiveness of the system of internal controls of Public Bank and the 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. The Internal Audit Division monitors compliance with policies and standards and the effectiveness of internal control structures across the Public Bank Group.

The Statement on Internal Control, which provides an overview of the state of internal controls within the Public Bank Group, is set out on pages 112 to 114 of this Annual Report.



Statement on Corporate Governance

Audit Committee

In addition to the duties and responsibilities set out under its terms of reference, the Audit Committee also acts as a forum for discussion of internal control and risk management issues and it contributes to the Board's review of the effectiveness of the internal control and risk management systems of Public Bank and the Public Bank Group.

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 119 and 120 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 the 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.

The services provided by the external auditors include statutory audits, recurring annual non-statutory audit and non-audit services. The recurring annual non-statutory audit 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 other non-audit services on a case by case basis. In approving such cases, the Audit Committee reviews the independence and objectivity of the external auditors to ensure that these will be not be compromised.

The details of the audit/non-audit fees paid/payable in 2006 to the external auditors are set out below:

	Bank RM'000	Group RM'000
Fees paid/payable to KPMG		
• Audit	721	841
• Half-year review	100	100
• Non-audit	194	291
Fees paid/payable to other auditors		
• Audit	—	1,589
• Non-audit	—	699
Total	1,015	3,520



EFFECTIVE COMMUNICATIONS WITH SHAREHOLDERS

A key element of good corporate governance is being transparent and accountable to all stakeholders. Underlying the transparency and accountability objectives is the provision of clear, relevant and comprehensive information which is timely and readily accessible to all stakeholders.

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

The annual report of Public Bank is a key channel of communication with shareholders and investors. The contents of the annual report of Public Bank extend well beyond the Bursa Securities Listing Requirements and other regulatory requirements on contents of annual reports. As a financial institution regulated by BNM, Public Bank prepares 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 require 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 the financial institutions' quarterly Bursa Securities results announcements, thereby enhancing the transparency level of financial institutions generally.

Public Bank also provides a separate executive summary of its annual report, highlighting key financial and corporate information, to facilitate shareholders' easy access to such key information. Also in keeping with a more technologically advance society for the more ICT savvy shareholders, Public Bank also produces its annual report in CD ROM media.

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 raise questions on the agenda items of the general meetings and where Directors of Public Bank would provide the answers and appropriate clarification where required.

At the annual general meeting of Public Bank, the Chairman of Public Bank presents a comprehensive review of the financial performance of the Public Bank Group and the delivery of shareholder value. This review is supported by visual and graphical presentation of key points and key financial figures. Printed copies of the review of the Group's financial performance by the Chairman of Public Bank at the annual general meeting are also made available to shareholders upon their request. The turnout of shareholders at general meetings of Public Bank has always been high. A total of 2,900 and 3,000 shareholders attended the annual general meetings held in 2005 and 2006 respectively.



Statement on Corporate Governance

Public Bank conducts separate media and analysts briefings with the release of its half year and annual results announcements. The media briefings are intended not only to facilitate a wider dissemination of the announcement 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 as well as any strategic developments within the Group.

To promote wider dissemination of corporate and financial information that is made public, the annual reports 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 the Bursa Securities Listing Requirements and other corporate information are also made available on Public Bank's website, www.publicbank.com.my.

Prompt and timely availability of information is also important for shareholders and investors to make informed investments decisions. Information that is out of date, albeit comprehensive and accurate, would be of less value to shareholders and investors. As such, the Public Bank Group places a high priority on ensuring that information is made available and disseminated as early as possible. In the release of periodic financial information such as the issue of its annual report and the release of its quarterly financial results, the Group has always ensured early availability which is 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 2005	24 February 2006	55	30 June 2006
Annual Report 2006	16 February 2007	47	30 June 2007
2006 Quarterly Results			
1st Quarter	18 April 2006	18	31 May 2006
2nd Quarter	20 July 2006	20	31 August 2006
3rd Quarter	17 October 2006	17	30 November 2006
4th Quarter	22 January 2007	22	28 February 2007



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

Another 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 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 research analysts.

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, Director, Finance Division

Public Financial Holdings Limited

- Tan Yoke Kong, Executive Director
- Lee Huat Oon, Executive Director

Public Bank conducts briefings of 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 conducted presentations and investor meetings at 6 investor conferences or forums and held a number of teleconferences in 2006. In addition, management personnel responsible for investor relations activities held 146 meetings with equity research analysts, fund managers and institutional shareholders and investors in 2006.



Statement on Corporate Governance

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 Thomson Financial Institutions Brokers' Earnings System (I/B/E/S) earnings estimates.

	Public Bank	Public Financial Holdings Ltd
No. of contributors to I/B/E/S earnings estimates	26	6

In 2006, Public Bank established an Investor Relations Unit within the Bank's Economic and Corporate Planning Division as a one-stop centre for the investor relations function of the Public Bank Group to further improve accessibility of equity research analysts, fund managers and institutional shareholders and investors, in addition to providing an additional communication platform between the Group and the investing community.

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 standard of transparency to its shareholders.

Primary contacts for investor relations matters

PUBLIC BANK	
Leong Kwok Nyem <i>Senior General Manager</i> 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. <u>Contact Details</u> Telephone number: 03-21766270 E-mail: leongkn@publicbank.com.my	Wong Jee Seng <i>Senior General Manager</i> 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. <u>Contact Details</u> Telephone number: 03-21766320 E-mail: wongjs@publicbank.com.my



PUBLIC FINANCIAL HOLDINGS LIMITED

Tan Yoke Kong
Executive Director

Mr Tan was appointed an Executive Director of Public Financial Holdings Limited in 1992 and has more than 25 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 Executive 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

Telephone number: 852-28534228
E-mail: yktan@publicbank.com.hk

INVESTOR RELATIONS UNIT

Denise Fong Po Yen
Economics and Corporate Planning Division

Contact Details

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

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 11 January 2007.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman



Risk Management

OVERVIEW

The Public Bank Group operates in a rapidly-changing business environment with diverse risks. The major areas of risk which the Group is exposed to are credit risk, operational risk, market risk (which includes interest rate risk, equity risk and foreign currency risk), liquidity risk and reputation risk.

The Public Bank Group considers an integrated enterprise risk management framework to be one of its core competencies and recognises that effective risk management and risk-return management is critical for sustained profitability and continued enhancement of shareholder value. All identified risks are comprehensively dealt with and systematically managed by established limits and controls. The limits and controls are constantly monitored and are reviewed and adjusted periodically in line with the risk appetite and strategies of the Group, taking into account of changes in market conditions, products and risk management best practice and processes.

A risk conscious corporate culture and pre-emptive actions of employees are also crucial for effective risk management. The Public Bank Group continues to direct corporate-wide efforts to maintain its risk-conscious corporate culture

which is instilled through communication, training, policies, procedures and organisational structure, roles and responsibilities.

OVERALL RISK MANAGEMENT FRAMEWORK

The Public Bank Group's risk management infrastructure provides clear accountability and responsibility for the risk management process. The enterprise-wide risk management framework within the Group is 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, maintains overall responsibility for risk oversight within the Group.
2. The Risk Management Committee ("RMC") is responsible for total risk oversight covering credit risk, market risk, liquidity risk and operational risk. Other key functions of the RMC include reviewing and approving risk management policies and limits, reviewing reports on risk exposure and risk portfolio composition, and ensuring that infrastructure, resources and systems are in place for risk management activities.



ESTABLISH RISK POLICY	Board of Directors	AUDIT COMMITTEE
	Risk Management Committees	
	Risk Management Committee	
ENSURE IMPLEMENTATION OF RISK POLICY AND COMPLIANCE	Credit Risk Management Committee Operational Risk Management Committee Assets & Liabilities Management Committee	
	Independent Risk Management and Control Functions	
	Risk Management Division Credit Administration & Supervision Division Hire Purchase Credit Control Division Branch Operations Control Department Internal Audit Division	
IMPLEMENT AND COMPLY WITH RISK POLICY	Business Risk Units	
	Retail and Financing Operations Treasury and Capital Market Operations Corporate Lending Investment Banking Share Broking and Fund Management Islamic Banking	

3. Dedicated committees are set up to assist the RMC to oversee specific areas of risk. These are the Credit Risk Management Committee ("CRMC") for credit risk, the Operational Risk Management Committee ("ORMC") for operational risk and the Assets & Liabilities Management Committee ("ALCO") for market and liquidity risks.

The CRMC is responsible for overseeing the development of credit policies, assessing credit risk portfolio composition and assessing risk-return of credit products. The ORMC is responsible for overseeing the development of operational risk

management policies and reviewing the adequacy of controls to manage overall operational risks. The ALCO is responsible for overseeing and providing strategic direction for the management of market risk and liquidity risk, and approving policies and strategies on balance sheet structures.

4. The dedicated independent risk management and control functions, namely, Risk Management Division ("RMD"), Credit Administration & Supervision Division ("CASD"), Hire Purchase Credit Control Division ("HPCC"), Branch Operations Control Department ("BOCD") and Internal Audit Division



("IAD") are responsible for the implementation of risk policies and monitoring of compliance with the risk policies. They are responsible for the identification, measurement and monitoring of risks.

RMD provides the main support to the risk management committees and is actively involved in developing and maintaining sound risk management policies and procedures for the major areas of risk. CASD performs credit reviews, rehabilitates and restructures non-performing accounts, and ensures that loans are granted according to credit policies. HPCC monitors the hire purchase financing portfolio and implements credit control measures to prevent delinquencies, and rehabilitates and reschedules potential delinquent accounts to expedite recovery. BOCD carries out pre-emptive measures and control programmes to prevent

operational control lapses by monitoring branch operational activities. IAD conducts assurance audits of all units and operations to ensure compliance with risk management policies and procedures.

- 5. The Business Units 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 IAD, 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, laws, internal guidelines and regulatory requirements.

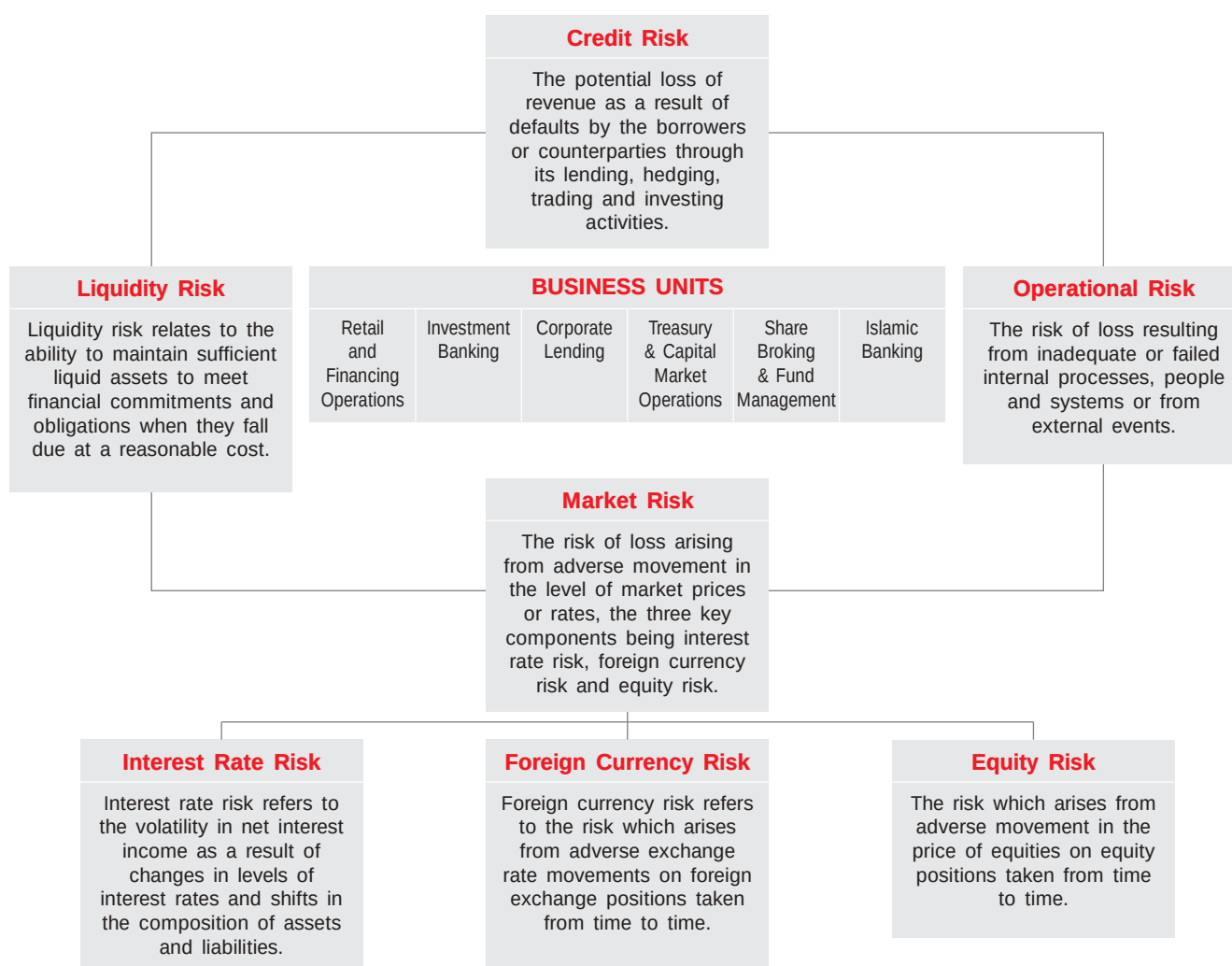
SENIOR INTERNAL CONTROL AND RISK MANAGEMENT OFFICERS

Senior Internal Control Officer Mr Soong Hoe Seng	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 Wong Jee Seng	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 Senior General Manager in 2006.



AREAS OF RISK

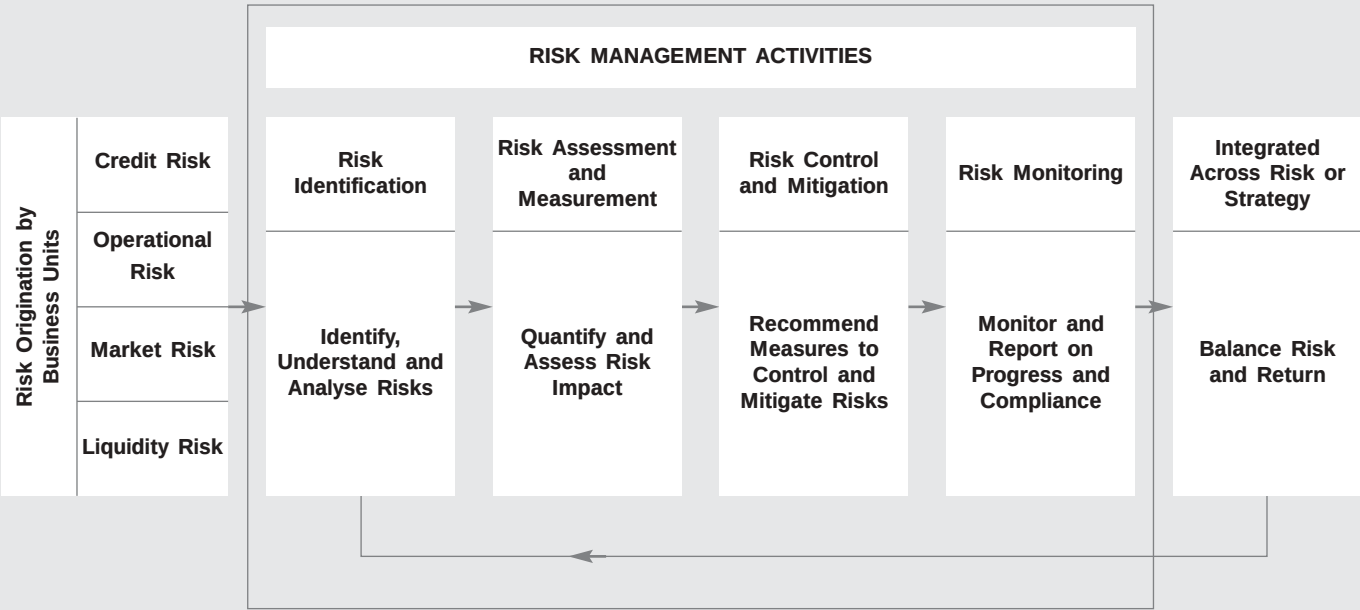
The major areas of risk which the activities of the Business Units are exposed to are as follows:



RISK MANAGEMENT PROCESS

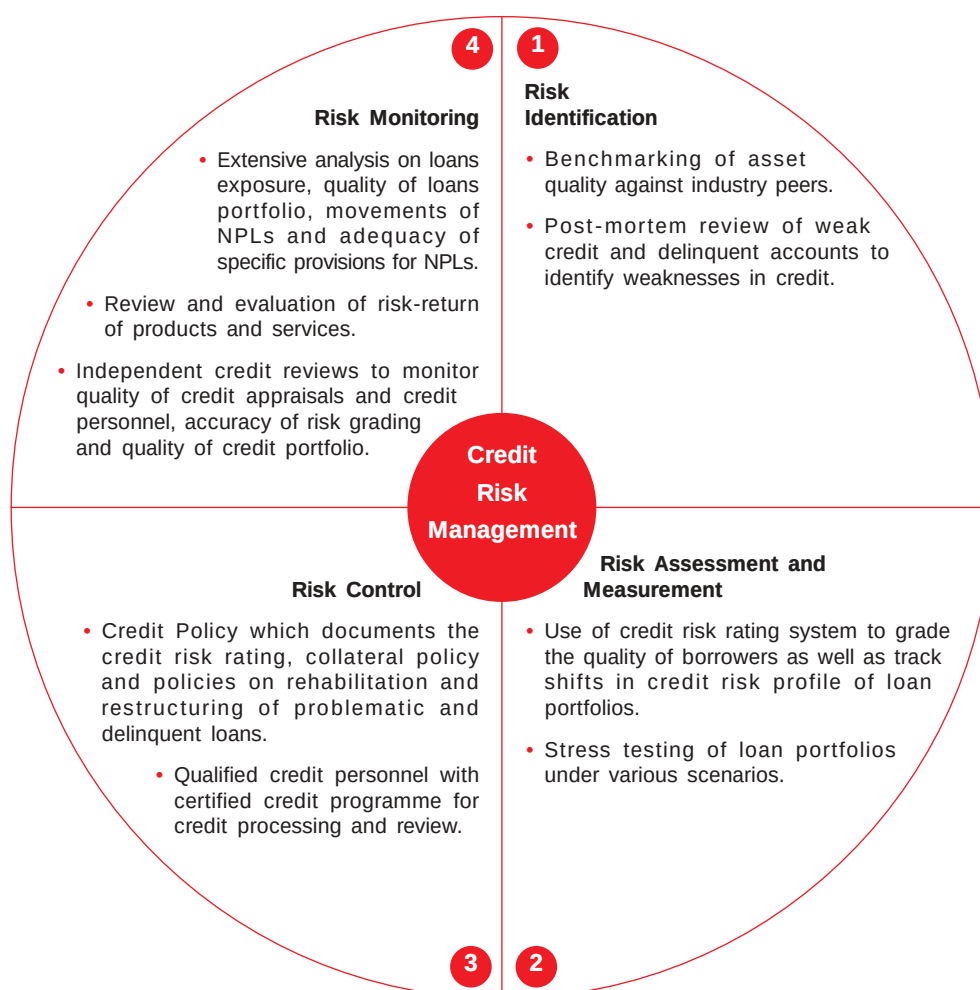
The Public Bank Group has established, within its enterprise-wide risk management framework, a structured approach to risk management which balances risks and returns, as well as integrated risk management processes for credit risk, market risk, liquidity risk and operational risk.

The risk management activities encompass four broad processes, namely risk identification, risk assessment and measurement, risk control and mitigation and risk monitoring which leads to a balanced risk return framework integrated across areas of risk.



CREDIT RISK MANAGEMENT

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



The Public Bank Group's credit function is governed by the Credit Policy which sets out the lending directions, credit processes and procedures, the credit approving authorities and the management of credit risk. The Credit Policy is formulated with the aim of ensuring that the objectives in the area of lending which is consistent with the business plan are achieved and within the acceptable level of tolerance for risk. It is the Group's policy to adopt a high level of lending prudence by establishing an appropriate credit culture, operating under a sound credit appraisal process, maintaining appropriate credit administration, measurement and monitoring process and ensuring adequate controls over credit risk.



The Group has in place an effective credit risk management information system which reports relevant information covering loans exposure, movements of non-performing loans ("NPLs"), concentration of loans by economic sectors, single customer limit, large loan limit and adequacy of specific provision for NPLs to Management, the Credit Committee, the Board Executive Committee, the Credit Risk Management Committee, the Risk Management Committee and the Board regularly.

Credit Approval

The Credit Committee chaired by the Managing Director approves major credit decisions, guidelines and procedures to control and monitor credit risks. 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 according to their individual gradings. The Board has the veto power to reject or modify terms and conditions of loans exceeding certain amounts. There is also a clear segregation of duties in the lending process as the loans are approved by officers who are independent of the business units involved in the loan origination.

Credit Evaluation Process

The credit evaluation is conducted using the internally developed Credit Risk Rating ("CRR") system together with the analysis by the credit processing officers to assess the risk return relationship of a borrower. Good customers are identified for further credit enhancement and any deterioration in asset quality is identified at an early stage so that appropriate remedial action can be taken promptly.

Extensive post-mortem reviews of NPLs are conducted to identify credit lapses in respect of quality of appraisals, risk level and collateral valuation together with corrective actions to be taken.

Credit Review and Supervision

An effective preventive measure to identify and manage emerging problem loans is the independent periodic and special reviews of performing loans conducted on an annual basis, but more frequently for higher risk borrowers. A web-based application to conduct online review of loans, the electronic credit review ("eReview") system is used to enhance the efficiency and effectiveness of credit reviews.

Securities Documentation Centres ("SDCs") have been set up to consolidate the monitoring and execution of all loans security documentation for branches. With specialization under the SDCs, there is reduced risk of faulty or invalid/forged security documentation and better control and custody of all security documents as well as timely disbursement of loans.



Independent post approval reviews of loans are conducted to monitor quality of credit appraisals and credit personnel, accuracy of risk grading and quality of the credit portfolio. The regular independent reviews monitor adherence to policies, procedures and guidelines and recommend improvements to ensure the effectiveness of credit risk practices.

Credit Control and Monitoring

Credit Control Centres have been established to handle the specialised function of collection, loan recovery, loan restructuring, loan rescheduling and rehabilitation. To ensure effective credit control and monitoring, the recovery tasks force officers will follow-up on delinquent accounts. Loans rehabilitation and restructuring is performed by the specialised units which will recommend a suitable mode of repayment to restructure and reschedule a loan. To complement the recovery effort, the collection of unsecured written off accounts has been outsourced to external agents.

Stress Testing and Benchmarking of Asset Quality

Quarterly stress tests are conducted to ensure that the asset quality is within acceptable levels even under stress scenarios and timely proactive actions are taken to arrest any signs of deterioration in the quality of the loan portfolio.

Quarterly benchmarking of asset quality against industry levels are also conducted to ensure that the asset quality remain healthy and above that of industry peers.

Lending Areas and NPL position

Retail loans represented 92.0% of the Public Bank Group's loan portfolio. The retail portfolio is well diversified into consumer and SME loans that have low volatility of credit risk outcomes as evidenced by the Group's low NPL ratios for these sectors. As a result of the Group's prudent lending practices and proactive credit risk management, the Group's NPL ratio was 1.6% as at 31 December 2006 (2005: 1.7%) and currently stands at only one third of the banking industry's NPL ratio of 4.8% as at end of 2006.

