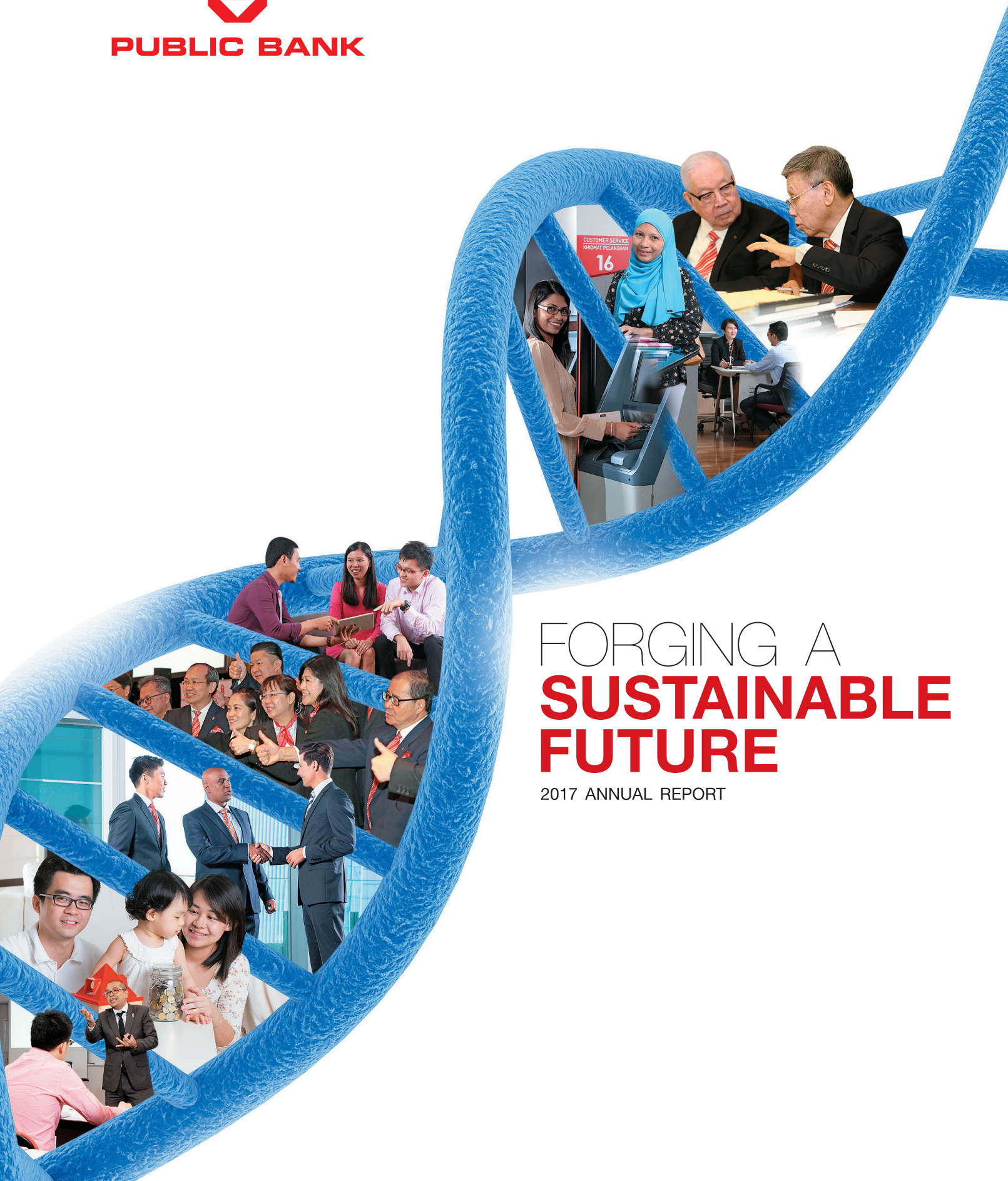
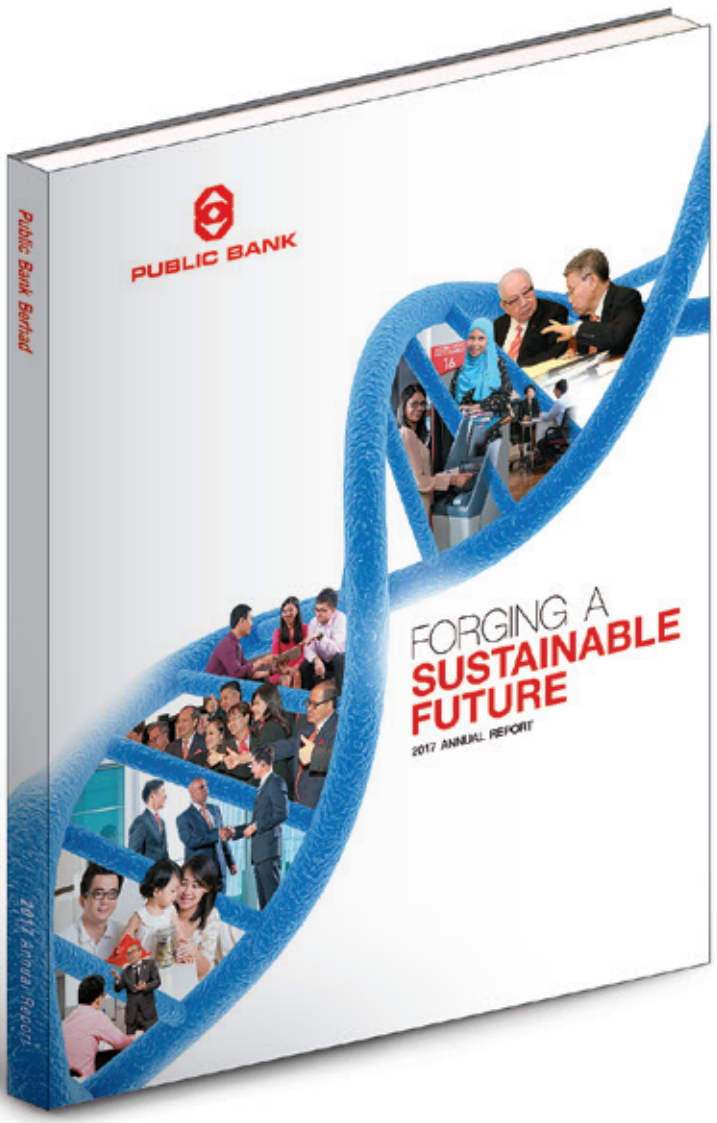
PUBLIC BANK



FORGING A SUSTAINABLE FUTURE

2017 ANNUAL REPORT


PUBLIC BANK
FORGING A
SUSTAINABLE
FUTURE
2017 ANNUAL REPORT
Public Bank Berhad
2017 Annual Report

FORGING A **SUSTAINABLE FUTURE**

Behind Malaysia's well respected banking institution lie an indomitable spirit of excellence and energy of its people who possess a deep sense of ownership and commitment. These attributes form an integral part of Public Bank's business success that had long been nurtured by its iconic Founder, Tan Sri Dato' Sri Dr. Teh Hong Piow. Tan Sri Teh's steely determination and core values form the Bank's fundamental DNA, personifying his distinctive characteristics and legacies which have shaped Public Bank to its present prominent stature.

Tan Sri Dato' Sri Dr. Teh Hong Piow's values bear the characteristics of his own visionary leadership, dynamic professionalism, passion for excellence, prudent financial management, integrity and inspirational work culture. Firmly embedded as the foundational genetic code of Public Bank, these values continue to define the Bank's corporate journey of excellence, award winning performances and fostering a people mindset, in ***Forging A Sustainable Future*** to meet the challenging demands of the future.



VISIONARY **LEADERSHIP**

In the commanding passage of Public Bank's 51 years of extraordinary banking success and growth, the impeccable vision and leadership of its Founding Father, Tan Sri Dato' Sri Dr. Teh Hong Piow reached legendary proportions and are unparalleled in Malaysia's banking history.

An achievement that makes it imperative in the next 50 years that these attributes be replicated as coded principles forming the Bank's DNA for its next generation.





Be Purposeful.
Stay Proactive In Thought And Action.
Remain Positive Towards Work And Life.
Take On Opportunities And Challenges.
Understand The Virtue Of Hard Work.

DYNAMIC **PROFESSIONALISM**

What is pivotal in Public Bank's credentials is the emphatic thrust of its motivated workforce inspired by Tan Sri Dato' Sri Dr. Teh Hong Piow's core values – values of commitment, discipline and professionalism. These values are the DNA that have been so well ingrained and coded in the organisation that they have evolved to become its strong corporate culture and biggest competitive edge.

The Bank's focus on customer care in its services and products has also become a standard code of long term banking professionalism – one which had been a specific aspect in the Bank's resonance of impressive growth records.





Stay People-Oriented.
Practise Professionalism.
Underpin Efforts With Strong Moral Foundations.
Cultivate The Know-How To Carry Out The Bank's Vision.
Be Professional And Ethical.

PASSION FOR **EXCELLENCE**

From the day it opened its doors for business at No. 4 Jalan Gereja, Kuala Lumpur, with its first 62 pioneer staff, the seeds of excellence was sown. Tan Sri Dato' Sri Dr. Teh Hong Piow's exceptional passion, untiring drive and exemplary leadership resulted in Public Bank's continuous growth that has weathered the test of time.

This was the DNA that Tan Sri Teh had put in place; a DNA of excellence that advocates the values of hard work, integrity, prudence and dedication – time tested values set in a culture of collaboration, listening and innovation that would continue to exemplify the Bank's distinctive passion for excellence and provide its leading edge in the banking industry.



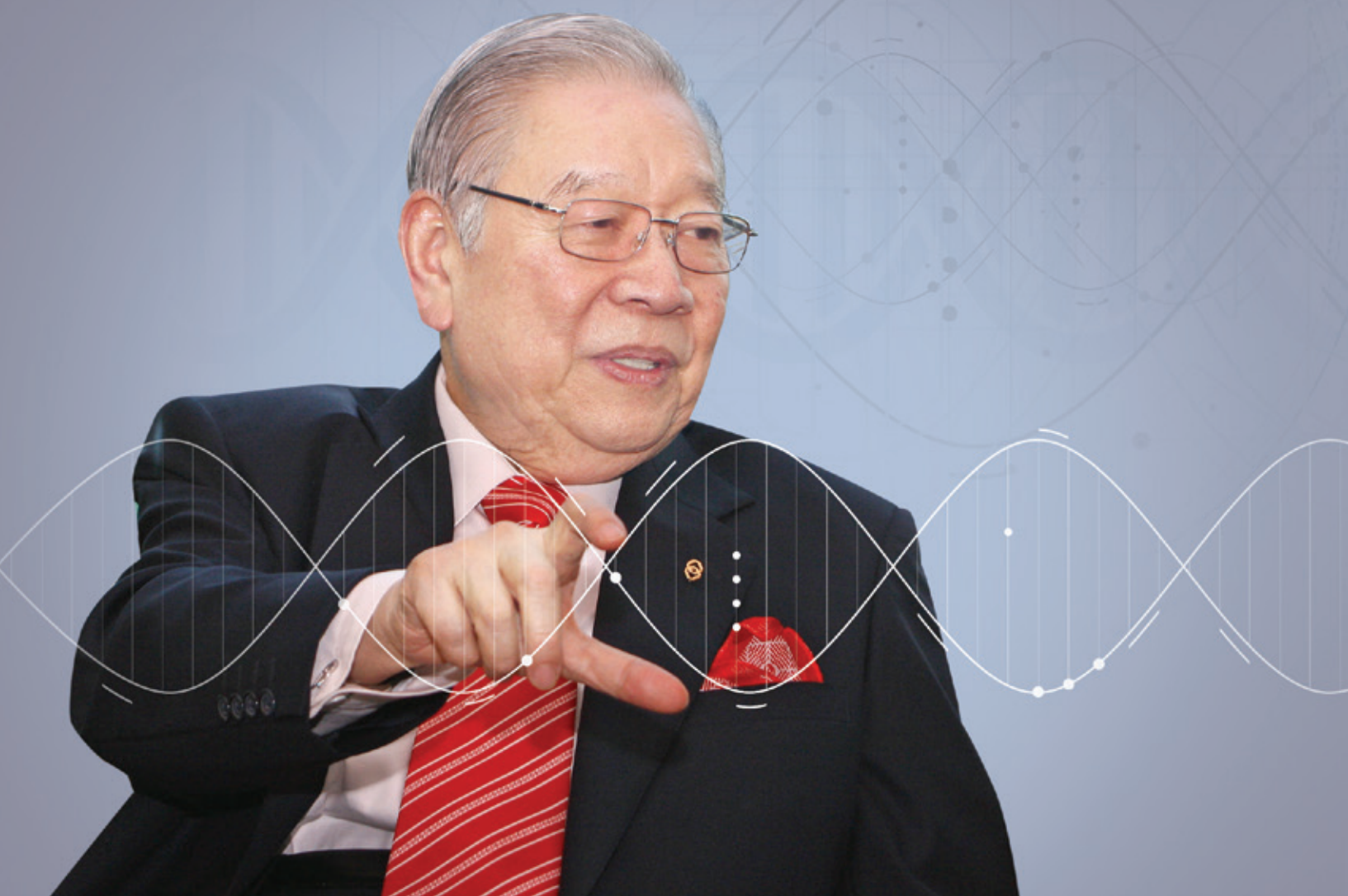


Assemble The Right Team To Realise The Vision.
The Ability To Execute Successfully Separates The Dreamers From The Entrepreneurs.
Combine Business With Passion To Give Your Business Every Opportunity To Flourish.
Be Passionate In Your Chosen Field.

PRUDENT **MANAGEMENT**

Amid daunting global adversity, Public Bank kept its head well above water even through the recessions and financial crises. This may be attributed to Tan Sri Dato' Sri Dr. Teh Hong Piow's foresight and penchant for prudence in all banking practices, efficient customer services and emphasis on strong corporate governance, aligned with professional management within an effective corporate culture.

It is these attributes that has provided the DNA for competitive edge, enabling Public Bank to make stellar returns and create significant value for its stakeholders over the years.



Keep Persevering Against The Odds.
There Is No Secret Recipe To Success Except For The Universal Attributes Of Hard Work, Resilience And Being Open To Change.



INSPIRATIONAL **LEGACY**

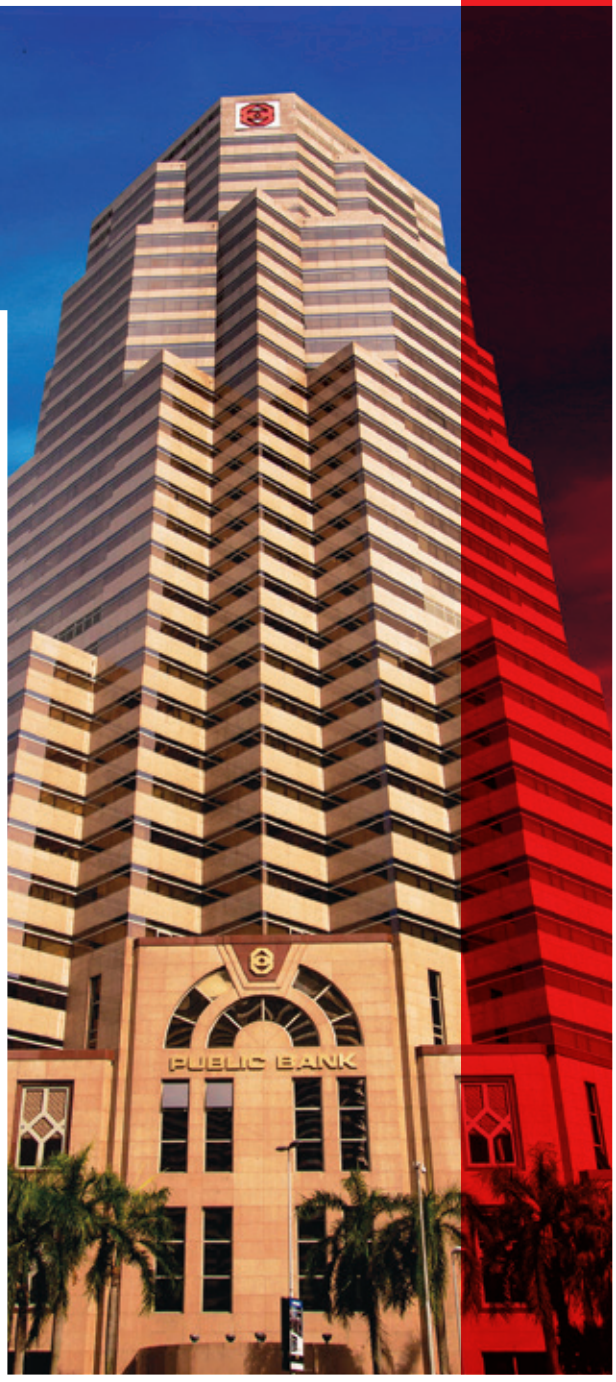
Public Bank's multitude of awards and recognition speaks volumes of the stature of Tan Sri Dato' Sri Dr. Teh Hong Piow who stands exceptional and apart from his contemporaries. Exemplifying the DNA qualities of a resilient banker, Tan Sri Teh inspires his people to follow his footsteps to become achievers so that each of them can create their own accomplishments which will contribute towards the total success of the Bank.





Entrepreneurship Model.
Practising Altruism.
Having A Keen Business Acumen.
Being Wealth Driven.
Receiving Recognition From Others.
Acquiring Meaningful Achievements.
Becoming A Better Person.

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- This annual report is available on the web at **www.publicbankgroup.com**
- To contact us, please refer to the Corporate Information on page 22 and the Group Corporate Directory on page 285
- The financial statements are available in the Financial Statements book of the 2017 Annual Report

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Corp Mission

TO SUSTAIN THE POSITION OF BEING THE MOST EFFICIENT, PROFITABLE AND RESPECTED PREMIER FINANCIAL INSTITUTION IN MALAYSIA.

orate Philosophy

PUBLIC BANK CARES ...

FOR ITS CUSTOMERS

- By providing the most courteous and efficient service in every aspect of its business
- By being innovative in the development of new banking products and services

FOR ITS 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 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 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

52nd NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 52nd 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 Monday, 23 April 2018 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To lay before the meeting the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon.

2. To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association (Constitution):
   - i. Lai Wan — **Ordinary Resolution 1**
   - ii. Tang Wing Chew — **Ordinary Resolution 2**

3. To re-elect Cheah Kim Ling who retires by rotation pursuant to Article 111 of the Company's Articles of Association (Constitution). — **Ordinary Resolution 3**

4. To approve the payment of Directors' fees, Board Committees Members' fees, and allowances to Directors amounting to RM3,848,460 for the financial year ended 31 December 2017. — **Ordinary Resolution 4**

5. To approve the payment of remuneration and benefits-in-kind (excluding Director's fee and Board meeting allowance) to the Founder and Non-Executive Chairman amounting to RM30,703,180 for the financial year ended 31 December 2017. — **Ordinary Resolution 5**

6. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to fix the Auditors' remuneration. — **Ordinary Resolution 6**

By Order of the Board

DATO' CHIA LEE KEE
MAICSA 7008270
Company Secretary

Kuala Lumpur
22 March 2018

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 16 April 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 52nd Annual General Meeting (AGM).

2. A Member entitled to attend, speak and vote at this 52nd AGM may appoint a proxy to attend, speak and vote on his behalf. A proxy need not be a Member of the Company.

3. A Member shall not be entitled to appoint more than 2 proxies to attend and vote at this 52nd AGM 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 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.

   Where a Member appoints 2 proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

   Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 which is exempted from compliance with the provisions of subsection 25A(1) of the said Act.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney of the corporation duly authorised.

5. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for this 52nd AGM or no later than 21 April 2018 at 11.00 a.m.

6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Ordinary Businesses:

(i) Audited Financial Statements for the financial year ended 31 December 2017

The Audited Financial Statements are for discussion only as they do not require shareholders' approval pursuant to Section 340(1)(a) of the Companies Act, 2016. Hence, this matter will not be put for voting.

(ii) Ordinary Resolution 4 – Proposed payment of Directors' fees, Board Committees Members' fees, and allowances to Directors

The breakdown of the proposed payment of Directors' fees, Board Committees Members' fees, and allowances to Directors amounting to RM3,848,460 for the financial year ended 31 December 2017 is as set out below:

	RM per annum
Directors' fees	2,188,400
Board Committees Members' fees	1,347,200
Allowances to Directors	312,860
Total	**3,848,460**

(iii) Ordinary Resolution 5 – Proposed payment of remuneration and benefits-in-kind (excluding Director's fee and Board meeting allowance) to the Founder and Non-Executive Chairman

The proposed payment of remuneration and benefits-in-kind (excluding Director's fee and Board meeting allowance) to the Founder and Non-Executive Chairman amounting to RM30,703,180 for the financial year ended 31 December 2017 is in deep appreciation and recognition of the Founder and Chairman's invaluable contributions to Public Bank's and Public Bank Group's continued success.

The benefits-in-kind include company car, medical coverage and other claimable benefits.

Financial Calendar

FINANCIAL YEAR 2017

Announcement of Consolidated Results

20 April 2017 (Thursday)
UNAUDITED RESULTS FOR 1ST QUARTER ENDED 31 MARCH 2017

25 July 2017 (Tuesday)
UNAUDITED RESULTS FOR 2ND QUARTER AND HALF-YEAR ENDED 30 JUNE 2017

26 October 2017 (Thursday)
UNAUDITED RESULTS FOR 3RD QUARTER ENDED 30 SEPTEMBER 2017

22 February 2018 (Thursday)
AUDITED RESULTS FOR 4TH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2017

ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING
22 March 2018 Thursday

52nd ANNUAL GENERAL MEETING
23 April 2018 Monday

DIVIDENDS

1ST INTERIM DIVIDEND OF 27.0 SEN PER SHARE

Notice : 25 July 2017 (Tuesday)
Entitlement : 9 August 2017 (Wednesday)
Payment : 17 August 2017 (Thursday)

2ND INTERIM DIVIDEND OF 34.0 SEN PER SHARE

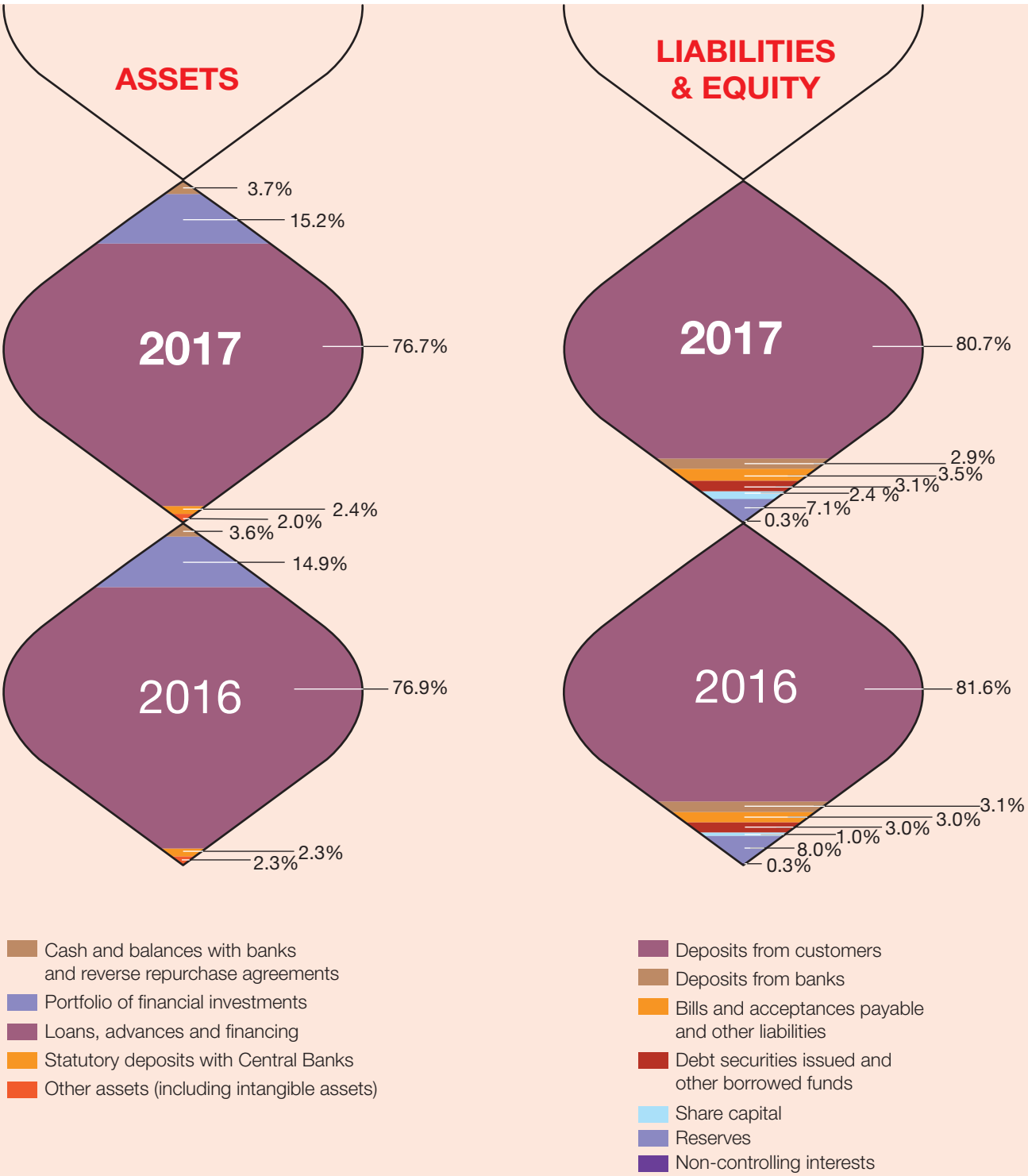
Notice : 22 February 2018 (Thursday)
Entitlement : 15 March 2018 (Thursday)
Payment : 23 March 2018 (Friday)

FINANCIAL HIGHLIGHTS

	Group		Bank	
	2017	2016	**2017**	2016
PROFITABILITY (RM'Million)				
Operating revenue	**20,858**	20,103	**15,669**	14,834
Operating profit	**7,319**	6,745	**6,366**	5,105
Profit before tax expense and zakat	**7,118**	6,554	**6,296**	5,079
Net profit attributable to equity holders of the Bank	**5,470**	5,207	**5,061**	4,024
KEY BALANCE SHEET DATA (RM'Million)				
Total assets	**395,276**	380,053	**313,665**	303,810
Loans, advances and financing	**303,044**	292,429	**240,576**	232,795
Deposits from customers	**319,259**	309,974	**245,332**	241,957
Shareholders' equity	**37,365**	34,213	**32,641**	29,774
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest bearing assets	**2.3**	2.2	**2.1**	2.0
Net return on equity[1]	**15.8**	16.5	**16.9**	14.6
Return on average assets	**1.8**	1.8	**2.0**	1.7
Return on average risk-weighted assets	**2.8**	2.7	**3.1**	2.6
Capital Adequacy Ratios				
Common Equity Tier I capital ratio	**12.8**	11.9	**12.1**	11.7
Tier I capital ratio	**13.5**	12.7	**13.1**	12.8
Total capital ratio	**16.5**	16.0	**15.6**	15.2
Asset Quality Ratio				
Gross impaired loans ratio	**0.5**	0.5	**0.4**	0.4

[1] *Based on average equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.*

SIMPLIFIED GROUP BALANCE SHEET



Corporate Information

BOARD OF DIRECTORS

TAN SRI DATO' SRI DR. TEH HONG PIOW
Non-Independent Non-Executive Chairman

PSM, SSAP, SPMJ, SIMP, SSIJ, DSAP, DPMJ,
Datuk Kurnia Sentosa Pahang, JP
Hon LLD (M'sia); EFMIM (M'sia); Fellow, AICB; FCIB (UK);
FGIA (Aust); CCMI (UK); FICM (UK); FInstAM (UK)

TAN SRI DATO' SRI TAY AH LEK
Managing Director/Chief Executive Officer

PSM, SSAP, PJN, DIMP, KMN
MBA (Henley); EFMIM (M'sia); Fellow, Chartered Banker, AICB;
FCPA (Aust); F Fin (Aust)

LAI WAN
Independent Non-Executive Deputy Chairman

BA (Econs Hons); Associate, AICB

TANG WING CHEW
Independent Non-Executive Director

BA (Hons)

LAI WAI KEEN
Independent Non-Executive Director

BEc (Hons); LLB

CHEAH KIM LING
Independent Non-Executive Director

BAcc (Hons); CA (M'sia)

CORPORATE INFORMATION

COMPANY SECRETARY

DATO' CHIA LEE KEE

DIMP

MAICSA 7008270
Telephone No. : 603-2176 6341
E-mail : pbbcosec@publicbank.com.my

REGISTERED OFFICE

27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Telephone No. : 603-2176 6341, 2163 8888
Facsimile No. : 603-2163 9917

SHARE REGISTRAR

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Telephone No. : 603-2783 9299
Facsimile No. : 603-2783 9222
E-mail : is.enquiry@my.tricorglobal.com

Tricor Customer Service Centre:
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

AUDITORS

MESSRS ERNST & YOUNG (AF 0039)
Chartered Accountants
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Malaysia
Telephone No. : 603-7495 8000
Facsimile No. : 603-2095 5332

HEAD OFFICE

Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Telephone No. : 603-2176 6000, 2176 6666, 2163 8888, 2163 8899
Facsimile No. : 603-2163 9917

WEBSITE

www.publicbankgroup.com

INVESTOR RELATIONS

Telephone No. : 603-2176 6293
Facsimile No. : 603-2163 9929
E-mail : ir@publicbank.com.my

AGM HELP DESK

Telephone No. : 603-2176 6458, 2176 6462
Facsimile No. : 603-2163 9917
E-mail : pbbcosec@publicbank.com.my

STOCK EXCHANGE LISTING

Listed on the Main Market of
Bursa Malaysia Securities Berhad
Listing Date : 6 April 1967
Stock Name : PBBANK
Stock Code : 1295

PUBLIC BANK

MALAYSIAN COMPANIES

- 100% **Public Islamic Bank Bhd** (*Islamic Banking*)
- 30% **AIA PUBLIC Takaful Bhd** (*Family Takaful*)*1
- 100% **Public Investment Bank Bhd** (*Investment Banking*)
  - 100% **Public Invest Nominees (Tempatan) Sdn Bhd** (*Nominee Services*)
  - 100% **Public Invest Nominees (Asing) Sdn Bhd** (*Nominee Services*)
- 100% **Public Consolidated Holdings Sdn Bhd** (*Investment Holding*)
  - 100% **Public Mutual Bhd** (*Sale & Management of Unit Trust Funds and Private Retirement Schemes*)
- 100% **Public Holdings Sdn Bhd** (*Property Holding*)
- 100% **Public Nominees (Tempatan) Sdn Bhd** (*Nominee Services*)
- 100% **Public Nominees (Asing) Sdn Bhd** (*Nominee Services*)
- 100% **PB Trustee Services Bhd** (*Trustee Services*)*2
- 100% **PB Venture Capital Sdn Bhd** (*Investment Holding*)
- 100% **Public Leasing & Factoring Sdn Bhd** (*Leasing & Factoring*)
  - 100% **PB International Factors Sdn Bhd** (*Investment Holding*)
- 100% **PBFIN Bhd** (*Special purpose vehicle to issue subordinated notes under its holding company's Stapled Securities Programme*)

Group Corporate Structure

AS AT 22 FEBRUARY 2018

GROUP CORPORATE STRUCTURE

OVERSEAS AND OFFSHORE COMPANIES

- 73.2% **Public Financial Holdings Ltd** (*Investment & Property Holding*)
  - 100% **Public Bank (Hong Kong) Ltd** (*Banking*)
    - 100% **Public Financial Securities Ltd** (*Stock & Share Broking*)
    - 100% **Public Bank (Nominees) Ltd** (*Nominee Services*)
    - 100% **Public Finance Ltd** (*Deposit-Taking & Finance*)
      - 100% **Public Securities (Nominees) Ltd** (*Nominee Services*)
      - 100% **Public Financial Ltd** (*Investment Holding*)
        - 100% **Public Securities Ltd** (*Stock & Share Broking*)
  - 100% **Winton (B.V.I.) Ltd** (*Investment Holding*)
    - 100% **Winton Financial Ltd** (*Provision of Financing*)
    - 100% **Winton Motors, Ltd** (*Trading of taxi cabs and taxi licences, and leasing of taxis*)
- 100% **Cambodian Public Bank Plc** (*Banking*)
  - 100% **Campu Securities Plc** (*Securities Dealing and Underwriting*)
  - 49% **CPB Properties Company Ltd** (*Property Holding*)
  - 51% / 4% **Campu Lonpac Insurance Plc** (*General Insurance*)
- 100% **Public Bank Vietnam Ltd** (*Banking*)
- 100% **Public Bank (L) Ltd** (*Offshore Banking*)
- 100% **PB Trust (L) Ltd** *(Offshore Trust Company)*

Notes:

- The companies reflected above are operating subsidiaries/ associated companies.
- The full list of companies under the Public Bank Group is set out in Notes 15 and 16 to the Financial Statements on pages 98 to 101 in the Financial Statements section of this Annual Report.

*1 Held by:
i. Public Bank Bhd; and
ii. Public Islamic Bank Bhd
with direct shareholdings of 15% each.

*2 Held by:
i. Public Bank Bhd;
ii. Public Investment Bank Bhd;
iii. Public Consolidated Holdings Sdn Bhd;
iv. Public Holdings Sdn Bhd; and
v. PB International Factors Sdn Bhd
with direct shareholdings of 20% each.

Corporate Profile

IN 1966, TAN SRI DATO' SRI DR. TEH HONG PIOW FOUNDED PUBLIC BANK WITH THE VISION OF GROWING PUBLIC BANK TO BE A 'BANK FOR THE PEOPLE' IN SERVING THE BANKING NEEDS OF THE PEOPLE. FOR 51 YEARS, THIS VISION HAS BEEN STEERING PUBLIC BANK'S SUCCESSFUL GROWTH PATH AND SHAPING ITS RESILIENT BUSINESS MODEL.

ONE OF THE LARGEST PREMIER BANKS IN MALAYSIA

TOTAL ASSETS
RM395.28 BILLION
3rd Largest Bank in Malaysia

MARKET CAPITALISATION
RM80.67 BILLION
3rd Largest Company on Bursa Malaysia by Market Capitalisation

NET PROFIT
RM5.47 BILLION
51 Years of Unbroken Profitability Track Record

THE BEST AMONG DOMESTIC BANKS

HIGHEST RETURN ON EQUITY
15.8%

LOWEST COST TO INCOME RATIO
31.9%

LOWEST GROSS IMPAIRED LOANS RATIO
0.5%

LEADING MARKET SHARES

RESIDENTIAL PROPERTY FINANCING
19.6%

PASSENGER VEHICLE FINANCING
28.5%

COMMERCIAL PROPERTY FINANCING
35.5%

PRIVATE UNIT TRUST BUSINESS RETAIL MARKET SHARE
40.9%

OVER 18,000 EMPLOYEES SERVING MORE THAN 10 MILLION CUSTOMERS ACROSS THE REGION.

One of the Largest Premier Banks in Malaysia

In 1966, Tan Sri Dato' Sri Dr. Teh Hong Piow founded Public Bank with the vision of growing Public Bank to be a 'bank for the people' serving the banking needs of the people. For 51 years, this vision has been steering Public Bank's successful growth path and shaping its resilient business model. Today, the Public Bank Group is one of the largest premier banking groups in Malaysia with solid banking fundamentals and a track record of unbroken profitability.

Focused Organic Growth Strategy

The Group pursues a focused organic growth strategy in retail banking business, particularly on retail consumers and small and medium enterprises ("SMEs").

Regional Network

Public Bank has a network of 259 well distributed branches and over 2,000 self service terminals in Malaysia. The Group has an extensive branch network in the region with a network of 79 branches in Hong Kong, 4 branches in the People's Republic of China, 30 branches in Cambodia, 13 branches in Vietnam, 4 branches in Laos and 3 branches in Sri Lanka.

Leading Market Shares

The Group remains committed to sustain its leading market positions in consumer banking, retail commercial lending to SMEs as well as private unit trust business.

Diverse Range of Products and Services

The Group provides a comprehensive range of financial products and services comprising personal banking, commercial banking, Islamic banking, investment banking, share broking, trustee services, nominee services, sale and management of unit trust funds, bancassurance and general insurance products.

In addition to conventional banking, the Group has advanced its services on the digital banking front. The PBe internet banking, PB engage mobile banking app and the cashless payment services provide customers faster and convenient banking experience. The Group continues to strengthen its digital capabilities to meet the evolving needs of customers.

Strong Credit Ratings

The Group continues to be accorded with strong credit and financial ratings from local and foreign rating agencies for its prudent management as well as strong and consistent financial performance.

Standard & Poor's

A– long-term rating
A-2 short-term counterparty credit rating with stable outlook

Moody's

Long-term deposits rating of A3
Short-term deposits rating of P-2 with stable outlook

Rating Agency Malaysia

Long-term rating of AAA, the highest rating accorded by Rating Agency Malaysia
Short-term rating of P1 with stable outlook

Award-winning bank

Public Bank continues to earn accolades and recognition for its sustainable financial strength and prudent management throughout its 51 years of journey. In 2017, Public Bank was named as The Strongest Bank by Balance Sheet in Malaysia 2017 by The Asian Banker. During the year, the Group was honoured with many best bank awards and excellence in corporate governance by national and international publications. Not resting on its laurels, the Group will continue to strive for wider recognition and trust from the public.

Corporate Social Responsibility

As a key player in the financial industry, the Group plays its role in generating value and contributing to the nation's economic growth. Apart from being one of the significant contributor of taxes to the country, the Group also fulfils its responsibility as a corporate citizen by helping to improve the lives of people through acts of giving such as volunteerism, charitable donations and sponsorships focusing in the areas of educational development, improvement of community healthcare and well being, as well as preserving the environment.

CORPORATE MILESTONES FROM 1966

Our Incredible Journey

1966

On 6 August 1966, Public Bank first opened its doors for business at No. 4 Jalan Gereja, Kuala Lumpur with 62 pioneer staff.



1967

Official opening of Public Bank on 4 April 1967 by Malaysia's first Prime Minister, the late Y.T.M. Tunku Abdul Rahman.



1978

Public Bank moved to Bangunan Public Bank, the first Head Office building owned by the Bank.



1990

Acquisition of Public Finance Limited (then known as JCG Finance Company, Limited) in Hong Kong.



CORPORATE MILESTONES FROM 1966

1992

Establishment of Cambodian Public Bank Plc, presently a wholly-owned subsidiary in Cambodia, on 25 May 1992 and branches in Vientiane, Laos and Colombo, Sri Lanka.

1996

Public Bank moved to Menara Public Bank, its present landmark Head Office building in the heart of Kuala Lumpur's central business district.

2001

Completed the acquisition of Hock Hua Bank Berhad on 31 March 2001.

2004

Completed the merger of the finance company business of Public Finance Berhad with the commercial banking business of Public Bank on 4 September 2004.

2006

Public Mutual Berhad, the largest private sector unit trust management company in Malaysia, became a wholly-owned subsidiary on 12 July 2006.

2007

Establishment of Campu Lonpac Insurance Plc, a 55% subsidiary of Public Bank Group, to provide general insurance business in Cambodia.



2008

Public Islamic Bank Berhad, a wholly-owned subsidiary, commenced business on 1 November 2008 upon the completion of the transfer of the Islamic banking business of Public Bank to Public Islamic Bank Berhad.



2016

Public Bank celebrated its 50th Anniversary on 6 August 2016.

PUBLIC BANK 50TH ANNIVERSARY
Still Surging Ahead
Since 1966

2017

Pre-tax profit surpassed RM7 billion for the 1st time.


Public Bank Group achieves pre-tax profit of RM7.12 bln

CORPORATE MILESTONES FROM 1966

1966
- On 6 August 1966, Public Bank first opened its doors for business at No. 4 Jalan Gereja, Kuala Lumpur with 62 pioneer staff.
- Public Finance Berhad, then Public Bank's wholly-owned finance company subsidiary, commenced business on 24 September 1966.
- The start of an expanding network of Public Bank with the opening of Public Bank's Malacca Branch on 15 September 1966 and Ipoh Branch on 7 January 1967, a domestic network that stands at 257 branches today.
- 1st five months of business yielded a profit of RM71,562, the start of an unbroken profitability track record of 51 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 Malaysia Securities Berhad (then known as the Kuala Lumpur Stock Exchange).

1969
- 1st RM1 million annual pre-tax profit.

1970
- Public Bank paid its 1st dividend of 3.5% per ordinary share of RM1.00 each, the start of an unbroken stream of dividends paid by Public Bank to 2017.

1978
- Public Bank moved to Bangunan Public Bank, the first Head Office building owned by the Bank.

1980
- 1st RM10 million annual pre-tax profit with RM21 million pre-tax profit achieved for the year.
- Total assets surpassed RM1 billion for the 1st time.

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 stockbroking business.

1990
- Acquisition of Public Finance Limited (then known as JCG Finance Company, Limited) in Hong Kong.
- Establishment of a wholly-owned off-shore banking subsidiary, Public Bank (L) Ltd, in the Federal Territory of Labuan.
- 1st RM100 million annual pre-tax profit with RM128 million pre-tax profit in the year.

1991
- Listing of Public Financial Holdings Limited (then known as JCG Holdings Limited) on The Stock Exchange of Hong Kong Limited.
- Total assets surpassed RM10 billion for the 1st time.

1992
- Listing of Public Finance Berhad (the former finance company subsidiary of Public Bank) on Bursa Malaysia Securities Berhad (then known as the Kuala Lumpur Stock Exchange) on 15 July 1992.
- VID Public Bank, Public Bank's 50:50 joint venture bank with Bank for Investment and Development of Vietnam commenced business in Hanoi, Vietnam on 18 May 1992.
- Establishment of Cambodian Public Bank Plc, presently a wholly-owned subsidiary in Cambodia, on 25 May 1992 and branches in Vientiane, Laos and Colombo, Sri Lanka.

1993
- Commencement of Islamic Banking service with the launch of "Skim Perbankan Tanpa Faedah" and the setting-up of Public Bank's Islamic Banking Unit.
- Acquisition of 55% interest in Public Mutual Berhad (then known as Kuala Lumpur Mutual Fund Berhad) on 26 May 1993.

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 exceeded RM1 billion.

2000
- Acquisition of Public Merchant Bank Berhad (then known as Sime Merchant Bank Berhad) on 25 October 2000 expanded the Group's business into merchant banking.
- 1st RM1 billion annual pre-tax profit with RM1.25 billion pre-tax profit in the year.

2001
- Completed the acquisition of Hock Hua Bank Berhad on 31 March 2001.

2002
- Paid-up capital of Public Bank exceeded RM2 billion.

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.
- Paid-up capital of Public Bank exceeded RM3 billion.

CORPORATE MILESTONES FROM 1966

2004
- 1st issue of subordinated debt of USD350 million.
- Completed the merger of the finance company business of Public Finance Berhad with the commercial banking business of Public Bank on 4 September 2004.

2005
- Pre-tax profit surpassed RM2 billion for the 1st time.
- Total assets surpassed RM100 billion for the 1st time.

2006
- 1st Malaysian bank to issue innovative hybrid Tier-1 capital securities in both the international market in US Dollars of USD200 million and in the domestic market in Ringgit of RM1.2 billion.
- Acquisition of Public Bank (Hong Kong) Limited (formerly known as Asia Commercial Bank Limited) in Hong Kong for HKD4.5 billion.
- Public Mutual Berhad, the largest private sector unit trust management company in Malaysia, became a wholly-owned subsidiary on 12 July 2006.
- Public Investment Bank Berhad, a wholly-owned subsidiary, was established on 18 December 2006 upon completion of the merger of the merchant banking business of Public Merchant Bank Berhad with the stockbroking business of PB Securities Sdn Bhd.