MARKET RISK MANAGEMENT

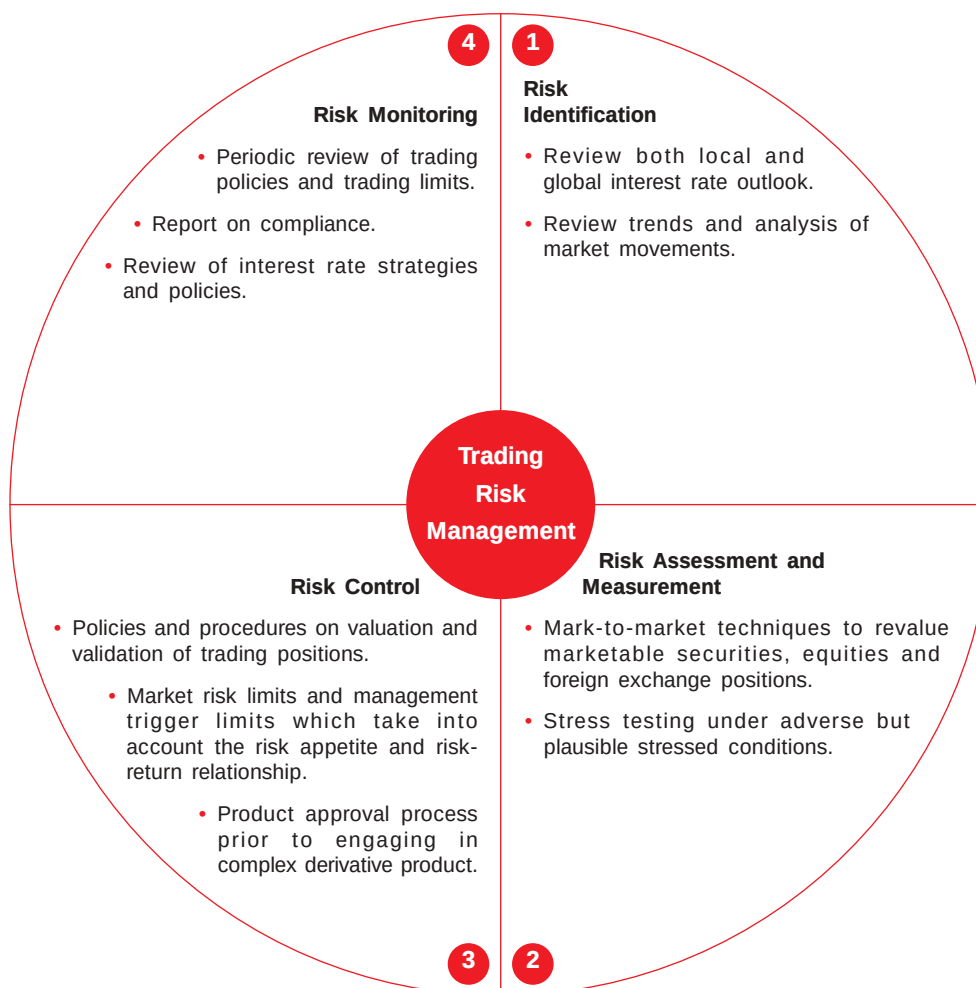
The Public Bank Group assumes market risk in both its trading and non-trading activities.

Trading Risk Management

The Public Bank Group's market risk trading activities arise from market-making, arbitrage and proprietary position-taking activities. Financial instruments held in the Group's trading portfolios include debt securities and equity. Details of such financial instruments are found in Note 6 to the Financial Statements.



Trading risk management process of the Group involves the following:



The Public Bank Group's trading activities are principally conducted by Public Bank's Treasury Division and are subject to the guidelines set out in the Trading Book Policy Statement ("TBPS") which is approved by the Board and Bank Negara Malaysia. The TBPS serves to clearly delineate the role and responsibilities of parties involved in trading activities of the Group. The TBPS sets out the trading limits which include, inter alia, the Overall Open Position, Daily and Cumulative Cut Loss Position and Maximum Holding Periods to ensure that dealers day-to-day trading activities are within the risk parameters set, that there are independent mark-to-market valuation and validation procedures, policy on hedged transactions and prohibition on the transfer of financial instruments from the trading book to the banking book.

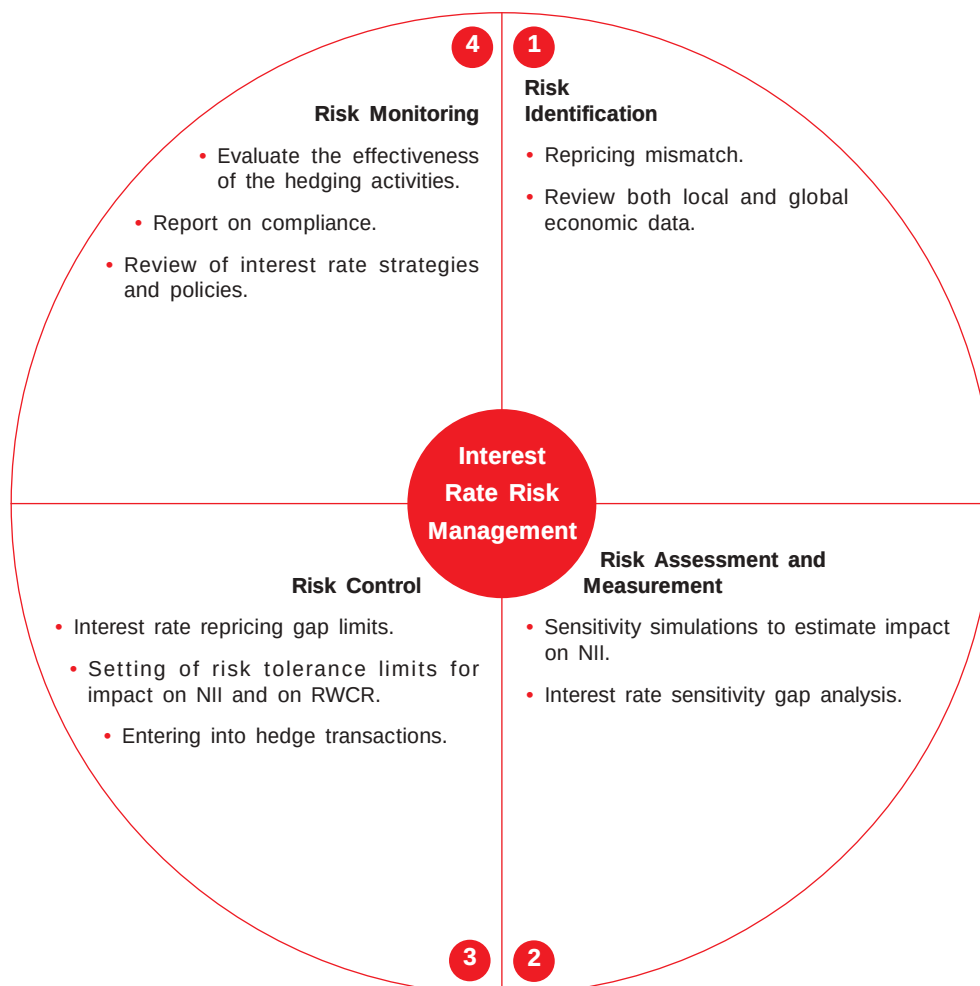


The engagement in complex derivative products requires specific approval of the Risk Management Committee and the Board and is subject to compliance with the Bank Negara Malaysia's guidelines on Minimum Standards on Risk Management Practices for Derivatives whereby an independent assessment of the risks is carried out to ensure that relevant risks are identified and understood, and can be measured, managed and reported.

The incorporation of the regulatory market risk charge on trading exposures has a 0.4% impact on both the Group's and Public Bank's risk-weighted capital ratio respectively as at 31 December 2006. With the incorporation of the regulatory market risk charge, the risk-weighted capital ratio is 15.8% for the Group and 15.3% for Public Bank.

Interest Rate Risk Management

The core objective in managing interest rate risk is to manage the volatility in Net Interest Income ("NII") and Economic Value of Equity ("EVE") and the interest rate risk management process involves the following:



The table set out in Note 46 to the Financial Statements represents the Public Bank Group's and Public Bank's gap analysis as at 31 December 2006 and 31 December 2005. The Group and Public Bank had an overall positive banking book interest rate sensitivity gap of RM13.290 billion (2005: RM13.161 billion) and RM15.138 billion (2005: RM11.250 billion) respectively, which represents the net difference in the interest rate sensitive assets and liabilities across time buckets for the entire balance sheet.

Based on the interest rate risk sensitivity repricing gaps set out in Note 46 to the Financial Statements and after adjusting for basis risk and for behavioural maturity, it is estimated that a hypothetical immediate and sustained 100bps increase in interest rates on 1 January 2007 would increase the NII for the 12 months to 31 December 2007 as follows:

	Group	Bank
For 2007		
Increase in NII (RM'Million)	102.8	107.0
Impact on increase in NII against NII in 2006	3.1%	3.9%

The employment of hedge transactions continues to be a main tool in mitigating interest rate risk. For this purpose, the Public Bank Group uses mainly interest rate swaps. Details of the interest rate swaps entered into are as set out in Note 44 to the Financial Statements.

Foreign Exchange Risk Management

The Public Bank Group does not maintain material open trading currency positions other than foreign currency translation exposures arising from its investments in foreign subsidiaries and associated companies.

The foreign exchange risk management process encompasses the following:

- | | | |
|---|--|---|
| 1 | Identification of the Origination of Exchange Risk | <ul style="list-style-type: none"> Investment in foreign subsidiaries and associates. Retained earnings of foreign subsidiaries. Foreign denominated money market transactions, both on- and off- balance sheet items. Origination of foreign denominated assets. |
| 2 | Risk Control & Mitigation Initiatives | <ul style="list-style-type: none"> Net Open Position Limits. Funding of assets with liabilities in the same currency. Periodic review of exchange risk. Hedging of the exposures. |

Foreign exchange differences arising from the translation of foreign operations are recognised directly in equity together with the effective portion of foreign exchange differences arising on hedging liabilities.



Equity Risk Management

The equities held by the Public Bank Group are primarily listed common stock, equity warrant, debt converted securities and convertible bonds. Equities held for trading are also governed by the Trading Book Policy Statement.

The equity risk management process encompasses the following:

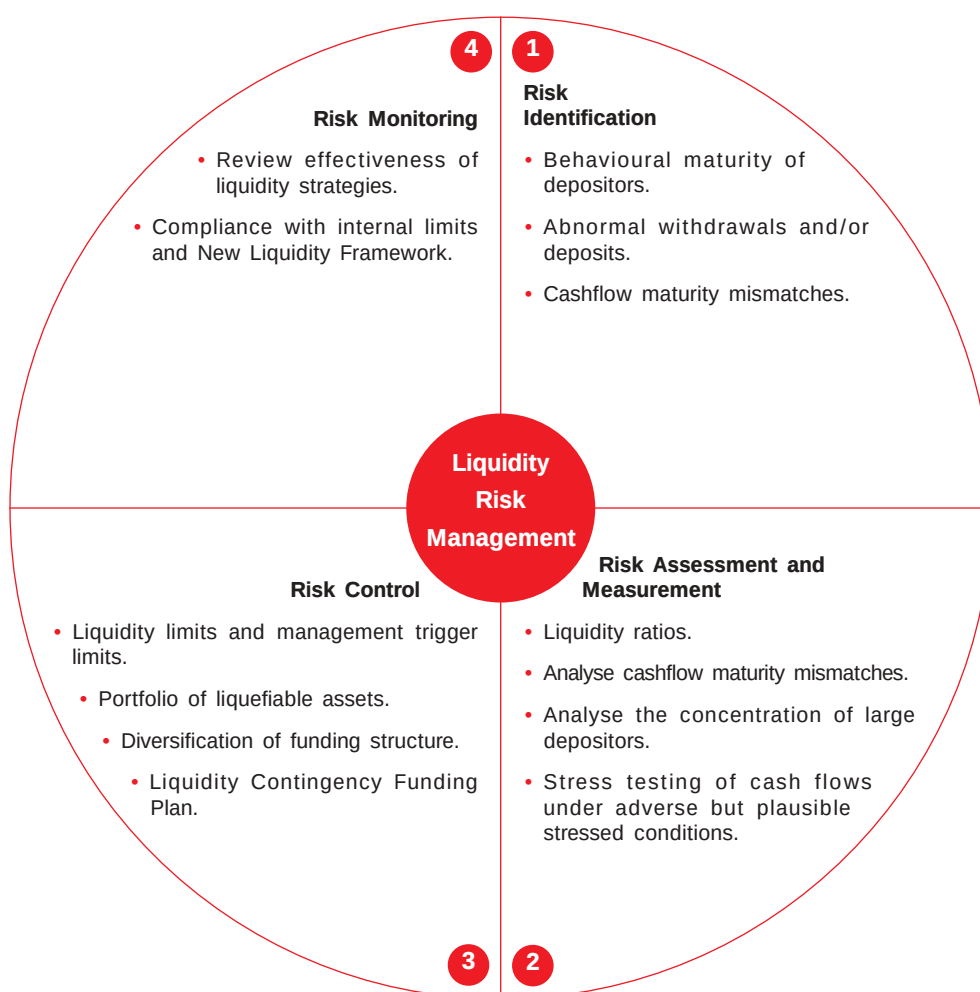
1	Identification of the Origination of Equity Risk	• Review and analyse broad market and economic outlook of the various economic sectors. • Daily mark-to-market valuations of the investment portfolio.
2	Risk Control & Mitigation Initiatives	• Investment and trading guidelines which are formulated by the Share Investment Committee. • Regular review and monitoring by the Share Investment Committee on the level of risk in the portfolio. • Monitoring of mark-to-market valuations against pre-determined cut-loss limit. • Reporting of the performance of the portfolio to Share Investment Committee.

As at 31 December 2006, quoted equity shares held under Securities Held-For-Trading and Securities Available-For-Sale had a fair value of RM5.082 million (2005: RM10.886 million) and RM0.077 million (2005: RM0.031 million) respectively. During the year, the Group recorded a gain of RM1.952 million (2005: RM2.103 million) in its equity trading activities.



Liquidity Risk Management

The primary objective in liquidity management is the management of the availability of funds to meet both anticipated and unanticipated cash funding requirements under normal and adverse circumstances. This objective is assisted by the liquidity risk management process. The liquidity risk management process encompasses the following:



Other important factors in ensuring liquidity are competitive pricing in interest rates and the maintenance of customers' confidence. Such confidence is founded on the Public Bank Group's strong reputation, the strength of its earnings generation capacity, and its strong financial position and credit rating.



The managing of the net liquidity surpluses arising from the requirements of Bank Negara Malaysia's New Liquidity Framework ("NLF") will have a direct impact in the offering of more competitive product pricing. Set out below is the average net liquidity compliance surpluses of Public Bank and its subsidiary which are required to comply with the NLF as compared to the industry surpluses:

	Average Balance in 2006		Average Balance in 2005	
	Group	Bank	Group	Bank
	(RM'Million)	(RM'Million)	(RM'Million)	(RM'Million)
Available cumulative mismatch to accommodate liquidity shocks	7,809.6	7,478.0	10,176.6	9,773.6
Compliance requirements by BNM	(3,413.6)	(3,376.7)	(3,018.2)	(2,993.7)
Net liquidity surplus	4,396.0	4,101.3	7,158.4	6,779.9
Net liquidity surplus/Total Deposits	6.4%	6.1%	11.9%	11.3%
Industry surpluses	10.6%	9.8%	14.3%	13.4%

The Public Bank Group's ability to access a diversified funding source is core in ensuring funding flexibility, limits dependence on any one source of funding and in lowering the overall cost of fund. In making funding decision, Management considers market conditions, prevailing interest rates, liquidity needs and the desired maturity profile of the Group's liabilities. The Group's core deposits are demand deposits, savings deposits and fixed deposits. Details of the core deposits are as set out in Note 19 to the Financial Statements.

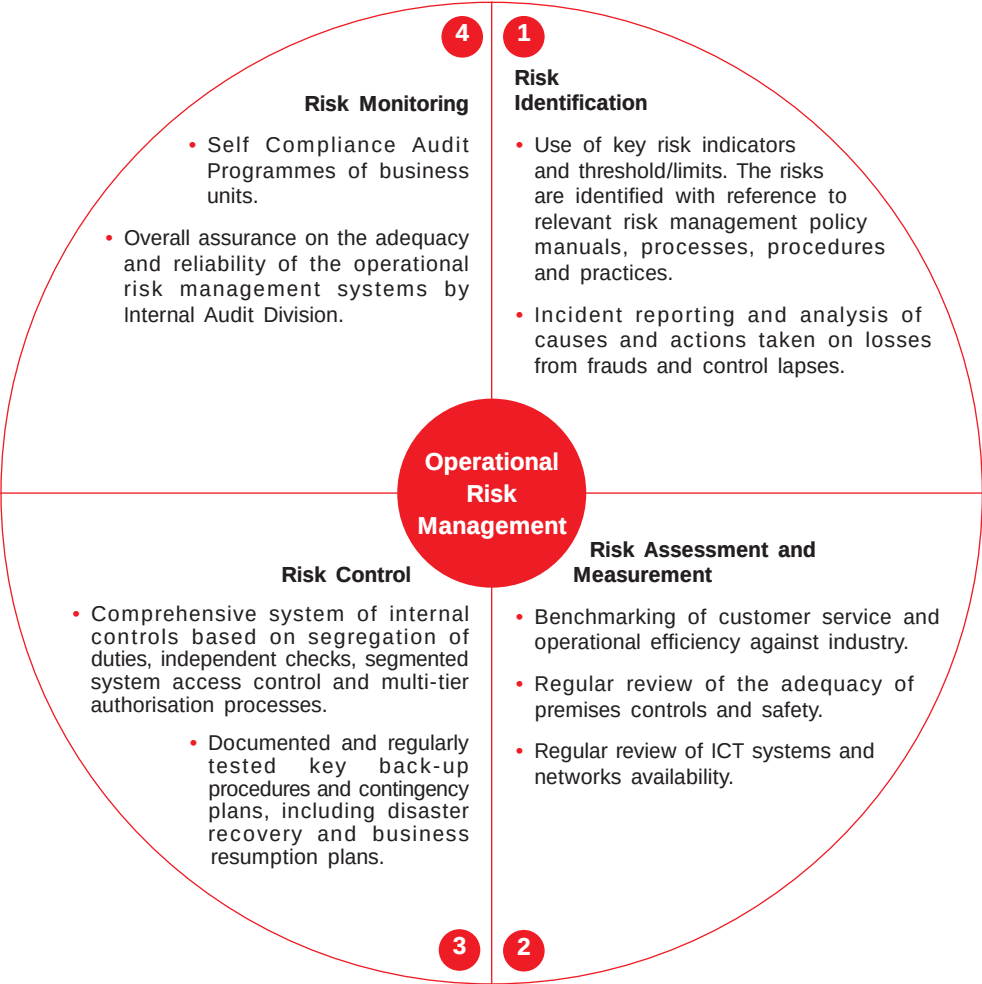
Set out below are the concentration ratios of the Public Bank Group, Public Bank and the banking system:

	Group	Bank	Banking System
Loans-to-deposit ratio	74.1%	73.9%	69.3%
Interbank borrowings/Total Borrowings	4.4%	3.7%	10.2%
Number of large depositors (>1% of total deposits from customers)	4	4	Not Available



OPERATIONAL RISK MANAGEMENT

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



Operational risk is monitored and controlled through a system of comprehensive policies and an operational risk management framework designed to provide a sound and well-controlled operational environment. The Public Bank Group continues to develop and refine its approach to managing operational risk to ensure that current and potential operational risk exposures are understood and managed.

The day-to-day management of operational risk exposures is through the maintenance of a comprehensive system of internal controls, supported by robust tools, systems and procedures to monitor transaction positions and documentation.

One of the key elements of the operational risk management framework is the Self Compliance Audit Programme which has been automated and put on an on-line platform. This Self Compliance Audit System (“SCAS”) is used by the business units for risk identification and for evaluation of control effectiveness and monitoring capability. Action plans are developed for control issues identified and business units are held accountable for resolving such issues on a timely basis.

As part of the process to improve operational risk management and in response to the on-going threat of external fraud, losses arising from fraud or control lapses are extensively analysed with emphasis on identifying the sources and causes of such losses. The adequacy of controls is assessed and the actions to be taken are monitored to ensure proper implementation. Pre-emptive measures and effective guidelines are implemented to improve the capability to combat fraud, reduce control lapses and enhance the control processes and procedures.

Non-performing loans are also analysed for any operational lapses which contribute to the loans turning non-performing. The causes of the operational lapses are analysed and information on the identified operational lapses and findings are disseminated to all business units involved in credit processing and credit review to avoid recurrence. Appropriate punitive actions are taken against the errant staff involved.

The Public Bank Group has subscribed to the Key Risk Indicators (“KRI”) Library Services to enhance its operational risk management. KRIs are computed ratios which act as early warning indicators allowing business units to detect changes that may be indicative of risk concerns and potential areas of operational control weaknesses. Quick detection of deteriorating situations, followed by quick remedial actions, is critical to keeping losses in check. The service allows the Group to benchmark its KRI definitions and specifications against a commonly used set of definitions and specifications and to keep up with developments in the evolution and use of KRIs.

Included in the control framework is a disciplined product evaluation process. Each new product or service introduced as well as variations of existing products and services are subject to a rigorous risk review and sign-off process where relevant risks are identified and assessed by departments independent of the risk-taking unit proposing the product or service.

The Public Bank Group continues to undertake initiatives to achieve 100% systems availability and system performance for the Group's computer systems, peripherals and network infrastructure and enhance security features on all its computer platforms and network infrastructure to ensure secured data protection and transmission. Precautionary measures are taken to address and protect customers' interest for all online products and services.

Disaster recovery and business continuity plans are in place as an integral part of the Public Bank Group's strategy to mitigate risks and manage the impact of loss events. Where appropriate, the Group mitigates risk of high impact loss events by appropriate insurance coverage.

The Public Bank Group seeks to minimise legal risk through the adoption of appropriate policies and procedures, continuing to refine controls over business practices, extensive staff training sessions, the use of proper legal documentation, and the consultation with the Group's legal counsel and external counsel.

Reputation risk is considered and assessed as the Public Bank Group seeks to conduct itself with integrity and trustworthiness to engender the trust and confidence that customers, the public and stakeholders have in the Group. Reviews are conducted on the potential areas of threat which would lead to adverse impact on the Group's reputation and controls are put in place to mitigate reputation risk.

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

In line with the Public Bank Group's drive to adopt best practices in risk management, the Group is initially adopting the Standardised Approach for both credit risk and operational risk and is currently progressing well with the implementation of Basel II which will take effect from 1 January 2008. The tasks of defining the user requirements based on the Basel II framework as well as assessment of data and systems modifications to implement the Standardised Approach have been completed. Further update and systems modifications will be performed once the guidelines on the "Risk-Weighted Capital Adequacy Framework (Revised Capital Framework)" is issued by Bank Negara Malaysia.

The Public Bank Group has also engaged an independent external party to conduct a comprehensive assessment of the Group's enterprise-wide risk management practices that are benchmarked against the industry best risk management practices as well as Bank Negara Malaysia's requirements. The objective is to enhance the Group's risk management capability and capacity to support a variety of risk management applications for all risks classes across different business portfolios and business lines which would enable the Group to adopt the more advanced approach 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 approved by the Risk Management Committee and the Board are subject to periodic reviews. This is to ensure that the risk management policies remained applicable and effective under changing market and regulatory environments. The review of the risk management policies are undertaken by the respective business units together with Risk Management Division and Internal Audit Division. In undertaking the review of the risk management policies, the Group's risk management objectives and the impact of the risk management policies on both the operations and the financial performance of the Group are considered.

The Public Bank Group Risk Management Division conducted a review of the Group's risk reporting framework to ensure that there is adequate risk

reporting in respect of credit risk, operational risk, market risk and liquidity risk by the subsidiaries, associated companies and overseas branches of the Group. The reporting requirements will be subject to review by Risk Management Division periodically and appropriate changes in reporting will be made.

An independent external consultant is currently conducting a review of the risk management systems. Such review is carried out on a periodic basis to assess the quality and adequacy of the risk management systems and controls. In addition, the Group has also engaged an independent external party to conduct a comprehensive assessment of the Group's enterprise-wide risk management systems that are benchmarked against industry best risk management practices with the objective of enhancing the Group's risk management capability and capacity.



Ethics, Integrity and Trust

The Public Bank Group operates in an industry where trust and confidence are of paramount importance given its role and responsibilities as a custodian of public funds. The Group actively seeks to conduct itself with integrity and trustworthiness to engender such trust and confidence in the Group and 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.

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 of what constitute acceptable conduct expected of employees of the Public Bank Group in the form of clear and documented codes and policies is a critical part of building a culture of trust and integrity in employee conduct and behaviour. 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"). 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.