2007
- Pre-tax profit surpassed RM3 billion for the 1st time.
- Total loans, advances and financing exceeded RM100 billion for the 1st time.
- Public Bank entered into an exclusive regional strategic alliance agreement with ING Asia/Pacific Limited for the joint development of bancassurance business, Takaful business and various other services between Public Bank and ING in the Asia Pacific region for 10 years.
- Establishment of Campu Lonpac Insurance Plc, a 55% subsidiary of Public Bank Group, to provide general insurance business in Cambodia.

2008
- Public Islamic Bank Berhad, a wholly-owned subsidiary, commenced business on 1 November 2008 upon the completion of the transfer of the Islamic banking business of Public Bank to Public Islamic Bank Berhad.
- Public Bank became the largest banking group in Malaysia by market capitalisation and the 2nd largest listed company on Bursa Malaysia Securities Berhad on 18 July 2008 with a market capitalisation of RM36.03 billion.

2009
- Total assets surpassed RM200 billion for the 1st time.

2010
- Pre-tax profit surpassed RM4 billion for the 1st time.
- Profit after tax surpassed RM3 billion for the 1st time.
- Public Bank and Public Islamic Bank Berhad jointly with ING Management Holdings (Malaysia) Sdn Bhd, obtained a Family Takaful licence to carry out family takaful business.
- Public Islamic Bank Berhad, a wholly-owned subsidiary, opened its first full-fledged Islamic branch offering Shariah-compliant products.

2011
- ING PUBLIC Takaful Ehsan Bhd, the joint venture Takaful company set up by Public Bank and Public Islamic Bank Berhad jointly with ING Management Holdings (Malaysia) Sdn Bhd, was launched on 5 April 2011.

2012
- Pre-tax profit surpassed RM5 billion for the 1st time.

2013
- Public Bank entered into new regional strategic alliance agreement on bancassurance with American International Assurance Company, Limited.
- ING PUBLIC Takaful Ehsan Bhd changed its name to AIA PUBLIC Takaful Bhd following the completion of the acquisition of ING Insurance Berhad by AIA Bhd in Malaysia on 17 June 2013.

2014
- Completed the merger of ordinary shares of RM1.00 each in Public Bank (PBB Shares) listed and quoted as "Local" and PBB Shares listed and quoted as "Foreign" on the Main Market of Bursa Malaysia Securities Berhad on 16 April 2014.
- Paid-up capital of Public Bank exceeded RM3.8 billion upon the issuance of 350,212,513 new ordinary shares of RM1.00 each pursuant to the completion of the Public Bank Rights Issue.

2015
- Pre-tax profit surpassed RM6 billion for the 1st time.

2016
- VID Public Bank (previously 50% held by Public Bank) became a wholly-owned subsidiary of Public Bank and changed its name to Public Bank Vietnam Limited with effect from 1 April 2016.
- Public Bank Vietnam Limited received the licence from the State Bank of Vietnam for its establishment and operation as a 100% foreign-owned bank in Vietnam with effect from 1 April 2016.
- Public Bank celebrated its 50th anniversary on 6 August 2016.

2017
- Pre-tax profit surpassed RM7 billion for the 1st time.

Media Highlights 2017

Public Bank untung RM3.37b

Oleh Nora Mahpar
noramahpar@bh.com.my

Kumpulan Public Bank Bhd mencatatkan keuntungan sebelum cukai RM3.37 bilion bagi setengah tahun berakhir 30 Jun 2017, meningkat 5.1 peratus berbanding RM3.20 bilion pada tempoh sama tahun lalu.

Keuntungan itu dipacu perkembangan berterusan dalam perniaga-

Strategi perniagaan kumpulan yang jelas dan fokus serta budaya

BUSINESS

dailyexpress
YOUR LOCAL VOICE | FRIDAY, OCTOBER 27, 2017

20 FCB to chart end-to-easy money
21 Tajuddin: Reit Index to offer greater transparency in industry

Public Bank rakes RM5.1billion

KUALA LUMPUR: For the first nine months of 2017, the Public Bank Group continued to make good progress, with its pre-tax profit increasing to RM5.06 billion, representing 8.4 per cent growth from the corresponding period in 2016.

Over the same period, net profit attributable to shareholders increased by 7.0 per cent to RM3.98 billion.

The Public Bank Group's sustained

reflected in the Group retaining its competitive position," said Founder and Chairman of Public Bank, Tan Sri Dr Teh Hong Piow [pic] on Thursday.

He also said the Public Bank Group had continued to outperform the Malaysian banking industry as reflected in its key performance indicators. As at the end of September 2017, the Group's net return on equity stood at 15.4 per cent with an efficient cost-to-income ratio of 32.8 per cent, while the Group's gross impaired loan ratio remained low at 0.5 per cent.

In the first nine months of 2017, the Public Bank Group's total loans recorded a 11 per cent annualised growth to RM360.3

Be passionate, love what you do

SunBiz sat down with Public Bank founder and chairman Tan Sri Teh Hong Piow, one of the most prominent figures in the local banking industry, to get his views and insights on what it takes to be a leader.

SUCCESS: THE

expanding in a more complex environment, I expect the



to change the world. At the same time, there exists some fear that our ability to communicate, work, play and do business via the internet breaks down our ties to local communities and causes us to become socially isolated. Like any invention, the good or ill it accomplishes will come from how we choose to use it.

Malaysia's greatest brand?
AirAsia, for having attained a world-class and globally recognised innovative brand. Their tenacity in breaking the norms of air travel has brought affordability to millions of travellers and high growth levels to countless tourism destinations in a remarkably short time.

A must read for every business owner/manager is....?
The Millionaire Next Door by Tom Stanley and William Danko, which explores how people become wealthy. What they propound certainly resonates with me. It is seldom luck, inheritance, advanced degrees or even intelligence that enables people to amass a fortune. Most parents are not able to provide sufficient economic outpatient care yet many are able

Public Bank lancar Kempen PB Savers Reward

Public Bank melancarkan Kempen Akaun Istimewa/Simpanan (CASA) ketiga bagi 2017 yang dikenali sebagai PB Savers Reward mulai awal bulan ini, yang memberi ganjaran kepada pelanggan yang membuat deposit dengan bank berkenaan.

Kempen PB Savers Reward ini terbuka kepada semua pelanggan individu baharu dan sedia ada.

Pelanggan yang layak akan layak untuk mendapat pelbagai perkhidmatan dapat apabila mereka mendeposit dana baharu dalam CASA yang Layak dan memberikan deposit itu diantikan selama enam bulan.

Empat pilihan berangka hadiah yang ditawarkan di bawah kempen ini ialah berubar cuba Peruncit, personal sebagaia Morphy Richards, pemerah jus perbahan biasan dan taruran elektrik mini Panasonic bagi penyediaan makanan dan minuman.

Pelanggan boleh memilih untuk mendapatkan satu hadiah sahaja mereka memenuhi beberapa syarat kelayakan kempen.

Public Bank juga turut menga-

dakan dua lagi kempen deposit tetap, dikenali sebagai Kempen Deposit Tetap Super PB Kempen Deposit Berimpuh dan kempen e-Deposit Tetap, selain daripada kempen CASA yang sedang berlangsung sekarang.

Deposit Tetap Super PB Kempen Deposit Berimpuh ini menawarkan kadar faedah dan keuntungan yang menarik. Jumlah minimum bagi setiap deposit bagi pelanggan individu dan pelanggan bukan individu masing-masing adalah RM10,000 dan RM50,000.

Faedah dikredit setiap bulan

Faedah dan keuntungan akan dikreditkan setiap bulan ke dalam akaun konvensional atau Akaun Simpanan-CASA Islam/CASA-i.

Selain daripada Kempen Deposit Tetap ini, Public Bank juga menawarkan pelanggan untuk membuat deposit dan pengeluaran di lapang jari tanpa menggunakan slip masuk atau keluar.

Kempen e-Deposit Tetap (eFD) PB ini membolehkan pelanggan membuat kadar faedah promosi sebanyak 3.20 peratus setahun selama tempoh enam bulan dan 3.40 peratus setahun bagi tempoh 12 hingga 24, 36, 48 dan 60 bulan.

Pelanggan hanya perlu melelaikan jumlah minimum sebanyak RM5,000 semasa tempoh kempen untuk layak menyertai kempen terbabit.

info

Kempen PB Savers Reward

- **Pelanggan yang layak** akan layak untuk mendapat pelbagai perkhidmatan dapat apabila mereka mendeposit dana baharu dalam CASA yang Layak dan memberikan deposit itu diantikan selama enam bulan.
- **Kempen terbuka kepada semua pelanggan individu** berumur 18 tahun dan ke atas dan memiliki empunya

tunggal dengan CASA konvensional sedia ada dan sedia mendaftar untuk PBe.

- **Untuk mengetahui dengan lebih lanjut mengenai kempen Public Bank**, pelanggan boleh berkunjung ke mana-mana cawangan PBB, layari laman web PBB www.pbebank.com atau menelefon talian bebas cui kami 1-800-22-0000 semasa waktu bekerja.



Bangunan Public Bank.

大众银行赚幅续承压 股本回酬率仍胜同行

吉隆坡27日讯｜大众银行（PBBANK，1295，主板金融股）董事经理丹斯里郑亚历今日坦诚，在剧烈的市场竞争以及行业大环境的影响下，该银行预计其赚幅将进一步受到挤压，进而影响股本回酬率



郑鸿标（右）和郑亚历出席大众银行第51届股东大会。

2015年的17.8%，下滑至2016年的16.5%。根据该银行2016年报，该银行2017年的股本回酬率目标是在14%至15%之

出，大众银行会尽力将毛呆账率维持在1%以内。

在成本收入比率方面，该银行也取得比同行好的表

Public Bank upgraded to 'Buy'

AmInvestment says the revision is due to the rollover of valuation to the FY18

by NG MIN SHEN

PUBLIC Bank Bhd has received a revision in call and fair value from AmInvestment Bank Bhd, based on its forecast return on equity (ROE) of 14.3% in 2018, which is higher than the sector average ROE of between 10% and 11%.

In a research note last Friday, AmInvestment said the revision was due to the rollover of valuation to the financial year 2018 (FY18).

The research house upgraded the bank to 'Buy' from a previous 'Hold' call with a higher fair value of RM22.30 per share compared to RM20.30 per share, following its

first-quarter (1Q) results which were largely within expectations.

The banking group reported a mar-, ginally RM1.25 March higher banking

The r offset b and low drop in eign-ex

Amln were w 23.2% a estimate

"We c uncharg times, k cal aver

The g 7% yea

domestic loan growth staying ahead of the industry average despite deleveraging to 6.1% YoY compared to 7.2%

pressure on deposits with ongoing campaigns to raise deposits, consequently leading to a rise in funding

大眾信託9基金派紅利

（吉隆坡1日讯）大众银行（PBBANK，1295，主要板金融）独资子公司大众信托基金（Public Mutual Bhd）宣布，旗下9项截至9月30日财年底的基金，派发总值超过5200万令吉红利，每单位介于0.50仙至3.70仙。

大众信托基金发布文告指出，旗下新加坡股票、大众策略小资本基金、优势成长股票基金、策略平衡基金、企业债券基金、大众回教企业股票、伊斯兰优势成长股票基金、PB环球股票基金和PB小资本成长基金将派发红利。

其中新加坡股票将合雇员公积金会员投资计划资格。

同时，大众系列的基金皆由大众信托基金单位信托顾问所经销，而PB系列的基金

9基金紅利派發	
基金	每单位红利（仙）
新加坡股票	1.50
大众策略小资本基金	0.50
优势成长股票基金	0.50
策略平衡基金	1.00
企业债券基金	3.70
大众回教企业股票	0.50
伊斯兰优势成长股票基金	0.50
PB环球股票基金	3.50
PB小资本成长基金	0.50

则由大众银行全盘分行经销。

大众信托基金是国内最大私人单位信托公司，管理超过120项单位信托基金。该公司也是获批准的私人退休计划（PRS）供应商，管理8项私人退休计划基金。

MEDIA HIGHLIGHTS 2017

Public Bank Group achieves pre-tax profit of RM7.12 bln

KUCHING: Public Bank Bhd (Public Bank) recorded another financial milestone with a pre-tax profit of RM7.12 billion for the whole of 2017, surpassing the RM7 billion mark for the first time.

"This represents 8.6 per cent growth from the pre-tax profit of RM6.55 billion achieved a year ago.

"Net profit attributable to shareholders grew by 5.1 per cent to RM5.47 billion, translating to a net return on equity of 15.8 per cent for 2017," Public Bank founder and chairman Tan Sri Dr Teh Hong Piow said in a statement yesterday.

"With the resilient performance



Tan Sri Dr Teh Hong Piow

The total dividend paid and payable for 2017 amounted to RM2.36 billion and represents a total payout of 43.1 per cent of the group's net profit for 2017.

For the financial year ended December 31, 2017, the Public Bank Group sustained a steady loan growth momentum at a rate of 3.6 per cent. Domestic lending business grew by 4.6 per cent over the same period, outpacing the domestic banking industry's loan growth rate of 4.1 per cent.

This loan growth was mainly attributed to the lending growth in its retail consumer and commercial banking segment, comprising financing for the purchase of residential properties and extension of credits to small and medium enterprises.

In tandem with the steady loan growth, the Group's total customer deposits grew by 3.0 per cent, mainly attributed to the steady inflow of core deposit comprising fixed deposits, low-cost savings and current accounts, which grew by 4.5 per cent.

"The Group's robust funding position was mainly supported by its strong retail franchise and large domestic depositor base of over six million customers who continue to place their trust and confidence in the Group in safeguarding their funds," remarked Teh.

With the steady inflow of customer deposits, the Public Bank Group remains well funded with a healthy gross loan to fund and equity ratio of 80.7 per cent as at the end of 2017.

Meanwhile, the pre-tax profit of the Public Bank Group's overseas operations grew by 10.8 per cent to RM688 million in 2017, contributing 9.7 per cent to the Group's overall pre-tax profit for 2017.

In particular, Public Financial Holdings Ltd Group in Hong Kong and Cambodian Public Bank Plc – both subsidiaries of Public Bank – continued to be the main contributors to the Group's overseas business growth, generating pre-tax profit of HK$636 million and US$59 million respectively during the year.

In addition, Vietnam will continue to be on the Public Bank Group's overseas expansion plan.

"With the 100 per cent foreign-owned bank licence obtained in 2016, the Group has further expanded its business through the opening of 6 new branches in 2017. As at to date, it has 13 branches and is planning to open more branches in 2018.

The Public Bank Group continued to maintain a healthy level of capital with its common equity Tier 1 capital ratio, Tier 1 capital ratio and total capital ratio standing at 12.2 per cent, 13.0 per cent and 16.0 per cent respectively as at the end of 2017, after deducting the second interim dividend.

Teh reiterated that, "Public Bank will continue to be proactive in its capital management in order to ensure that the Group's capital position remains healthy at all times in support of the Group's business growth strategies whilst optimising its shareholders' return."



(From left) Chee Keng Eng, General Director of Public Bank Vietnam, Tan Sri Dato' Sri Tay Ah Lek, Managing Director of Public Bank, The, and Phan Ying Tong, Regional Head of Indo-China Operations of Public Bank at the award presentation ceremony.

Teh gets 'Medal for Development of Vietnam Banking Industry'

KUALA LUMPUR: Tan Sri Dr Teh Hong Piow, Founder and Chairman of Public Bank Bhd (PBB), has been awarded the Medal for the Development of Vietnam Banking Industry'.

In a statement Tuesday, PBB said, Teh was the first foreign banker in Vietnam to be awarded this medal.

Teh said he was truly honoured to be bestowed with this medal.

"Since its inception in 1992, Public Bank

He said PBB was granted the 100 per cent foreign-owned bank licence a year ago.

"For this I wish to record our gratitude to the State Bank of Vietnam and the Vietnamese for their trust in us to be a partner in the nation's development and progress especially in the banking industry," he said.

PBB said the award was another feather in Teh's long list of lifetime accolades and recognition.

大眾銀行PB紅利回酬 額外按年利率達3.08%

大众银行于今年5月1日推出"PB红利回酬"，即派利储蓄户口及基本储蓄户口的现有恒台利率之外，提供额外按年最高达3.08%的红利率。

顾客在每一个派利储蓄户口及基本储蓄户口存款最低现金存款1万令吉为期至1.68至3.出指定利利回酬为止。

除了众银行户口存款可获得



Public Bank's 3Q17 earnings driven by retail business

According to the banking group, its domestic loans portfolio also grew at 4.6% YoY

By AFIQ AZIZ

PUBLIC Bank Bhd continues to rely on its core retail banking business and cost-discipline measures to drive earnings.

The banking group posted a net profit of RM1.4 billion for the third quarter ended Sept 30, 2017 (3Q17), or 13.5% higher than the RM1.24 billion posted a year ago.

The rise in earnings was supported by higher net interest income, net fee and commission income, investment income and higher foreign exchange (forex) income partially offset by higher other operating expenses.

Revenue for the RM5.31 billion, or 7% higher than the registered in 3Q16.

In a statement



The banking sector will continue to benefit from the growing economy, says Teh

Public Bank confident of maintaining asset quality

KUALA LUMPUR: Public Bank Bhd is confident of maintaining its asset quality to sustain its profitability above the industry's average due to its prudent lending culture.

Our target is not to exceed one per cent.

Managing director/chief executive officer, Datuk Sri Tay Ah Lek, said the bank's asset quality remained the best in the country with gross impaired loans ratio at a low of 0.5 per cent in 2016 and below the industry's average of 1.4 per cent.

"Our target is not to exceed one per cent," he said at the company's annual general meeting yesterday.

"If we can maintain the asset quality, we can sustain our profitability above the industry," he added.

He said in 2016, the Public Bank group achieved another profit milestone with pre-tax profit increasing to RM6.55 billion from RM6.09 billion in 2015.

In challenging times, he said there would still be growth and opportunities in the lending, deposit and affordable housing mar-



The Public Bank group achieved another profit milestone with pre-tax profit increasing to RM6.55 billion from RM6.09 billion in 2015

sector," he said, adding the bank would be targeting to expand its revenue stream from the fee-based would be squeezed and this affected the return on equity, but the bank was still able to achieve said, remained top among banking peers in Malaysia, with the highest net return on equity

Teh reflects on nearly 70 years of banking

six decades of experience in the financial sector, Sri Teh Hong Piow is most seasoned banker began his banking career with Chinese Banking Corp 60, Teh joined Malayan ager and was promoted just 34. The age of 35, he founded which he is now the

king Public Bank the group in the country aired banker a much in the industry. iew with *The Edge*, he es, and thoughts and nking industry over

sion, how would industry now decade ago? hen the global financial markets 30 years ago, we the regulatory mostly for the wealthy whereas the general public's accessibility to banking services was low. Local banks struggled to compete with the more established banks. However, banking was simple then.

Today, the banking landscape has evolved to become competitive, comprehensive and innovative. While domestic banks have made significant advancement and now dominate the banking system, foreign banks continue to play a role, further intensifying the competitiveness of the industry. Banks now are highly focused on generating higher productivity, driving innovation and strengthening customer-centric strategies to grow their business.

The increased capability of banks has also developed a more inclusive financial system, where all segments of society, not just the wealthy, have easy access to financial services at affordable costs. The country is also progressing towards higher regional and financial integration, which presents new business opportunities for banks, facilitating domestic banks to venture abroad for greater growth opportunities. The explosion of technology has also transformed the way banks do business as digital advancement has opened a new horizon for banks to pur-



Efficiency is key ... in this landscape in

into the market share of traditional banks?

Fintech companies and traditional banks have their own strengths and weaknesses. While fintech companies offer consumers seamless and convenient services through their technological capability, banks have a legacy of trust and stability and expertise in financial services. We expect the partnership and collaboration between fintechs and banks to bring huge potential opportunities to the financial industry, where both sides can reap the benefits of greater productivity gains.

The group recognises that fintechs have become more pronounced and their emergence can bring notable change to the banking landscape. Public Bank is currently exploring opportunities to collaborate with potential fintechs on new product offerings and enhanced services.

There have been many changes in the banking industry, for example, fintechs, a low-growth environment and stricter capital requirements...How do you see banks navigating them? Will their operating model change?

We have seen banks continue to invest in new technology, boost operational efficiency, undertake capital-raising exercises and

Public Bank latest to accept Alipay



(From left) Public Bank deputy chief executive officer (CEO) Datuk Chang Kat Kiam, managing director Tan Sri Tay Ah Lek, Alipay Southeast Asia general manager Dagong Zhang and Alipay Malaysia country head Greta Gunawan at the launch of the Alipay partnership in Kuala Lumpur yesterday. PIC BY HAFIZ SOHAIMI

FIVE-YEAR GROUP FINANCIAL SUMMARY

YEAR ENDED 31 DECEMBER	2017	2016	2015	2014	2013
OPERATING RESULTS (RM'Million)					
Operating profit	**7,319**	6,745	6,631	6,067	5,655
Profit before tax expense and zakat	**7,118**	6,554	6,491	5,814	5,310
Net profit attributable to equity holders of the Bank	**5,470**	5,207	5,062	4,519	4,065
KEY BALANCE SHEET DATA (RM'Million)					
Total assets	**395,276**	380,053	363,758	345,722	305,725
Loans, advances and financing	**303,044**	292,429	271,814	243,222	219,416
Total liabilities	**356,831**	344,689	331,450	316,847	284,528
Deposits from customers	**319,259**	309,974	301,157	276,540	250,873
Core customer deposits	**269,723**	258,155	245,171	216,707	201,258
Share capital	**9,418**[1]	3,882	3,882	3,882	3,532
Shareholders' equity	**37,365**	34,213	31,231	28,025	20,424
Commitments and contingencies	**95,443**	105,592	107,533	95,813	87,986
SHARE INFORMATION AND VALUATION					
Share Information					
Per share (sen)					
Basic/Diluted earnings	**141.7**	134.8	131.1	123.7	116.1
Dividend	**61.0**	58.0	56.0	54.0	52.0
Net assets	**967.6**	886.0	808.8	725.7	583.2
Share price as at 31 December (RM)	**20.78**	19.72	18.52	18.30	19.40
Market capitalisation (RM'Million)	**80,671**	76,556	71,897	71,043	68,668
Valuations					
Dividend yield (%)	**2.9**	2.9	3.0	3.0	2.7
Dividend payout ratio (%)	**43.1**	43.0	42.7	46.1	44.8
Price to earnings multiple (times)	**14.7**	14.6	14.1	14.8	16.7
Price to book multiple (times)	**2.1**	2.2	2.3	2.5	3.3

[1] *The Bank's share premium account was transferred to form part of the Bank's share capital pursuant to the Companies Act 2016 which came into force on 31 January 2017.*

FIVE-YEAR GROUP FINANCIAL SUMMARY

YEAR ENDED 31 DECEMBER	2017	2016	2015	2014	2013
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest bearing assets	**2.3**	2.2	2.2	2.2	2.4
Net return on equity [1]	**15.8**	16.5	17.8	19.9#	22.4
Return on average assets	**1.8**	1.8	1.8	1.8	1.8
Return on average risk-weighted assets	**2.8**	2.7	2.8	2.8	2.8
Cost/income ratio	**31.9**	32.3	30.5	30.0	30.7
Asset Quality Ratios					
Gross loans to fund ratio	**90.0**	90.8	86.8	84.4	84.5
Gross loans to fund and equity ratio	**80.7**	81.8	78.7	76.7	78.1
Gross impaired loans ratio	**0.5**	0.5	0.5	0.6	0.7
Loan loss coverage					
– Exclude regulatory reserve	**95.5**	102.7	120.8	122.4	118.5
– Include regulatory reserve	**256.5**	248.5	258.6	218.6	127.1
Capital Adequacy Ratios					
Common Equity Tier I ("CET I") capital ratio	**12.8**	11.9	11.4	11.3	9.3
Tier I capital ratio	**13.5**	12.7	12.6	12.8	11.1
Total capital ratio	**16.5**	16.0	15.9	16.4	14.3
CET I capital (RM'Million)	**32,834**	29,856	27,329	24,775	18,527
Tier I capital (RM'Million)	**34,841**	32,007	30,118	27,942	22,079
Tier II capital (RM'Million)	**7,606**	8,198	8,092	7,891	6,458
Total capital (RM'Million)	**42,447**	40,205	38,210	35,833	28,537
PRODUCTIVITY RATIOS					
Number of employees	**18,553**	18,651	18,373	18,198	17,924
Gross loans per employee (RM'000)	**16,410**	15,761	14,883	13,465	12,340
Deposits per employee (RM'000)	**17,208**	16,620	16,391	15,196	13,996
Profit before tax per employee (RM'000)	**384**	351	353	320	296
MARKET SHARE (%)					
Domestic market share					
Loans, advances & financing	**17.8**	17.7	17.4	17.1	16.9
Deposits from customers	**16.8**	16.9	16.6	15.9	15.7
Core customer deposits	**17.4**	17.5	16.8	16.6	17.5

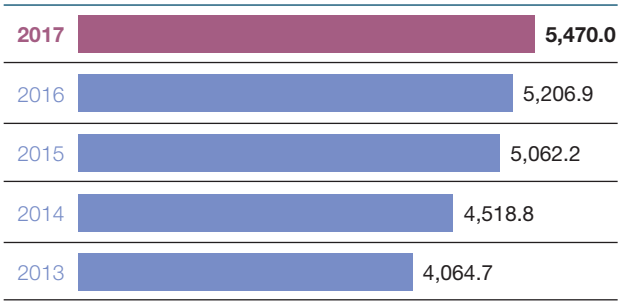
[1] *Based on equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.*

\# *Average equity is adjusted with weighted average of net proceeds from rights issue.*

SUMMARY OF FIVE-YEAR GROUP GROWTH

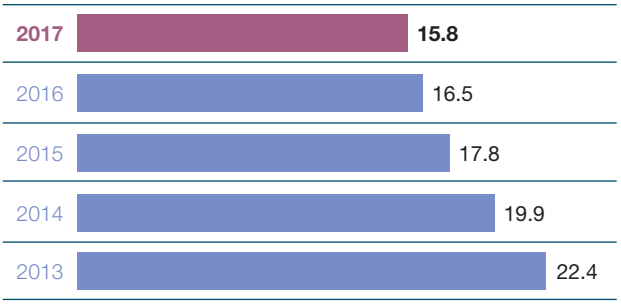
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

RM'Million — **RM5,470.0 Million**



NET RETURN ON EQUITY

Percentage (%) — **15.8%**



EARNINGS PER SHARE

Sen — **141.7 Sen**



DIVIDEND PER SHARE

Sen — **61.0 Sen**



SHARE PRICE

RM — **RM20.78**



MARKET CAPITALISATION

RM'Billion — **RM80.67 Billion**



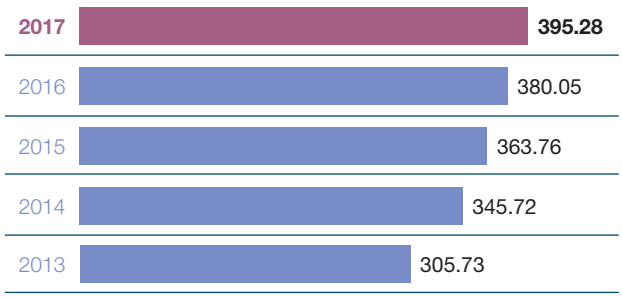
PUBLIC BANK'S RANKING BY MARKET CAPITALISATION ON BURSA MALAYSIA SECURITIES BERHAD

Year	2013	2014	2015	2016	2017
Ranking	2nd	3rd	3rd	3rd	**3rd**

SUMMARY OF FIVE-YEAR GROUP GROWTH

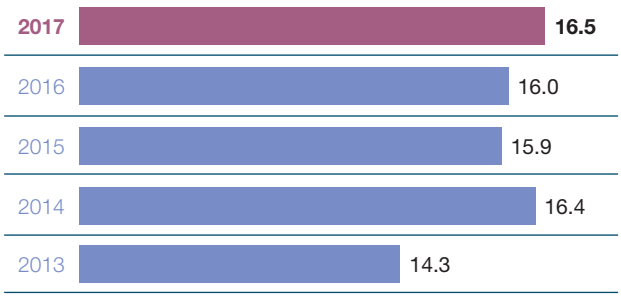
TOTAL ASSETS

RM'Billion — **RM395.28 Billion**



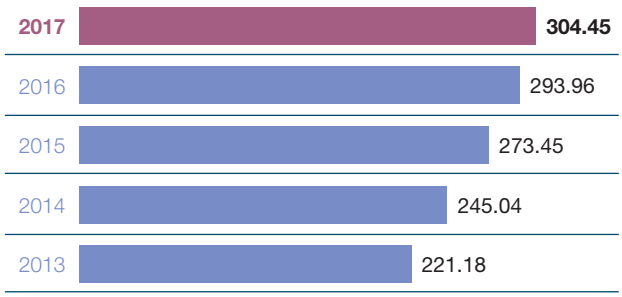
TOTAL CAPITAL RATIO

Percentage (%) — **16.5%**



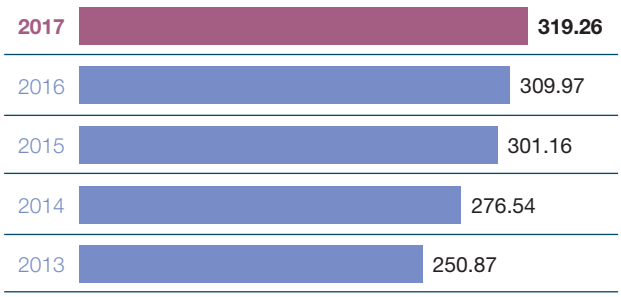
GROSS LOANS, ADVANCES AND FINANCING

RM'Billion — **RM304.45 Billion**



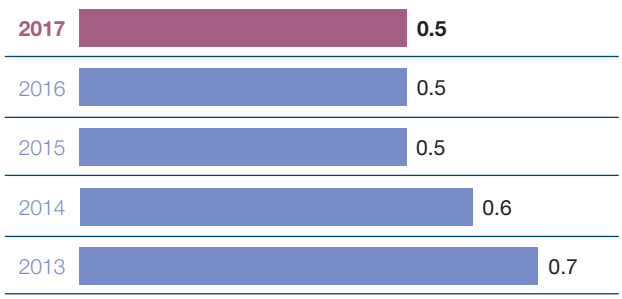
CUSTOMER DEPOSITS

RM'Billion — **RM319.26 Billion**



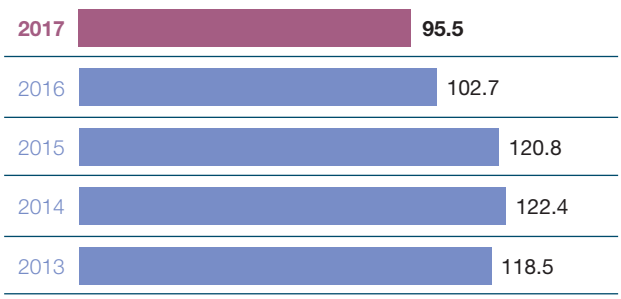
GROSS IMPAIRED LOANS RATIO

Percentage (%) — **0.5%**



LOAN LOSS COVERAGE

Percentage (%) — **95.5%**



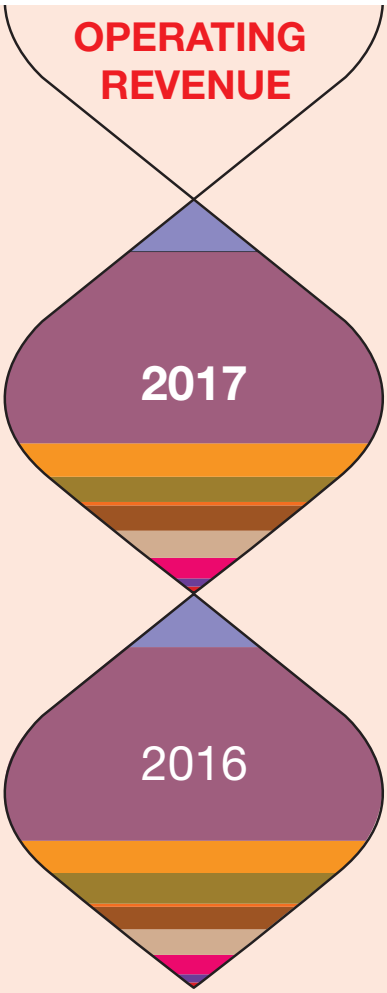


KEY INTEREST BEARING ASSETS & LIABILITIES

	2017			2016		
	Average Balance RM'Million	Average rate (%)	Interest RM'Million	Average Balance RM'Million	Average rate (%)	Interest RM'Million
Interest Earning Assets						
Loans, advances and financing	**288,857**	**5.20**	**15,021**	273,938	5.33	14,601
Balances with banks	**11,188**	**2.81**	**314**	17,947	2.63	472
Financial investments	**58,921**	**3.64**	**2,147**	53,294	3.66	1,951
Total	**358,966**	**4.87**	**17,482**	345,179	4.93	17,024
Interest Bearing Liabilities						
Deposits from customers	**271,602**	**2.97**	**8,067**	267,852	3.10	8,303
Deposits from banks	**11,564**	**2.18**	**252**	11,823	1.52	180
Recourse obligations on loans and financing sold to Cagamas	**3,861**	**4.15**	**160**	1,922	3.93	76
Debt securities issued and other borrowed funds	**13,263**	**4.22**	**560**	12,348	4.45	549
Total	**300,290**	**3.01**	**9,039**	293,945	3.10	9,108

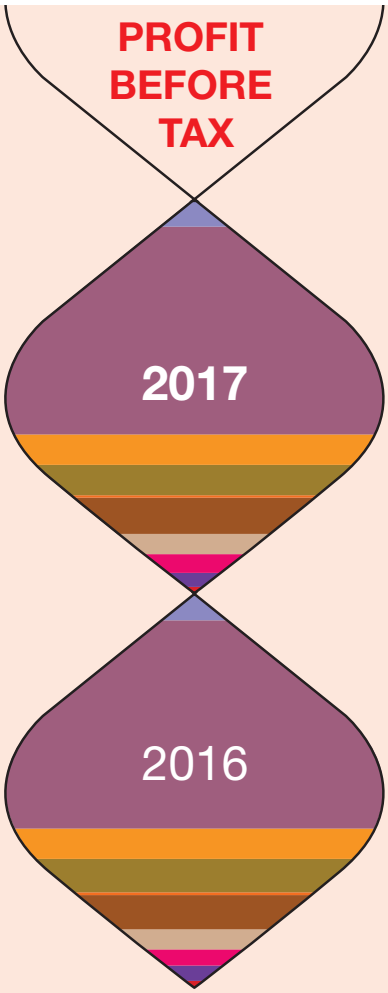
SEGMENTAL ANALYSIS

OPERATING REVENUE



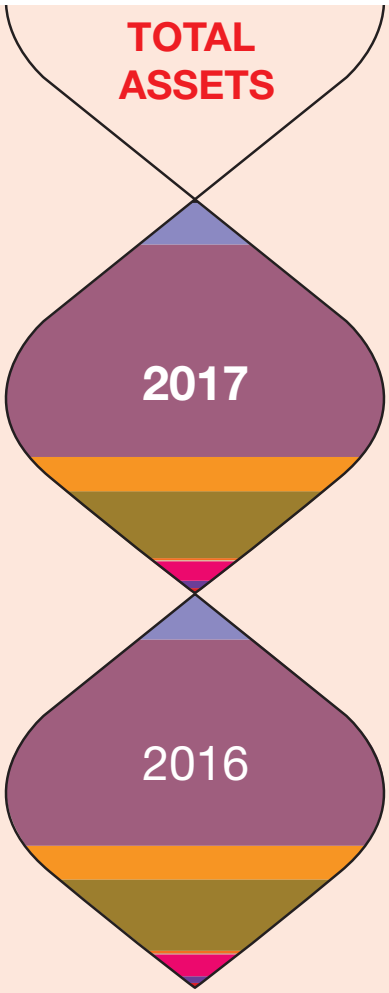
	2017 %	2016 %
Domestic		
Hire purchase	**12.6**	13.4
Retail operations	**49.2**	49.0
Corporate lending	**8.6**	8.3
Treasury and capital market operations	**6.5**	7.9
Investment banking	**0.9**	0.8
Fund management	**6.5**	5.8
Others	**7.0**	6.6
Overseas		
Hong Kong SAR	**5.3**	5.0
Cambodia	**2.1**	2.1
Other countries	**1.3**	1.1

PROFIT BEFORE TAX



	2017 %	2016 %
Domestic		
Hire purchase	**6.3**	6.9
Retail operations	**53.3**	52.9
Corporate lending	**7.8**	7.7
Treasury and capital market operations	**7.8**	8.5
Investment banking	**0.6**	0.7
Fund management	**9.3**	8.7
Others	**5.2**	5.1
Overseas		
Hong Kong SAR	**4.8**	4.1
Cambodia	**3.6**	3.9
Other countries	**1.3**	1.5

TOTAL ASSETS



	2017 %	2016 %
Domestic		
Hire purchase	**10.7**	11.4
Retail operations	**54.6**	52.6
Corporate lending	**8.8**	8.6
Treasury and capital market operations	**17.2**	18.2
Investment banking	**0.5**	0.6
Fund management	**0.1**	0.1
Others	**0.2**	0.2
Overseas		
Hong Kong SAR	**5.0**	5.6
Cambodia	**1.9**	1.7
Other countries	**1.0**	1.0

GROUP QUARTERLY PERFORMANCE

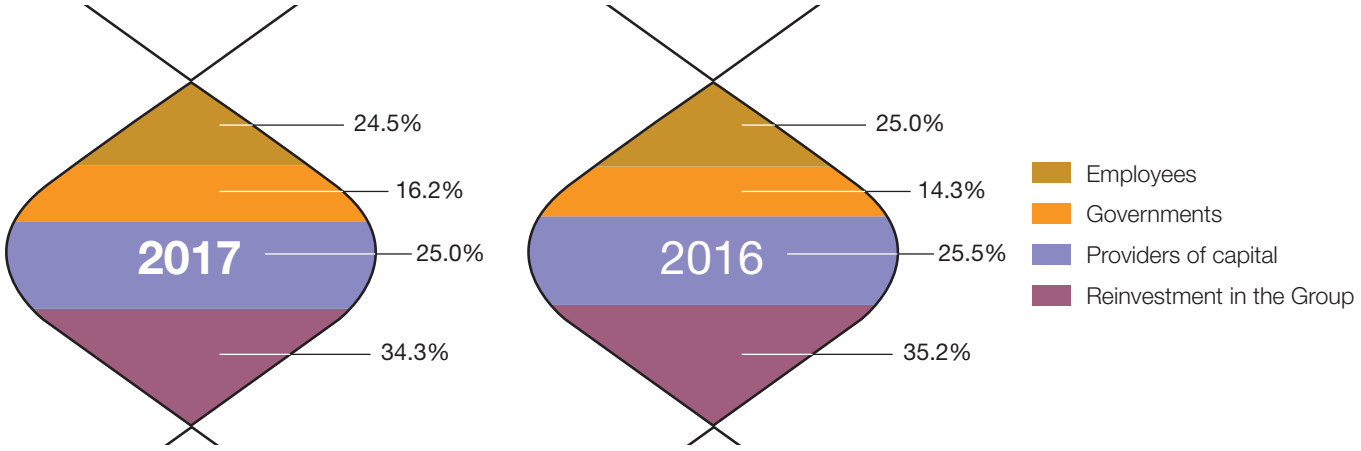
	2017				
	First Quarter	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Year 2017**
FINANCIAL PERFORMANCE (RM'Million)					
Operating revenue	**5,028.2**	**5,167.1**	**5,312.3**	**5,350.6**	**20,858.2**
Net interest income and income from Islamic banking business	**2,071.9**	**2,088.5**	**2,114.9**	**2,140.5**	**8,415.8**
Operating profit	**1,699.5**	**1,768.3**	**1,877.9**	**1,972.9**	**7,318.6**
Profit before tax expense and zakat	**1,631.5**	**1,736.0**	**1,793.0**	**1,957.2**	**7,117.7**
Profit attributable to equity holders of the Bank	**1,248.0**	**1,331.8**	**1,404.7**	**1,485.5**	**5,470.0**
Earnings per share (sen)	**32.3**	**34.5**	**36.4**	**38.5**	**141.7**
Dividend per share (sen)	**–**	**27.0**	**–**	**34.0**	**61.0**

	2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2016
FINANCIAL PERFORMANCE (RM'Million)					
Operating revenue	5,007.3	4,980.2	5,031.1	5,084.1	20,102.7
Net interest income and income from Islamic banking business	1,912.2	1,932.7	1,985.3	2,031.8	7,862.0
Operating profit	1,715.7	1,621.7	1,652.3	1,755.3	6,745.0
Profit before tax expense and zakat	1,651.6	1,551.5	1,558.2	1,792.7	6,554.0
Profit attributable to equity holders of the Bank	1,229.8	1,256.2	1,238.1	1,482.8	5,206.9
Earnings per share (sen)	31.8	32.5	32.1	38.4	134.8
Dividend per share (sen)	–	26.0	–	32.0	58.0

STATEMENT OF VALUE ADDED

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

	2017 RM'000	2016 RM'000
VALUE ADDED		
Net interest income	**7,417,119**	6,920,407
Net income from Islamic banking business	**998,717**	941,638
Other operating income	**2,330,970**	2,094,406
Other operating expenses excluding staff costs and depreciation	**(822,889)**	(757,481)
Allowance for impairment on loans, advances and financing	**(203,292)**	(192,740)
Writeback of impairment on other assets	**5,625**	430
Share of results of equity accounted associated companies	**(3,289)**	1,361
Value added available for distribution	**9,722,961**	9,008,021
DISTRIBUTION OF VALUE ADDED		
To employees:		
Personnel costs	**2,385,927**	2,250,994
To the Governments:		
Taxation	**1,570,693**	1,286,597
To providers of capital:		
Dividends paid to shareholders	**2,355,511**	2,239,667
Non-controlling interests	**76,944**	60,560
To reinvest in the Group:		
Depreciation	**219,362**	202,995
Retained profits	**3,114,524**	2,967,208
Total distributed	**9,722,961**	9,008,021



2017 Awards





ALPHA SOUTHEAST ASIA

Best Bank in Malaysia 2017
2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007

ASIAMONEY

Best Bank for SMEs Award 2017

ASIAN BANKING & FINANCE

Domestic Retail Bank of the Year – Malaysia 2017
2017, 2016, 2015, 2014, 2013, 2012, 2011, 2009, 2007

ASIA PACIFIC BRANDS FOUNDATION

- The BrandLaureate Best Performing Public Listed Company-Banking Award 2016-2017
- The BrandLaureate Industry Champion Brand Icon Leadership Award for Banking 2017
  2017, 2016

BANK OF NEW YORK MELLON

Bank of New York Mellon Straight-Through Processing Award
2016, 2015, 2014, 2013, 2012, 2011, 2010

CORPORATE GOVERNANCE ASIA

7th Asian Excellence Recognition Awards 2017:

- Best Investor Relations Company for Malaysia
  2017, 2016, 2015, 2014, 2013, 2012, 2011
- Best Environmental Responsibility for Malaysia
  2017, 2016, 2015





& Achievements





DEUTSCHE BANK

2016 Euro Straight-Through Processing Excellence Award
2016, 2015, 2014, 2013, 2012, 2011, 2010

EUROMONEY

Euromoney Private Banking and Wealth Management Survey 2017 Award for the category of "Succession Planning Advice and Trusts"