The purpose of the anti-fraud policy is to:

- 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 the 3rd largest 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 money laundering activities. The Anti-Money Laundering Act, 2001 provides the legal framework to counter money laundering and terrorist financing. Central to the Group's established infrastructure for the prevention and detection of illicit and laundering activities is the Group's anti-money laundering policy.

The Group's anti-money laundering policy sets out the following:

- The purpose of the anti-money laundering policy
- The Group's 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 anti-fraud, whilst conduct of staff in the Group's day-to-day business is also subject to 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 the 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 ongoing 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 ongoing 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 banks' 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 2006 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



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Chairman

1 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

2 HAJI ABDUL AZIZ BIN

OMAR

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

Independent Non-Executive Director

Members

3 DATO' YEOH CHIN KEE

DIMP
FCPA (Aust), FAIBF (Aust)

Independent Non-Executive Director

4 Y.A.M. TENGKU ABDUL

RAHMAN IBNI SULTAN HAJI

AHMAD SHAH AL-MUSTAIN

BILLAH

DK II, SSAP

Independent Non-Executive Director

5 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

6 LEE CHIN GUAN

BSc (Hons), BCL (Oxon), LLM (Cantab),
JD (Chicago-Kent), Barrister-at-Law
(Middle Temple)

Independent Non-Executive Director

Secretary

7 SOONG HOE SENG

Group Chief Internal Auditor



1. MEMBERSHIP AND ATTENDANCE

The Audit Committee ("Committee") members and details of attendance of each member at Committee meetings held during 2006.

Composition of Audit Committee	Number of Committee Meetings	
	Held	Attended
Tan Sri Dato' Thong Yaw Hong Chairman/Independent Non-Executive Director	17	17
Haji Abdul Aziz bin Omar Co-Chairman/Independent Non-Executive Director	17	17
Dato' Yeoh Chin Kee Member/Independent Non-Executive Director	17	17
Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah Member/Independent Non-Executive Director	17	17
Dato' Dr Haji Mohamed Ishak bin Hj Mohd Ariff Member/Independent Non-Executive Director	17	17
Lee Chin Guan Member/Independent Non-Executive Director	17	17



2. COMPOSITION AND TERMS OF REFERENCE

2.1 Composition

- a. 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.
- c. At least one (1) member of the Committee:
 - i must be a member of the Malaysian Institute of Accountants (MIA); or
 - ii 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 consist 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:

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

- a. Reviewed the quarterly and half-yearly unaudited financial results of Public Bank and the Public Bank Group before recommending them for approval by the Board of Directors.
- b. Reviewed the annual audited financial statements of Public Bank and the Public Bank Group with the external auditors prior to submission to the Board of Directors for their approval. The review was, inter-alia, to ensure 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

- a. Reviewed the annual audit plan to ensure adequate scope and comprehensive coverage over the audit activities of Public Bank and the Public Bank Group.
- b. Reviewed the effectiveness of the audit process, resource requirements for the year and assessed the performance of Internal Audit Division.
- c. Reviewed all the examination reports issued by regulatory authorities and a total of 235 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.
- d. 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. Reviewed the half-yearly audit performance reports to monitor the performance, progress and adequacy of coverage of the internal audit functions.
- g. Reviewed the staffing requirements of Internal Audit Division and the core competencies of the internal auditors to ensure that the internal audit functions can be carried out effectively and efficiently.

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 non-audit services.
- c. Evaluated 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 the Public Bank Group.

4. INTERNAL AUDIT FUNCTION

Internal Audit Division assists the Committee in the discharge of its duties and responsibilities. Its role is to provide independent and reasonable assurance that the systems of internal controls are adequate and effective.

A structured risk assessment approach is used to examine all the Group's activities, the inherent risks and internal controls. 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 the Public Bank Group's risk management policy.

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

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

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

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



Board Executive Committee



TAN SRI DATO' SRI DR. TEH HONG PIOW

Chairman

A respected banking entrepreneur in the financial services industry, with a banking career which began in Singapore and spanned more than 55 years. He founded Public Bank in 1965 after spending 6 years in a senior management position in another prominent local bank. Tan Sri Teh has been at the helm of Public Bank since its inception and personally steered its growth till today.



DATO' SRI TAY AH LEK

Managing Director/Chief Executive Officer

Holder of a Masters degree in Business Administration, Dato' Sri Tay has been a veteran in the financial services industry for the past 46 years. 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. 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.



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



DATO' CHANG KAT KIAM

Chief Operating Officer

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



LEONG KWOK NYEM

Senior General Manager

An accountant by profession. Mr Leong 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.



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 Senior Manager in 1997 and transferred to Treasury Division in 1998. Was promoted Director of Risk Management Division in 2000. He was appointed General Manager in 2002 and Senior General Manager in 2006.



Heads of Divisions



SOONG HOE SENG

Group Chief Internal Auditor

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. Mr Soong oversees the Group's Internal Audit portfolio.



JENNY CHENG SIEW NGOH (MS)

General Manager, Human Resource Division

Holder of Bachelor of Economics (Public Administration) degree. A HR practitioner with more than 30 years of experience in the banking industry. 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.



CHIA LEE KEE (MS)

General Manager, Secretariat Division

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





CHONG YOU LIN (MS)

General Manager, PB Card Services & Support

Holder of Bachelor of Arts (Economics) degree. Ms Chong has been 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.



ISMAIL BIN IBRAHIM

General Manager, Credit Control & Islamic Banking

En. Ismail holds a Diploma in Business Studies and has been in the banking industry since 1973. For the last 34 years, he has gained wide experience having served in a few financial institutions. He joined Public Bank in 1992 as Director of Credit Operations. He is now the General Manager overseeing the Bank's Credit Administration & Supervision and Islamic Banking operations.



NASARUDDIN BIN ARSHAD

Group Economist, Economics and Corporate Planning Division

Holder of Masters in Agriculture Economics degree. En. Nasaruddin was in the academic field for 17 years. The last position he held was as the Dean of School of Economics & Public Administration, UUM. He was with the Malaysian Institute of Economic Research for 2 years before joining the Public Bank Group in 1995. He was appointed Director of the Bank's Economics Division in 1995 and subsequently appointed Group Economist in 1999.

Heads of Divisions



SULAIMAN BIN ABD MANAP

General Manager, Credit Operations Division

Holder of Masters in Business Administration degree. Has been with Public Bank since 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.



ABD RAZAK BIN MD DALI

General Manager, Public Affairs Division

Holder of Bachelor of Mass Communication & Masters of Science (Corporate Communication) degrees. He has a total of 30 years 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.



CHANG CHEE KONG

General Manager, HP Credit Control

Holder of a Diploma in Management. Mr Chang has been in the financial services industry for more than 32 years. He was attached to a commercial bank for 9 years before joining Public Finance in 1979. Is experienced in all aspects of the finance company operations at Head Office having managed several portfolios at Director and General Manager level. He is responsible for the Bank's HP Credit Control portfolio.





CHAN CHEW FUNG (MS)

Director, Corporate Banking & Trade Finance Division

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



EDDIE CHAN KOK KWAI

Director, Credit Administration & Supervision Division

Holder of Bachelor of Economics degree, FSD and AIBM. Joined Public Bank in 1982 and has been heading the Credit Administration & Supervision Division since 1992. Directly supervises the recovery of NPLs and credit control functions for retail loans in the Bank. He was promoted Director of Credit Administration & Supervision Division in 1996.



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 for 24 years. He joined Public Bank in 1983 and is experienced in all aspects of the Bank's IT operations. Mr Tan was appointed Director in 2000 to head the IT Division of the Bank.

Heads of Divisions



CHEW HAN KANG

Director, HP Financing

Holder of Diploma in Management. Mr Chew joined Public Finance in 1976. He had a total of 28 years service with Public Finance, of which 9 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.



MOHD NAJEEB BIN ABDULLAH

Director, Islamic Banking Division

Holder of Masters in Business Administration degree. 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.



CHANG SIEW YEN (MS)

Chief Financial Officer

An accountant by profession. Ms Chang has 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.





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.



SIM GOAY CHYE

Director, Property Division

Holder of Masters in Business Management degree. Mr Sim joined Public Finance in 1983. He held several managerial portfolios in the Head Office of both Public Finance and Public Bank in the past 23 years. He held the position of Senior Manager of Business Development in Public Finance since 2000, before his appointment as the Head of the Bank's Property Division in 2004.



TANG KAM HOE

Director, Banking Operations Division

Holder of Bachelor of Economics degree. Has been with the financial services industry for the last 25 years. Is experienced in all aspects of finance company operations having managed branches and several business portfolios in Head Office. Mr Tang was appointed Senior Manager of Branch Administration Division of Public Finance in 2000. He was appointed the Head of Banking Operations Division of the Bank in 2004.



Tan Sri Dato' Sri
Dr. Teh Hong Piow
Chairman

A WORD FROM THE TOP



Chairman's Review

OVERVIEW

■ Overall Business Environment	132
■ Summary of Group Financial Performance	133
■ Comparison Against Banking Industry's Performance	141
■ Capital	143
■ Ratings	145

BUSINESS OPERATIONS REVIEW

■ Retail Banking and Financing Operations	146
• Consumer Credit • SME Lending • Customer Deposits • Cash Management Services • Islamic Banking • Role and Authority of Shariah Committee • Zakat Obligations	
■ Capital Market Operations	166
• Treasury • Corporate Lending • Investment Banking • Fund Management	

■ Serving the Customer	176
• Customer Service Excellence • Loan Service Delivery • Channel Management • Customer Loyalty Programmes	
■ Information and Communication Technology	182
■ Recognising Top Performers	186
• Branch Performance Awards	
■ International Operations	188

OUTLOOK FOR 2007

■ Outlook for the Banking Industry	190
■ Expectations and Opportunities	190
■ Strategies and Direction	191
■ Outlook for the Malaysian Economy	191



Chairman's Review

OVERVIEW

OVERALL BUSINESS ENVIRONMENT

The Malaysian economy maintained a steady pace of growth in 2006 and is expected to record a healthy GDP growth of at least 5.8%. The growth was driven by private sector activities, with services, manufacturing and agriculture sectors being the key contributors to the growth for the year. Inflationary pressures moderated after it had peaked in the first half of 2006. Interest rate remained stable with Overnight Policy Rate ("OPR") unchanged at 3.5% after three OPR increases between November 2005 and April 2006.

The Malaysian banking system continued to exhibit resilience and sound performance in 2006, supported by the steady growth of the domestic economy. The improved performance was characterised by strong capital, sustained profitability and further decline in the level of non-performing loans. The banking system achieved a loan growth of 6.4% in 2006, with improvement in the net non-performing loan ratio to 4.8% as at December 2006 as compared to 5.8% as at December 2005.

The competitive pressures arising from a more liberalised banking environment has acted as a catalyst for greater innovation and enhanced the overall efficiency of the financial system. Various measures have been introduced by the Government and Bank Negara Malaysia to prepare the domestic banks for a more globalised and competitive environment. Despite the increased competition, the domestic banks have been able to maintain their market share.

In the increasingly competitive market, the Public Bank Group's business strategy remained focused on meeting the banking and financing needs of the retail consumers and middle market commercial businesses, particularly SMEs. The Group continued to record further growth in both its loans and deposits market share and achieved another year of record profitability by leveraging on its extensive branch delivery infrastructure, excellent customer service as well as its strong PB Brand.



SUMMARY OF GROUP FINANCIAL PERFORMANCE

PROFITABILITY

The Public Bank Group charted yet another year of improved performance and achieved a record profit before taxation of RM2.416 billion for 2006, an increase of 17.3% from RM2.059 billion in the previous financial year. The Group's net profit attributable to shareholders rose by 18.3% to RM1.727 billion. The strong profit performance of the Group was attributable to its continued strong loan and deposit growth as well as further improvement in asset quality and productivity. With the improved profitability, earnings per share increased by 17.1% to 52.1 sen per share from 44.5 sen per share in 2005, whilst the net return on equity improved to 21.9% in 2006 compared to 19.1% in 2005. The Group's cost to income ratio further improved to 34.8% in 2006 from 35.5% in 2005, as compared to the latest banking industry's cost to income ratio of 42.7%. With the high productivity, excellent asset quality and profit performance, the Public Bank Group achieved the highest return on equity, lowest non-performing loan ratio as well as lowest cost to income ratio in the domestic banking industry.

The Public Bank Group's operations comprise of five core areas – Retail Operations, Treasury and Capital Market Operations, Corporate Lending, Fund Management and Investment Banking (including share broking).

Group Profit Before Tax

	2006	2005
	RM'Million	RM'Million
Retail Operations	1,893.0	1,696.4
Treasury and Capital Market Operations	477.8	323.9
Corporate Lending	35.8	75.7
Fund Management	97.3	73.2
Investment Banking (including share broking)	40.8	30.8
Others	12.9	29.2
	2,557.6	2,229.2
Unallocated expenses and amortisation of goodwill	(141.2)	(169.8)
Profit before taxation	2,416.4	2,059.4



Profit Before Tax of Major Companies in The Group

	2006		2005	
	RM'Million	% of Contribution	RM'Million	% of Contribution
Public Bank Berhad*	1,828.7	75.7%	1,530.2	74.3%
Public Financial Holdings Group	277.7	11.5%	274.1	13.3%
Public Mutual Berhad	97.3	4.0%	73.2	3.6%
Public Investment Bank Berhad (formerly known as PB Securities Sdn Bhd)	28.2	1.2%	21.2	1.0%
Public Merchant Bank Berhad	7.0	**	8.8	**

* Profit before dividends from subsidiaries and associated companies

** Less than 1%

Retail Operations: The Public Bank Group's retail operations, which provide a wide range of banking and financing services to individuals and SMEs, continued to be the core business of the Group. Retail Operations accounted for 66.6% of the Group's total operating revenue and 72.5% of the Group's profit before tax in 2006. Profit from retail operations increased by 11.6% to RM1,893.0 million as a result of continued strong growth in retail lending of 23.6% and higher fee and commission income, which partly mitigated the effects of continued squeeze in lending margins. Domestic retail loans grew by 17.9% in 2006 whilst the Group's overseas operations recorded a 193.4% growth in retail loans following the acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) ("Public Bank (Hong Kong)"). Islamic banking operations recorded steady growth in 2006 and contributed to 15.9% of the profitability of the Group's retail operations.

The results of the overseas retail operations of the Public Bank Group is contributed mainly by its Hong Kong operations under the Public Financial Holdings Group (formerly known as JCG Holdings Group). The Public Financial Holdings Group's results are mainly contributed by its 2 major subsidiaries, Public Finance Limited and the newly acquired subsidiary, Public Bank (Hong Kong). The Public Financial Holdings Group recorded a pre-tax profit of HKD588.1 million, representing an increase of HKD25.8 million from HKD562.3 million in 2005, mainly arising from the profit contribution from Public Bank (Hong Kong) since its acquisition in May 2006. This is offset by the interest expense of HKD65.3 million on a HKD2.0 billion syndicated bank loan, which funded part of the acquisition of Public Bank (Hong Kong), and a reduction in the profit contribution of Public Finance Limited due to higher loan loss allowances and rebranding costs.



Public Financial Holdings Group

	2006 HKD'Million	2005 HKD'Million
Income Statement		
Operating revenue	1,651.8	936.8
Profit before tax	588.1	562.3
Key Balance Sheet Items		
Total assets	24,122.2	4,372.4
Gross loans, advances and financing	13,957.4	3,702.9
Deposits from customers	15,623.3	1,642.0
Shareholders' funds	5,234.8	2,316.2
Financial Ratios		
Net NPL ratio	0.9%	2.2%
Risk-weighted capital ratio		
– Public Bank (Hong Kong) Limited	19.5%	16.7%
– Public Finance Limited	39.7%	39.3%

Note: The financial results of Public Financial Holdings Group have been adjusted for accounting standards which are yet to be effective in Malaysia.

Total loans and advances of the Public Financial Holdings Group increased by HKD10.254 billion to HKD13.957 billion, and customer deposits of the Public Financial Holdings Group increased by HKD13.981 billion to HKD15.623 billion at the end of December 2006, both mainly as a result of the acquisition of Public Bank (Hong Kong).

Treasury and Capital Market Operations:

Treasury and capital market operations achieved a profit before tax of RM477.8 million, an increase of 47.5% from RM323.9 million in 2005. The improvement in profitability was mainly attributable to higher net interest income

due to increased business volume, higher foreign exchange income, coupled with higher interest margin arising from several increases in the OPR.

Corporate Lending: Profit before taxation of the Public Bank Group's lending to large corporate customers for 2006 was lower at RM35.8 million compared to RM75.7 million for 2005. The decrease in profit was mainly due to lower interest margins on corporate lending in 2006 and higher impairment loss written back on debt converted securities in 2005. Despite intense competition, the Public Bank Group's corporate loans grew by 27.0% to stand at RM6.766 billion as at the end of 2006.



Fund Management: The Public Bank Group's fund management operations are undertaken by Public Mutual Berhad.

Robust global and regional economic and stock market performances in 2006 boosted investor demand in wealth management and unit trust products in Malaysia. To meet this increasing demand, Public Mutual launched 8 new funds during the year. The total net asset value of unit trust funds under management of Public Mutual increased by 34.1% during the year to stand at RM16.192 billion as at end of 2006.

Public Mutual achieved another record year of gross sales of trust units totaling RM4.104 billion and achieved a 33.0% improvement in profit before taxation to RM97.3 million.

Public Mutual Berhad

	2006 RM'Million	2005 RM'Million
Income Statement		
Operating revenue	377.8	269.9
Profit before tax	97.3	73.2
Key Balance Sheet Items		
Total assets	774.8	502.2
Shareholders' funds	39.1	293.9
Net asset value of unit trust funds under management	16,192	12,077



Investment Banking (including share broking): The Public Bank Group completed the formation of its investment bank in 2006 via the merger of the merchant banking business of Public Merchant Bank with the share broking business of PB Securities (now known as Public Investment Bank Berhad) on 18 December 2006. Public Investment Bank has now assumed both the merchant banking and share broking business of the Group.

Despite further liberalisation of the share broking industry in 2006 with the entry of 5 foreign players and the very challenging Malaysian investment banking environment, the Group's domestic investment banking operations reported a total pre-tax profit of RM35.2 million.

Public Investment Bank

	2006 RM'Million	2005 RM'Million		
	Public Investment Bank*	Public Investment Bank*	Public Merchant Bank	Total
Income Statement				
Operating revenue	172.9**	32.5	92.0	124.5
Profit before tax	35.2**	21.2	8.8	30.0
Key Balance Sheet Items				
Total assets	4,372.9	345.7	3,176.5	3,522.2
Gross loans, advances and financing	96.8	N/A	142.4	142.4
Deposits from customers	1,249.0	N/A	1,307.3	1,307.3
Shareholders' funds	219.0	257.8	186.6	444.4
Financial Ratios				
Net NPL ratio	3.6%	N/A	0.0%	0.0%
Capital adequacy ratio	25.2%	N/A	42.3%	42.3%

* Formerly known as PB Securities Sdn Bhd which undertook the share broking business of the Group. Effective 18 December 2006, the merchant banking and share broking business of the Group were merged under Public Investment Bank.

** Includes the results of the merchant banking business prior to the merger on 18 December 2006.



LOANS AND ADVANCES

	Public Bank Group					Banking System
Loans, Advances and Financing	Outstanding (Gross)		Growth Rate			Growth Rate
	2006 RM'Mil	2005 RM'Mil	2006 %	2006 % [Excluding PB (HK)]	2005 %	2006 %
Group	84,365	68,102	23.9	17.5	19.7	6.4
Public Bank	77,219	65,716	17.5	17.5	19.7	6.7
Public Financial Holdings Group	6,322	1,805	250.2	9.3	12.1	NA

The Public Bank Group's loans and advances increased by RM16.263 billion or 23.9% to stand at RM84.365 billion as at the end of December 2006, which includes an increase of RM4.349 billion arising from the acquisition of Public Bank (Hong Kong). Excluding the loans arising from the acquisition of Public Bank (Hong Kong), the Group's loans and advances maintained a strong growth rate of 17.5%, which was approximately 2.7 times that of the loan growth rate recorded by the domestic banking industry. As a result, the Group's domestic market share for loans and advances increased to 13.2% compared to 12.0% at the end of 2005.

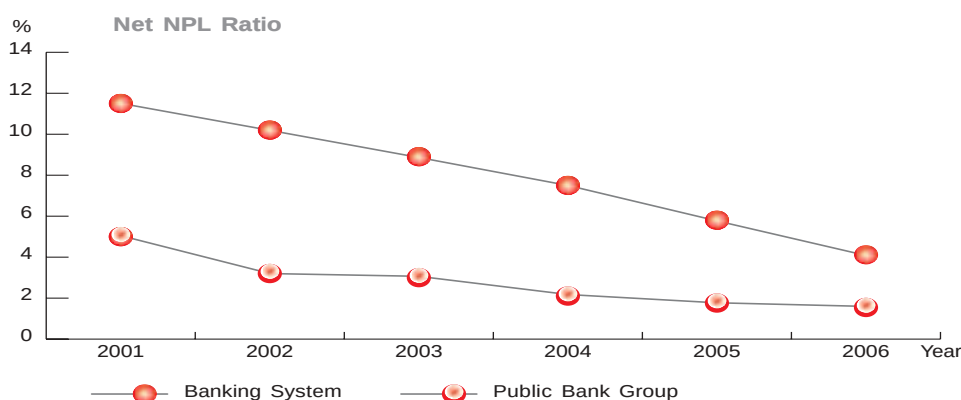
The Public Bank Group's lending activities continued to be focused on the retail sector, with consumer loans for the financing of residential properties and transport vehicles as well as commercial lending to SMEs accounting for 71.0% of the Group's total loan portfolio as at the end of 2006.

The strong domestic loans growth rate together with the acquisition of Public Bank (Hong Kong) in May 2006 has led to loans for residential properties growing by 28.3% to RM22.968 billion as at end of 2006. Meanwhile, loans for the purchase of transport vehicles increased by 17.5% to RM23.349 billion whilst loans to SMEs expanded by 16.6% to RM17.713 billion.



ASSET QUALITY

Public Bank Group NPL Trend	2001	2002	2003	2004	2005	2006
Gross NPL – RM'Million	2,193	1,726	1,781	1,510	1,406	1,578
Net NPL – RM'Million	1,575	1,240	1,404	1,212	1,173	1,320
Gross NPL Ratio (%)	6.9%	4.5%	3.8%	2.7%	2.1%	1.9%
Net NPL Ratio (%)	5.0%	3.2%	3.0%	2.1%	1.7%	1.6%
Net NPL Ratio (%) – Banking System	11.5%	10.2%	8.9%	7.5%	5.8%	4.8%



Public Bank continues to be ranked the best amongst all banks in Malaysia in terms of asset quality. This was achieved by staying focused on the Public Bank Group's stringent lending and credit policies. The further improvement of the Group's asset quality in 2006 is evidenced by the declining trend of the Group's gross and net non-performing loans ("NPL") ratios despite strong loan growth at, or close to, 20.0% per annum since 2001. Based on a 3-month classification, the Group's gross and net NPL ratios stood at 1.9% and 1.6% respectively as at end of 2006, from 2.1% and 1.7% a year earlier. This represents a significant improvement over the past 5 years as compared to the Group's gross and net NPL ratios of 6.9% and 5.0% respectively in 2001. The Group's net NPL ratio of 1.6% as at end of 2006 was one third of the banking industry's net NPL ratio of 4.8%.

The Public Bank Group not only has the lowest level of NPL amongst all the Malaysian banks, but also the most prudent approach to provisioning. The ratio of loan loss coverage, before taking into consideration collateral, stood at 99.9% as at end of 2006. This was higher than the Group's ratio of 91.7% as at end of 2005 and was significantly above the 58.9% coverage for the banking system as at end of 2006. The increase in the Group's loan loss coverage was contributed by the additional general allowance set aside while maintaining stable NPL ratios. As at end of 2006, the Group's general allowance was almost sufficient to cover the entire NPL balance despite the fact that more than 90% of the NPLs are secured.