INLAND REVENUE BOARD OF MALAYSIA

Best Tax Payer Award 2016 under the category of Public Limited Companies

GLOBAL FINANCE

Best Bank in Malaysia 2017
2017, 2015, 2014, 2010, 2009, 2004, 2003, 2002, 2000

J.P. MORGAN CHASE BANK

J.P. Morgan Quality Recognition Award 2016 for achieving outstanding best-in-class straight through processing rates in payment transfer operations:

- MT103 Elite Quality Recognition Award
  2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002
- MT202 Elite Quality Recognition Award
  2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002

KARNIVAL KEWANGAN

Regional Award for SME Supporter 2017

MALAYSIA SME MEDIA GROUP

The Outstanding Partner (TOP) Recognition Award under the category of Most Preferred Financial Institution

MASTERCARD

Best Cross Border Program for Malaysia 2017







2017 AWARDS & ACHIEVEMENTS





MYCLEAR

Malaysian e-Payments Excellence Awards 2017:

- Outstanding Contribution to MyDebit
- Outstanding Contribution to FPX
- Best MyDebit Bank
- Best e-Payments Bank

PRICEWATERHOUSECOOPER

Finalist of the Building Trust Awards 2017

READER'S DIGEST

Reader's Digest Trusted Brands 2017:

- Gold Award in the Bank category in Malaysia
  2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

Certificate of Merit
2017, 2016





2017 AWARDS & ACHIEVEMENTS





THE ASSET

- The Asset Platinum Award 2017 for Excellence in Environmental, Social and Corporate Governance
  2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009

- Best Domestic Bank in Malaysia
  2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002

THE ASIAN BANKER

The Strongest Bank by Balance Sheet in Malaysia 2017
2017, 2016, 2015, 2012

THE EDGE BILLION RINGGIT CLUB

The Edge Billion Ringgit Club Corporate Awards 2017:

- Finance Sector – RM10 Billion and Above Market Capitalisation
  i. Highest Return on Equity Over Three Years – Gold Award
  ii. Highest Growth in Profit After Tax Over Three Years – Gold Award

- Super Big Cap Companies Above RM40 Billion Market Capitalisation
  i. Highest Return on Equity Over Three Years – Silver Award
  ii. Highest Growth in Profit After Tax Over Three Years – Silver Award

VISA

VISA Malaysia Bank Awards 2016:

- Highest Payment Volume Growth for Visa Infinite
- Highest Payment Volume Growth for Visa Commercial
- Highest Visa e-Commerce Share of Purchase Volume (PV)



2017 AWARDS & ACHIEVEMENTS



YAZHOU ZHOUKAN

Global Chinese Business 1000 Award 2016:
Outstanding Performance Enterprise in Malaysia



CHAIRMAN'S AWARDS 2017

THE STATE BANK OF VIETNAM

Medal for the Development of Vietnam Banking Industry

CORPORATE GOVERNANCE ASIA

Asia's Best CEO (Investor Relations) 2017 for Malaysia
2017, 2016, 2015, 2014, 2013, 2012, 2011



PAST AWARDS

ALPHA SOUTHEAST ASIA

Best SME Bank in Malaysia
2014, 2013, 2011, 2010

Institutional Investor Corporate Awards:

Ranked Top 3 Companies for Most Consistent Dividend Policy
2014, 2013, 2012, 2011

Institutional Investor Corporate Awards: Ranked Top 3 Companies in the following categories:

- Strongest Adherence to Corporate Governance
  2012, 2011
- Most Organised Investor Relations
  2011

Top 10 Largest Dividend Players in Southeast Asia (2006-2010):

- Ranked 2nd in the Total Dividend Yield category

ASIAMONEY

Best Domestic Bank in Malaysia
2016, 2015, 2014, 2008, 2007, 2004, 2003, 2002, 2001, 1999

Asiamoney 25th Anniversary Corporate Governance Poll of Polls:

- Overall Best Company in Malaysia for Corporate Governance 2004-2013 (except 2005)

Best Managed Company in Malaysia–Large Cap
2014, 2011, 2008, 2007

Asiamoney Corporate Governance Poll:

- Best Overall for Corporate Governance in Malaysia
  2011, 2009, 2008
- Best for Disclosure and Transparency in Malaysia
  2011, 2009, 2008
- Best for Shareholders' Rights and Equitable Treatment in Malaysia
  2011, 2009, 2008
- Best for Responsibilities of Management and the Board of Directors in Malaysia
  2011, 2008
- Best Investor Relations
  2011

Asiamoney's Poll of Polls:

- Best Overall Company in Malaysia for Corporate Governance
  2008, 2007, 2006, 2005, 2004

Asiamoney Awards for Best Managed Companies:

- Malaysia's Overall Best Managed Company
  2004
- The 5th Malaysia Best Managed Companies
  1999
- Top 10 Best Managed Companies
  1997

The Best Company Overall For Investor Relations In Malaysia
2001

The Strongest Bank in Malaysia and Fourth Strongest Bank in Asia
2001

ASIA ENTREPRENEUR ALLIANCE WORLDWIDE

Asia Pacific Super Excellent Brand 2008 Award

ASIA PACIFIC BRANDS FOUNDATION

The BrandLaureate Best Choice Brand Award in Leadership in Banking 2015-2016

The BrandLaureate Billion Dollar Brand Award 2014-2015

The BrandLaureate Special Edition World Awards as a Premier Corporate Brand 2015

The BrandLaureate Brand of the Year Award for Financial – Banking Category 2013-2014

The BrandLaureate Signature Brand Award for the Banking Category 2012-2013

The BrandLaureate Awards for Best Brands in Financial Services – Banking Award
2012, 2011, 2010, 2009, 2008, 2007

The BrandLaureate – SME Best Brands Awards 2011

BrandLaureate Awards 2009 Societe Award: Best Brands in Philanthropy and Humanity

ASIAN INSTITUTE OF MANAGEMENT

Management Awards of Asia for Financial Management Category
1996

ASSOCIATION OF ACCREDITED ADVERTISING AGENTS MALAYSIA

Putra Brand Awards – Bronze Award in the Banking, Investment and Insurance category
2016, 2011

Putra Brand Awards – Silver Award for Banking, Investment and Insurance category
2015, 2014, 2013, 2012, 2011, 2010

PAST AWARDS

ASSOCIATION OF ACCREDITED ADVERTISING AGENTS MALAYSIA AND THE EDGE

Ranked as Malaysia's Most Valuable Brand
2009

Ranked 2 in Top 30 Malaysia's Most Valuable Brands
2008, 2007

AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD

AUD/NZD Straight-Through-Processing Excellence Award
2011

BANK OF NEW YORK MELLON

Outstanding Payment Formatting and Straight-Through Rate Award
2009

BANK CENTRAL ASIA, INDONESIA

Asia Pacific Most Supportive Partner
2010

BRAND FINANCE PLC

Brand rating of AAA-

Ranked No. 3 in Malaysia in the Brand Finance Top 500 Banking Brands
2012

BURSA MALAYSIA

Inclusion in the FTSE4Good Bursa Malaysia Index
2015

CHARLTON EASTCOLES

Charlton EastColes Corporate Performance Awards:

- Malaysia Company of the Year 2016 – Gold
- Malaysia Bank of the Year 2016

CORPORATE GOVERNANCE ASIA

Asian Excellence Recognition Awards:

- Best Corporate Social Responsibility for Malaysia
  2016, 2015, 2014, 2013, 2012, 2011
- Best Corporate Communications Team for Malaysia
  2015, 2014

Corporate Governance Asia Recognition Award for Malaysia (Icon on Corporate Governance)
2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005

CREDIT GUARANTEE CORPORATION

Top SME Supporter Award
2013, 2012, 2011, 2010, 2009, 2008, 2007, 2005

DEWAN BAHASA & PUSTAKA

Banking Institution Language Award for Commercial Bank Category
2009

Anugerah Citra Wangsa Malaysia For The Private Sector Annual Report
2007, 2006

Anugerah Citra Wangsa Malaysia Incentive Award for Financial Institution
2007

Anugerah Citra Wangsa Malaysia Merit Award for Annual Report in Bahasa Malaysia
2005, 2003

Anugerah Citra Wangsa Malaysia Special Jury's Award For Annual Report in Bahasa Malaysia
2002, 2001

DEWAN BANDARAYA KUALA LUMPUR

Federal Territory Kuala Lumpur 2007 Building Beautification & Illumination Competition:

- Champion, Bank category
- Datuk Bandar Trophy for Bank category

Beautiful Compound Competition For Private Sector Complex/Building Category
1994

EMERGING MARKETS INVESTOR MAGAZINE

Best Bank In Malaysia
2001

ENTREPRENEUR DEVELOPMENT ASSOCIATION

8th Asia Pacific International Honesty Enterprise Keris Award
2010

PAST AWARDS

EUROMONEY

Best Bank in Malaysia
2016, 2015, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 1999, 1998, 1993

Best Managed and Governed Companies – Asia Poll:

- Ranked No. 1 in Best Corporate Governance for Malaysia
  2010, 2008
- Ranked 1st in Most Convincing and Coherent Strategy
  2007
- Ranked 2nd in Best Corporate Governance
  2007

FAR EASTERN ECONOMIC REVIEW

Ranked No. 2 in the Review 200: Asia's Leading Companies Award
2003, 2002, 2001, 2000

FIABCI

Award Of Distinction For The Best Commercial Development Building
1999

FINANCEASIA

50 Years of Asian Banking Excellence Award

FinanceAsia's Best Managed Company Poll:

- Ranked No. 1 in the 'Best Managed Company' category
  2016, 2011, 2010, 2009, 2008, 2007
- Ranked No. 2 in the 'Most Committed to Corporate Governance' category
  2016
- Ranked No. 1 in the 'Best CEO (Tan Sri Dato' Sri Tay Ah Lek)' category
  2016

FinanceAsia's Platinum Awards – 20 Years of Excellence:

- Best Domestic Bank in Malaysia
  2016
- Best Company in Malaysia
  2016

Best Bank in Malaysia
2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999

Ranked No. 1 in the "Most Committed to Paying Good Dividends" category in the FinanceAsia's "Asia's Best Companies Poll"
2015

Best Asian Bank
2012, 2011, 2010, 2008

Annual Asia's Best Managed Companies poll:

Ranked No. 1

- Best Corporate Governance
  2011, 2010, 2009, 2008, 2007
- Most Committed to a Strong Dividend Policy
  2011, 2010, 2008
- Best Corporate Social Responsibility
  2011, 2010
- Best Investor Relations
  2008
- Most Committed to Consistent Good Dividends
  2007

Ranked No. 2

- Best Managed Company
  2012
- Best Investor Relations
  2010, 2009, 2007
- Most Committed to a Strong Dividend Policy
  2009
- Best Corporate Social Responsibility
  2009
- Best Commitment to Strong Dividends
  2006

Ranked No. 3

- Best Investor Relations
  2012
- Most Committed to a Strong Dividend Policy
  2012
- Best Corporate Governance
  2012, 2006
- Best Managed Company
  2006

Deal Of The Month – Public Bank's USD200 Million Hybrid Tier-1 Offering
2006

Best Bank Capital Deal Of The Year – Public Bank's USD200 Million Hybrid Tier-1 Offering
2006

Asia's Best Managed Companies
2005, 2004

FINANCIAL INSIGHTS

Innovation Awards 2007 for Operational Processes

FROST & SULLIVAN

Malaysia Automotive Finance Company of the Year
2016, 2015, 2013, 2012, 2011, 2010, 2009, 2007

Malaysia Best Customer Experience in Banking Award
2014

GLOBAL FINANCE

Best Foreign Exchange Provider for Malaysia in the World's Best Foreign Exchange Providers
2012, 2011

Best Emerging Market Bank in Malaysia
2010, 2009

GLOBAL FINANCIAL MARKET REVIEW

Best Retail Bank Malaysia
2014

PAST AWARDS

INSTITUTIONAL INVESTOR RESEARCH GROUP

Best Investor Relations
2004

INSTITUTE OF PUBLIC RELATIONS MALAYSIA

Anugerah Kristal 2004 (Special Mention) Consumer Public Relations Category:

PB Manchester United MasterCard

INVESTOR RELATIONS MAGAZINE

Certificate of Excellence for Investor Relations
2009

Best Investor Relations in the Singapore Market by a Malaysian Company
2007

'Highly Commended' Award for Best Investor Relations In The Singapore Market By A Malaysian Company
2006

J.P. MORGAN CHASE BANK

Quality Recognition Award for achieving Best-in-Class Straight-Through Processing rates in the payment transfer operations:

- Best-in-Class STP Rate Certificate for MT103
  2010
- Best-in-Class STP Rate Certificate for MT202
  2010
- Best-in-Class Book Transfer Rate Certificate
  2010

KPMG

Ranked 3rd in the KPMG Shareholder Value Award 2011 for the Financial Service Category

KUALA LUMPUR STOCK EXCHANGE BERHAD

KLSE Corporate Excellence Awards
2003, 2002, 2001, 2000

KLSE Corporate Award for Best Corporate Disclosure in Annual Report
2003

KLSE Corporate Sectoral Award for the Finance and Closed-End Fund Sector
2001, 2000

LEMBAGA ZAKAT SELANGOR

Award for 'Best Performance' by collection agent via online banking for the year 2014

MALAYSIAN BUSINESS

Malaysian Business – CIMA Enterprise Governance Awards:

- Overall Winner
  2011, 2010, 2009, 2008
- Best Return to Shareholders – First Runner-up
  2011
- Best Corporate Social Responsibility – Merit Awards
  2011
- Best Return to Shareholders
  2010, 2009, 2008
- Best Corporate Social Responsibility
  2010, 2009

Malaysian Business Corporate Social Responsibility Awards 2007:

- Overall Winner
- Best Innovation in Corporate Social Responsibility Awards

Malaysian Business Corporate Governance Merit Award
2006, 2005, 2004, 2003, 2002

Malaysian Business Corporate Social Responsibility Award
2005

MALAYSIAN CORPORATE REPORT AWARD (MACPA)

Gold Award For The Most Outstanding Annual Report
1990

Best Corporate Information
1990, 1989, 1988

Silver Award for The Most Outstanding Annual Report
1984

MARKPLUS INC.

Malaysia Service to Care Champion 2011 Award for Conventional Banking category

Best of Malaysia Branded Service Champion 2009 Award for Local Consumer Banking Category

MALAYSIA DESIGN TECHNOLOGY CENTRE

National Creative & Innovation Award
2004

MALAYSIAN INSTITUTE OF MANAGEMENT

'Partenaire de Valeuris' (Valued Partner) Award
2006

MALAYSIAN INVESTOR RELATIONS ASSOCIATION

Malaysia Investor Relations Awards 2012:

- Quality of Annual Reports/Formal Disclosure – Malaysia
- Quality of One-on-One Meetings – Malaysia

MALAYSIAN MERGERS AND ACQUISITIONS ASSOCIATION

National Mergers And Acquisitions Award 2007 for the Category Of Cross Border Deal Of The Year for the Acquisition of Asia Commercial Bank Limited

PAST AWARDS

MINISTRY OF INTERNATIONAL TRADE & INDUSTRY

Industry Excellence Award Under The Service Export Excellence For The Financial Category
1994

MINORITY SHAREHOLDER WATCHDOG GROUP

Malaysia-ASEAN Corporate Governance Transparency Index, Findings & Recognition 2016 – Merit Award for Best AGM (Overall category)

MSWG-ASEAN Corporate Governance Transparency Index, Findings and Recognition – The Malaysian Chapter:

- Excellence Award for Top 5 Corporate Governance and Performance (Overall)
  2015, 2013
- Industry Excellence – Financial
  2015, 2013
- Excellence Award for Long-Term Value Creation (Overall Category)
  2015
- Merit Award for Corporate Governance Disclosures
  2015

Malaysia Corporate Governance Index Awards:

- Overall Excellence Award
  2011, 2010, 2009, 2008
- Industry Excellence Award for Finance Sector
  2011, 2010, 2008
- Best Conduct of AGM Award
  2011, 2010, 2009
- Distinction Award
  2011, 2010
- Corporate Governance Hall of Fame Award
  2010
- Corporate Governance Challenge Trophy
  2008

MINORITY SHAREHOLDER WATCHDOG GROUP AND NOTTINGHAM UNIVERSITY BUSINESS SCHOOL, MALAYSIA CAMPUS CORPORATE GOVERNANCE SURVEY

Ranked No. 1
2007, 2006

MYCLEAR

Malaysian e-Payments Excellence Awards 2016:

- Best IBG Bank
- Best DirectDebit Bank
- Malaysian Chip Card Specifications Pioneer Bank
- JomPAY National Biller Acquisition (Mid-Sized Acquirer)

NATIONAL ANNUAL CORPORATE REPORT AWARDS (NACRA)

Overall Excellence Award for the Most Outstanding Annual Report – Silver Award
2015, 2013

Best Annual Report in Bahasa Malaysia – Gold Award
2015, 2010

Best Annual Report in Bahasa Malaysia – Platinum Award
2013, 2012, 2011, 2009, 2008, 2007, 2006

Overall Excellence Award for Most Outstanding Annual Report of the Year – Gold Award
2012, 2011, 2006

Industry Excellence Award for Companies Listed on Main Market in the Finance Sector
2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, 1997

Overall Excellence Award for Most Outstanding Annual Report of the Year – Platinum Award
2010, 2009, 2008, 2007

Best Design Annual Report – Platinum Award
2007

Overall Excellence Award for Most Outstanding Annual Report of the Year
2005, 2004, 2003, 2002, 1997, 1990

Best Annual Report in Bahasa Malaysia
2005, 1997, 1994

Commendation Award for Bahasa Malaysia Annual Report
1996, 1995, 1990

Commendation Award for Best Accounting Information
1995, 1994, 1989

RADAR GLOBAL

Gold Medal for Best SME Banking Reputation
2012

RAM RATING SERVICES

RAM Heritage Hall Awards for Evolutionary Award
2010

READER'S DIGEST

Gold Award-Credit Card Issuing Bank category
2015, 2014, 2013

SIRIM

Bank-Wide ISO 9001:2000 Quality Management Systems Certification 2001 for "Provision of Customer Service at the Front Office"

Bank-Wide ISO 9001:2000 Quality Management Systems Certification 2003 for "Provision of Customer Service in Loan Delivery"

SMI ASSOCIATION

Sahabat SMI Award for 2005

PAST AWARDS

STATE BANK OF VIETNAM

Medal "For The Course Of Vietnamese Banking"
2002

TECHNOLOGY BUSINESS REVIEW

Award for Excellence 2006 in Banking and Finance for Local Bank

THE ASIAN BANKER

Best Retail Bank in Malaysia
2016, 2011, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2001

The 14th Strongest Bank by Balance Sheet in Asia Pacific
2016

Best Automobile Lending Award
2011, 2009

Excellence in Retail Financial Services Awards 2009:

- Best Retail Bank in Asia Pacific
- Best Deposit Product/Campaign

The Asian Banker Achievement Award Commitment to Investors
2008

THE ASIAN BANKING AWARDS 2000

Most Outstanding Customer Service Programme Category
2000

THE ASSET

Best Local Currency Structured Product, Malaysia – PB Asian ACES
2009

Asia's Best Bank Capital Issue for PBB's USD200 Million Hybrid Tier-1 Offering
2007

Best Company in Malaysia for Corporate Governance
2007

A Leader in Corporate Governance in Malaysia
2003

THE BANKER

Bank of the Year in Malaysia
2016, 2011, 2009, 2008, 2005, 2001

THE EDGE BILLION RINGGIT CLUB

The Edge Billion Ringgit Club Corporate Awards:

- Highest Growth in Profit Before Tax Over Three Years Award for Super Big Cap Companies – Companies With More Than RM40 Billion Market Capitalisation
  2016
- Most Profitable Company in the Finance Sector
  2013, 2011
- Highest Returns to Shareholders Over Three Years
  2010
- Highest Returns on Equity Over Three Years
  2010

THE MALAYSIAN BOOK OF RECORDS

Most Award-Winning Bank Certification
2010

THE WALL STREET JOURNAL

Asia's 200 Most Admired Companies Survey:

- Malaysia's Overall Most Admired Company
  2010, 2009
- 1st in Long Term Vision
  2009
- 1st in Financial Reputation
  2009
- 2nd in Corporate Reputation
  2009
- 2nd in Quality
  2009
- 3rd in Innovation
  2009
- 3rd Most Admired
  2008
- 3rd in Long Term Vision
  2008
- 3rd in Financial Reputation
  2008
- 3rd in Corporate Reputation
  2008
- 2nd of Top 10 Malaysian Companies
  2006
- 1st in Financial Soundness
  2006
- 1st in Reputation
  2006

VISA INTERNATIONAL

Global Service Quality Performance Award in the 'Chargeback-to-Sales Ratio-Non Fraud Acquirer' category
2014

WORLD FINANCE

Best Banking Group in Malaysia
2012, 2011, 2010, 2009

YAZHOU ZHOUKAN

Global Chinese Business 1000: Largest Financial Enterprise Award
2015

Ranked 2nd in the Top 10 Malaysian Banks in terms of total assets
2014, 2013, 2012, 2011

Top 20 Chinese Businesses in Malaysia
2009

PAST AWARDS

CHAIRMAN'S PAST AWARDS

Royal Order of Monisaraphon, Commander by The Royal Government of The Kingdom of Cambodia 2016

Asian Corporate Director Recognition Award for Malaysia by Corporate Governance Asia
2016, 2015, 2014, 2013, 2012, 2011, 2010

Banker Extraordinaire 2015 by The Asset

Global Chinese Entrepreneur Lifetime Achievement Award 2015 by Yazhou Zhoukan

BrandLaureate "Icon of Icons – The King of Banking" by Asia Pacific Brands Foundation

William "Bill" Seidman Lifetime Leadership Achievement in Financial Service Industry Award 2015 by The Asian Banker

The BrandLaureate Banker of the Year Award 2012-2013 by Asia Pacific Brands Foundation

The BrandLaureate Premier Brand Icon Leadership Award 2011 by Asia Pacific Brands Foundation

The BrandLaureate – Tun Dr. Mahathir Mohamad Man of the Year 2010-2011 by Asia Pacific Brands Foundation

Value Creator: Malaysia's Outstanding CEO in the Inaugural The Edge Billion Ringgit Club Corporate Awards 2010

Asia's Banking Grandmaster 2010 by The Asset

Best CEO in Malaysia 2009 by FinanceAsia

Best Strategist Award in the Malaysia Independence Award 1957 by Selangor Petaling Business & Industry Association

Honourable Medal for National Contribution to Education in Cambodia 2008 by the Government of Cambodia

FinanceAsia Asian Banker Par Excellence 2008

The BrandLaureate Brand Personality Award 2007 by Asia Pacific Brands Foundation

ASEAN Most Astute Banker Award 2007 by The Asset

The Asia Pacific Lifetime Entrepreneurship Achievement Award 2007 by Enterprise Asia

The PILA Recognition Award 2007 by Institute of Public Relations Malaysia

Recognition Award 2007 by National Bank Of Cambodia

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

FinanceAsia Lifetime Achievement Award 2006

FinanceAsia Asia's 50 Most Influential 1996-2006

Malaysian Institute Of Management 'MIM Gold Medal Award Of The 'Confrere D'Honneur' (Honoured Companion) 2006

Technology Business Review Award For Lifetime Achievement In Corporate Excellence, Dedication & Industry 2006

The Asset Asia's Banker Of High Distinction Award 2006

Yazhou Zhoukan Top 500 International Chinese Entrepreneurs:

- 33rd Amongst Top 500 International Chinese Entrepreneurs 2006
- 1st Amongst Top 10 Malaysian Chinese Entrepreneurs 2006
- 6th Amongst Top 10 Banking & Finance Entrepreneurs 2006

The Asian Banker Leadership Achievement Award For Malaysia 2005

The Most PR Savvy CEO 2004 by Institute of Public Relations Malaysia

Best CEO In Malaysia 2004 by Asiamoney

Malaysia's CEO Of The Year Award 1998 by Business Times and American Express

The Business Achiever Of The Year 1997 by Yazhou Zhoukan

ASEAN Businessman Of The Year Award 1994 by ASEAN Business Forum

Asia's Commercial Banker Of The Year 1991 by The Asia Money & Finance

Founder & Chairman's Statement

THE PUBLIC BANK GROUP FORGED AHEAD INTO ITS 51ST YEAR OF OPERATIONS IN 2017 AND ACHIEVED FAVOURABLE PERFORMANCE ON THE BACK OF THE GROUP'S TIME-TESTED ORGANIC GROWTH STRATEGY AND ITS 50 YEARS OF BANKING EXCELLENCE.