DEPOSITS

	Public Bank Group							Banking System
Group Customer Deposits	Outstanding		Growth Rate			Mix		Growth Rate
	2006 RM'Mil	2005 RM'Mil	2006 %	2006 % [Excluding PB (HK)]	2005 %	2006 %	2005 %	2006 %
Demand	11,289	9,566	18.0	15.4	10.2	10.1	11.4	15.6
Savings	14,809	12,567	17.8	10.2	9.3	13.2	14.9	7.4
Fixed	53,391	43,210	23.6	13.4	9.9	47.8	51.4	13.2
NID	31,934	18,492	72.7	69.1	48.2	28.6	22.0	40.0
Others	370	295	25.5	10.3	10.0	0.3	0.3	18.3
	111,793	84,130	32.9	25.4	16.4	100.0	100.0	16.8

The Public Bank Group's customer deposits grew by RM27.663 billion or 32.9% in 2006 to reach RM111.793 billion as at end of 2006, which includes RM6.300 billion deposits arising from the acquisition of Public Bank (Hong Kong). Excluding deposits from the acquisition of Public Bank (Hong Kong), the Group's customer deposits grew by 25.4%, more than 1.5 times that of the 16.8% growth registered by the banking system.

As a result of the Public Bank Group's aggressive mobilisation of lower cost demand and savings deposits, coupled with its superior customer service, both types of deposits have shown healthy growth in 2006. Demand deposits increased organically by 15.4%, whilst savings deposits grew by 10.2%

compared to the industry's growth rate of 7.4%. Excluding the impact of the acquisition of Public Bank (Hong Kong), the Group's fixed deposits and deposits in the form of negotiable instruments of deposits had also improved by 13.4% and 69.1% respectively during the year, contributing positively to the Group's net interest income on the back of higher interbank lending rates. As at 31 December 2006, the Group's market share of customer deposits further improved to 12.9% as compared to 12.0% in 2005 and 8.2% five years ago.

The Group's liquidity improved following the strong deposit growth with the loan-to-deposit ratio standing at 74.1% as at 31 December 2006 compared to 79.4% as at end of 2005.



COMPARISON AGAINST BANKING INDUSTRY'S PERFORMANCE

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

Key Financial Indicators	2006			2005		
	Public Bank Group	Latest Industry Average*	Rank#	Public Bank Group	Industry Average*	Rank#
Profitability (%)						
Pre-tax Return on Average Equity	28.7	14.2	1	25.6	15.1	1
Pre-tax Return on Average Assets	1.9	1.1	1	2.0	1.3	@
Cost-to-Income	34.8	42.7	1	35.5	42.7	1
Productivity (RM'000)						
Pre-tax Profit/Average Employee	185	100	1	162	109	@
Gross Loans/Employee	6,298	5,515	1	5,320	5,486	@
Deposits/Employee	8,345	6,641	1	6,573	6,506	@
Asset Quality (%)						
Gross NPL Ratio	1.9	7.4	1	2.1	8.4	1
Net NPL Ratio	1.6	4.8	1	1.7	5.8	1
Loan Loss Coverage	99.9	58.9	1	91.7	52.6	1

* Average of the banking industry

Latest available ranking for domestic commercial banking operations

@ Not the top ranking



The Public Bank Group's domestic market share of total assets, total loans and total deposits increased to 12.5%, 13.2% and 12.9% respectively from 11.4%, 12.0% and 12.0% respectively at end of 2005.

The Public Bank Group's growing market share in 2006, coupled with higher productivity and improved asset quality has further enhanced the Group's profitability. In 2006, the Group recorded a pre-tax return on average equity of 28.7%, which was about twice the domestic banking industry average of 14.2%. The Group's cost-to-income ratio of 34.8% was also significantly lower than the industry average of 42.7%. Public Bank achieved the top ranking in terms of profitability for its domestic commercial banking operations.

The Public Bank Group's productivity improved significantly with its pre-tax profit per average employee showing a

14.2% growth to RM185,000 whereas its gross loans per employee and total deposits per employee registered 18.4% and 27.0% growth respectively to RM6.3 million and RM8.3 million as at December 2006. This improvement has enabled the Bank to move to the no.1 ranking for its domestic commercial banking operations in terms of these key productivity indicators.

The Public Bank Group continued to rank no. 1 in terms of asset quality. Its strong asset quality is reflected in its lower gross and net NPL ratios of 1.9% and 1.6% respectively, compared to 2.1% and 1.7% respectively as at end of 2005. Its net NPL ratio of 1.6% is one third of the banking system's ratio of 4.8%. The approach towards prudent provisioning has enabled the Group to achieve the highest loan loss coverage of 99.9% as at December 2006 compared to the industry average of 58.9%.



CAPITAL

Capital	Group		Public Bank		Banking System
	2006	2005	2006	2005	2006
Shareholders' equity (RM'Million)	9,034	8,564	8,970	8,220	NA
Core capital ratio (%)	10.2	11.6	12.5	11.2	10.0
Risk-Weighted capital ratio (%)	15.8	17.3	15.3	15.0	12.8

The Public Bank Group has always maintained a robust level of capital to support the strong growth of the Group's business. The shareholders' equity of the Group increased to RM9.034 billion as at the end of 2006 as compared to RM8.564 billion a year earlier, and was the 3rd highest amongst banking groups in Malaysia.

As at end of 2006, the Public Bank Group's risk-weighted capital ratio ("RWCR") remained strong at 15.8% compared to the banking system's RWCR of 12.8% and was well above the statutory requirement of 8.0%. Public Bank's core capital ratio and RWCR also remained strong at 12.5% and 15.3% respectively at end of 2006.

As at 31 December 2006, the market capitalisation of Public Bank stood at RM26.941 billion, maintaining its position as the largest non-government linked public listed company in Malaysia. Public Bank is also the 2nd largest bank in Malaysia and the 5th largest listed company on Bursa Securities in terms of market capitalisation at the end of 2006.



CAPITAL MANAGEMENT

The Public Bank Group continues to evaluate the efficient use of its capital in its commitment to deliver high returns to its shareholders. During the year, Public Bank has undertaken further initiatives to strengthen its core capital and further improved the Group's capital structure by issuing USD200 million Innovative Tier I Capital Securities in August 2006 and another RM1.2 billion Innovative Tier I Capital Securities in December 2006. These innovative Tier I capital securities issuances had further improved the Group's and the Bank's RWCR by 2.3% and 2.5% respectively, whilst the core capital ratios of the Group and the Bank had also been strengthened by 1.5% and 1.8% respectively.

Besides enhancing the Bank's mix of capital between equity and debt capital securities, the issuance of the Innovative Tier I Capital Securities provides a cost effective regulatory capital for the Bank to support the pursuit of growth of its business as well as enhancing returns to its shareholders without burdening shareholders for more equity capital.

Public Bank's Innovative Tier I capital securities issuances were the first direct issuance of innovative Tier I capital and the first innovative Tier I capital securities in Ringgit by a Malaysian Bank.

In line with the Group's commitment to reward its equity shareholders, Public Bank continued to maintain a high dividend ratio in 2006 with an interim dividend paid during the year of 20 sen less 28% taxation and a proposed final and special dividend of 30 sen less 27% taxation and 10 sen less 27% taxation respectively, subject to the approval of shareholders. The total net dividends paid and payable for 2006 would amount to RM1,453.9 million which represents 84.2% of the Group's net profit attributable to equity holders of the Bank for 2006.

The Public Bank Group will continue to place emphasis on efficient capital management with the aim of maximising shareholders' return, while at the same time positioning the Group to continue with its strong business expansion and growing market share.



RATINGS

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

In July 2006, 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 is accorded only to financial institutions that offer the highest safety for timely payment of financial obligations.

The reaffirmation of the ratings by RAM was based on Public Bank's excellent asset quality, commendable profit performance, sound financing and liquidity positions, as well as healthy capitalisation. Public Bank's reputable franchise as one of the leading domestic commercial banks is also reflected in this high rating. The RAM ratings had also taken into consideration the Public Bank Group's acquisition of Public Bank (Hong Kong), which is expected to enhance the Group's presence in Hong Kong.

Public Bank's robust and strong financial standing has also earned it a long-term credit rating of A- and short-term credit rating of A-2 from Standard & Poor's. Public Bank continues to be one of only two Malaysian banks with single A rating by Standard & Poor's. The high credit ratings reflect Public Bank's position as one of the top-tier commercial banks in Malaysia.

Moody's Investors Service has also reaffirmed Public Bank's long term deposit rating of A3 and short term deposit rating of Prime-1, reflecting Public Bank's solid financial fundamentals and conservatism. In addition to that, Public Bank was assigned a Bank Financial Strength Rating of C in view of its strong recurring earnings, robust capital and good asset quality.







BUSINESS OPERATIONS REVIEW

Retail Banking and Financing Operations

The organic growth strategies of the Public Bank Group as well as the acquisition of Public Bank (Hong Kong) Limited in 2006 clearly reflects the focus of the Group on the retail banking and financing market. This can be seen in the expansion of the Group's retail loans portfolio which increased by 23.6% in 2006 to stand at RM77.599 billion, with loans to consumers accounting for 73.7% of outstanding retail loans. Growth in the retail deposit-taking business of the Group was healthy with a 21.6% growth in core customer deposits in 2006 and with individual depositors accounting for 63.4% of core customer deposits.

CONSUMER CREDIT

Residential Property Financing

The Public Bank Group's residential property financing which constitutes 29.1% of the total outstanding retail loans portfolio remains the core retail financing business of the Group in 2006. The Group's flagship residential mortgage loan packages, the 5HOME ("Home Ownership Made Easy") Plan and MORE ("Mortgage Refinancing") Plan continued to grow as demand for financing the purchase of residential properties remained robust. Residential mortgage loans amounting to RM5.416 billion were approved in 2006. The Group's total residential property financing portfolio increased by 27.8% to RM22.552 billion as at the end of 2006. With the higher than industry rate of growth, the Group has an increased market share of residential mortgages of 13.3%



in 2006, as compared to 12.0% in 2005, indicating that the 5HOME Plan and MORE Plan loan packages with their highly competitive pricing and wide range of benefits have continued to be rated highly by customers in the market place.

The higher than industry rates of growth of the Public Bank Group's residential mortgage loans over the past years was also attributed to the extensive network of Public Bank's 240 branches nationwide as well as a strong sales force of more than 170 sales and marketing executives. After sales service is supported by an efficient and effective loan delivery system which ensure fast processing and approval as well as documentation and disbursements of new loans. The Group's "Provision of Customer Service in Loan Delivery" has achieved ISO certification since 2003.

The key market changes faced by the Public Bank Group's residential mortgage business in 2006 were the increase in the Base Lending Rate ("BLR") as a result of three rises in Bank Negara Malaysia's Overnight Policy Rate which increased from 2.7% in November 2005 to 3.5% in April 2006 coupled with Bank Negara Malaysia's liberalisation of the operating environment of locally incorporated foreign banks which were each allowed to set up four additional branches a year and allowing the entry of new foreign Islamic banks. The changes in the financial landscape have brought about stiffer competition in the residential property financing market against the backdrop of a softening property market.

To further penetrate the residential mortgage market, the Public Bank Group continued to strengthen its business relationship with established and reputable developers, real estate agents and lawyers for potential customer leads. Special end-financing packages with attractive pricing and features were offered exclusively for selected new housing projects. Active participation in various nationwide road shows, property exhibitions and property project launches were carried out to maximise business development and marketing opportunities. In 2006, the Group participated in 11 such roadshows and exhibitions.

The mortgage loan packages under the 5HOME Plan and MORE Plan were actively promoted along with the support of two free gift campaigns from January 2006 to August 2006. Customers who took up loan packages which were protected by mortgage reducing term assurance were well rewarded with branded electrical goods. In conjunction with Public Bank's 40th Anniversary, the free gift campaigns were replaced with the "Million Ringgit Cash Bonanza" campaign where new residential mortgage customers can win a grand cash prize of RM100,000 and RM1.0 million in total cash prizes. The campaign was launched in September 2006 and will end in March 2007.



To enhance the competitiveness of the Public Bank Group's residential mortgage loan packages, the pricing and product benefits were actively reviewed and revised regularly such as the interest rates for the "Below Base Lending Rate" package which was revised twice in 2006. The package offers interest rates of more than 1% below BLR throughout the tenure of the loan and was well received with 22.1% of new residential mortgages in 2006 approved under this package.

The pricing structure and features for the "Free Legal Documentation" ("FLD") package under the 5HOME Plan and MORE Plan for completed properties in the primary and secondary market were enhanced in August 2006 to make it one of the most competitive packages in the market. Under this package, Public Bank will absorb stamp duty and other legal expenses related to the security documentation so that the customer can finance or refinance the property without any further cost. The FLD package was also well received as 13.8% of residential mortgages in 2006 were approved under the FLD package.

Customers who need greater flexibility can choose the redraw facility which allows redraw of excess prepayment. Together with fixed loans, customers can also take up the overdraft facility at BLR minus 0.75% for up to a high proportion of 70% of the combined residential mortgage facilities.

Besides offering attractive interest rates which are on daily interest calculation, the Public Bank Group also offer value-added features such as a high margin of advance of up to 100% including the financing of mortgage reducing term assurance premiums and long repayment periods of up to 40 years. Customers also get to enjoy free Public Bank credit cards for the full tenure of the loan as well as free personal accident coverage for the first year.

In line with the Government's call to support home ownership by low income earners, the Public Bank Group has also intensified and widen its marketing efforts in the broad property market to provide financing for residential properties under this priority sector for properties costing RM60,000 and below for Peninsular Malaysia and RM72,000 and below for properties in East Malaysia. The Group has committed to provide financing for 1,438 units of such properties.



Motor Vehicle Financing

Another core area of lending activities in the retail consumer banking business operations of the Public Bank Group is motor vehicle hire purchase financing which constituted 23.3% of the Group's total loan portfolio of RM84.365 billion as at end of December 2006.

The Public Bank Group has, through its aggressive marketing efforts, established a strong presence in the motor vehicle hire purchase financing business by extending its excellent PB Brand customer service to motor vehicle distributors and dealers. Such service include fast disbursements and release before transfer to the dealers and doorstep service to hire purchase customers. Besides focusing on service delivery, the Group has continued to strengthen the strategic alliances with motor vehicle distributors and dealers and together with them have offered cheap financing to boost motor vehicle sales as well as benefiting the hire purchase customers. These strategies have sustained the Group's strong growth in motor vehicle hire purchase financing for the past 3 years. In 2006, the Group's motor vehicle hire purchase portfolio registered another year of strong volume growth of 18.8% or RM3.117 billion to RM19.669 billion from RM16.552 billion as at end of 2005. A total of RM8.507 billion of new motor vehicle hire purchase financing was approved in 2006.

The Public Bank Group's network of car dealers was further expanded to 6,100 car dealers nationwide from 5,500 car dealers in 2005. Business managers and marketing officers visit these car dealers regularly and provide them with personalised service to further strengthen the good business relationship with these car dealers.

As another key strategy to garner higher motor vehicle hire purchase financing business volume, the Public Bank Group continued to further strengthen its market presence by proactively participating in joint car sales promotions, car sales carnivals, road shows as well as other joint promotional activities with motor vehicle distributors and car dealers throughout the country. In 2006, the Group participated in a total of 147 such joint promotion events. The Group has also leveraged on its large customer base to grow and cross-sell motor vehicle hire purchase financing and at the same time to further deepen the banking relationship with these customers.

In 2006, the Public Bank Group conducted a rationalisation of the motor vehicle hire purchase operations for branches which were within the same geographical location to achieve greater operational efficiency and to better serve the car dealers. The motor vehicle hire purchase operations of a number of branches were streamlined to two motor



vehicle hire purchase centres located in Rasah and Butterworth with five more of such centres scheduled to be set up in January 2007. These hire purchase centres will be staffed with dedicated hire purchase business managers and marketing officers who are experienced and sales orientated to service the car dealers. Well trained processing officers are also placed at these centres to improve the turnaround time in credit approval and disbursement of motor vehicle hire purchase loans. The rationalisation is expected to improve the cost efficiency and profitability of the Group's motor vehicle hire purchase financing operations.

The sales of motor vehicles is expected to improve as more new and replacement models will be launched in 2007 with motor vehicle distributors embarking on aggressive marketing strategies to increase motor vehicle sales. This positive outlook bodes well for the passenger vehicle hire purchase financing business of the Public Bank Group.

Share Margin Financing

The Public Bank Group's share trading and share margin financing business, PB Sharelink, recorded a better performance in 2006 in tandem with the strong performance of the Malaysian stock market, notwithstanding the keen competition in the share financing market. The Kuala Lumpur Composite Index, the barometer of the Malaysian stock market rose 196.45 points or 21.8% in the year to 1,096.24 points as at the end of 2006 from 899.79 points as at the beginning of the year. In 2006, total value of shares traded on Bursa Securities surged to RM277.78 billion compared to RM201.09 billion in 2005, an increase of 38.1%.

As compared to 2005, the Group's PB Sharelink recorded an increase of RM2.164 billion or 152.5% in share volume traded to RM3.583 billion. The number of accounts and approved share loan limits grew by 15.4% and 32.3% respectively. Total gross brokerage and interest income also recorded an increase of RM10.0 million or 69.0% as compared to 2005.

In 2006, the Public Bank Group had undertaken various initiatives with the objective of expanding its share trading and share margin financing business. These initiatives include increasing the Group's panel of stockbroking companies from 7 in 2005 to 10 at the end of 2006. The implementation of the Internet share trading system, Online Share Trading, in early 2006 to enable customers to conduct their share trading activities using the convenience of Internet access and the offering of a highly competitive and attractive promotion package for share margin financing yielded positive results for the Group in terms of both brokerage commission and interest income.



The Public Bank Group will continue to proactively review the competitiveness of the features of its PB Sharelink offerings and to improve its service delivery standards in order to meet the customers' increasingly demanding needs in the highly competitive business environment and to explore business opportunities such as provision of mobile trading and share trading kiosks in order to further grow the Group's share trading and share margin financing business.



Credit Cards

The Public Bank Group's credit card business continued with its rapid growth trend of the past few years in 2006 with every area of the business registering strong results for the year.

The credit card base of the Public Bank Group expanded sharply by 25.9% in 2006, driven by 2 major card acquisition campaigns, these being the "PB Escapades 4U!" and "PB Switch2Win!" promotions which included contests which offered exceptional prizes of free vacations to Beijing, Perth and Hong Kong and 10 free Perodua Myvi cars. Together with subsidiary prizes including Apple iPods, Sony digital cameras, and Exxon Mobile Smiles cards pre-loaded with RM1,000 of fuel redemption, the promotions also featured "Free-for-Life cardmembership".

The Public Bank Group also capitalised on its existing customer database and expanding consumer loan book by extending pre-approved cardmemberships to every one of its residential mortgage and motor vehicle hire purchase financing customer as well as selected unit trust investors of Public Mutual Berhad. To better manage the churn rate, a sizeable number of cardmembers with good track record were accorded automatic card upgrades and credit line increases. To complement the concerted cross-selling initiatives of the Group's branches, an external direct sales team was appointed to promote additional credit card sales.

Card receivables increased by 30.8% to RM760.4 million as at the end of 2006, while card sales was up 21.5% to RM2.421 billion for 2006. This growth was supported by dedicated card loyalty and usage programmes which leveraged on the key lifestyle events throughout the year, such as the 2006 FIFA World Cup in Germany, Malaysia's Mega Sale campaigns, the MATTA Fair, the 12th Malaysian Jewellery Festival, the Back2School promotion and the festivities of Hari Raya and Christmas. Joint promotions with Exxon Mobil, Popular Bookfest together with the Public Bank Group's programmes such as PB Balance Transfer, PB Zero-Interest Instalment Plan ("ZIIP"), PB FlexiPay and PB EasyCash were also offered to provide cardmembers with flexible financial mode of payments. The PB Rewards Newsletter, PB Home Shopping Catalogue and PB ZIIP Catalogue also provided a comprehensive range of exclusive benefits and privileges to cardmembers throughout the year.

Merchant sales increased strongly by 70.3% to RM3.320 billion in 2006, making noteworthy inroads into new business segments with the recruitment of well-established merchant chains and large corporate which included Malaysia Airlines, AirAsia, Hotel Equatorial, Sin Chew Media, Resort World Bhd and American International Assurance.



The PB Visa Commercial Card also recorded sterling results as this corporate procurement card programme for travel and entertainment and factoring/reverse purchasing gained greater acceptance by multinational companies and large corporations. The PB Visa Commercial Card sales was RM129.1 million in 2006 which was an increase of 53.4% compared to 2005. This was primarily attributable to existing users including their associate companies into the programme and the recruitment of 50 new corporate users.

With the overall positive growth of the Public Bank Group's credit card portfolio, asset quality was not compromised. The NPL ratio of credit card receivables continued to improve to 1.9% from 2.2% at the end of 2005.

The Public Bank Group was also the first card issuer to be certified as a 3D issuer and acquirer using the Verified by Visa and MasterCard SecureCode, allowing merchants and cardmembers to carry out risk free Internet-based transactions. In 2006, the Group also successfully completed its EMV smart-chip migration, with the PB Visa Commercial Card and PB Visa Electron Card now in full compliance with the smart card standard.

Personal Consumer Loans

The Public Bank Group's personal consumer financing is primarily from the provision of personal financing under the Islamic Financing principle of Bai Al Einah ("BAE") in Malaysia and the personal loan business to individuals in Hong Kong.

In Malaysia, the BAE Personal Financing-i is offered to staff of government agencies, quasi-government corporations and cooperatives. The scope to expand the BAE Personal Financing-i business continues to grow with the enlistment of 18 new government and state agencies with an additional estimated eligible employees of 110,000. The Public Bank Group now extends its BAE Personal Financing-i to a total of 117 government agencies, quasi-government corporations and cooperatives with an estimated total of 186,000 employees eligible for BAE Personal Financing-i. The Group's outstanding BAE Personal Financing-i portfolio increased significantly by 108.5% or RM260.8 million from RM240.4 million in 2005 to RM501.2 million in 2006.

The Public Bank Group also offers its Plus BAE Personal Financing-i in the form of term financing to existing housing loan, fixed loan customers, ABBA house/term financing-i and overdraft customers with good repayment track record as part of the Group's customer retention strategy. Customers who have paid down their loans are offered the Plus BAE Personal Financing-i which is priced competitively as compared to other personal loans in the market.



The strong growth in the Public Bank Group's BAE Personal Financing-i business was also the result of leveraging on the extensive network of branches of the Group to promote the BAE personal financing products as well as expanding the dedicated team of Islamic Banking marketing managers and executives to a total of 26 who are located nationwide to aggressively promote the BAE Personal Financing-i products through conducting direct marketing calls and providing personalised door step services to customers.

The branches and the marketing team are provided with business leads for follow-up in order to grow the business aggressively and is further supported by various marketing and promotion activities which include participation in Islamic financing road shows, events organised by regulatory bodies promoting Islamic banking and setting up of booths at the premises of government agencies.

In Hong Kong and China, the personal consumer financing business of the Public Bank Group is carried out by Public Finance Limited and Public Bank (Hong Kong) Limited with an expanded branch network of 55 branches in Hong Kong and one in Shenzhen in the People's Republic of China ("PRC") along with three representative offices in Shanghai and Shenyang in the PRC and Taipei, Taiwan. These branches act as the main sales channel for the personal consumer financing business in Hong Kong.

The growth in economic activities in Hong Kong and the PRC has resulted in a significant improvement in consumer confidence. Despite the challenging and competitive operating environment, the personal consumer loans of Public Bank (Hong Kong) Limited and Public Finance Limited achieved a growth of 29.5% to stand at HKD5.458 billion at the end of 2006 as compared to the preceding year.

Public Bank (Hong Kong) Limited's strength in taxi loans, mortgages and commercial banking is complemented by Public Finance Limited's expertise in consumer financing, which include taxi hire purchase loans, personal tax loans, overseas workers loans and personal loans to civil servants. The personal consumer loans are very competitive and come with preferential interest rates, flexible payment and low handling fee.

Public Bank (Hong Kong) Limited also has a credit card business that enables consumers to perform card balance transfers to enjoy interest savings with high loan amounts and flexible repayment periods.



SME LENDING

The Public Bank Group continue to support the Government's agenda to accelerate the development of progressive and resilient entrepreneurs and small- and medium-size enterprises ("SMEs") by providing ready access to financing of their business expansion needs. This is in line with the National SME Development Blueprint 2006 to increase SMEs contribution to the Malaysian economy. In 2006, the Group approved a total of RM6.945 billion worth of commercial loans to SMEs which accounted for 26.8% of the Group's total new loans approved of RM25.946 billion for 2006. With the higher volume of loans approved to SMEs, the Group's SME loan portfolio grew by 16.6% from RM15.190 billion in 2005 to RM17.713 billion in 2006. This accounted for 21.0% of the Group's loan portfolio as at the end of 2006.

The Public Bank Group intends to further expand its SME lending business in tandem with the Government's initiatives to strengthen the financial infrastructure to enhance SMEs' access to financing under the 9th Malaysia Plan by providing innovative and competitive banking products to serve the SMEs' evolving and diversified needs.

In 2006, the SWIFT ("Shophouse, Warehouse, Industrial Factory and Trade Financing") Plan, which has become the Public Bank Group's flagship SME commercial lending product, was reviewed and enhanced further with the introduction of daily interest



calculation and redraw facility for fixed loans to provide greater interest savings and greater flexibility to customers. The SWIFT Plan offers fixed loans, overdraft, trade bills financing, industrial hire purchase and revolving credit at attractive rates. Existing good fixed loan and overdraft SME customers get to enjoy the "Utilisation Incentive Program", launched in February 2006, which offers preferential pricing for incremental utilisation. Additional benefits such as free credit cards for business owners and directors, free electronic credit payment services for EPF and income tax payments are all packaged into the SWIFT Plan. Total loans approved for the SWIFT Plan amounted to RM5.697 billion in 2006.

In June 2006, the pricing structures and features of the "Free Legal Documentation" ("FLD") package of the SWIFT Plan were revised to make it even more competitive. In this package, the SMEs get to enjoy substantial cost savings on legal fees and stamp duty by refinancing their credit facilities from other financial institutions. In 2006, total loans approved under this FLD package amounted to RM468.3 million.

During the year, the Public Bank Group introduced two new loan packages to cater for different commercial customer segments. The first package was launched in January 2006 and was targeted at prime business customers with strong financials and better credit risk ratings. Under this package, SMEs are offered preferential interest rates for fixed loan, overdraft, revolving credit and trade bills financing with higher margin of finance of up to 200%. The second package was PBMicro Finance, which was launched in December 2006. Based on the SME Annual Report 2005, 99.2% or 520,000 business establishments are SMEs, of which approximately 412,000 are micro enterprises. The PBMicro Finance is specifically designed to support the Government's effort to drive the growth of micro enterprises which include individuals by improving their access to financing for productive purposes such as working capital for purchasing raw materials to increase output or for asset acquisition to be used to increase the productivity of the micro enterprise's operations. To promote and kick-start PBMicro Finance aggressively, all branches have been provided with a list of eligible micro enterprises which are their existing customers for marketing initiatives, in addition to branches identifying new micro enterprise customers in their locality.

In support of Bumiputra entrepreneurs, the Public Bank Group has expanded the Bumiputra Business Development Department to increase the business development activities and further grow the loan portfolio to Bumiputra SMEs. 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 entrepreneur, which include products which leverage on Credit Guarantee Corporation schemes such as the “New Principal Guarantee Scheme”, the “Small Entrepreneur Guarantee Scheme”, the “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” which have received increased allocation of funds in 2006
- Establish liaison and rapport with Government agencies and corporations to explore new business opportunities for financing
- Participate in seminars and exhibitions organised by Government bodies related to the development of Bumiputra SMEs

To cater for the growth of SMEs in the export market, the Public Bank Group provides a wide range of trade bills facilities to meet the financing needs of SMEs involved in trading in the international marketplace. In 2006, the Group's trade bills business grew by 24.9% or RM523.2 million from RM2.102 billion recorded in 2005. In a show of support of the Government initiatives in promoting export growth, the Group has added to its range of products two new trade financing products. These are the “Multi Currency Trade Financing Scheme” and the “Indirect Exporter Financing Scheme” which were introduced by Bank Negara Malaysia. The objective of these new products is to encourage more SMEs to access the export market, especially in the non-traditional markets as well as trade with member states of the Organisation of Islamic Conference. The SMEs will also benefit from the lower financing costs without collateral requirements.

Apart from providing financing to SMEs, the Public Bank Group has participated actively in trade exhibitions and business events relating to the promotion and development of SMEs, either as a participant or as a sponsor. Through regular promotional and business development activities such as conducting training and extending advisory services on trade financing and other banking products and services, the Group has managed to enhance the knowledge of SMEs on the availability of financing options available to them in the market place and to foster a stronger bond with trade associations and chambers of commerce. The Group has also actively participated in major 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 in order to build stronger business relationships and to obtain better insights into the operations and financing requirements of SMEs.



To further reach out to the SMEs, the Public Bank Group has enhanced its e-banking service, PBeBank.com to enable trade bills customers to perform online trade financing transactions such as applying for Letters of Credit and Banker's Guarantees under the "Client Trade System". In addition to the Group's extensive branch network and electronic delivery channels such as Internet Banking and TeleBanking, self service Cheque Deposit Machines and Cash Deposit Terminals are also available to the Group's SME customers to conduct banking transactions.

One of the key priorities of the 9th Malaysia Plan is to enhance the technological capability and capacity of SMEs to propel them up the value chain in the manufacturing, agriculture and service sectors in view of globalisation and increased competition. The Public Bank Group is committed to partner with the SMEs to support such initiatives by providing more innovative products and services with easy access to financing for their business expansion and export trade, in line with the Government aspirations to further develop the SME sector.

CUSTOMER DEPOSITS

In 2006, the Public Bank Group continued to focus its efforts in mobilising its retail customer deposits, particularly in the lower cost current and savings accounts whilst pushing the growth of fixed deposits in the light of the increase in market interest rates at the beginning of 2006. The Group's mobilisation efforts continued to be supported by its strong PB Brand, superior service delivery at the front office of its branches and widening of its delivery channels.

The Public Bank Group's domestic core customer deposits reported a growth rate of 12.5% in 2006, achieving a market share of 12.2% as at December 2006. The Group's domestic fixed deposits expanded by 12.4%, savings deposits increased by 10.6% and demand deposits grew by 15.0%. A total of 439,412 savings accounts, 68,878 current accounts and 136,323 fixed deposits accounts were opened during the year.

Following the increase of the Overnight Policy Rate by Bank Negara Malaysia on 22 February 2006 and 27 April 2006, the Public Bank Group's fixed deposit interest rates were revised upwards accordingly so as to remain competitive.



In 2006 the Public Bank Group increased its focus on marketing for more fixed deposits and achieved an organic increase in fixed deposits of RM5.801 billion, from both retail customers as well as corporate and institutional customers despite greater competition from other banks. The strong growth was made possible through effective marketing efforts by branches and business departments in Head Office pursuing marketing activities such as:

- Conducting direct marketing visits to high net-worth individuals and corporate and institutional customers
- Calling on existing depositors who previously were offered lower rates for placement of fixed deposits exceeding RM1.0 million
- Monitoring and ensuring that existing customers continue to renew their fixed deposits with the Public Bank Group upon maturity so that immediate action can be taken to prevent migration of the deposit to other banks

The marketing efforts were complemented by the courteous and excellent ISO certified front office customer service at all branches which contributed to customer retention as well as attract new deposit customers.

To provide the Public Bank Group's deposit customers with more options for their savings, these customers are also provided with personalised financial planning services by dedicated Personal Financial Executives ("PFEs"). Such personalised financial planning services included providing such customers with alternative savings products such as unit trust funds, bancassurance products and any other products deemed suitable to manage, preserve and enhance such customers' wealth. To enhance the services to deposit customers, the FP Advisor/CAMS software was launched in February 2006 at branches which have PFEs to enable PFEs to conduct financial planning and investment portfolio management for unit trust customers.

The Public Bank Group provides a comprehensive range of unit trust funds from bond funds, balanced funds to equity funds under the Public Bank "PB Series" of unit trust funds that offer savers with investment options of varying risk profiles to suit the risk appetite of savers in the pursuit of meeting their financial goals over the medium to long-term period. These funds are managed by Public Bank's wholly owned subsidiary, Public Mutual, which is the largest private unit trust company in Malaysia with more than 20 years of experience in fund management.



In 2006, the Public Bank Group managed to achieve gross sales of the “PB Series” of unit trust funds in excess of RM470.5 million and generated a commission of RM12.3 million. To provide greater options to savers, the Group launched 2 new unit trust funds known as the “PB Islamic Bond Fund” and the “PB Asia Equity Fund” (“PBAEF”) in March 2006 and June 2006 respectively. Since the launch, the PBAEF was extremely well received with total gross sales of RM191.2 million.

The Public Bank Group developed a strategic alliance with American International Assurance to jointly launch a 5-year single premium AUD denominated endowment plan in May 2006 known as the “AUD Guaranteed Endowment Plan” with guaranteed return of 5% p.a. and where the principal is guaranteed. As at end of the sales period, the Group managed to capture gross premium sales of AUD15 million.



CASH MANAGEMENT SERVICES

The Public Bank Group provides effective cash management services ("CMS") covering collection and payment services for both corporate and retail customers as part of the Group's range of services to provide customers with effective and efficient funding and cash flow management whilst providing such CMS customers with access to the extensive distribution networks of the Group to serve their customers. The Group is able to cater to a wide segment of businesses including companies in the insurance sector, telecommunications, stockbroking companies, colleges, the Government as well as multinational companies.

The Public Bank Group's core collection channels are focused on its electronic delivery channels such as its Internet banking service and self-service terminals at the Group's domestic branches nationwide which facilitate the collection services provided to the public in making payments to the various payee corporations. The Group's CMS offerings also provide efficient reconciliation of payment data by automatically capturing key payment details relevant to the payee corporations, thereby enhancing operational efficiency of such payee corporations.

The over-the-counter CMS collection channels offered to payee corporations were reviewed in 2006 to redirect and encourage customers to use electronic delivery channels which are more efficient and with a higher level of availability in terms of reach and operating hours. The Public Bank Group's emphasis on streamlining CMS collections via its electronic delivery channels has also enabled branches to focus scarce counter resources on sales and service activities as part of the Group's relentless pursuit of customer service excellence.

The Public Bank Group had also aggressively addressed the payables needs of its customers by promoting its accounts payables services which consolidate payments destined not only for the Group's account holders but also of other local and foreign groups which are part of the Malaysian Electronic Payment Systems ("MEPS"). The payables solutions offered by the Group significantly reduces paperwork, streamlines the approval process in addition to improving reconciliation for improved security and control. In 2006, the Group achieved a 50% increase in the number of companies subscribing to the Group's Electronic Credit Payment services as compared to 2005. The Group's web-based fund disbursement services are able to handle high transactional volume requirements and also provide multi-level authorisation processes with fraud prevention control measures. These solutions are also customised for individual customer needs.



Among the main CMS service initiatives in 2006 was the implementation of the Financial Process Exchange ("FPX") collection service which is supported by MEPS. The FPX is a service that offers participating members an Internet-based payment gateway to facilitate transfer of funds between participating members of FPX for e-commerce transactions. The Public Bank Group was a pioneer member of the FPX collection service and is continuing to pursue extended implementation and promotion of the FPX collection service. The FPX collection service has been accepted by corporates as a new payment channel that is able to provide timely delivery of customer service to large payee corporations.

The Public Bank Group is currently managing a total of 150 large payee corporations and government agencies including the Lembaga Hasil Dalam Negeri and the Employees Provident Fund, and the number of payee corporations continue to expand. Gross revenue of the Group's CMS services in 2006 was RM32.5 million as compared to RM19.0 million in 2005, representing a 70.4% increase. The Group will continue to enhance the collection channels for our existing payee corporations by introducing Payment Agent Collection Services through the Group's Internet banking platform.

ISLAMIC BANKING

The Public Bank Group's Islamic banking and financing business continued to show strong growth in 2006 in tandem with the expansion of the Group's business, as reflected by the increase in the market share of the Islamic banking business in terms of total assets, financing and deposits. Despite stiff competition and narrowing financing margins, the Islamic banking business of the Group registered a 1.3% increase in profit before tax and zakat, from RM296.5 million in 2005 to RM300.3 million in 2006, which accounted for 12.4% of the Group's pre-tax profit. The Group's Islamic banking was able to sustain its profitability contribution due mainly to higher financing activities and maintenance of sound asset quality.

The Public Bank Group's Islamic financing portfolio expanded from RM7.351 billion at the end of 2005 to RM9.187 billion as at end of 2006, an increase of RM1.836 billion or 25.0%. Islamic financing constitutes 10.9% of the Group's total loans, advances and financing. The growth in Islamic financing came largely from retail-based financing, in particular from Ijarah Thumma Al Bai ("AITAB") Hire Purchase-i, Bai Bithaman Ajil ("ABBA") House Financing-i and Bai Al Einah ("BAE") Personal Financing-i. The expansion of Islamic financing was supported by a dedicated team of Islamic Banking Marketing Managers and Executives, which was enlarged from 17 to 26 marketers in 2006.



The Islamic banking business of the Public Bank Group remained well capitalised. The risk-weighted capital ratio and core capital ratio were sustained at 19.4% and 17.8% respectively, which were well above the industry average of 15% and 12% as at 30 June 2006 respectively.

As at end of 2006, the Public Bank Group's Islamic deposits grew by 27.0% or RM1.645 billion from RM6.093 billion at the end of 2005 to RM7.738 billion. Wadiah Savings Account-i ("WSA-i") of RM2.436 billion and Wadiah Current Account-i ("WCA-i") of RM1.313 billion accounted for approximately 48.4% of the Group's total Islamic deposits. The high proportion of lower cost funds of WSA-i and WCA-i has contributed to the Group's Islamic banking business profitability.

The market share of Public Bank Group's Islamic banking financing and deposits as at the end of 2006 stood at 11.7% and 8.3% of total Islamic banking sector financing and deposits respectively.

In seeking a continued healthy Islamic banking business performance, the Public Bank Group will continue to focus on Islamic financing business by providing more innovative and competitive products and services to its customers, by leveraging on the Group's network of 240 branches, its sales and marketing force and superior service delivery standards as well as expanding the number of sales and marketing managers and executives focusing on Islamic banking products.

In support of Bank Negara Malaysia's effort in promoting greater awareness and knowledge of Islamic banking to the public, the Public Bank Group participated in the Islamic Banking and Takaful Week in January 2006 and in the Kuala Lumpur International Islamic Finance Expo in November 2006. As part of its human capital development, the Public Bank Group continues to develop competent and knowledgeable staff through intensive training, both internal and external. Sponsorships are provided to staff to enrol for the Certified Islamic Finance Professional programme conducted by the International Centre for Education in Islamic Finance.

In line with the Public Bank Group's corporate social responsibility, the Group has paid out its zakat obligation of RM131,800 for its Islamic banking operations for the year ended 31 December 2005. The zakat was paid out to zakat collection centres in eight states in Malaysia.

The existing Islamic banking business carried on by Public Bank will be transferred to and be carried on by a new Islamic banking subsidiary, to be regulated by the Islamic Banking Act, 1983. Having obtained the approval-in-principle from Bank Negara Malaysia, Public Bank is preparing the groundwork for the setting up of the Islamic banking subsidiary.



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 is devoid of any element not approved by Islam. The roles of the SC in monitoring the Public Bank Group's Islamic banking activities include:-

- To advise the Board of Directors on Shariah matters in its business operations
- To endorse Shariah Compliance 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 operational matters

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 appointed as the Public Bank Group Shariah Committee:

- (a) Professor Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid (Chairman)
- (b) Associate Professor Mohd Ridzuan bin Awang
- (c) Assistant Professor Dr. Mohd Afandi bin Awang Hamat

There was full attendance by all three Shariah committee members at all the seven Shariah Committee meetings held in 2006.

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 based on the percentage of estimated Muslim individual shareholders.







BUSINESS OPERATIONS REVIEW

Capital Market Operations

The Public Bank Group operates in the capital markets through the activities of Public Bank's Treasury and Corporate Banking Divisions, the business of Public Investment Bank and the fund management business of Public Mutual.

TREASURY

The two increases of a quarter percentage point each in Bank Negara Malaysia's Overnight Policy Rate ("OPR") in February 2006 and April 2006, which followed a 30 basis points increase in November 2005, had a positive impact on the performance of the treasury operations of the Public Bank Group, as the majority of the Group's treasury assets comprised of short-term funds and deposits with banks and other financial institutions which were repriced at the prevailing higher interest rates. The increases in the OPR also resulted in financial institutions taking a more competitive approach to their deposit-taking activities in 2006, as for the first time in the past few years, interest rates in the domestic interbank market exceeded retail deposit rates. By stepping up its marketing efforts and providing competitive rates, the Group was able to increase its issuance of Negotiable Instruments of Deposit by 72.7% in 2006 as compared to 2005, while the acceptance of short-term deposits through Repurchase Agreements grew by 149.3% in the same period.

The Public Bank Group continued to generate consistent growth in foreign exchange income, mainly from the sale and distribution of foreign exchange related services to the retail and corporate customers of Public Bank. Foreign exchange income of the Group improved by 174.3% in 2006 compared to 2005. Exchange rate volatility throughout 2006, which provided the impetus for customers to hedge their foreign exchange requirements, and the liberalisation of foreign exchange administration rules by Bank Negara Malaysia to allow domestic fund managers to invest in overseas market, fueled the expansion of the Group's foreign exchange business.



Speculations of further interest rate increases in the middle of 2006, particularly in the United States, gave rise to volatile conditions in the global and domestic bond markets. In the face of such volatility, investors and traders remained cautious and positioned themselves prudently in the market place. In the domestic bond market, Public Bank continued to provide market liquidity as a Principal Dealer for securities specified by Bank Negara Malaysia.

Differing views of future interest rate movements, particularly between different segments of the market, provided arbitrage opportunities for traders. Public Bank was able to generate market risk-free returns by arbitraging between the swap and money market whenever the opportunity arose.

CORPORATE LENDING

The Public Bank Group's corporate lending portfolio stood at RM6.766 billion as at 31 December 2006, an increase of 27.0% compared to the end of the previous year. The growth was achieved on the back of strong marketing efforts to secure new corporates as well as tapping on existing corporate clients. To sustain its market share in corporate lending, the Group continued to actively market its corporate lending products through competitive pricing and flexible maturity terms in meeting customers' funding requirements. The Group also maintained its supportive role in the debt capital market at both primary and secondary levels to cater for the funding preferences of large corporate customers.

While more resources were channeled towards aggressive marketing for new customers, the Public Bank Group did not compromise on its stringent credit control and risk management policies. This, coupled with the continued effort in restructuring and recovery of corporate non-performing loans, contributed positively towards the improvement in the gross non-performing loan ratio of corporate loans portfolio from 2.0% at the end of 2005 to 0.9% at the end of 2006.

The corporate banking and investment banking businesses of the Public Bank Group continued to leverage on each other to cross-sell corporate lending and investment banking services. This continuing effort in cross-selling is aimed at meeting customers' demand for one-stop financial services providers in today's globalised environment.



INVESTMENT BANKING

Public Bank Group completed the merger of the merchant banking business of Public Merchant Bank with the share broking business of PB Securities on 18 December 2006 to form Public Investment Bank Berhad. The merger of the businesses was completed without interruption to the operations of the existing businesses of Public Merchant Bank and PB Securities.

The merchant banking operations of the Public Bank Group caters mainly to corporate customers through the provision of corporate advisory services and funding support. Being part of the Group, Public Merchant Bank was well positioned to offer structured financing, corporate advisory services, mergers and acquisitions and debt restructuring advisory services which are synergistic with other financial services offered by the Group. In 2006, Public Merchant Bank acted as the adviser in respect of a number of initial public offerings ("IPOs") and corporate exercises. During the year, Public Merchant Bank completed 61 corporate exercise mandates, including a number of IPOs, corporate restructuring exercises, private debt security issues, independent advice and other corporate exercises.

Public Merchant Bank turned in pre-tax profits of RM7.0 million in 2006 compared to RM8.8 million in the previous year.

The performance of Bursa Securities in 2006 was impressive with the Kuala Lumpur Composite Index ("KLCI") closing at 1,096.24 points on 29 December 2006, up 196.45 points from 899.79 points as at end of 2005, and up 209.76 points from the 2006 low of 886.48 points reached on 15 June 2006. Total value of transactions on Bursa Securities increased from RM201.09 billion in 2005 to RM277.78 billion in 2006. Total market capitalisation also increased from RM695.27 billion as at the end of 2005 to RM848.70 billion as at the end of 2006.

The operating environment for share broking industry in 2006 was challenging. The entry of five foreign stockbrokers had eaten into the market share of local stockbrokers. Bank Negara Malaysia's initiative to allow universal brokers and discount houses to become full fledged investment banks will further intensify competition for existing players in the share broking business.



Amidst the competitive business conditions and further liberalisation of the share broking industry, the Public Bank Group's share broking operations achieved a higher pre-tax profit of RM28.2 million for 2006 compared to RM21.2 million in 2005.

Despite the competitive business, Public Bank Group's share broking operations was able to maintain its market share by focusing on growing the retail share broking business, further developing its institutional business and leveraging on the Public Bank Group's large branch network and retail customer base.

The liberalisation of the capital market and the current trend of increased mergers and acquisitions is expected to continue which, in turn, is likely to further boost the investment banking industry. Public Investment Bank will further intensify its efforts to tap into opportunities arising from this growth area in addition to its existing focus on securing new mandates for IPOs and other corporate exercises.

To further leverage on the extensive customer base of the Public Bank Group, Public Investment Bank will focus on the 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.

FUND MANAGEMENT

Robust global and regional economic and stock market performances throughout 2006 boosted the confidence of investors and demand for unit trust products in Malaysia, with the growth of the private unit trust industry spurred by the proliferation of foreign invested funds that attracted the highest level of industry sales. New fund launches raised a total of RM11.003 billion. The total assets under management of the private unit trust industry, however, grew at a slower pace in 2006 with an increase of 10.3% or RM4.531 billion compared to a 16.7% increase or RM6.246 billion in 2005, raising the industry's total assets under management to RM48.325 billion as at 31 December 2006. The ratio of total assets under management of the private unit trust industry to the total market capitalisation of Bursa Securities in December 2006 stood at 5.7% compared to 6.3% as at December 2005.





Public Mutual extended its market leading position by garnering a high asset growth rate of 34.1%. Total assets under management of Public Mutual grew by RM4.115 billion in 2006 to reach RM16.192 billion as at end of 2006. Public Mutual accounted for 90.8% share of the industry's increase in net assets in 2006, and raised its market share in all fund sectors that it participated in. Its overall market share of the industry's assets rose to 33.5% on account of the continuing good performances of its funds which, in turn, helped attract high levels of inflows of new investments into its new and existing funds, boosting its 2006 sales performance up 33.6%. Maintaining its position as one of the largest recipient of investments under the EPF Members Investment Scheme, gross sales from this important EPF segment rose by 32.2% in 2006.

Number of Funds and Number of Fund Holders

	2001	2002	2003	2004	2005	2006
No. of Funds	13	15	18	19	26	34
Net Asset Value (RM'Bil)	5.01	5.80	8.23	9.88	12.08	16.19
No. of Account Holders ('000)	486.0	514.1	539.1	568.9	730.7	901.4

The strong performance of securities and portfolio exposure to rising regional markets boosted the performances of Public Mutual's equity and balanced funds. The equity funds of Public Mutual outperformed their respective market benchmarks as well as the average returns of peer funds in 2006. These equity funds achieved total returns ranging between 22.9% and 32.4% for 2006. Public Balanced Fund and PB Balanced Fund both achieved returns exceeding 21.0% compared to their benchmark Public Balanced Equity Index's return of 14.1% over the same period.

The Public Ittikal Fund and Public Islamic Equity Fund of the Islamic fund sector also outperformed with returns of 25.5% and 24.7% respectively compared to the Kuala Lumpur Syariah Index's return of 23.8%, while the Public Islamic Balanced Fund's returns of 20.2% was higher than its benchmark of 15.3%. The Public Islamic Dividend Fund and the Public Asia Ittikal Fund increased their initial approved fund size of 2.0 billion units and 1.5 billion units respectively, to 3.0 billion units and 2.5 billion units respectively. While uncertainties in interest rate direction dampened returns on bond fund investments, Public Mutual's bond funds, nevertheless, managed to provide commendable average returns of 6.9% for 2006 compared to the 1-year fixed deposit return of 3.7%.