FOUNDER & CHAIRMAN'S STATEMENT



TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

FOUNDER & CHAIRMAN'S STATEMENT

GOING FORWARD, THE PUBLIC BANK GROUP COMMITS TO ITS CORPORATE MISSION OF SUSTAINING THE POSITION OF BEING THE MOST EFFICIENT, PROFITABLE AND RESPECTED PREMIER FINANCIAL INSTITUTION IN MALAYSIA, AND WILL STRIVE TO CREATE LONG TERM VALUE FOR ITS STAKEHOLDERS.

FOUNDER & CHAIRMAN'S STATEMENT

The Public Bank Group forged ahead into its 51st year of operations in 2017 amid a challenging environment. The Group achieved favourable business and financial performance in 2017 on the back of the Group's time-tested organic growth strategy and its 50 years of banking excellence.

In 2017, the Public Bank Group achieved a pre-tax profit of RM7.12 billion, which was 8.6% higher compared to 2016. Net profit attributable to shareholders increased by 5.1% to RM5.47 billion in 2017. Net return on equity sustained at 15.8%. With the favourable performance, the Board of Directors had declared a total dividend of 61 sen per share to its shareholders, amounting to a total dividend payout of RM2.36 billion, or 43.1% of the Group's net profit for 2017.

During the year, the Group continued to enjoy the trust of customers to further expand its business volume despite the still challenging operating environment. The Group was able to sustain its above-industry growth momentum in the domestic lending business, and to maintain its leading market share position in financing for the purchase of residential properties, commercial properties and passenger vehicles. In terms of growth in domestic deposit-taking business, the Group performed favourably despite the on-going intense competition in the deposit market. Further, the Group also continued to uphold its brand excellence by, again, achieving the highest net return on equity, most efficient cost to income ratio and best asset quality among the domestic banking groups, preserving its long standing competitive advantage.

Today's operating environment is more challenging and banking business is also becoming increasingly complex. In addition to business growth, banks are increasing their focus and efforts on regulatory matters in response to evolving risks. As new innovation emerges and consumer expectation evolves, there is greater need for responsible and ethical banking conduct to help ensure continued stability and resilience of the banking sector. This will lay a stronger foundation for higher business growth in future built on the trust and confidence of the public. Global experience has also taught us that regulations matter more than ever today. In this respect, the Group will continue to enhance its compliance processes, and be vigilant to strengthen the Group's capabilities and performance in governance, risk management and compliance.

Rapid advancement in technology is driving innovation, lifestyle changes and new ways of doing business. Many financial institutions are actively exploring ways to enhance their digital capability to meet fast changing customer expectations. The Group is staying agile in response to the digital banking evolution and is proactively building and enhancing its digital capability to serve its customers better. The Group is watchful of the opportunities arising from financial technology, and at the same time is mindful of the associated risks. The Group will identify technology innovation which is relevant to the needs of its customers in order to adapt to the competitive dynamics.

Going forward, the Group, as always, commits to its corporate mission of sustaining the position of being the most efficient, profitable and respected premier financial institution in Malaysia. The Group will also strive to create long term value for its shareholders, customers, employees and the community. The Group continues to strengthen its growth strategy in its retail banking business and leading market segments. The Group believes that its business model, solid fundamentals, prudent business approach and strong customer service culture, which have been built, shaped and continuously refined over the last 51 years, will enable the Group to forge ahead for future growth.

Finally, we would like to express our appreciation to our shareholders, for their trust and confidence in the Group. We sincerely thank all our customers for their recognition of the PB brand and their strong business support. Our gratitude goes to all the staff for their dedication, hard work and loyalty. We are most grateful to Bank Negara Malaysia and the relevant authorities for all the invaluable guidance and advice rendered. With the Group's wealth of experience of banking excellence over the last 51 years and the continuous strong support from our stakeholders, the Group is confident of our ability to achieve excellence in all aspects of our operations for a sustainable future.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Founder and Chairman
22 February 2018



Board of Directors

BOARD OF DIRECTORS



• **Tan Sri Dato' Sri Dr. Teh Hong Piow** (3rd from left) flanked from left to right
• **Lai Wai Keen** • **Tan Sri Dato' Sri Tay Ah Lek** • **Lai Wan**
• **Cheah Kim Ling** • **Tang Wing Chew** • **Dato' Chia Lee Kee**

Board of Directors' Profile



TAN SRI DATO' SRI DR. TEH HONG PIOW
Non-Independent
Non-Executive Chairman

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 88, male, began his banking career in 1950 and has 68 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 Public Bank since its commencement of business operations in August 1966. 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 and the Group Human Resource Committee.

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

- Asia's Commercial Banker of the Year 1991
- The ASEAN Businessman of the Year 1994
- Malaysia's Business Achiever of the Year 1997
- Malaysia's CEO of the Year 1998
- Best CEO in Malaysia 2004
- The Most PR Savvy CEO 2004
- The Asian Banker Leadership Achievement Award 2005 for Malaysia
- Award for Outstanding Contribution to the Development of Financial Services in Asia 2006
- Lifetime Achievement Award 2006
- Award for Lifetime Achievement in Corporate Excellence, Dedication and Industry 2006
- Asia's Banker of High Distinction Award 2006
- The BrandLaureate Brand Personality Award 2007
- ASEAN Most Astute Banker Award 2007
- Lifetime Entrepreneurship Achievement Award 2007
- The Pila Recognition Award 2007
- Asian Banker Par Excellence Award 2008
- Best CEO in Malaysia 2009
- Asia's Banking Grandmaster 2010
- Asian Corporate Director Recognition Award 2010 for Malaysia
- Value Creator: Malaysia's Outstanding CEO 2010
- The BrandLaureate – Tun Dr. Mahathir Mohamad Man of the Year Award 2010 – 2011
- Best CEO (Investor Relations) 2011 for Malaysia
- Asian Corporate Director Recognition Award 2011 for Malaysia
- The BrandLaureate Premier Brand Icon Leadership Award 2011
- Best CEO (Investor Relations) 2012 for Malaysia
- Asian Corporate Director Recognition Award 2012 for Malaysia
- Best CEO (Investor Relations) 2013 for Malaysia
- Asian Corporate Director Recognition Award 2013 for Malaysia
- BrandLaureate Banker of the Year Award 2012 – 2013
- Best CEO (Investor Relations) 2014 for Malaysia
- Asian Corporate Director Recognition Award 2014 for Malaysia
- Banker Extraordinaire 2015
- Global Chinese Entrepreneur Lifetime Achievement Award 2015
- BrandLaureate "Icon of Icons – The King of Banking"
- Asia's Best CEO (Investor Relations) 2015 for Malaysia
- William "Bill" Seidman Lifetime Leadership Achievement in Financial Service Industry Award 2015
- Asian Corporate Director Recognition Award 2015 for Malaysia
- Asia's Best CEO (Investor Relations) 2016 for Malaysia
- Asian Corporate Director Recognition Award 2016 for Malaysia
- Asia's Best CEO (Investor Relations) 2017 for Malaysia
- Asian Corporate Director Recognition Award 2017 for Malaysia

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

Tan Sri Teh was conferred the Royal Order of Monisaraphon, Commander by The Royal Government of The Kingdom of Cambodia in 2016, in recognition of his outstanding leadership and immense social economic contributions towards the progress and development of Cambodia over the last 24 years. He is the first Malaysian banker ever to receive the Royal Order.

Tan Sri Teh was awarded the "Medal for the Development of Vietnam Banking Industry" in 2017 by the State Bank of Vietnam in recognition for his manifold contribution to the construction and development of Vietnam's banking industry. Tan Sri Teh is the first foreign banker in Vietnam to be awarded this medal.

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

He had served in various capacities in public service bodies in Malaysia; he was a member of the Malaysian Business Council from 1991 to 1993; a member of the National Trust Fund from 1988 to 2001; a founder member of the Advisory Business Council since 2003; and is a member of the IPRM Accreditation Privy Council.

He is an Emeritus Fellow of the Malaysian Institute of Management and is a Fellow of the Asian Institute of Chartered Bankers; the Chartered Institute of Bankers, United Kingdom; the Institute of Administrative Management, United Kingdom; and the Governance Institute of Australia.

His directorships in other public companies within the Public Bank Group are as Chairman of Public Mutual Bhd, Public Financial Holdings Ltd, Public Bank (Hong Kong) Ltd, Cambodian Public Bank Plc and several other subsidiaries of Public Bank, and as Director of Public Investment Bank Bhd and Public Islamic Bank Bhd. His directorships in other public companies are as Chairman of LPI Capital Bhd and Lonpac Insurance Bhd.

Tan Sri Teh attended all the 21 Board meetings which were held in the financial year ended 31 December 2017.

BOARD OF DIRECTORS' PROFILE

TAN SRI DATO' SRI TAY AH LEK
Managing Director/Chief Executive Officer



Tan Sri Dato' Sri Tay Ah Lek, aged 75, male, has 57 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, the IT Steering Committee, the Assets & Liabilities Management Committee, the Share Investment Committee, the Operational Risk Management Committee, the Business Continuity Management Committee, and the Losses and Claims Committee, and is a member of the Group Human Resource Committee.

He holds a Master's degree in Business Administration from Henley, United Kingdom and attended the Advanced Management Program at Harvard Business School. He is an Emeritus Fellow of the Malaysian Institute of Management, a Fellow, Chartered Banker, of the Asian Institute of Chartered Bankers, and is a Fellow of CPA Australia and the Financial Services Institute of Australasia.

He is presently the Chairman of the Association of Hire Purchase Companies Malaysia and is a Member of the Steering Committee and the Service Provider Consultative Group of the National Payments Advisory Council.

His directorships in other public companies in the Public Bank Group include as Director of Public Investment Bank Bhd, Public Mutual Bhd, Public Islamic Bank Bhd and Public Bank (Hong Kong) Ltd. His directorships in other public companies are in Cagamas Holdings Bhd and Ombudsman for Financial Services.

Tan Sri Tay attended 20 Board meetings which were held in the financial year ended 31 December 2017.

LAI WAN
Independent Non-Executive
Deputy Chairman



Lai Wan, aged 75, male, was appointed as a Director of Public Bank on 26 April 2012. He was appointed as an Independent Non-Executive Deputy Chairman of Public Bank on 26 September 2017. He serves as the Chairman of the Nomination Committee, the Remuneration Committee and the Credit Risk Management Committee. He is a member of the Audit Committee, the Risk Management Committee and the Compliance Committee.

He graduated with a Bachelor of Arts (Honours) degree in Economics from the University of Malaya. He is an Associate of the Asian Institute of Chartered Bankers.

Mr Lai has 44 years of experience in the banking and finance related industries. He had served Bank Negara Malaysia for 20 years and the last position held before his resignation in 1985 was as the Deputy Manager, Bank Examination and Internal Audit Department.

Mr Lai had working experience in three finance companies from 1985 to 1994 where he had held senior management positions.

Mr Lai was appointed the President/Chief Executive Officer of a Malaysian bank in 1997 until his retirement on 31 December 2000.

Upon retirement from full time employment, Mr Lai continued to be engaged in finance related industries through his directorships in various companies.

His directorships in other public companies within the Public Bank Group are as Co-Chairman of Public Financial Holdings Ltd and Public Bank (Hong Kong) Ltd and as Director of Public Bank (L) Ltd.

Mr Lai attended all the 21 Board meetings which were held in the financial year ended 31 December 2017.

BOARD OF DIRECTORS' PROFILE

TANG WING CHEW
Independent Non-Executive Director



Tang Wing Chew, aged 73, male, was appointed as a Director of Public Bank on 29 March 2011. He serves as the Chairman of the Audit Committee and is a member of the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the Compliance Committee.

He graduated with a Bachelor of Arts (Honours) degree from the University of Malaya.

He has 51 years' experience in the financial services industry, ranging from research, management and project studies, training, mergers and integration, and stewardship of financial institutions. He joined Bank Negara Malaysia (BNM) in 1966 as an Assistant Economist in the Economic Research Department. During his 18 years of service with BNM, he also served as Manager (Penang Branch), Principal (BNM Staff Training Centre) and Manager (Operational Planning Division).

He had working experience in two finance companies, where he was the Chief Executive Officer and General Manager (Operations). Mr Tang had also served as an Executive Adviser and the Chief Executive Officer of an insurance company.

At Board level, he also served as an Independent Non-Executive Director in two general insurance companies and in a leasing and credit company.

His directorships in other public companies within the Public Bank Group are as Director of Public Bank (L) Ltd, Public Financial Holdings Ltd and Public Bank (Hong Kong) Ltd.

Mr Tang attended all the 21 Board meetings which were held in the financial year ended 31 December 2017.

LAI WAI KEEN
Independent Non-Executive Director



Lai Wai Keen, aged 63, female, was appointed as a Director of Public Bank on 29 May 2012. She serves as the Chairperson of the Risk Management Committee and is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Compliance Committee.

Ms Lai holds a Bachelor of Economics (Honours) degree in Business Administration from the University of Malaya and a LLB degree from the University of London.

She possesses extensive experience with Bank Negara Malaysia (BNM) and Perbadanan Insurans Deposit Malaysia (PIDM), concentrated in senior management and project leader positions, including significant central banking assignments.

Ms Lai has over 20 years of banking regulatory experience with BNM, including in bank regulation, corporate communications, international negotiations and relations, deposit insurance systems and protection scheme for insurance policy holder.

She was seconded to PIDM as General Manager, Policy and International in 2005 until her retirement in January 2011.

Ms Lai attended all the 21 Board meetings which were held in the financial year ended 31 December 2017.

BOARD OF DIRECTORS' PROFILE

CHEAH KIM LING
Independent Non-Executive Director



Cheah Kim Ling, aged 60, female, was appointed as a Director of Public Bank on 29 April 2014. She serves as the Chairperson of the Compliance Committee and is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the Credit Risk Management Committee.

Ms Cheah holds a Bachelor of Accounting (Honours) degree from the University of Malaya and is also a Chartered Accountant of the Malaysian Institute of Accountants.

She had served Bank Negara Malaysia for 32 years whereby she was involved in all aspects of banking regulation from formulation of policies/regulations/guidelines to the administration of different legislations governing financial institutions.

Ms Cheah was also involved in formulating and executing strategies and policies for payment systems, administering the legislations, oversight of the payment systems and payment instruments, development of the payment infrastructure to support developments in the financial system and promoted the migration to electronic payments.

Ms Cheah attended all the 21 Board meetings which were held in the financial year ended 31 December 2017.

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 5 years other than traffic offences, public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

All of the Directors are Malaysians.

DATO' CHIA LEE KEE
Company Secretary

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

She heads the Bank's Secretariat Division.

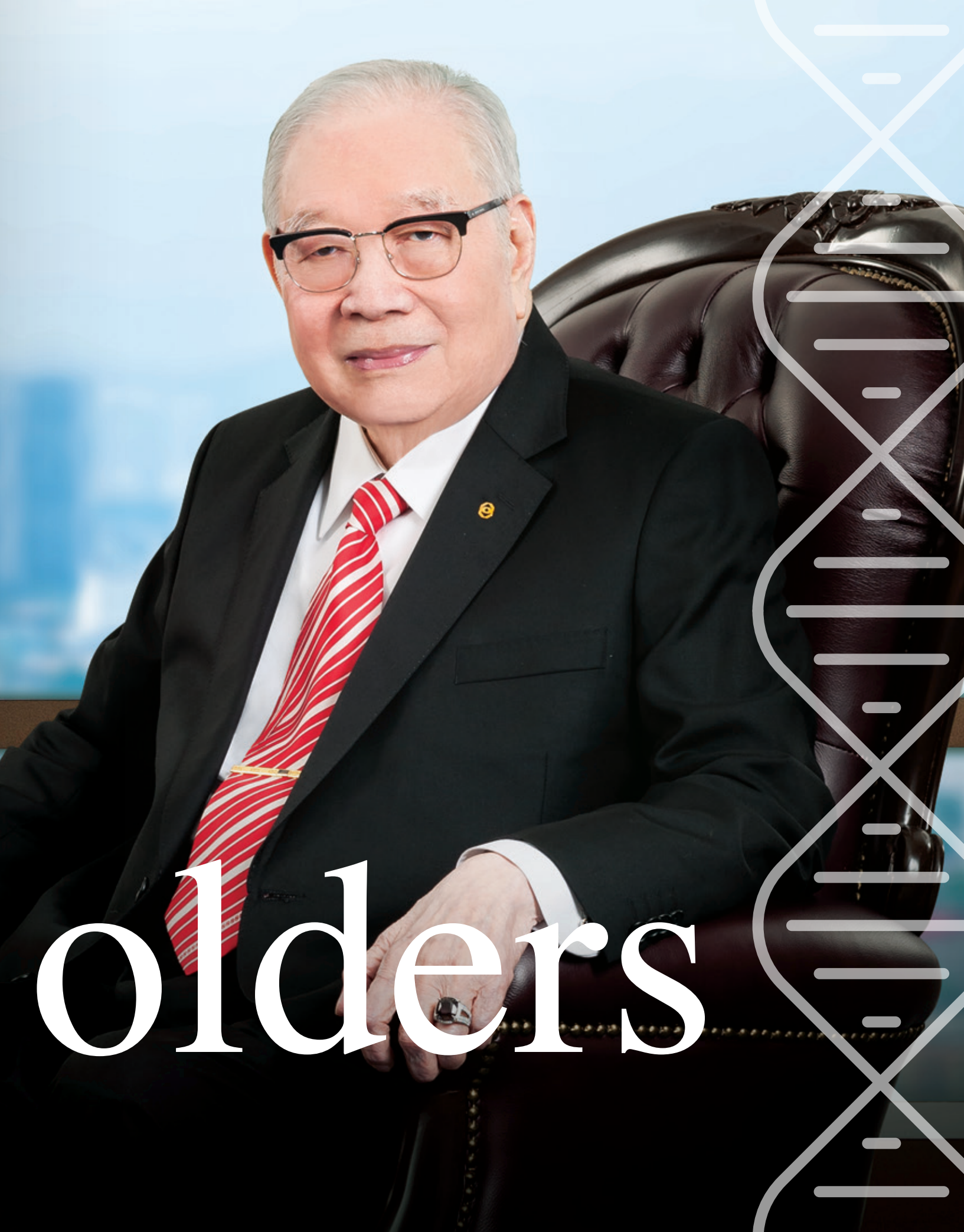
She is a Chartered Secretary (ICSA) and is a Fellow of The Malaysian Institute of Chartered Secretaries and Administrators.



"DELIVERING LONG TERM VALUE TO ITS STAKEHOLDERS WILL REMAIN A CORE FOCUS OF THE PUBLIC BANK GROUP'S STRATEGIC BUSINESS DIRECTION. IN SUSTAINING ITS TRACK RECORD OF CONTINUED PROFITABILITY GROWTH AND MAXIMISING ITS RETURN ON EQUITY, THE GROUP WILL CONTINUE TO DRIVE SUSTAINABLE ORGANIC GROWTH IN ITS LOANS AND DEPOSITS BUSINESSES IN LINE WITH INDUSTRY TREND, WHILE MAINTAINING ITS STRENGTHS OF STRONG ASSET QUALITY AND HIGH PRODUCTIVITY."

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

Letter to Stakeh


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LETTER TO STAKEHOLDERS

2017 OPERATING ENVIRONMENT

The global economy had generally strengthened in 2017. Recovery in major economies including the US, euro area, Japan and China continued to strengthen with improved underlying fundamentals. The improved consumer and business sentiments had also brought firmer growth in global trade.