Public Mutual's first regional equity fund, Public Far-East Select Fund, launched in November 2005, performed well with returns of 24.5% against its benchmark return of 20.7% for 2006. This successful first foreign fund foray into the foreign stock markets was quickly followed in 2006 by the launch of several more regional equity funds and a global fund, all of which received good response from investors. The Public Global Select Fund and Public Far-East Dividend Fund increased their initial approved fund size of



1.5 billion units each to 3.0 billion and 3.5 billion units respectively, while the PB Asia Equity Fund and Public Regional Sector Fund doubled their initial approved fund size of 1.0 billion units and 1.5 billion units respectively to 2.0 billion units and 3.0 billion units respectively.

Public Mutual's New Funds 2006

No.	Fund Name	Fund Category/Type/ Geographical coverage	Date of Launch	Approved Fund Size 31 December 2006	
				Units (million)	RM (million)
1.	Public Islamic Dividend Fund	Equity (Syariah)/Income/Local	14 February 2006	3,000	750
2.	PB Islamic Bond Fund	Bond (Syariah)/Income/Local	16 March 2006	300	300
3.	Public Regional Sector Fund	Equity/Capital Growth/Regional	21 March 2006	3,000	750
4.	PB Asia Equity Fund	Equity/Growth & Income/Regional	27 June 2006	2,000	500
5.	Public Asia Ittikal Fund	Equity (Syariah)/Capital Growth/ Regional	22 August 2006	2,500	625
6.	Public Global Select Fund	Equity/Capital Growth/Global	28 September 2006	3,000	750
7.	Public Islamic Enhanced Bond Fund	Bond (Syariah)/Income & Capital Growth/Local	28 November 2006	500	500
8.	Public Far-East Dividend Fund	Equity/Income/Regional	28 November 2006	3,500	875

In 2006, Public Mutual remained well ahead of its competitors as the recipient of the highest number of fund performance awards among private unit trust management companies in Malaysia for fund performances up to 31 December 2005. It tightened its grip over the prestigious fund awards by international fund ranking agencies by winning a record-breaking total of 30 fund performances awards, far outstripping its 2005 strong record of 18 fund awards. Public Mutual won 12 Lipper Fund Awards and 18 Standard



and Poor's Fund Awards in the various key fund categories, including 4 coveted awards for Best Performing Fund Management Group:

Public Mutual Berhad Award Winning Funds in 2006

Fund Awards Won			Total Awards
The Edge Lipper Malaysia Fund Awards 2006	3 Year Category	1) Equity Growth: PB Growth Fund 2) Equity Income: Public Industry Fund 3) Equity Small Companies: Public SmallCap Fund 4) Equity Islamic/Syariah: Public Ittikal Fund 5) Mixed Asset Growth: PB Balanced Fund 6) Bond General: Public Bond Fund 7) Best Fund Group (Equity Group) for 3 Years	12
	5 Year Category	1) Equity Index Tracking: Public Index Fund 2) Equity Small Companies: Public SmallCap Fund 3) Equity Islamic/Syariah: Public Ittikal Fund 4) Mixed Asset Growth: PB Balanced Fund 5) Bond General: Public Bond Fund	
The Star/ Standard & Poor's Investment Fund Awards Malaysia 2006	1 Year Category	1) Equity Malaysia: Public Index Fund 2) Islamic/Syariah: Public Ittikal Fund 3) Asset Allocation Malaysia Neutral: Public Balanced Fund 4) Fixed Income Islamic: Public Islamic Bond Fund 5) Smaller Companies Malaysia: Public SmallCap Fund 6) Best Performing Fund Management Group Award for 1 Year	18
	3 Year Category	1) Equity Malaysia: Public Equity 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 MYR: Public Bond Fund 6) Best Performing Fund Management Group Award for 3 Years	
	5 Year Category	1) Equity Malaysia: Public Industry 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 MYR: Public Bond Fund 6) Best Performing Fund Management Group Award for 5 Years	
Total of Best Performing Fund Awards			30



Public Mutual also received the prestigious Readers Digest's Trusted Brands Gold Award 2006 for the Investment Company Category in Malaysia and the BrandLaureate Award 2006-2007 for brand excellence in the Financial Services – Investment Funds category in Malaysia.

As part of its aggressive market development efforts, Public Mutual expanded its sales agency force to over 16,500 agents, an increase of 40.0% over that of 2005. Training of its sales agency force, supported by Public Mutual's proactive agency recruitment and agency support programmes, greatly boosted its agency productivity, together with the extension of financial planning services to investors, contributed to another record increase in Public Mutual's total sales performance in 2006. Public Mutual continues to maintain the largest number of Financial Planning Association of Malaysia registered Certified Financial Planners among unit trust companies and institutional unit trust agents.

Public Mutual acquired new, centrally located properties for its Kluang and Bintulu branches. 5 existing branches in Kelang, Cheras, Sungai Petani, Johor and Bangsar were expanded to support their business growth. As part of branch refurbishments, 4 additional Public Mutual branches were equipped with "TMnet" hotspot wireless broadband internet access which facilitates the use of sophisticated in-house developed client service and financial planning services software by the agency force; bringing the number of Public Mutual branches offering "TMnet" hotspot wireless broadband access service to 10 branches.

Public Mutual's new corporate headquarters, in the heart of the banking and commercial district of Kuala Lumpur, is being targeted for completion and occupancy in 2010. Public Mutual has appointed a project management consultant and other related technical teams to commence the building project.





BUSINESS OPERATIONS REVIEW

Serving the Customer

CUSTOMER SERVICE EXCELLENCE

In an increasingly competitive and liberalised banking industry, the Public Bank Group has long recognised the need to provide both value-added services and excellent customer service delivery in order to remain competitive. As it is inadequate to rely on pricing alone, differentiation in the manner of the Group's delivery of its products and services is crucial to keep the Group ahead of its competitors. Thus, the Group has continued to review and enhance its customer service initiatives in 2006 in its quest for excellence in customer service delivery.

In line with the Public Bank Group's aim to provide a full range of automated banking services and to cater for customers' varied preferences and needs, the Group had invested heavily in electronic delivery channels that offer expedient and convenient banking services to its customers.

Following positive response from branches and customers on the convenience of Cheque Deposit Machines ("CDMs"), the Public Bank Group continued to expand the network of CDMs from 164 units at 71 branches to 217 CDMs at 148 branches as at the end of 2006. The Group had invested a total of RM19.1 million to date for the installation of CDMs at its branches. To further enhance banking convenience, the



Group had initiated the installation of Cash Deposit Terminals (“CDTs”) in 2005 in addition to the installation of CDMs. The Group has installed 65 CDTs at 60 branches and has recently contracted for another batch of 70 units of CDTs for a further 70 branches.

As part of the Public Bank Group's continued enhancement of its front office service delivery, the Group set a benchmark of a 2-minute Standard Waiting Time (“SWT”). Although a majority of our branches consistently achieved 80% compliance with the 2-minute SWT, the Group implemented a mentoring programme in July 2006 to further improve the 2-minute SWT. A pool of banking services managers and assistant branch managers from branches with consistently strong customer service performance were identified and designated as “service mentors”. These service mentors conducted on-site visits of under performing branches within their respective regions to troubleshoot and implement best practices at these branches. The success of this mentoring programme has been very encouraging based on the marked improvement in the compliance rate of the 2-minute SWT of these laggard branches after being visited by the service mentors. In the second half of 2006, 78% of the monthly average of 3.0 million customers served at branches were serviced within the 2-minute SWT compared to 67% in the first half of 2006.

The Public Bank Group continues to seek to exceed customers' expectations. In order to further understand customers' needs and expectations and to capture the voices of customers, the Group's Customer Satisfaction Survey was enhanced in 2006 and expanded and renamed the Customer Feedback Questionnaire to include feedback on customers' preferences and expectations in relation to financial services such as deposits, loans and wealth management products.

As part of the bank-wide ISO 9001:2000 standards in both its front office and loan service delivery, the Public Bank Group maintains a quality management system that focuses on customers' needs and uses customers' feedback in the planning and implementation of its products and service deliverables.



LOAN SERVICE DELIVERY

The Public Bank Group had achieved bank-wide ISO 9001:2000 certification in "Provision of Customer Service in Loan Delivery" in 2003 where loan service delivery to customer is expedited through its internally developed electronic Loans Delivery System ("eLDS"). The eLDS facilitates loan applications to be routed electronically by branches to relevant approving authorities and to track benchmarks for loan service delivery. With the eLDS, the Group is able to achieve standard turnaround time ("STT") from loan processing to approval, for consumer loans of 2 to 3 working days and within 6 to 7 working days for commercial loans for over 90% of the loan applications in 2006.

STTs have also been established for loan documentation and disbursement which are monitored under 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 property with title, 55 days for encumbered property with title as well as unencumbered property without title and 70 days for encumbered property without title for 75% of the loans disbursed.

In its quest to improve further in loan service delivery, the Public Bank Group has further enhanced the eLDS and eDTS in 2006 with availability of statistics to analyse reasons for non-conformance of STT and the routing of loan application decisions online in the eLDS to expedite faster STT to customers. Other improvements to the eLDS include faster response time for electronic transmission of relevant credit information and increased electronic storage capacity of loan files.

In 2006, the eLDS was also extended to cover loans processing and approval in Public Bank's Hong Kong branch as well as for share margin financing under the PB Sharelink service. Such enhancements have continued to improve loans service delivery and enabled the Public Bank Group to gain an edge over its competitors.



CHANNEL MANAGEMENT

The Public Bank Group continues to invest in a variety of self-service delivery channels as a value-added convenience to its customers, such as:

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

The Automated Teller Machines ("ATM") network remains the primary electronic delivery channel of the Group with a total of 341 in-branch ATMs and 24 off-branch ATMs throughout Malaysia.

The number of Cheque Deposit Machines and Cash Deposit Terminals at branches were further increased to 217 and 65 respectively in 2006. These self service machines provide added convenience to customers to make various loan, credit card and bill payments, particularly outside banking hours. The usage of these self service machines also contributed to improved efficiency at branches by freeing up branch service counters and front-line staff, thereby enabling more staff resources to be allocated to providing services in other areas of the business.

The PBeBank.com Internet Banking channel has seen substantial increase in 2006 in terms of utilisation rate. The volume of financial transactions performed through this channel increased by 62.6% over that of 2005 with total value of PBeBank.com financial transactions exceeding RM2.787 billion in 2006.

The approval rate of online loans and credit card applications via PBeBank.com has increased to 14.7% in 2006 as compared to 11.0% in 2005. In 2006, foreign currency remittance services through demand drafts or telegraphic transfers were introduced in PBeBank.com, thereby extending the remittance services of the Public Bank Group to its Internet banking channel.

While efforts to enhance the functionality of PBeBank.com is ongoing, security of the channel remains of the highest priority. The PBeBank.com Authentication Code ("PAC") was implemented in 2006. PAC is a unique 6-digit authentication code which acts as an additional security verification when users perform financial transactions as well as update personal details on PBeBank.com.



CUSTOMER LOYALTY PROGRAMMES

The Public Bank Group seeks to enhance customer loyalty by building long term financial relationships through rewarding customers via the Group's various loyalty programmes.

Public Bank participates in the BonusLink Reward Programme ("BonusLink") which rewards customers with Bonuslink points. BonusLink is the largest multi-party customer loyalty reward programme in Asia whereby its members can redeem a wide variety of gifts through the accumulation of points. The Bank introduced PB SaveLink Account and PB CurrentLink Account to reward customers with BonusLink points based on deposit balances maintained in these accounts. The Bank's tie-up with BonusLink has enabled its customers to enjoy attractive rewards through BonusLink's continuous efforts in upgrading its services by running attractive promotions and providing a wide variety of gift redemptions for its members. As at 31 December 2006, there were over 114,800 PB SaveLink and PB CurrentLink accounts with total deposits amounting to RM628.6 million.

The Mutual Gold programme of Public Mutual is another initiative of the Public Bank Group which rewards customer loyalty. Unit trust investors who accumulate at least 100,000 Mutual Gold Qualifying Points ("MGQP") in a unit trust account or combination of accounts at any one time are accorded Mutual Gold membership. For every Ringgit worth of investment in any equity and balanced funds, investors will be allotted 1 MGQP. The benefits accorded to Mutual Gold members include access to the exclusive Mutual Gold centre, a dedicated hotline, unit trust redemption cheques issued within one business day, fee waivers, quarterly accounts summary, free insurance and will writing and trust services at special rates. Mutual Gold members with 500,000 MGQP or more are accorded Mutual Gold Elite benefits in addition to the existing Mutual Gold privileges. The additional benefits offered to Mutual Gold Elite members include discounted health screening packages at selected private hospitals and 10% discount for term, personal accident and critical illness insurance packages. In addition, Mutual Gold Elite members will receive a birthday gift each year from Public Mutual.





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- Public Bank Convened National Sales Convention 2007
- Public Bank's Relief Assistance Programme For Flood Victims
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BUSINESS OPERATIONS REVIEW

Information and Communication Technology

The Public Bank Group has placed greater emphasis to align its Information and Communication Technology (“ICT”) investments closely with its core business strategies as the Group seeks improving productivity to address narrowing margins. In 2006, investment in ICT had been allocated to the pursuit of operational efficiencies to gain competitive advantage and in meeting the high standards of service delivery of the Group.

The Public Bank Group continued to modernise its core business ICT infrastructure. Aging systems were phased out and replaced with state of the art systems offering better performance and scalability. The Unisys mainframe which runs the Group’s credit card system was upgraded to the latest Libra 690 series. Processing capacity increased multifold and with its redundant fail-safe capability, the credit card system availability has improved to 100 per cent. In line with a policy to minimize mainframe operating system software charges, the Libra 690 mainframe provides an innovative technology called “pay-for-use” software metering. This feature allows the system to immediately and seamlessly tap into “standby” processing power to handle sudden spikes in transaction volume.

New technologies were introduced to prolong the life span of existing investments, particularly in the area of bandwidth capacity management. Web application accelerators were implemented to compress web pages and reduce data transmission over the network links, resulting in a reduction in network cost of at least 20%. Going forward, it is expected that such innovations will not only contribute to increasing system availability and improved performance, but also to lowering the cost of maintenance expenditure.



Another area of infrastructure overhaul is the delivery channels of the Public Bank Group. Measures were introduced for proprietary systems that were inflexible and unable to adapt to evolving business models, to migrate to open standard platforms. For improved management and ease of maintenance, the Internet banking system, PBeBank.com was ported to the Java platform. The archaic Office Automation system, after nearly twenty years in use, was also replaced by the function-rich Lotus Domino System. Plans are underway to embark on an ambitious initiative to revamp the OS/2 Client Server Branch Delivery System to a Smart Client environment. In this undertaking, strategic deployment of generic products will be emphasized to include the use of enterprise directory services, biometrics authentication, centralized imaging and forensic systems.

To simplify ICT administrative tasks and promote more efficient use of limited ICT staff resources, physical consolidation of servers and disk storage have been widely implemented. For disaster management, disk mirroring technologies have also been extensively deployed to achieve near real-time update of the production system at the backup centre. This has allowed the Public Bank Group to further reduce the Recovery Point Objective benchmark for its highly critical systems to mere minutes. Significant progress has also been achieved in the area of ICT security. The reactive Intrusion Detection System was upgraded to an "in-line" Intrusion Prevention System, which provides real-time proactive security defence to safeguard the Group from the ever increasing security threats and malicious traffic. Aggressive penetration testing of the systems have been instituted to ensure that the multiple lines of defence put into place are adequate. Other security measures such as a two-factor authentication was introduced in compliance with Bank Negara Malaysia's guidelines on Internet banking. The higher level of authentication has strengthened the security of higher risk transactions, further protecting customers from identity theft, keyboard logging, phishing scams and other such frauds. In 2006, cashless payments systems such as bill payments via ATMs and over the Internet saw significant increase. Credit card transactions over the Internet is also fast gaining acceptance. On the downside, fraudulent transactions have also increased. One countermeasure to thwart Internet frauds is provided by the Visa/Mastercard 3D Secure Standard for transactions over the Internet. With its implementation, the level of fraud has been reduced drastically.



The Customer Relationship Management ("CRM") System has enabled better understanding of customers' behaviour and needs. The information has been used effectively to promote business growth through cross-selling and up-selling to existing customers. The Public Bank Group will continue to enhance the CRM System to encompass more sophisticated business intelligence. In addition, the CRM System is also being tailored to incorporate Basel II Capital Accord requirements. Affected front-end systems have also been customized to capture greater levels of credit risk details, customer information and larger volumes of historical data. Development of Basel II Capital Accord standardised approach requirements is now nearing completion.

The Public Bank Group has incorporated ICT governance practices as an integral part of the corporate governance framework. Critical success factors have been defined that focus on the Group's goals, strategic initiatives, the use of technology to enhance its business and on the availability of sufficient resources and capabilities to meet business demands. Key performance indicator benchmarks such as system availability ratios, response time, capacity utilisation, system security and application development efficiency have been consistently met and exceeded.





BUSINESS OPERATIONS REVIEW

Recognising Top Performers



BRANCH PERFORMANCE AWARDS

Since 2000, the Public Bank Group has been rewarding top performing branches with the Branch Performance Awards as part of its performance-based reward structure and as motivation to deliver excellent performance. These Branch Performance Awards, which come with substantial cash prizes totalling RM1.0 million per year, are highly valued by branches.

Branches are segregated into 6 groups according to various criteria including branch size, so as to assess performance of branches against their respective peer groups. Branches are assessed on very stringent criteria in the key areas of business performance, cost and risk management, loan asset quality and customer service. In the key areas of business performance, branches are assessed on specific measures in respect of profitability, retail loans, motor vehicle hire purchase financing, Islamic banking business, demand, savings and fixed deposits and sales of credit cards and unit trusts. These performance measures are calculated based on target growth rates and on a per staff basis. For cost and risk management, branches are assessed on credit risk management, branch internal controls and cost-income management whilst for customer service, branches are assessed on frontline and loans service delivery and channel management performance.

The Branch Performance Awards comprise 13 Special Awards covering specific key business areas, 6 Best Branch Awards for each branch grouping and the coveted Chairman and Founder's Award for the Overall Best Branch for the year.

For 2005, the Winner of the Chairman and Founder's Award which carried a cash prize of RM50,000 and a gold crafted Challenge Trophy went to Taman Sentosa Branch which won this coveted Award for the second consecutive year. A total of 80 awards in the various categories were awarded to the winners of the Branch Performance Awards for 2005.





BUSINESS OPERATIONS REVIEW

International Operations



The Public Bank Group has overseas operations in five countries 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 RM331.0 million or 13.7% of the Group's profit before tax in 2006.

The Public Bank Group's operations in Hong Kong underwent a significant rebranding as well as major expansion in 2006. JCG Finance Company, Limited had in January 2006 changed its name to Public Finance Limited ("Public Finance") so as to reflect more closely its branding and identity as a member of the Public Bank Group. The Public Bank logo and the "Public" name went up in the 40 branches of Public Finance, clearly establishing the PB Brand in Hong Kong. Similarly, JCG Holdings Limited changed its name to Public Financial Holdings Limited in March 2006.

In May 2006, Public Financial Holdings Limited completed the acquisition of Asia Commercial Bank Limited which subsequently changed its name to Public Bank (Hong Kong) Limited on 30 June 2006.

Public Bank (Hong Kong) Limited recorded a significant improvement in profit before tax of 70.8% to HKD181.6 million in 2006 from HKD106.3 million in 2005. Total loans and advances and customers' deposits grew by an annualised rate of 17.2% and 8.2% respectively to HKD10.226 billion and HKD14.201 billion since the date of its acquisition. Public Bank (Hong Kong) Limited has opened another 3 branches in Hong Kong by the end of 2006, increasing its branch network in Hong Kong to 15, while its Shenzhen sub-branch is expected to commence business by the end of February 2007.

As at the end of 2006, the Public Bank Group's branch network in Hong Kong and Greater China has expanded to 56 branches in Hong Kong, one branch in Shenzhen and a representative office each in Shanghai and

Shenyang in the People's Republic of China and in Taipei, Taiwan. The acquisition provides a platform for the Group to develop its business in Greater China.

Public Finance recorded a profit before tax of HKD436.2 million for 2006. Public Finance's loans and advances stood at HKD3.548 billion while deposits stood at HKD2.373 billion as at 31 December 2006.

The Public Bank Group's wholly-owned subsidiary in Cambodia, Cambodian Public Bank Limited ("Campu Bank") further expanded its branch network when it opened a second branch in Phnom Penh called Olympic Branch in February 2006 bringing the total number of branches in Cambodia to five. Campu Bank had also successfully implemented its Visa credit card acquiring business in July 2006. The MasterCard credit card acquiring business is expected to be rolled out in early March 2007. Campu Bank continued with its impressive track record of strong business growth and rising profitability, recording a profit before tax of USD14.6 million for 2006, an increase of 52.3% over that of 2005. Loans and deposits stood at USD158.3 million and USD189.0 million as at 31 December 2006, a growth of 91.2% and 51.8% respectively compared to the end of the 2005.

The State Bank of Vietnam continued its comprehensive banking reforms and modernisation programme to create a market-oriented banking industry and to prepare for gradual integration into the regional and international financial markets. The amendment of the banking laws is expected to create a more level playing field and favourable conditions for joint venture banks operating in Vietnam. To capitalise on the strong economic growth and business opportunities in Ho Chi Minh City, Public Bank's joint venture bank, VID Public Bank opened its 2nd branch in the city called Cho Lon Branch in June 2006. This is VID Public Bank's 6th branch in Vietnam. VID Public Bank recorded a profit before tax of USD3.6 million in 2006, reflecting an increase of 27.1% as compared to 2005.

Our branches in Sri Lanka and Laos remained profitable despite the difficult and challenging operating environment in these countries.



OUTLOOK FOR 2007

OUTLOOK FOR THE BANKING INDUSTRY

The banking industry is expected to continue to remain sound but challenging in 2007. Despite the expectation of a slowdown in the world economy, the Malaysian economy is expected to remain resilient. The banking industry will continue to leverage on its strengthened balance sheet and stronger management capability to improve its competitiveness.

Loans are expected to continue to grow, driven by both retail commercial loans and consumer loans. Asset quality of the banking system is expected to remain stable due to the healthy economy, rising household income, stable and low interest rates and strengthened risk management framework of the banking industry.

The competitiveness of the banking business, however, will continue to intensify due to the liberalising landscape of the industry, deregulated operating environment for the incumbent foreign-controlled domestic banks and high levels of liquidity in the banking system. The competition will also increase because the industry now has greater capacity to quickly introduce new innovative products and services and delivery channels.

Due to the increased competition, lending rates will remain under pressure. As deposit rates remain firm, the industry's net interest margins will continue to narrow. The need for the industry to further develop fee-based activities to offset the pressure on net interest margins will continue.

EXPECTATIONS AND OPPORTUNITIES

The banking industry is expected to continue to be driven by retail banking. High household gearing is expected to remain under control as it is expected to remain within prudential levels. Corporate lending is likely to remain slow as corporates continue to access the capital market.

The industry's competitive landscape will continue to evolve. Domestic banks have been preparing for full liberalisation of the banking industry after 2007. The incumbent foreign-controlled domestic banks and the new Islamic banks are expected to further penetrate the marketplace. Islamic banking is expected to have a greater impact as Malaysia strives to be a global hub for Islamic finance and fund management.

On risk management, the industry will continue to prepare for the implementation of the Basel II Capital Accord by 1 January 2008.



STRATEGIES AND DIRECTION

The Public Bank Group will continue to drive its businesses which include commercial banking, hire purchase financing, investment banking, credit cards, Islamic banking, share broking, sales of trust units and management of unit trust funds, bancassurance and general insurance products and trustee and nominee services. The Group will continue to maintain its leadership in retail commercial banking and fund management. The Group's core lending business will continue to be driven by consumer financing and lending to small- and medium-size enterprises. On liability management, the Group will continue to mobilise low cost deposits, as well as short-term fixed deposits and negotiable instruments of deposits. To increase its non-interest income, the Group will continue to promote its unit trust and fund management, investment banking and share broking businesses.