Against this backdrop, the Malaysian economy had grown stronger than expected in 2017. The economy registered a strong GDP growth of 5.9% in 2017. Despite the subdued consumer sentiment, private sector activities remained the anchor of domestic economic growth. Higher private investments and the pick-up in global trade had lifted domestic business activities. Furthermore, stable labour market and wage growth had remained supportive of private consumption.

The positive momentum of economic expansion had supported the growth of the domestic banking business, although it was still weighed down by lingering headwinds in the operating environment. Banks had remained cautious and continued to maintain their responsible lending practices. In 2017, the Malaysian banking system's loans and financing grew at a more moderate pace of 4.1%, while total deposits registered improved growth of 3.9%. During the year, the domestic banking industry remained strong with healthy capitalisation, sufficient liquidity and sound asset quality. In addition, banks continued to place strong emphasis on compliance with stringent regulatory requirements to safeguard sustainable development of the banking system.

Further, the Malaysian banking industry had continued to take steps to strengthen their capabilities. Banks continued to leverage on technology to expand their digital capabilities to drive efficiency and improve responsiveness. A major development was Bank Negara Malaysia's ("BNM") initiative on moving Malaysia towards becoming a cashless society. Banks were taking various measures to engage with their customers to promote credit transfer in place of physical cheque, and increase the use of payment card instead of cash. The implementation of the Pin & Pay project had resulted in industry-wide replacement of payment card from signature verification to pin-based verification. This was to enhance the security features for all local payment card transactions. Another key milestone in the banking sector development was the launch of mobile wallets which further enhanced the capability of the domestic payment services.



2017 ACHIEVEMENTS OF KEY PERFORMANCE TARGETS: AN OVERVIEW

Despite the headwinds in the operating environment, the Public Bank Group's solid banking foundation, focused growth strategy and execution had enabled the Group to make favourable progress in its business performance. The Group's achievements against its key financial performance targets for the year are summarised below:

Key Performance Measures	2017 Public Bank Group Targets	2017 Public Bank Group Achievements	2017 Industry Performance*
Net return on equity	14% to 15%	15.8%	NA
Total capital ratio	>13%	16.0%^	17.1%
Gross impaired loans ratio	<1%	0.5%	1.5%
Cost to income ratio	33% to 34%	31.9%	45.8%
Gross loans growth			
– Group	4% to 5%	3.6%	4.1%
– Domestic		4.6%	
Customer deposits growth			
– Group	5% to 6%	3.0%	3.9%
– Domestic		3.6%	

NA *Not applicable*
* *Based on latest available information*
^ *After deducting second interim dividend declared subsequent to year end*

TO OUR SHAREHOLDERS

2017 Financial Performance

Favourable Profit Growth

Although 2017 was a year with challenging operating environment, the Public Bank Group continued to uphold its long standing financial strength, and achieved yet another year of commendable profit, marking 51 years of unbroken profitability since its establishment in 1966. In 2017, the Group registered a pre-tax profit of RM7.12 billion, representing growth of 8.6% as compared to 2016. Net profit attributable to shareholders increased by 5.1% to RM5.47 billion. This led to higher earnings per share of 141.7 sen, and translated into a net return on equity of 15.8%.

It is worth noting that the Group's 2017 financial results were achieved when the competition in the banking sector was intensely high, and banks were faced with challenges arising from moderate growth in business volume, interest margin pressure and elevated regulatory measures in response to changing risks. Nevertheless, the Group was in a position of strength, and was able to keep its net return on equity the highest among peers. This reflected the Group's strong commitment of delivering value to shareholders even in challenging times.

Sustained Net Interest Income

In 2017, the Public Bank Group recorded a total net income of RM10.75 billion, higher by 7.9% as compared to 2016, of which net interest income remained the primary income of the Group, increasing by 7.2% to RM7.42 billion. This was predominantly due to higher loan and financing base from the Group's lending business from retail consumers and small and medium enterprises ("SMEs"). The Group's concerted effort in growing the volume of loans business, and the proactive management of its funding structure and funding costs had also helped to cushion the pressure on net interest margin.

Steady Growth in Loans and Deposits

In 2017, the Public Bank Group's loans portfolio expanded by 3.6% to RM304.45 billion. Domestically, the Group's total loans recorded a growth rate of 4.6%, which was higher than the banking industry's loans growth of 4.1%. The stronger growth momentum in the loans market had enabled the Group to retain its leading market share in the core segments of financing for the purchase of residential properties, commercial properties and passenger vehicles, with the respective market share at 19.6%, 35.5% and 28.5%.

On deposit-taking, retail individual deposit accounts continued to form a significant part of the Group's stable funding. Building on depositors' confidence in the Group, coupled with the Group's proactive deposit growth strategies, the Group's total deposits increased by 3.0% to RM319.26 billion as at the end of 2017. Domestically, the Group's total deposits grew by 3.6% in 2017 and achieved a market share of 16.8% of domestic customer deposits as at the end of 2017.

LETTER TO STAKEHOLDERS

Higher Contribution from Non-interest Income

The Public Bank Group's non-interest income remained a significant source of revenue complementing the Group's interest income business. In 2017, non-interest income accounted for 21.7% of the Group's total net income. In terms of growth, non-interest income rose by 11.3% to RM2.33 billion during the year, mainly attributed to the stronger growth in the Group's unit trust management business and sustained banking transactional fee income.

The Group's unit trust management business, undertaken by its wholly-owned subsidiary, Public Mutual Berhad, remained the major contributor to the Group's non-interest income. Capturing a large retail market share of 40.9% as at the end of 2017, and a total of 141 funds under management with a total net asset value of RM81.44 billion, Public Mutual remained as the undisputed market leader in the domestic private unit trust industry, reporting a pre-tax profit growth of 15.4% in 2017.

Bancassurance also remained a focus to boost the Group's fee-based income. The Group's strategic partnership with AIA Group Ltd in the bancassurance business continued to provide customers with a full suite of products ranging from savings, investment linked to wealth distribution insurance plans. In 2017, the bancassurance business registered a 13.0% growth in annualised new premium to RM270.2 million.

Best in Asset Quality

The Public Bank Group has always placed rigorous emphasis on upholding strong asset quality. The Group's prudent credit culture, stringent underwriting standards, and proactive credit review and recovery process remained the Group's key contributing factors in maintaining the best asset quality among Malaysian banks. In 2017, the Group kept its gross impaired loans ratio stable at 0.5%, well below the industry's gross impaired loans ratio of 1.5%.

Provision for allowances on the Group's potential loans impairment had remained comfortably adequate. The Group's loan loss coverage ratio stood at 95.5% as at the end of 2017, as compared to 82.9% for the domestic banking industry. In addition to this, the Group had set aside a total of RM2.38 billion from its retained earnings to regulatory reserves as additional risk absorbent. Including the regulatory reserves, the loan loss coverage ratio of the Group would be 256.5%. The high loan loss coverage provides a strong buffer for the Group in advance of adopting the Malaysian Financial Reporting Standard 9 which comes into effect on 1 January 2018.

Most Efficient Cost to Income Ratio

In times when rising prices and cost of compliance were exerting pressure on banks' earnings, the Public Bank Group had continued to maintain the most efficient cost to income ratio among peers in the domestic banking industry. The Group's cost to income ratio of 31.9% in 2017 was significantly better than the Malaysian banking industry's average cost to income ratio of 45.8%.

During the year, amid the pressure of rising operating costs, the Group had put in tremendous efforts to manage its business operation in a cost effective manner through optimisation of resources and maintaining high productivity, as indicated in the table below:

Productivity Measures	2017 Public Bank Group Achievement	Industry Average*
Gross loans per employee (RM'mil)	16.4	13.0
Deposits per employee (RM'mil)	17.2	14.5
Pre-tax profit per employee (RM'000)	384	275

* *Based on latest available information*

Strategic Business Direction Ahead

Delivering long term value will remain a core focus of the Public Bank Group's strategic business direction. In sustaining its track record of continued profitability growth and maximising its return on equity, the Group will continue to drive sustainable organic growth in its loans and deposits businesses in line with industry trend, while maintaining its strengths of strong asset quality and high productivity.

Multiple Approaches in Pursuit of Organic Growth

In charting and executing its business strategy, the Public Bank Group is always committed to sustainable business practices, anchored on its solid business model of organic growth in retail banking business. While the Group's time-tested core business strategy will not change, the Group will continue to anticipate and respond to business opportunities, risks and evolving trends amid the increasing complexity of the banking landscape.

On financing business, the Group will further grow its core business in the consumer and SMEs segments, mainly driven by the purchase of residential properties and transport vehicles, and financing to SMEs. The Group believes that the strong PB brand that builds on the value of integrity and accountability, the extensive retail franchise and excellent customer service delivery, will continue to bode well for future growth. Furthermore, the growing economy and the nation's emphasis on SME development will continue to set the path for business opportunities for the Group.

To fund its lending business, the Group has a stable funding structure comprised mainly of retail customer deposits. Over the years, the Group has earned the trust from customers who are confident of the Group's role as the guardian of their funds. Furthermore, the Group's prudent management and superior customer service have enabled the Group to build long term relationship with customers, and this has supported the Group in maintaining a steady source of retail deposits.

Over the years, the evolving regulatory environment has led banks to shift towards a more stable funding structure. While the Liquidity Coverage Ratio is already operative, the industry is expecting the Net Stable Funding Ratio to take effect in 2019, which will require banks to focus on acquiring longer term funds. The added regulatory requirement is to encourage banks to manage and balance their liquidity positions more effectively. Although this is expected to further intensify competition among banks, the Group is confident that it will be able to face the challenge and meet the requirement with its long standing banking strength, stable customer base and proactive efforts in maintaining a healthy and efficient funding pool.

The Group will continue to place emphasis on boosting fee-based income. Further growing the Group's unit trust management business will remain high on the Group's business agenda. Public Mutual, with a solid market position in the domestic private unit trust industry and a wide suite of unit trust funds catering to customers with varied risk profiles, will continue to be in good position to drive revenue growth for the Group.

With the continued demand for bancassurance arising from customers' awareness of the importance of insurance protection, the Group is confident that this fee-based income segment will continue to contribute to the Group's business growth. The long term bancassurance partnership between the Group and AIA Group Ltd will continue to generate fee-based income from bancassurance business to the Group. The Group will also continue to work closely with AIA to enhance the suite of bancassurance products and to intensify effective sales and marketing activities in order to grow business volumes through cross-selling and up-selling activities.

In pursuing its organic growth strategy, the Group is mindful that staying agile is the key in facing the ever changing marketplace. Managing expectations, innovating and ensuring speed-to-market of products and services are important to sustain the competitive edge. The Group will further tap on technology to build digital capability as an enabler in pursuing its organic growth strategy.

Furthermore, the Group will constantly enhance channel capability through its wide branch network, strong sales and marketing force, internet and mobile banking, and self service delivery channels to build effective touchpoints for business growth. The Group will further drive digital innovation to enhance its banking products and services. On the emergence of financial technology ("FinTech"), the Group has also been proactively exploring opportunities to collaborate with potential FinTech companies for new product offerings and enhanced services.

Maintaining Strong Credit Profile with Strong Asset Quality

Strong asset quality has long been the strength of the Public Bank Group. Despite achieving above-industry loans growth rate and leading market share in the domestic loan market, the Group has been able to maintain a high quality portfolio of assets, as evidenced by its lowest gross impaired loans ratio in the Malaysian banking system for many years. Sustaining strong asset quality will remain a focused approach for the Group's business growth going forward.

In adopting responsible lending practices, the Group has in place a stringent credit appraisal system, reinforced with strong centralised credit control and credit risk management systems. Also, the Group adheres to Public Bank's Credit Policy which sets out the guidelines for prudent lending. The Credit Policy is reviewed regularly to ensure the Group's credit assessments are aligned with the Group's risk appetite and based on up-to-date conditions in the operating environment. In addition, the Group continues to stay vigilant and proactive in credit recovery processes to expedite the recovery of impaired loans. Close monitoring is undertaken on loans that could potentially become delinquent and impaired, and pre-emptive measures are promptly taken to assist customers to restructure and reschedule their problematic loans.

Efficient Cost Management

Efficient cost management is key to the Public Bank Group's sustainable profitability. The Group's achievement in maintaining the lowest cost to income ratio among peers reflects its long-embedded practice of prudent cost discipline and continuous effort to enhance productivity. As rising prices are expected to persist and investment in additional resources to further strengthen regulatory compliance will become more prevalent, the Group will continue to place more focus and explore ways to enhance operational productivity and to optimise utilisation of resources in order to manage cost efficiently.

Shareholder Value

Proactive Capital Management

The Public Bank Group's capital level had remained at a healthy level in 2017 with its Common Equity Tier I capital ratio, Tier I capital ratio and total capital ratio standing at 12.2%, 13.0% and 16.0% respectively as at the end of 2017.

The Group undertakes a prudent approach in managing its capital, balancing between maintaining the capital at a level that meets regulatory requirement and expectation, and at the same time remaining adequate and supportive of its business growth.

The Group has in place a comprehensive Internal Capital Adequacy Assessment Process to assess the Group's overall capital adequacy, and to maintain a capital base that commensurates with the Group's risk profile and risk tolerance.

Going forward, the Group will remain effective in managing the strength of its capital based on the objectives of complying with regulations whilst sustaining long term business growth.

Consistent Dividend Payout

The Public Bank Group's commitment to look after shareholders' interest continued to be reflected in its consistent payout of dividends throughout the decades. In 2017, the Group paid a first interim dividend of 27 sen per share in August 2017. Together with the announcement of the Group's full year financial results of 2017, the Board of Directors of Public Bank had declared a second interim dividend of 34 sen per share. There was no proposal for the payment of any final dividend.

For 2017, the shareholders of Public Bank would receive a total net dividend of 61 sen per share. The total dividends paid and to be paid to shareholders would amount to RM2.36 billion, representing 43.1% of the Group's net profit attributable to shareholders for 2017. This translates into a net dividend yield of 2.9% based on the share price of RM20.78 per Public Bank share as at the end of 2017.

Taking a five-year medium term period, a shareholder of Public Bank who purchased 1,000 Public Bank shares at a price of RM16.28 per Public Bank share at the end of 2012 with an initial investment outlay of RM16,280, and together with the rights subscription of RM13.80 per share for the 1 for 10 rights issue in August 2014, would have invested a total of RM17,660. As at the end of 2017, the shareholder would have received gross dividends totalling RM3,039 and have 1,100 Public Bank shares worth RM22,858 based on the closing share price of RM20.78 per share. Based on the total dividends received and the value of the Public Bank shares held, this investment would have given the shareholder a compounded annual rate of return on investment of 8.2% for the five-year period.

Looking at a longer term period since the initial date of listing of Public Bank shares, 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 invested a total capital outlay of RM235,612. At the end of 2017, he would be holding 148,938 Public Bank shares worth RM3.1 million based on the share price of Public Bank shares of RM20.78 at the end of 2017. In addition, he would have received total gross dividends of RM1.3 million. The dividends received and the appreciation in share value would translate to a remarkable compounded annual rate of return of 18.9% for each of the last 50 years, for the shares that this shareholder has held in Public Bank since it was listed in 1967.

TO OUR CUSTOMERS

A Long-embedded Superior Service Culture

For the Public Bank Group, customer service is always a strategic priority. The Group adopts a holistic view in managing the entire customer service delivery process, and proactively engages with customers at every point of interaction.

The Group's superior performance in customer service has always been the industry benchmark. The Group has clear targets in customer service delivery. At the front line, the Group established the standards and processes for "Provision of Customer Service at the Front Office" in 2000, and has been upholding the ISO 9001 standards certification for this frontline service since the implementation. The Group has in place a comprehensive mechanism to closely monitor, promptly address and resolve performance lapses at front counters. Underpinned by its proactive effort, the Group has been constantly achieving high conformance level to its quantitative benchmark of the 2-minute Standard Waiting Time. Furthermore, in a survey assessing the satisfaction level of customers on frontline service, the Group has constantly attained a high rating, with more than 90% of customers rating their overall experience in the frontline service as "excellent" and "good".

On lending operations, the Group established the standards and processes for "Provision of Customer Service in Loan Delivery" in 2002, which is also benchmarked to international ISO standards. Under the process, the Group strictly monitors every stage of loan processing to ensure prompt response to customers' loan applications. Similarly, the Group continued to attain the certification under the ISO standards for its achievement on efficient performance on loan delivery.

Throughout the customer service process, the Group has a large pool of trained, knowledgeable and courteous employees to engage with customers. The Group has been constantly upskilling its staff competency to ensure high quality service at every touchpoint with customers. The staff training also spans across the Group's various business segments to tailor to the different needs of various segments of customers. These include Customer Service Representatives, Sales and Marketing Executives, Financial Executives, Share Investment Executives, Merchant Sales Executives and Red Carpet Banking Executives. The Group ensures they are exposed to regular training in order to give their best in serving the customers.

The Group sees complaint management as an important step in the customer service delivery process. Effective handling of complaints will not only resolve the problem, it is also an opportunity to transform customer perception and increase advocacy. In this respect, the Group has implemented a structured customer complaint management process, which is to acknowledge a complaint within 24 hours on business days, address the issue in an equitable and objective manner and provide a reply to the customer no later than 10 days, which is a shorter timeframe as compared to the minimum industry standard. The Group takes pride that it has consistently achieved 100% compliance with the turnaround time.

Comprehensive Suite of Banking Products

The Public Bank Group's competitive position continued to be underpinned by its broad offerings of banking solutions supporting the needs of consumers and businesses. The Group's core financing products for the purchase of residential properties and transport vehicles, and SME financing continued to draw strong support from customers.

Amid the highly competitive domestic financing market for the purchase of residential property, the Group has remained a leader in the market. The Group's support to home financing was well reflected in its RM18.80 billion of new loans to more than 49,000 home purchasers, representing 34.0% of total new domestic loans and financing approved by the Group in 2017. For the low to medium income segment, the Group has always been supporting home ownership through the financing of affordable houses. As part of the initiative to support BNM's Policy of Lending/Financing to the Priority Sector, the Group had met the target in respect of the financing for the purchase of affordable houses costing up to RM250,000 in Peninsular Malaysia and RM300,000 for Sabah and Sarawak, with approved financing for more than 3,000 units of affordable houses in 2017. The Group's financing products are competitively and flexibly tailored to meet the needs of different customer segments, and the fast and efficient loan approval turnaround time continued to attract customers to choose the Group as their preferred financing provider.

Passenger vehicle financing is another core business of the Group. While 2017 had been a challenging year for the domestic car industry, the Group was able to generate support from customers due to its efficient loan application process and competitive financing rates. During the year, the Group granted RM12.72 billion of new loans for the purchase of motor vehicles to its customers, accounting for 23.0% of the Group's total domestic loans approved.

SME financing continues to be a key value driver of the Group's financing business in line with national development. In addition to the Group's core SME financing products such as the comprehensive SWIFT Plan, the Group strongly supports BNM's financing schemes and guarantee schemes offered by the Credit Guarantee Corporation, such as the Working Capital Guarantee Scheme, Fund for Small & Medium Industries 2 and BizJamin. In 2017, the Group achieved a 7.7% growth to RM71.74 billion in total domestic



financing to SMEs, of which RM16.12 billion was new loans granted during the year. As part of the commitment in lending to the priority sector, the Group achieved more than three times its financing target to SMEs for 2017. This achievement is another testament of the Group's ongoing support to SMEs.

Competition in the deposit market had remained intense in 2017. Notwithstanding this, the Group's wide range of deposit products continued to be highly competitive in the market to meet the needs of customers of different ages and life stages. In addition to the basic deposit accounts, such as the PLUS Savings Account and Basic Savings Account, the Group has deposit products with special features tailored to children below 18 years old, such as the PB Bright Star Savings Account, WISE Savings Account and Young Achiever Savings Account. For senior citizens, the 50 PLUS Savings Account offers various additional benefits, such as higher returns and waiver of service charge. Further, the Group has a suite of current and fixed deposit products which are suitable for individuals and businesses. Additionally, customers can go digital and apply for fixed deposit account anywhere via the PBe internet banking. The PB eFixed Deposit Account provides hassle free convenience and also encourages customers to go green with paperless statements. The support and confidence from customers for the Group's deposit products is reflected in the continued expansion of total deposits which increased by 3.6% to RM293.18 billion in 2017 in the domestic market.

As customers are increasingly exploring wider options to manage their finance, the Group has a wide array of wealth management products to cater to the more sophisticated and affluent customers, as well as customers with different appetites. The Group's unit trust business, managed by Public Mutual, continued to offer customers a wide range of unit trust products, and remained at the pole market position in the domestic private retail unit trust industry. In the bancassurance business, through the Group's partnership with AIA Group Ltd., the Group distributes a range of bancassurance product offerings to meet the varying needs of customers.

Serving Customers through Multiple Touchpoints

At a time when many global banks have undertaken rationalisation of their branch network, the Public Bank Group understands the importance of physical delivery in banking services to many retail banking customers. Thus, the Group has maintained a consistent approach in its physical channel delivery, with 259 domestic branches conveniently located nationwide to serve customers who seek direct interaction with the Bank. Given the Group's diverse and large customer base, the Group's branches provide a wide range of banking products and services. They are also equipped with self service machines to provide customer convenience and efficiency, with service ambassadors encouraging and assisting customers on the migration to electronic services. Throughout Malaysia, there are more than 2,000 self service terminals including automated teller machines, cash deposit terminals, cash recycling machines, cheque deposit machines and coin collection machines, located within the convenient reach of customers.

The Group has also embarked on an array of online channels that allow customers to access fast and on-demand banking services. The Group has continued to tap on its PBe internet banking and PB engage mobile banking, in connecting with customers. Through strengthened security measures and simplified steps, the Group aims to attract more customers to leverage on the safe and efficient digital platform for their banking transactions. In 2017, Public Bank's PBe internet banking recorded a strong growth of 26.8% in the number of registered customers, and 31.6% growth in banking transactions. PB engage, had also recorded increase in registered customers, with a strong growth rate of 53.5%, while banking transactions on PB engage rose by 49.9%. During the year, the Group also collaborated with Ant Financial Services Group, an affiliate company of the Alibaba Group in launching a mobile wallet service.