In line with the national agenda, the Public Bank Group will continue to focus on Islamic banking by developing a wider range of Islamic deposit and lending products. This include Islamic trade finance and Islamic credit cards. To further promote its Islamic banking business, the Group is in the process of setting up an Islamic banking subsidiary.

The Group will continue to pursue a competitive pricing strategy and leverage on its efficient multiple delivery channels to grow its market share in the lending and deposit-taking businesses. The Group will continue to use its strong sales and marketing teams, strong PB Brand and superior service standards to attract and retain customers. Measures to contain operational costs and improve staff productivity will continue to be implemented. The Group expects its cost-income ratio to further improve in 2007.

For its overseas operations, the Public Bank Group will continue to implement its organic growth strategy. With the ongoing efforts to increase loans in Hong Kong,

Cambodia, Laos and Vietnam, the Group expects a larger contribution to its performance from its overseas operations in 2007.

In its pursuit of a high organic growth strategy, the Public Bank Group will continue to remain prudent, maintain strong corporate governance and implement sound risk management policies to ensure a sustainable rate of growth of the Group. The Group will also remain committed to its corporate social responsibilities.

OUTLOOK FOR THE MALAYSIAN ECONOMY

The Malaysian economy is expected to remain resilient in 2007, leveraging on its strengths which have been built up in recent years. While the world economy is expected to moderate next year, the risk of a global recession is low as major global growth headwinds such as high oil prices and high inflation have subsided. The global monetary tightening cycle is nearing its end. Sustained growth in the Euro area, Japan and Asia is expected to be positive for Malaysia.

Based on the strength of domestic demand, diversified industry structure and firm commodity prices, growth in the Malaysian economy is projected to remain firm in 2007, while inflation is forecast to moderate to below 3%. The Malaysian economy will also be supported by strong fundamentals such as high national savings and healthy external finances.

The expansionary fiscal stance for 2007 and the present accommodative monetary policy are expected to support growth. The implementation of the projects under the 9th Malaysia Plan and corporate tax cuts next year are also expected to foster investment.

Tan Sri Dato' Sri Dr. Teh Hong Piow

Chairman

19 January 2007



Corporate **Social Responsibility**

Corporate Social Responsibility (“CSR”) has variously been described as corporate citizenship, ethical and transparent business values, environmental sustainability or corporate philanthropy. 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, shareholders and other stakeholders. It is designed to deliver sustainable value to society at large”.



The Public Bank Group is fully committed to conducting its activities in an economically, socially and environmentally sustainable manner and this is embodied in its long held corporate philosophy which is:

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



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 remains fully conscious of its CSR and subscribes fully to the notion that in the delivery of its corporate and social responsibilities, the Group is creating value for all its stakeholders and its business whilst enhancing the long term sustainability of the Group.

With the global trend in the development of socially responsible investment, particularly amongst international institutional investors whose investment criteria have increasingly expanded beyond pure financial returns to encompass corporate behavior and its impact on society and the environment, there is clearly value for Public Bank, as the largest non-government linked corporation by market capitalisation listed on Bursa Securities, in meeting its corporate and social responsibilities to the fullest extent.

Bursa Securities' CSR Framework supports the concept of Triple Bottom Line which focuses on:

- Good economic performance
- Good social practices
- Good environmental practices

In respect of the CSR Triple Bottom Line, the Public Bank Group has focused on specific key areas of:

- Nation Building
- Enhancement of the market place
- Promotion of the work place
- Support of the community
- Protection of the environment

CSR IN NATION BUILDING

As the 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 40 year profitability track record, Public Bank has fulfilled its role in helping to sustain the stability and integrity of the country's financial system. As a strong and stable financial system is a necessary 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.

Over one quarter of the Public Bank Group's total loan portfolio comprise residential mortgages and lending to home purchasers expanded by 26.7% and 28.3% in 2005 and 2006 respectively, well above that of the banking industry's rate of growth of residential mortgages. The extensive branch network of the Group throughout the country, through which the residential mortgage business is conducted, and the high rate of growth of residential mortgages, is helping Malaysians from all walks of life to own their homes, thereby promoting the level of home ownership in the country.

The focus of the Public Bank Group's commercial lending business on serving SMEs is also supportive of the country's economic growth. With SMEs being promoted by the Government as the backbone of the domestic economy, the Group's lending to SMEs will help them expand their business and create employment opportunities in the country.

The strong and rising profitability of the Public Bank Group, particularly in the last 7 years mean that the Group has been a significant contributor to the fiscal revenue of the country. With total tax payments made of RM2.328 billion since 2002, Public Bank has contributed significantly to the financial well-being and development of Malaysia.





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 in their Corporate Governance Survey Report 2006 covering the top 200 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 2005 to Public Bank, this being the fourth 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.

Through a combination of an efficient capital structure, high dividend payout and strong profitability growth and one of the highest return on equity amongst banks in the region, Public Bank has consistently delivered superior returns to shareholders and investors. Together with 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, 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 and the development of the capital markets of Malaysia.

CSR IN THE WORK PLACE

The Public Bank Group, which has over 13,300 employees spread across Malaysia and in its regional operations, underpins its philosophy of caring for its employees by:

- Ensuring that employees' well-being is well taken care of
- Providing growth and progression opportunities for employees
- Providing a safe, secure, healthy and conducive work environment

In taking care of their well-being, employees affected by the recent floods in various parts of the country were provided with financial assistance ranging from RM1,000 to RM2,500 per family. These affected employees with staff housing and car loans were also allowed to defer the repayment of such loans for a period of time.



The activities and initiatives undertaken to put into practice the Public Bank 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 training and development of employees to enhance their skills and competencies. From a purpose built, dedicated training centre located in Bangi to a Knowledge and Learning Centre staffed by 32 full time trainers and Public Bank's policy of mandatory training for all levels of staff resulting in over 8,700 man-days of training courses being conducted in 2006, including E-training courses, the Group continues to enhance the skills and competency of its workforce to enable employees to properly discharge their duties as well as prepare employees to progress along

the structured career path that the Group offers to 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 2006, more than 90% of the Group's managerial staff were 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 a high level of employee engagement, the Public Bank Group seeks to inculcate a quality service delivery culture that cascades through the organisation. Public Bank organises Service Quality Programmes for all levels of staff and promotes quality service delivery with the implementation of bank-wide ISO certification of the key areas of branch front office and loan service delivery. 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. Employee engagement is also promoted through twice yearly management seminars involving over 1,500 managerial and marketing employees. With significant levels of input from employees, the 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. Long service with the Group is recognised tangibly by long service gold medallion awards which in 2006 was valued at RM2.2 million.



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 & Health Policy ensures that all employees are aware of their roles and responsibilities in respect of the safety and health aspects of the workplace. 80 safety and health committees, comprising representatives of management and employees located throughout the nationwide branch network and in head office, meet quarterly to review safety and health matters. In respect of the personal health of employees, the Bank organises health talks and public forums by health service providers to create awareness of health issues and promote healthy lifestyles amongst employees, with 19 such health talks and forums organised in 2006.

The promotion of labour rights by the Public Bank Group involves the employment of staff under fair and equitable terms and equal opportunity for career advancement based on merit.



Employee remuneration and benefits packages are monitored 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, provide the basis of both a performance related remuneration structure and career progression that reflects the performance of the 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 accessible and proper channels of communication for feedback and grievances.

The Public Bank Group continues to enhance the quality of life of its employees. The 40 year unbroken track record of profitability and strong financial performance provide the backdrop to long term, stable employment for employees who choose Public Bank. With competitive remuneration packages and employees' well-being looked after through attractive benefits such as medical and insurance coverage, 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, sustainable quality of life to its employees.

The Public Bank Group believes strongly that it is its people who will define the Group and has therefore, right at the onset, sought to create a conducive, caring environment for its employees and be their employer of choice.





CSR IN THE COMMUNITY

In fulfilling its responsibilities to the community that it operates in, the Public Bank Group has focused its efforts in the areas of graduate employment, education, professional development and contribution to the under privileged.

Graduate Employment

Graduate employment initiatives of the Public Bank Group not only offer employment opportunities to graduates but also adds to, and enhances, the human capital of the Group. The partnering with institutions of higher learning to provide employment to graduating students and participation in career fairs held at five local institutions of higher learning contributed to the Group providing employment to a total



of 140 fresh graduates in 2006. Public Bank had also been a partner with the Institut Bank-Bank Malaysia for the Banking Industry Training Scheme since 2004 by sponsoring unemployed graduates to undergo a six-month banking programme. Public Bank is also preparing to participate in the industrial attachment programme for undergraduates of the University of Malaya starting in 2007 by providing industrial attachment to up to 50 undergraduates in 2007.

Education

Public Bank contributed RM100,000 to SMK (P) Methodist, Kuantan for the construction of a new two-storey building that will cater to the growing needs of the school's marching band and its intensive training and practices, in addition to serving as a secure place for storing the band's musical instruments.

Public Bank also donated RM10,000 to a "Smart School", SK Seri Bintang Utara, Kuala Lumpur to assist in the setting up of a new 3-in-1 learning centre comprising an i-library, i-audio visual theatre and i-multimedia room to replace its traditional resource centre.

The East Coast branches of Public Bank supported the "Bengkel Pengurusan Kelab & Persatuan Sekolah Menengah Peringkat Kebangsaan Tahun 2006 (Zon Timur)" (the 2006 Workshop on the Management of Clubs and Societies of National-type Secondary Schools for the Eastern Zone) organised by Bank Negara Malaysia under the School Adoption Programme.



Professional Development

Public Bank contributed over RM200,000 to the Malaysian Institute of Management (“MIM”) in support of the MIM’s 40th Anniversary Royal Gala Dinner, the production of MIM’s 40th Anniversary Book as well as its fourth quarter 2006 newsletter.

Public Bank continued its support for excellence in the Malaysian corporate sector by sponsoring RM50,000 for the National Awards for Management Accounting Best Practice organised by the Malaysian Institute of Accountants and the Chartered Institute of Management Accountants, Malaysia Division.

Public Bank supported the production of a pictorial book documenting the reign of DYMM Tuanku Syed Sirajuddin Putra Jamalullail as the XII Seri Paduka Baginda Yang DiPertuan Agong of Malaysia from 2001 to 2006 by the purchase of 50 copies of the Special Edition of the book amounting to RM50,000, as well as a contribution of RM10,000 to the book’s launching ceremony.

Public Bank contributed RM10,000 to the Institute of Public Relations Malaysia which hosted the International Association of Business Communicators Asia Pacific Leadership Institute dinner in Kuala Lumpur and RM15,000 for the NAWEM Women Entrepreneur Awards Night 2006.

Public Bank donated RM5,000 each to the Malaysia Crime Prevention Foundation charity dinner, the Law Association for Asia and the Pacific (“Law Asia”), which organised a conference on “Mobility of Labour in the Law Asia Region – the Legal and Social Problems of Migrant Labour”, as well as the Malam Wartawan Malaysia 2006, an event which serves as a platform to recognise outstanding journalism.

Public Bank contributed RM10,000 to the Alumni Association of the London School of Economics and Political Science which hosted a talk by the renowned investor, Mr. George Soros.

Public Bank contributed RM7,000 to the 50th Anniversary Dinner of Universiti Teknologi MARA (“UiTM”) as a show of support of the many staff members of the Bank who were also alumni of UiTM.



Support of the under privileged

Public Bank, in collaboration with the Lembah Pantai Service Centre, brought “ang pow” cheer to the tune of RM47,000 to 250 senior citizens in conjunction with the Chinese New Year festivities.

Public Bank donated RM50,000 to the KL Traffic Police Club to support the welfare of KL Traffic Police personnel and their family members, especially personnel who have suffered injuries whilst on duty or are suffering from chronic illness.

Public Bank contributed RM10,000 to the Malaysian AIDS Foundation in support of the Foundation's Red Ribbon Gala 2006 “Fire and Ice – Glamour For A Good Cause”.

In 2006, Public Bank contributed to various charitable events such as RM10,000 to the Phoenix Welfare Foundation Charity Dinner, and RM5,000 worth of prizes for the 11th Anniversary Muhibbah Charity Golf Tournament organised by Pertubuhan Hemodialisis Muhibbah Segment as well as RM5,000 to the Rahmat Ramadhan Celebrations 2006 organised by the Ministry of Women, Family and Community Development in conjunction with the holy month of Ramadhan, a charitable event where about 6,000 people of the Ministry's target groups such as the poor and the disabled were treated to the breaking of fast.

Public Bank contributed RM67,000 towards the improvement of the welfare of children from four orphanage homes by organising a Majlis Berbuka Puasa at the Concorde Hotel, Kuala Lumpur for these orphans. In addition to an enjoyable meal, they received hampers and “duit raya” in celebration of the Deepavali and Hari Raya Puasa festivities.



ENVIRONMENTAL CSR

Conservation and Preservation of the Environment

In a world that is increasingly experiencing the devastating effects of environmental change and global warming, there is a rising level of awareness and demand to address the issues of the sustainability of the environment. The Public Bank Group is mindful of its responsibilities to the future generations by playing its part in promoting environmental awareness and in the conservation of the environment.

Biodiversity Conservation

The Malaysian Nature Society received a contribution of RM10,000 from Public Bank in support of its activities and the Charity Premiere of the documentary film “Temenggor: Biodiversity in the Face of Danger”.





With the looming threats of global warming, natural disasters and severe environmental repercussions, this documentary was a relevant and informative piece to introduce the concepts of biodiversity to the man in the street and to highlight the richness that Malaysia has as one of the top twelve biodiversity hotspots in the world. The Government has identified the Belum Temenggor forest reserve as a priority area of biodiversity conservation and the Malaysian Nature Society has been directly involved in scientific expeditions there since 1993.

Conservation of the Hawksbill Turtle

The World Wildlife Foundation ("WWF"), Malaysia had established the Padang Kemunting Turtle Management Centre, the only Hawksbill turtle hatchery and information centre in the country as part of its efforts to protect the Hawksbill turtles, a critically endangered species. WWF-Malaysia has been working with the Department of Fisheries to protect Melaka's Hawksbill turtles since 2003.

Public Bank began contributing to this project in 2006 with a donation of RM47,000. The Bank's support played a significant role in the part of the project aimed at motivating local villagers to participate in turtle conservation. The contribution enabled WWF-Malaysia to conduct activities and talks on turtle conservation in all primary and secondary schools along the coastal areas with nesting beaches. Also, educational materials in Bahasa Malaysia and English were produced and distributed to schools and local communities.

The funds also enabled a social-economic and perception survey targeting fishermen, villagers and chalet operators to be undertaken in mid-2006. The findings were analysed to obtain a deeper understanding of the target audiences' perception of Hawksbill turtle conservation efforts, and to restructure such programmes to change such perceptions if the former were environmentally unsustainable.

Frequent dialogues with local communities have started to yield results. More egg clutches were successfully incubated, suggesting a drop in egg poaching and increased awareness of the importance of Hawksbill turtle conservation among the local population.



ANNUAL CORPORATE GIFTS PROMOTING WILDLIFE OF MALAYSIA

As part of its efforts to promote awareness for the preservation of the environment, the Public Bank Group's annual gifts for 2006 such as corporate calendars, desktop calendars and diaries adopted designs that promote wildlife. The theme for 2006 is a continuation of the Group's focus on a flora and fauna theme in the promotion of its corporate image through its annual corporate gifts.

Public Bank keen to expand into China

Public Bank Q2 net profit jumps 24pc to RM453m

of 60 yen a share. For the full year, the dividend paid and payable for 2006 amounts to 60 yen a share, or ¥60.45 billion in total. Last year's



RM347.9mil, or during the previ-

Public Bank, Teh win awards from FinanceAsia

Teh the pioneer recipient



PUBLIC Bank chairman and founder Tan Sri Teh Hong Piew has been named the pioneer recipient of the inaugural "Asian Banker Leadership Achievement Award 2006" for

tenors. The bank Public Bank into Malaysia's largest non-government-linked company in terms of market capitalisation. The doubling of

PBB buying HK bank for RM2.2bil

By SUSANTAM

susantam@thestar.com.my

PETALING JAYA: Public Bank Bhd (PBB) group has proposed to acquire Asia Commercial Bank Ltd (ACB) of Hong Kong for HK\$4.5bil (RM2.16bil) cash.

The purchase will be made via its 64%-owned and Hong Kong-listed subsidiary, JCG Holdings Ltd.

JCG signed an agreement on the ACB purchase with Asia Financial Holdings Ltd (AFH) on Tuesday.

The deal is subject to approvals from Bank Negara, Hong Kong Monetary Authority and shareholders of both JCG and AFH.

It will be funded initially by a short-term bridging loan, which will be refinanced with cash raised from a rights issue by JCG as well as medium-term loan.

Trading in the PBB shares, which was suspended pending the announcement yesterday, will resume today.

In a statement, PBB chairman Tan Sri Teh Hong Piew said the group would be able to enhance its commitment to customers by



Tan Sri Teh Hong Piew

banking operations in China with ACB's

"The growth also leverages on strengths in retail consumer bank middle-market commercial bank particularly in serving small- and scale enterprises.

"It will also provide opportunity into a wider funding source from deposits market in Hong Kong," he

Teh said the group's operations in Hong Kong and China were also expected from the increased efficiencies through consolidation of back-office and services of the enlarged entity.

The acquisition also adds value to business and operations of ACB through transfer of management skills, technology and processes.

A full-service commercial bank assets of HK\$14.7bil (RM7.1bil), deposits of HK\$10.5bil (RM5bil) and loans of HK\$8.8bil (RM4.2bil) as of June.

AFH and ACB chairman Robin Y said the transaction represented a milestone for AFH as it aimed to enhance insurance and healthcare business

Bank net profit up RM1.45b



PBB net profit up 18%

Group to open 10 branches in Cambodia and 15 more in Hong Kong

net profit up 24% on strong loans growth

Public Bank and its chairman win Euromoney awards

Public Bank posts record profit of RM1.7b

PROFIT UNDERPINNED BY HIGHER NET INTEREST INCOME & INCOME FROM ISLAMIC BANKING OPERATIONS



performance with a 39-year history of profitability.

In accepting the award on behalf of Public Bank, Teh attributed the bank's success to the management and staff who had "constantly demonstrated their dedication, commitment, and determined efforts to practise the bank's values and tradition of consistent high standards".

Teh received the awards from Globe Editor Clive Horwood and Euromoney managing director Simon Brady at a presentation ceremony in Hong Kong on Tuesday.



Tan Sri Teh Hong Piew (centre) receiving the award from Clive Horwood. On the left is Simon Brady.





Leveraging on

Human Resource

for Business Advantage

“It Takes People to Create Business Results”

OUR PEOPLE

The pillar of our business – our people – is fundamental to our continued success.

As the race to win the hearts and wallets of consumers heats up, financial institutions face an uphill climb to create a pool of talented people who can be solution providers and who are able to create strong business relationships to extend their reach of the market.

Recruiting, developing and retaining the best people is therefore a strategic imperative for the Public Bank Group. Much time and effort is invested in nurturing our “franchise health”; which is the enhancement of Public Bank’s standing in the mind recall of customers, shareholders and the communities we operate in.

SUSTAINING SUCCESS BY PRIORITISING EMPLOYEE DEVELOPMENT

Ensuring employee proficiency and competency therefore takes on looming significance. Our employees must utilise their key talents and be multi-skilled to be able to value-add. We strive therefore to enable our employees to harness their “A” strength while equipping them with tools to further enhance their lesser “B” and “C” strengths in order that they can master change and grow accordingly.



Investment in our people has always been high on the list of priorities for the Public Bank Group. In 2006, classroom training programs covering management skills, core banking operations and specialised areas such as credit and selling skills were conducted for about 17,000 participants spread over more than 2,000 training days. In addition, more than 9,000 participants underwent training via the Group's e-learning platform over more than 5,500 training days.

The Public Bank Group has continued to leverage on its e-platform to allow for individual, flexible and self-managed learning on an en masse basis and at the same time maximise our training dollar. Facilities such as the accessibility of up-to-date newspaper articles via the Group's e-library will ensure that staff keep up-to-date on developments relevant to the banking industry. Mastery tests and assessment programs built into the e-learning syllabus provide further traction and alignment between training and the Group's business strategies. The quality of the Group's e-learning programs have been well recognised. The Securities Commission had in 2006 certified Public Bank's e-Anti Money Laundering Act program, thus enabling staff of the Group to attain CPE points when they undergo the program.

REINFORCING A PERFORMANCE DRIVEN CULTURE TO DELIVER OPTIMUM BUSINESS PERFORMANCE

Linking human capital assets and approaches to business performance outcomes are critical to improving human capital capabilities. To help drive optimum business performance, Key Performance Indicators are constantly reviewed and revised where necessary to reflect current business demands. Recognising that talented and motivated employees make the difference in the Public Bank Group's continued success, a range of processes and benchmarks have been established to measure and enhance the contribution of our employees to constantly reinforce a strong performance culture.

While we constantly stretch and stimulate our employees, the strong performance orientation is also supported by a performance-linked reward scheme to recognise contributing individuals and encourage them to continuously raise their standards. This coupled with a conducive caring environment and a competitive remuneration package are vital elements for sustenance of the Public Bank Group's continued growth.

We know our people define Public Bank. We are therefore committed to helping them grow and enabling the individuals to make a difference for themselves and for the Public Bank Group in the process.



Calendar of **Significant Events 2006**

4 January 2006 🌀

PRODUCTS & SERVICES

Public Bank launched its PB Platinum MasterCard, adding to the extensive range of credit card products currently offered by the Bank.

16 January 2006 🌀

CORPORATE

The National Sales Convention 2006 with the theme "Gearing Towards Sales Excellence" was organised to motivate 300 sales personnel from all over the country in the pursuit of Public Bank's business growth.

19 January 2006

PRODUCTS & SERVICES

Public Bank launched the "PB Escapades 4U!" credit card acquisition campaign which came with a free-for-life card membership or a three-year annual fee waiver and a Tonino Lamborghini Timepiece welcome gift.

21 January 2006 🌀

COMMUNITY/ENVIRONMENTAL

Public Bank jointly organised a Turtle Conservation Camp with WWF-Malaysia at the Padang Kemuning Turtle Management Centre, Melaka to promote environmental awareness. Staff from Head Office and Melaka branches participated in the event.

26 January 2006 🌀

COMMUNITY

Public Bank collaborated with the Lembah Pantai Service Centre to bring "ang pow" cheer worth RM47,000 to 250 senior citizens at a presentation ceremony held at the Bangsar Village Shopping Centre. Y.B. Dato' Sri Shahrizat Abdul Jalil, Minister of Women, Family & Community Development was also present.



16 January 2006 🌀



21 January 2006 🌀



26 January 2006 🌀



Calendar of **Significant Events 2006**



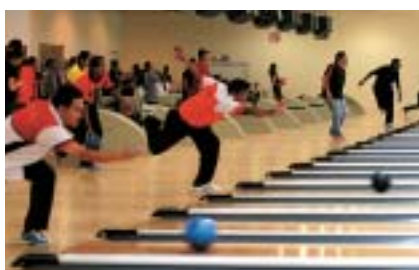
5 February 2006 🌀



10 February 2006 🌀



14 February 2006 🌀



26 February 2006 🌀



4 March 2006 🌀



4 March 2006 🌀

5 February 2006 🌀

EMPLOYEE RELATIONS

Tan Sri Dato' Sri Dr. Teh Hong Piow hosted the traditional Chinese New Year Dinner at the Renaissance Hotel, Kuala Lumpur to usher in the Lunar year of the Dog. The dinner was attended by members of the Board of Directors, management and staff.

10 February 2006 🌀

AWARDS & RECOGNITIONS

Public Bank was awarded the "Sahabat SMI Award 2005" by the SMI Association of Malaysia in recognition of its contribution towards the development and growth of small- and medium-sized industries in Malaysia.

14 February 2006 🌀

CORPORATE

Cambodian Public Bank Ltd. opened its second branch in Phnom Penh called Olympic Branch, bringing the total number of branches in Cambodia to five.

26 February 2006 🌀

EMPLOYEE RELATIONS

The Public Bank Group Sports Club organised its Bowling Tournament 2006 at Ampang Superbowl, Kuala Lumpur, with 150 staff in 30 teams participating in the event.

4 March 2006 🌀

CORPORATE

Public Bank held its first twice-yearly 2006 Management Seminar at the Sunway Resort Hotel, Petaling Jaya with an estimated 1,350 staff members in attendance. The seminar was presided over by Tan Sri Dato' Sri Dr. Teh Hong Piow.

4 March 2006 🌀

EMPLOYEE RELATIONS

Tan Sri Dato' Sri Dr. Teh Hong Piow and Dato' Sri Tay Ah Lek presented 72 Special awards to top-performing branches under the Branch Performance Awards for 2005. Taman Sentosa Branch won the coveted Chairman & Founder's Award for the Overall Best Branch.



13 March 2006

PRODUCTS & SERVICES

Public Bank signed a license agreement for merchant acquiring with JCB International, which will facilitate the use of JCB credit cards at Public Bank's credit card merchants. JCB, an international credit card brand, is the largest card issuer and acquirer in Japan.

13 March 2006

CORPORATE

Fifty senior management staff in Head Office attended a leadership session entitled "The Paradox of Banking 2015: Achieving more by doing less" at Menara Public Bank. The session was conducted by Mr. Sunny Banerjee, Global Banking Leader of IBM's Institute of Business Value.

15 March 2006

AWARDS & RECOGNITIONS

Tan Sri Dato' Sri Dr. Teh Hong Piow was presented with the inaugural Asian Banker "Leadership Achievement Award 2005 for Malaysia" by Thailand's Minister of Finance, H.E. Dr. Thanong Bidayah at a presentation ceremony held at The Shangri-La Bangkok, Thailand.

20 March 2006

CORPORATE

Public Bank's 40th Annual General Meeting was held at the Shangri-La Hotel, Kuala Lumpur, which was attended by almost 3,000 shareholders who gave Tan Sri Dato' Sri Dr. Teh Hong Piow a standing ovation for Public Bank's excellent performance.

21 March 2006

COMMUNITY

Public Bank organised a Blood Donation Clinic in collaboration with the Pusat Darah Negara (the National Blood Bank), with over 150 staff members generously donating blood to the blood bank.

1 April 2006

EMPLOYEE RELATIONS

Staff of Wilayah Persekutuan/Selangor Region II celebrated Public Bank's 40th Anniversary at the Palace of the Golden Horses, Selangor with the theme "Nite of Blockbusters".



13 March 2006



15 March 2006



20 March 2006



21 March 2006



1 April 2006

Calendar of **Significant Events 2006**



21 & 22 April 2006 🌀



22 April 2006 🌀



24 April 2006 🌀



28 April 2006 🌀



28 April 2006 🌀

16 April 2006

COMMUNITY

Public Bank contributed RM5,000 to the Polis DiRaja Malaysia which organised a “Larian Mesra Rakan Cop”, and also launched the “Program Rakan Cop Peringkat Nasional” in conjunction with the 199th Police Day celebrations held at Dataran Merdeka, Kuala Lumpur. The event was launched by the Prime Minister Y.A.B. Dato' Seri Abdullah Haji Ahmad Badawi.

21 & 22 April 2006 🌀

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Seremban, Nilai, Melaka and Taman Melaka Raya branches in the Melaka & Negeri Sembilan Region and held business briefing sessions with the other 14 branches of the Region at the Hotel Equatorial, Melaka.

22 April 2006 🌀

EMPLOYEE RELATIONS

Staff of Melaka & Negeri Sembilan Region celebrated Public Bank's 40th Anniversary at the Hotel Equatorial, Melaka with the theme “World of Fantasy”.

24 April 2006 🌀

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Jalan Sungai Besi, Taman Maluri and Pandan Jaya branches of Wilayah Persekutuan/Selangor Region I.

28 April 2006 🌀

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Segambut, Jalan Ipoh and Jalan Hang Lekiu branches of Wilayah Persekutuan/Selangor Region II.

28 April 2006 🌀

CORPORATE

A prize presentation to the winners of the “PB SMS 2 WIN” contest was held at Menara Public Bank. The grand prize winner won a brand new Kia Sorento, with other winners winning 42” Plasma TV sets, DVD Home Theatre systems, Samsung Miniket and MP3 players.



30 April 2006 🌀

EMPLOYEE RELATIONS

Public Bank Group Sports Club organised a futsal tournament open to all staff of the Public Bank Group at Sports Unlimited, Petaling Jaya. 232 staff participated in the event, with teams coming from as far as Johor and Kedah.

2 May 2006 🌀

AWARDS & RECOGNITIONS

Public Bank won the Reader's Digest Trusted Brand Gold Award 2006 for the third consecutive year for the banking category in Malaysia. Deputy Minister of International Trade and Industry, Y.B. Ng Lip Yong presented the award trophy to Dato' Lee Kong Lam at the presentation ceremony held at the Hilton Hotel, Kuala Lumpur.

2 May 2006 🌀

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to the Damansara Utama, PJ New Town, and Bandar Puchong Jaya branches of Wilayah Persekutuan/Selangor Region III.

3 May 2006 🌀

PRODUCTS & SERVICES

Public Bank launched the Australian Dollar (AUD) Guaranteed Endowment Plan which had a fund size of AUD33.3 million and which was underwritten by American International Assurance Company, Limited.

4-5 May 2006 🌀

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow held separate business briefing sessions with 24 branches of Wilayah Persekutuan/Selangor Region I, 27 branches of Wilayah Persekutuan/Selangor Region II and 24 branches of Wilayah Persekutuan/Selangor Region III at Menara Public Bank.

11 & 12 May 2006 🌀

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Temerloh, Mentakab, Jalan Beserah and Kuantan branches and held business briefing sessions with the other 14 branches of the East Coast Region.



30 April 2006 🌀



2 May 2006 🌀



2 May 2006 🌀



3 May 2006 🌀



4-5 May 2006 🌀



11 & 12 May 2006 🌀

Calendar of **Significant Events 2006**



11 May 2006 🌀



12 May 2006 🌀



13 May 2006 🌀



13 & 14 May 2006 🌀

11 May 2006 🌀

COMMUNITY

Public Bank donated RM100,000 to SMK (P) Methodist Kuantan for the construction of a new two-storey building which will be known as the Public Bank Symphony House to cater to the growing needs of the school's marching band, its intensive training and to securely store the marching band's musical instruments.

12 May 2006 🌀

EMPLOYEE RELATIONS

Staff of the East Coast Region gathered at the MS Garden Hotel, Kuantan to celebrate Public Bank's 40th Anniversary with the theme "Masquerade D'Amour".

13 May 2006 🌀

EMPLOYEE RELATIONS

Public Bank participated in the Labour Day Rally 2006 held at Stadium Putra, Bukit Jalil which was organised by the Ministry of Human Resource. Gracing the event was Deputy Prime Minister, Y.A.B. Dato' Seri Najib Tun Abdul Razak. About 100 staff took part in the event, with the Bank's slogan being "Pekerja Cemerlang, Negara Terbilang".

13 & 14 May 2006 🌀

EMPLOYEE RELATIONS

Public Bank's Knowledge and Learning Centre conducted a training course in Hanoi, Vietnam entitled "Credit Processing for Business Loans" attended by 30 participants from VID Public Bank Head Office, Hanoi Operations Centre, as well as Danang and Haiphong branches. A similar course was simultaneously conducted in Ho Chi Minh City, Vietnam with 29 staff from Ho Chi Minh City and Binh Duong branches as well as the newly-established Cho Lon Branch in attendance.

15 May 2006

CORPORATE

Public Bank's wholly-owned subsidiary, Public Consolidated Holdings Sdn. Bhd., entered into an agreement to acquire 600,000 ordinary shares at RM1.00 each in Public Mutual Berhad (representing 10% of the issued and paid-up share capital of Public Mutual Berhad) from Cheng Poh Holdings Sdn Bhd, thereby making Public Mutual Berhad a wholly-owned indirect subsidiary of Public Bank.



15 May 2006

PRODUCTS & SERVICES

Public Bank introduced the Al Bai Bithaman Ajil ("ABBA") Variable House Financing-i and ABBA Variable Term Financing-i, enabling customers to obtain Islamic financing for purchases of houses and other assets at variable rates.

20 May 2006

PROFESSIONAL DEVELOPMENT

69 Public Bank staff members who attended courses conducted by the Institut Bank-Bank Malaysia graduated at the Institute's 9th Graduation and Awards Ceremony at the Mutiara Crowne Plaza, Kuala Lumpur. Dato' Sri Tay Ah Lek and Y.Bhg. Tan Sri Dato' Sri Dr. Zeti Akhtar Aziz, Governor of Bank Negara Malaysia presented certificates and awards to the graduates.

23 May 2006

AWARDS & RECOGNITIONS

Public Bank was awarded the Malaysian Business Corporate Governance Award 2005 for the fourth consecutive year, and the Corporate Social Responsibility Award for the first time. Y.A.B. Tun Dr. Mahathir Mohamad, former Prime Minister of Malaysia presented the awards to Tan Sri Dato' Sri Dr. Teh Hong Piow at a presentation ceremony at the Renaissance Hotel, Kuala Lumpur.

24 May 2006

AWARDS & RECOGNITIONS

The Malaysian Institute of Management ("MIM") honoured Tan Sri Dato' Sri Dr. Teh Hong Piow with a Gold Medal Award of the "Confrere d'honneur" (Honoured Companion) in conjunction with MIM's 40th Anniversary. The award was presented to Tan Sri Teh by His Majesty Yang di-Pertuan Agong XII Tuanku Syed Sirajuddin Ibni Al-Marhum Tuanku Syed Putra Jamalullail at the Royal Gala Dinner organised by MIM at Shangri-La Hotel, Kuala Lumpur.



20 May 2006



23 May 2006



24 May 2006

Calendar of **Significant Events 2006**



26 May 2006 🌀



30 May 2006 🌀



2 & 3 June 2006 🌀



3 June 2006 🌀

26 May 2006 🌀

AWARDS & RECOGNITIONS

Public Bank received the 11th Credit Guarantee Corporation (M) Berhad ("CGC") Top SMI Supporter Award 2005, with CGC's Chairman, Y.Bhg. Datuk Zamani Abdul Ghani, Deputy Governor of Bank Negara Malaysia presenting the award to Public Bank's General Manager of Credit Control & Islamic Banking, En. Ismail Ibrahim at Bangunan CGC.

30 May 2006 🌀

CORPORATE

En. Ismail Ibrahim, General Manager of Credit Control and Islamic Banking, presented a cheque for RM25,000 to Y.Bhg. Dato' Setia Hj. Mohamad Adzib bin Mohd. Isa, Chairman of Selangor Zakat Board. This was part of the Bank's zakat payments which totalled RM131,800 for its Islamic banking operations in 2005.

30 May 2006

CORPORATE

The Public Bank Group completed the acquisition of Asia Commercial Bank Limited in Hong Kong, with the acquisition being made by Public Financial Holdings Limited, Public Bank's 73.5% subsidiary which is listed on the Stock Exchange of Hong Kong.

2 & 3 June 2006 🌀

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Inanam, Donggongan, Lido, City Parade and Kota Kinabalu branches and held business briefing sessions with the other eight branches of the Sabah & Wilayah Persekutuan Labuan Region.

3 June 2006 🌀

EMPLOYEE RELATIONS

Staff of Sabah & Wilayah Persekutuan Labuan Region celebrated Public Bank's 40th Anniversary at the Pacific Sutera Hotel, Kota Kinabalu with the theme "Bold and Beautiful".



15-19 June 2006

COMMUNITY

Public Bank contributed RM6,300 to the Melaka Contingent Police Headquarters which participated in the "PDRM Badminton Tournament for the Inspector-General of Police Trophy 2006" held in Ipoh, Perak.

17 June 2006

EMPLOYEE RELATIONS

Wilayah Persekutuan & Selangor Region I staff celebrated Public Bank's 40th Anniversary at the Mandarin Oriental Hotel, Kuala Lumpur with the theme "Royals and Warriors".

21 June 2006

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow led a small delegation to Istana Negara to pay a royal courtesy call on His Majesty Yang di-Pertuan Agong XII Tuanku Syed Sirajuddin Ibni Al-Marhum Tuanku Syed Putra Jamalullail.

21 June 2006

CORPORATE

Public Bank supported the production of a pictorial book documenting the reign of His Majesty Yang di-Pertuan Agong XII Tuanku Syed Sirajuddin Ibni Al-Marhum Tuanku Syed Putra Jamalullail from 2001 to 2006. This support came in the form of the purchase of 50 copies of the Special Edition of the book amounting to RM50,000, as well as the contribution of RM10,000 to the book's launching ceremony.

27 June 2006

CORPORATE

VID Public Bank opened its sixth branch in Vietnam and its second branch in Ho Chi Minh City named Cho Lon Branch.



17 June 2006



21 June 2006



21 June 2006



27 June 2006

Calendar of **Significant Events 2006**



28 June 2006 🌀



30 June 2006 🌀



1 July 2006 🌀



4 July 2006 🌀

28 June 2006 🌀

PRODUCTS & SERVICES

The Islamic Banking Division of Public Bank extended the Bai Al-Einah Personal Financing-i facility to members of the Koperasi Polis DiRaja Malaysia ("KPD"). A document exchange ceremony between Dato' Lee Kong Lam and Y.Bhg. Tan Sri Mohd. Sedek bin Haji Mohd. Ali, Chairman of KPD was held at the Kuala Lumpur International Hotel, Kuala Lumpur in conjunction with the KPD's 71st Annual Representatives General Meeting.

30 June 2006 🌀

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow made an official visit to Bandar Bayan Baru, Jelutong and Pulau Pinang branches, and attended business briefing sessions with 10 branches of the Northern Region at Hotel Equatorial, Penang on the same day, whilst the other 20 Northern Region branches' business briefing sessions took place the next day.

1 July 2006 🌀

EMPLOYEE RELATIONS

The Public Bank Northern Region 40th Anniversary Dinner was held at the Hotel Equatorial, Penang with the theme "Aborigines Nite".

4 July 2006 🌀

AWARDS & RECOGNITIONS

Public Bank was named "Best Bank in Malaysia" for the eighth time, whilst Tan Sri Dato' Sri Dr. Teh Hong Piow was conferred the inaugural "Award for Outstanding Contribution to the Development of Financial Services in Asia" by Euromoney. Tan Sri Teh received the award from Mr. Clive Horwood, the Global Editor and Mr. Simon Brady, the Managing Director of Euromoney magazine at the 2006 Euromoney Awards for Excellence Asia ceremony held at the Ritz Carlton Hotel, Hong Kong.



4 July 2006

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow visited Public Bank (Hong Kong) Limited, accompanied by senior management of Public Bank. This marked Tan Sri Teh's first visit to Public Bank (Hong Kong) Limited since its acquisition by the Public Bank Group in May 2006.

11 July 2006

CORPORATE

190 Head Office staff members' loyalty to Public Bank was recognised at a Service Recognition Awards Presentation Ceremony held at Menara Public Bank, where awards were presented to staff who have been in service for 15, 20, 25, 30 and 35 years of service.

14 July 2006

AWARDS & RECOGNITIONS

Public Bank Annual Report 2004 in Bahasa Malaysia won the Merit Award for the Private Sector Annual Report Category in the "Anugerah Citra Wangsa Malaysia 2005" award presentation by Dewan Bahasa dan Pustaka held at the Dewan Bahasa dan Pustaka's Auditorium in Kuala Lumpur.

15 July 2006

EMPLOYEE RELATIONS

Public Bank Group's Hong Kong operations held the 2006 Annual Dinner at the InterContinental Hotel, Hong Kong. Graced by Tan Sri Dato' Sri Dr. Teh Hong Piow, the theme of the dinner was "Glittering Nite" and included for the first time the staff of newly-acquired Public Bank (Hong Kong) Limited.

27 July 2006

CORPORATE

Public Bank participated in the Malaysian Consumer Day Rally 2006 organised at Stadium Putra, Bukit Jalil by the Ministry of Domestic Trade and Consumer Affairs. The event was graced by the Prime Minister, Y.A.B. Dato' Seri Abdullah bin Haji Ahmad Badawi.



4 July 2006



11 July 2006



15 July 2006



27 July 2006

Calendar of **Significant Events 2006**



1 August 2006 🌀



2 August 2006 🌀



5 August 2006 🌀



19 August 2006 🌀

1 August 2006 🌀

COMMUNITY

Public Bank East Coast branches participated in Bank Negara Malaysia's "Bengkel Pengurusan Kelab & Persatuan Sekolah Menengah Peringkat Kebangsaan Tahun 2006 (Zon Timur)" under the School Adoption Programme held at the Residence Inn Cherating, Pahang.

2 August 2006 🌀

CORPORATE

Public Bank presented a cheque amounting to RM16,000 to His Royal Highness Tuanku Alhaj Abdul Halim Mu'adzam Shah Ibni Al-Marhum Sultan Badlishah, the Sultan of Kedah Darul Aman who received it for Zakat Negeri Kedah as part of Public Bank's zakat payment for its Islamic banking operations in 2005.

3 August 2006

AWARDS & RECOGNITIONS

Dato' Lee Kong Lam accepted the Asia's Best Companies 2006 award by FinanceAsia on behalf of Public Bank from Mr. Helman Sitohang, Managing Director and Head of Indonesia, Malaysia and Thailand Coverage, Credit Suisse First Boston who represented FinanceAsia.

5 August 2006 🌀

CORPORATE

The Public Bank 40th Anniversary Banquet 2006 was held at the Kuala Lumpur Convention Centre with the theme "Celebrating 40 Glorious Years". At the banquet, Dato' Sri Tay Ah Lek presented Tan Sri Dato' Sri Dr. Teh Hong Piow with a biography on Tan Sri Teh entitled "A Banking Thoroughbred", together with a pictorial book on the history of Public Bank entitled "Celebrating 40 Glorious Years".

19 August 2006 🌀

CORPORATE

The second Public Bank Group Management Seminar 2006 was held at the Sunway Resort Hotel, Selangor. The Seminar was presided over by Tan Sri Dato' Sri Dr. Teh Hong Piow.



19 August 2006 🌀

EMPLOYEE RELATIONS

Branches from Wilayah Persekutuan/Selangor Region III celebrated Public Bank's 40th Anniversary at the Sunway Pyramid Convention Centre, Selangor with the theme "Simply The Best".

19 August 2006 🌀

AWARDS & RECOGNITIONS

The Asian Banker Journal voted Public Bank the "Best Retail Bank in Malaysia 2005" for the fourth time, with Mr. Emmanuel Daniel, President and Editor-in-Chief of the Asian Banker Journal presenting the award to Tan Sri Dato' Sri Dr. Teh Hong Piow at a ceremony held at the Sunway Resort Hotel, Selangor.

25-27 August 2006 🌀

EMPLOYEE RELATIONS

The Public Bank athletic team clinched second placing in the 32nd National Inter-Financial Institutions Athletics Meet 2006 held at the Maybank Sports Complex, Bangi.

29 & 30 August 2006 🌀

CORPORATE

Public Bank participated in the "National Seminar in Islamic Banking & Finance 2006" organised by Kolej Universiti Islam Malaysia (KUIM).

14-16 September 2006 🌀

EMPLOYEE RELATIONS

The Public Bank table tennis team became the champions of the National Banks Sports Council Inter-Financial Institutions table tennis tournament for the 17th consecutive time.



19 August 2006 🌀



19 August 2006 🌀



25-27 August 2006 🌀



29 & 30 August 2006 🌀



14-16 September 2006 🌀

Calendar of **Significant Events 2006**



15 September 2006 🌀



16 September 2006 🌀



17 September 2006 🌀



11 October 2006 🌀

15 September 2006 🌀

AWARDS & RECOGNITIONS

Tan Sri Dato' Sri Dr. Teh Hong Piow was conferred the "Technology Business Review Award for Lifetime Achievement in Corporate Excellence, Dedication, and Industry", whilst Public Bank won the "Industry Award for Banking & Finance Category" at the Technology Business Review ("TBR") Awards presentation ceremony. Tan Sri Teh received his award from Mr. Alfred Adaikalaraj, the publisher of TBR.

16 September 2006 🌀

EMPLOYEE RELATIONS

Public Bank Treasury emerged as overall champion in the ten-team Treasury Go-Kart competition organised by Reuters Malaysia at the Sepang International F1 Circuit.

17 September 2006 🌀

AWARDS & RECOGNITIONS

Tan Sri Dato' Thong Yaw Hong was conferred the Honorary Doctorate in Economics by Universiti Putra Malaysia (UPM) at UPM's 30th Convocation. Tan Sri Thong received the doctorate from the Chancellor of UPM, His Royal Highness Sultan Sharafuddin Idris Shah Al-Haj Ibni Almarhum Sultan Salahuddin Abdul Aziz Shah Al-Haj.

19 September 2006

PRODUCTS & SERVICES

Public Bank rewarded its lucky credit cardmembers with a trip to Beijing, China for the "PB Escapades 4U!" campaign.

11 October 2006 🌀

COMMUNITY

Public Bank organised a Majlis Berbuka Puasa at the Concorde Hotel, Kuala Lumpur for children from four orphanage homes. In addition to a satisfying meal, the guests from Rumah Pendidikan Anak-anak Yatim Darul Kifayah, Rumah Ozanam, Kompleks Penyayang Bakti, and the Shelter Home for Children received hampers and 'duit raya' in celebration of the Deepavali and Hari Raya Puasa festivities.



6 November 2006 🌀

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow conducted a business briefing session with 28 branches of the Perak Region at Menara Public Bank.

6 November 2006 🌀

AWARDS & RECOGNITIONS

FinanceAsia, in its 2006 Annual Country Achievement Awards, named Public Bank the "Best Bank in Malaysia 2006" for the eighth consecutive time, and presented Tan Sri Dato' Sri Dr. Teh Hong Piow with the inaugural "Lifetime Achievement Award" at Public Bank's Awards Recognition Nite 2006 held at the Renaissance Hotel, Kuala Lumpur. Mr. Steven Irvine, Editor-in-Chief of FinanceAsia, presented the Lifetime Achievement Award to Tan Sri Teh, whilst Dato' Sri Tay Ah Lek received the Best Bank award on behalf of Public Bank.

9 November 2006 🌀

CORPORATE

Public Bank hosted a dinner in honour of H.E. Bouasone Bouphavanh, the Prime Minister of the Lao People's Democratic Republic in conjunction with his official visit to Malaysia. Held at the Mandarin Oriental Hotel, Kuala Lumpur, the dinner was graced by several senior Ministers from the Republic, senior government officers from Wisma Putra and Senior Management of Public Bank.

13 November 2006 🌀

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow conducted a business briefing session with 18 branches of Sarawak Region at Menara Public Bank.

28 November 2006 🌀

AWARDS & RECOGNITIONS

Public Bank was ranked number one amongst the top 200 public-listed companies on Bursa Securities in the Corporate Governance Survey Report 2006, the result of a study conducted jointly by the Minority Shareholder Watchdog Group and the Nottingham University Business School.



6 November 2006 🌀



6 November 2006 🌀



9 November 2006 🌀



13 November 2006 🌀



28 November 2006 🌀

Calendar of **Significant Events 2006**



30 November 2006 🌀



4 December 2006 🌀



4 December 2006 🌀

30 November 2006 🌀

AWARDS & RECOGNITIONS

Public Bank's award-winning reputation was enhanced once again when it won several prestigious awards at the National Annual Corporate Report Awards (NACRA) 2006 awards presentation ceremony held at Sime Darby Convention Centre, Bukit Kiara, Kuala Lumpur. The Bank won the NACRA Overall Excellence Award (Gold), Industry Excellence Award for Main Board Companies in the Finance Sector, and the Best Annual Report in Bahasa Malaysia (Platinum), with the adjudication being made based on the Bank's 2005 Annual Report.

4 December 2006 🌀

CORPORATE

Tan Sri Dato' Sri Dr. Teh Hong Piow conducted a business briefing session with 28 branches of Johor Region at Menara Public Bank.

4 December 2006 🌀

AWARDS & RECOGNITIONS

Public Bank was named the "Best Domestic Bank in Malaysia for 2006" by The Asset Magazine, whilst Tan Sri Dato' Sri Dr. Teh Hong Piow was presented with the inaugural "The Banker of High Distinction" award at a presentation ceremony held at the Mandarin Oriental Hotel, Kuala Lumpur. The awards were presented by the Deputy Minister of Information, Y.B. Dato' Sri Chia Kwang Chye.