During the year, the Group actively supported BNM's initiatives to move Malaysia towards becoming a cashless society. The Group had implemented and completed various action plans within the stipulated timelines. These included replacing all the existing active credit and debit cards held by customers with the new Chip and Pin-enabled cards, upgrading all point-of-sales merchant terminals to accept the new cards, and educating customers on the usage of the new cards. In addition, the Group had put in concerted effort to engage with its customers to promote higher use of credit transfer in place of physical cheque, and the use of payment card instead of cash, while deploying more point-of-sale terminals to reach out to its large number of merchants. The Group's efforts and achievements were validated by PayNet (previously known as MyClear) as the Group clinched four awards in the Malaysian e-Payments Excellence Awards 2017, including the most prestigious award of Best e-Payment Bank.

TO OUR STAFF

Nurturing Employees for Fulfilling Careers

Employee development is ingrained into the Public Bank Group's organisational culture. The Group channels a great amount of resources towards talent development. The Group has a suite of training programmes tailored for all levels of employees, which can be mandatory for all employees or for specific job functions. In 2017, on average, every employee received 32 hours of training. These translated to a total of RM46.9 million of expenditure spent on developing employees by the Group.

The Group recognises that ethical banking is fundamental to business sustainability, and also lays the foundation for career progression in the banking industry. To inculcate in staff the Group's corporate culture of ethical banking, the Group incorporates its code of ethics and professional banking conduct in various courses. While all staff are required to enrol in the mandatory e-learning modules on Code of Ethics, all new graduates with less than two years of experience attend the "Introduction to Ethics in Banking" Programme within the first month of joining the Group.

The Group has enabled a conducive working environment to encourage employees to pursue continuous learning and upskilling for career progression or personal fulfilment. With a wide range of e-learning programmes and classroom training available, employees are required to fulfil mandatory training of 3 days every year. For employees working on a specific or technical function such as audit, risk, compliance, anti-money laundering and counter financing of terrorism, and credit functions, the Group strongly encourages them to earn relevant specialised certification to ensure they are equipped with sufficient skill and knowledge to carry out their job duty. In addition, at the 20th Asian Institute of Chartered Bankers graduation in 2017, the Group took pride in topping the list of highest number of graduates in the industry, with 296 staff attaining various professional certifications at the ceremony.

Grooming young graduates is a core aspect of the Public Bank Group's culture in developing employees. The Group's in-house training programme for management trainee, TalentMax, is a specially designed one-year comprehensive programme which covers classroom training, outdoor leadership activities, on-the-job attachment and experiential learning. The programme focuses on instilling the Group's multi-generational values and equipping the young talents with the knowledge and skills beyond their scope of responsibility.

It has also been an ongoing practice for the Group to undertake skill gap analysis to identify the areas of weakness of employees. Appropriate training will then be provided to the staff to bridge the gap. This will ensure that staff are always equipped with the quality and credentials required in carrying out their duty.

Succession Planning for Key Management Roles

Succession management is integral to business continuity and growth. In creating a strong leadership bench, the Public Bank Group has a structured succession planning framework to grow replacement from within to build a sustainable leadership pipeline.

LETTER TO STAKEHOLDERS

As a major financial intermediary in the country, with the responsibility to safeguard the interests of a multitude of stakeholders, the Group does not leave succession management to chance. While the Board of Directors oversees the Group's succession planning strategy, the Senior Management, Human Capital Management Division, Knowledge and Learning Centre are responsible to ensure the plan is effectively executed.

For an effective succession process, the Group has a formal strategy in place which encompasses the process of identifying the key management roles throughout the organisation and a clear definition of the skill-set required, identifying the potential candidate to fill in the role, and the development process to fit the future leader for the new role. In nurturing potential candidates, the Group will expand their responsibilities, put them through challenging tasks, expose them to on-the-job learning experiences and develop their talent into real strengths. The Group also places the candidates through leadership assessment and conducts periodic interviews with them, as part of the assessment process.

A Rewarding Career

An essential part of the Public Bank Group's ability to attract and retain talents is through its competitive package of remuneration and benefits, and the opportunities made available to employees to progress and develop a successful career within the Group.

The Group has long practised the performance-based reward culture to remunerate employees in recognition of their contribution. Knowing that their effort will be rewarded by attractive compensation and benefits, employees develop a shared responsibility with the organisation and are more productive in achieving the goals that are aligned with the Group's business targets. The Group has also made known to staff on the key performance indicators or performance standards, creating a merit-driven reward system that is fair and transparent.

Working in the Group also means employees are offered a clear career path with opportunities for progression. Employees who perform well will be given the opportunities for higher position or additional responsibility in the career ladder. The Group's transparent performance-based remuneration system, meritocracy driven career progression and priority accorded to internal filling of vacancies by existing well-trained, qualified and experienced staff, have created a workforce that is passionately performance driven and one that seeks a career path and advancement within the Group.

TO OUR COMMUNITY

Supporting Economic Development

The Public Bank Group in undertaking its banking business, contributes to the nation by creating value to the economy through its financial intermediary role. As a major player in the financing of properties and financing to the SMEs, the Group intermediates funds to support home ownership, facilitates investment and business expansion, as well as provides employment opportunities for the economy. The Group's wide array of wealth management products also helps people to better manage their finance and accumulate wealth.

The Group supports the national agenda of financial inclusion. As a strong supporter of BNM's Policy of Lending/Financing to the Priority Sector, the Group strongly promoted access to financing in two priority sectors, namely financing for the purchase of affordable houses costing RM250,000 and below, and SME financing. The Group had consistently achieved the targets set in the financing to these two priority sectors.

The Group sees the importance of ensuring financial stability of customers when they are taking on bank financing. The Group has always committed to exercise responsible lending practices, whereby the total debt obligations and the financial standing of the borrowers are taken into account during the credit assessment and approval process. This is to avoid over gearing of borrowers and the potential consequential ill effects arising from the default in repayment of bank financing. Where necessary, the Group provides advice and guidance to educate customers to borrow within the prudent limit.

The Group appreciates the Government's effort for providing a stable and conducive environment to operate its banking business. The Group is mindful of its corporate responsibility of paying taxes in giving back to the country for the development and well-being of the nation. In 2017, the Group paid a total corporate tax of RM1.35 billion, fulfilling its responsibility as a corporate citizen.

Giving Back To The Community

Community giving is an essential part of the Public Bank Group's business. The Group is well aware that as the business has benefited from the community, it is important that the Group pays it forward to make an impact on people's lives in a meaningful way. Through various donations and activities beyond monetary contributions, the Group creates public value to the society benefiting the community.

The Group is a long term supporter of educational development. In 2017, the Group contributed a sum of USD1.25 million to the Asia School of Business ("ASB") MBA Programme. Through the contribution, the Group supports the ASB initiatives to develop transformative and principled leaders who will contribute to the advancement of the emerging world, especially Asia.

The Group also continued to devote a great deal of time on charity visits as well as donations. On every major festive season, such as Hari Raya Aidilfitri, Chinese New Year and Deepavali, the Group organised visits and donated to old folk's homes, orphanages and hospitals.

The Group's practice of caring for the community is also inculcated in the young generation through its management programme, TalentMax. During the year, the young trainees had organised visits to charity homes. During the visits, they prepared gifts, helped with cleaning and mingled with the children with games and fun interactions.

Since 1994, the Group has been driving blood donation campaigns with the National Blood Centre. Today, the Group is still actively supporting the noble cause in saving lives through this activity. In 2017, two blood donation drives were held with overwhelming support from more than 400 donors.

In response to the massive flood in several states in Malaysia during the year end, the Group, as a responsible corporate citizen, activated its Relief Assistance Programme for its customers and employees who were affected by the disaster. The Group had offered moratorium of up to six months for the monthly instalment payments of loans and financing. The Group also provided special cash relief to affected staff and their families. In addition, the Group partnered with Tzu Chi Foundation Malaysia to facilitate cash payout service to eligible recipients under the Foundation's Penang Flood Victims programme.

To show its support in preserving the environment, the Group continued its participation in the Earth Hour in 2017, with Menara Public Bank joining other iconic buildings to turn off their lights for an hour from 8.30 p.m. on 25 March 2017. The Group also initiates environmental sustainability effort across its operations. In 2017, the Group had replaced all the T8 fluorescent tubes and light bulbs with LED tubes and LED bulbs in the Group's Corporate Head Office, i.e. Menara Public Bank in Kuala Lumpur and Information Technology & Training Centre in Bangi. The Group is also committed to reducing paper consumption through the automation of business processes, encouraging e-procurement and expanding recycling and waste management practices.

The newly completed Menara Public Bank 2, a 40-storey Grade A green building, reflects another effort from the Public Bank Group in environmental conservation. The building has been accorded precertification Gold rating by both Leader in Energy & Environmental Design under the US Green Building Council and Green Building Index under the Malaysia Green Building Confederation.

RECOGNITION OF BANKING EXCELLENCE

In 2017, the Public Bank Group continued to be presented with international and national awards of banking excellence from reputable domestic and international publications, and independent organisations. These awards and recognition speak volumes of the Group's unwavering commitment in its pursuit of excellence in banking services. The notable awards include the following:

Award	Award Presenter
• Best Bank in Malaysia 2017	Global Finance
• Best Bank In Malaysia 2017	Alpha Southeast Asia
• Best Domestic Bank in Malaysia 2017	The Asset
• Domestic Retail Bank of the Year in Malaysia 2017	Asian Banking & Finance
• The Strongest Bank by Balance Sheet in Malaysia 2017	The Asian Banker
• Best Bank for SMEs Award 2017	Asiamoney
• Best SME Supporter Award	Karnival Kewangan
• Malaysian e-Payments Excellence Awards 2017 – Best e-Payments Bank – Best MyDebit Bank – Outstanding Contribution to MyDebit – Outstanding Contribution to FPX	PayNet (previously known as MyClear)
• Global Chinese Business 1000 Award 2016 : Outstanding Performance Enterprise in Malaysia	Yazhou Zhoukan
• The BrandLaureate Awards: – The BrandLaureate Industry Champion Brand Icon Leadership Award for Banking 2017 – The BrandLaureate Best Performing Public Listed Company: Banking Award 2016-2017	Asia Pacific Brands Foundation
• The Edge Billion Ringgit Club Corporate Awards 2017: – Finance Sector: RM10 billion and above market capitalisation ▲ Highest Return on Equity Over Three Years – Gold Award ▲ Highest Growth in Profit After Tax Over Three Years – Gold Award – Super big cap companies above RM40 billion market capitalisation ▲ Highest Return on Equity Over Three Years – Silver Award ▲ Highest Growth in Profit After Tax Over Three Years – Silver Award	The Edge Billion Ringgit Club
• Best Tax Payer Award 2016 for Public Listed Companies	Inland Revenue Board
• Trusted Brands Gold Award 2017	Reader's Digest
• 7th Asian Excellence Recognition Awards 2017: – Best Environmental Responsibility for Malaysia – Best Investor Relations Company for Malaysia	Corporate Governance Asia
• The Asset Platinum Award 2017 for Excellence in Environmental, Social and Corporate Governance	The Asset
• Euromoney Private Banking and Wealth Management Survey 2017 Award: Succession Planning Advice and Trusts	Euromoney



During the year, Tan Sri Dato' Sri Dr. Teh Hong Piow, the Founder and Chairman of Public Bank continued to be recognised for his astute leadership and invaluable contribution to the banking industry, and was recognised with the following prestigious awards:

- Medal for the Development of Vietnam Banking Industry by The State Bank of Vietnam
- Asia's Best CEO (Investor Relations) 2017 for Malaysia by Corporate Governance Asia

OUTLOOK

Riding on the strengthened recovery of the global economy, the Malaysian economy is likely to continue to benefit from the firmer growth in global demand, where private sector demand continues to sustain domestic economic growth. The expected uptrend in global oil prices is also likely to augur well for the Malaysian economy. While possible setbacks could arise from the expected monetary policy tightening in major economies, and risks of rising trade protectionism and global geopolitical tensions, Malaysia will be in a position of strength to weather through the potential volatility.

With positive developments growing at a broader base in the global and domestic economy, the Public Bank Group will tap on business opportunities arising from the improving economy. While continued headwinds such as less optimistic consumer sentiment and rising prices will continue to weigh on growth, the Group is confident that its strong fundamentals will enable it to stay resilient and flexible in responding to any risks and opportunities. The Group will also continue to preserve its core values of accountability and integrity in its business operations to safeguard the interest of its stakeholders.

The Public Bank Group's roadmap is clear. The Group aims to further entrench its status as one of the premier financial institutions in Malaysia and the region. The Group will continue to do what it does best in its organic growth strategy in the retail banking business, while striving for higher productivity and innovation for sustainable performance and business growth.

LETTER TO STAKEHOLDERS

TARGETS FOR 2018

Taking into account the Public Bank Group's performance in 2017, the risk appetite of the Group and the outlook in the operating environment, the Group has set its 2018 key performance targets as follows:

Key Performance Measures	2018 Targets
Net return on equity	14% to 15%
Total capital ratio	>13%
Gross impaired loans ratio	<1%
Cost to income ratio	33% to 34%
Gross loans growth	5%
Customer deposits growth	5%

OUR APPRECIATION

As the Public Bank Group achieved the 51st straight year of profitability in 2017, we are grateful to all stakeholders for all the accomplishments the Group has made during the year.

To our shareholders, thank you for your support and trust that have brought the success that the Public Bank Group has today.

To our valued customers, we are grateful that you have chosen the Public Bank Group as your bank. Your support inspires the Group to strive for continuous improvement in its banking journey.

To the management and staff of the Public Bank Group, your commitment and dedication have contributed to the success of the Group. We would like to express our gratitude for your hard work, commitment and dedicated effort.

During the year, we were deeply saddened by the demise of Dato' Sri Lee Kong Lam, the then Non-Independent Non-Executive Deputy Chairman of Public Bank. The Board records an appreciation to the late Dato' Sri for his dedicated service and strong commitment in his 21 years of service with the Group.

Mr. Lai Wan was appointed as Independent Non-Executive Deputy Chairman of the Bank in September 2017. Mr Lai's appointment will further support the Group's operations going forward.

The Board and management would like to convey our sincere appreciation to BNM and all other relevant authorities for their invaluable guidance and continuous support.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

TAN SRI DATO' SRI TAY AH LEK
Managing Director

MR. LAI WAN
Deputy Chairman

MR. TANG WING CHEW
Director

MS. LAI WAI KEEN
Director

MS. CHEAH KIM LING
Director

22 February 2018

Corporate Governance Overview Statement

THIS STATEMENT PROVIDES AN OVERVIEW BY THE PUBLIC BANK BOARD OF PUBLIC BANK'S APPLICATION OF THE 3 KEY PRINCIPLES OF GOOD CORPORATE GOVERNANCE AS SET OUT IN THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2017 (MCCG 2017). PUBLIC BANK'S APPLICATION OF EACH PRACTICE SET OUT IN THE MCCG 2017 DURING THE FINANCIAL YEAR 2017 IS DISCLOSED IN THE PUBLIC BANK'S CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 WHICH CAN BE DOWNLOADED FROM PUBLIC BANK'S CORPORATE WEBSITE AT WWW.PUBLICBANKGROUP.COM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

MCCG 2017 PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board is responsible for formulating and reviewing the Bank's strategic plans and key policies, and charting the course of the Bank's business operations. The Board, through the Audit Committee, Risk Management Committee and Compliance Committee, provides effective oversight of the Management's performance, risk assessment and controls over business operations, and compliance with regulatory requirements. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The key responsibilities of the Board are disclosed in the Public Bank's Corporate Governance Report for the financial year ended 31 December 2017 which can be downloaded from Public Bank's corporate website at www.publicbankgroup.com.

Roles of Chairman, Managing Director and Non-Executive Directors

The Board has established the roles and responsibilities of the Non-Executive Chairman which are distinct and separate from the duties and responsibilities of the Managing Director/ Chief Executive Officer (CEO). This segregation between the duties of the Non-Executive Chairman and the Managing Director/CEO ensures an appropriate balance of role, responsibility and accountability at Board level.

The Non-Executive Chairman provides leadership to the Board. He ensures the smooth functioning of the Board and that the procedures and processes are in place to facilitate effective conduct of business of the Board. The Chairman also ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis.

The Managing Director/CEO is primarily responsible for the day-to-day management of the Bank. He is responsible for developing the business direction of the Bank and also to ensure that the Bank's business strategies and policies are effectively implemented.

The Non-Executive Directors are independent of the Management. The Non-Executive Directors scrutinise the performance of Management in meeting key performance targets and monitor the reporting of performance. The Non-Executive Directors are responsible to satisfy themselves on the integrity of financial information and that financial controls and system of risk management are robust and defensible. Their role is to constructively challenge the Management and monitor the success of Management in delivering the approved targets and business plans within the risk appetite set by the Board. They have free and open contact with the Management at all levels, and they engage with the external and internal auditors to address matters concerning the management and oversight of the Bank's business and operations.

The Directors are at liberty to seek independent professional advice on matters relating to the fulfilment of their roles and responsibilities. The cost of procuring these professional services will be borne by the Bank.

Company Secretary

The Board is supported by the Company Secretary who is very experienced, competent and knowledgeable on new statutes and directives issued by the regulatory authorities. She gives clear and sound advice on the measures to be taken and requirements to be observed by the Company and the Directors arising from new statutes and guidelines issued by the regulatory authorities.

Board Meetings and Access to Information

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan ahead and ensure their full attendance at Board meetings.

The Board holds regular meetings of no less than 16 times a year. In addition to monthly Board meetings, the Board also meets as soon as the Bank's quarterly and annual results are finalised in order to review and approve the results for submission to Bank Negara Malaysia (BNM). Special Board meetings may be convened as and when necessary to consider urgent proposals or matters that require the Board's expeditious review or consideration.

At the monthly Board meetings, the Board reviews management reports on the business performance of the Bank as well as the Group and major subsidiaries, and reviews, inter-alia, the results compared to the preceding month and year-to-date, and also the comparison against pro-rated business targets and against the industry. As part of the integrated risk management initiatives, the Board is informed of the decisions and salient issues deliberated by the Audit Committee, Risk Management Committee, Compliance Committee and Management Working Committees through minutes of these committees. The Board Members deliberate, and in the process, assess the viability of business propositions and corporate proposals, and the principal risks that may have significant impact on the Bank's business or on its financial position, and the mitigating factors. The Board also assesses various types of credit propositions and matters that are required to be submitted to the Board for concurrence or approval, in accordance with the guidelines issued by BNM.

The Chairman of the Audit Committee would inform the Directors at Board meetings, of salient views and recommendations of the Audit Committee upon its members' deliberations at Audit Committee meetings.

The Chairman of the Risk Management Committee would inform the Directors at Board meetings, of salient risk issues discussed at the Risk Management Committee meetings which require the Board's notice or direction to be given to the Management.

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda. The agenda together with comprehensive management reports and proposal papers are furnished to the Directors at least 7 days before the Board meeting.

The Board Members come well prepared for Board meetings and engage in robust discussions on key matters in the agenda. The Managing Director/CEO provides comprehensive monthly updates to the Board on the Bank's and the Group's business operations.

A Director is required to abstain from deliberations and decisions of the Board on matters where he/she is the interested party, and he/she does not exercise any influence over the Board in respect of the matter. In the event a corporate proposal is required to be approved by shareholders, interested Directors are required to abstain from voting on their shares held in Public Bank on the shareholders' resolutions pertaining to the corporate proposal, and will further undertake to ensure that persons connected to them similarly abstain from voting on the relevant shareholders' resolutions.

The minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation of the minutes to be done at the commencement of the following Board meeting.

The Deputy CEO attends all Board meetings by invitation, while the Chief Operating Officers and Senior Management Officers are invited to attend Board meetings to report to the Board on matters pertaining to their respective areas of responsibility, and also to brief and provide details to the Directors on recommendations or reports submitted to the Board. The Chief Financial Officer also attends Board meetings by invitation to update the Board on financial guidelines issued by BNM and new accounting standards, and to brief the Board on matters relating to the finance portfolio, such as guidelines and policies to be implemented by the Bank pursuant to BNM policy documents or new accounting standards.

Some Directors also sit on the Boards of Public Bank's subsidiaries, and this gives the Board access to direct insight of the performance and operations of the subsidiaries.

Board Charter

The Board Charter sets out the roles and responsibilities of the Board, Board Committees, individual Directors and Management in upholding sound corporate governance standards and practices. The Board Charter reflects the matters reserved for the Board's consideration and approval. The Board Charter is available on Public Bank's corporate website at www.publicbankgroup.com.

Board Composition

The Board currently comprises 6 Members. The size and composition of the Board remains adequate to provide for a diversity of views, facilitate effective decision making, and appropriate balance of executive, independent and non-independent directors.

The 6 Members of the Board are persons of high calibre and integrity, and they have a sound understanding of the Bank's business as well as deep industry expertise. They possess the skills, knowledge, experience and competencies to address key risks and major issues relating to the Bank's business and its policies and strategies. The Directors more than adequately fulfill the fit and proper criteria as specified in the Financial Services Act 2013 (FSA) and the BNM Policy Document on Fit and Proper Criteria.

The profile of each of the Member of the Board is as presented on pages 60 to 66 of this annual report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Balance and Independence

The Board comprises only one Executive Director and a strong presence of 5 Non-Executive Directors, of whom 4 ie. more than half of the Board Members are Independent Non-Executive Directors. The presence of a majority of Independent Non-Executive Directors provides effective check and balance in the functioning of the Board to safeguard the interests of the Bank and all stakeholders.

There are 2 female members on the Board, representing 33% of the total Board Members. The 2 female members on the Board provide the Board with gender diversity that serves to bring value to Board discussions from the different perspectives and approaches of the female Directors.

Tenure of Independent Directors

The maximum tenure of an Independent Non-Executive Director shall be a cumulative term of 9 years. Upon reaching such maximum tenure, the Independent Non-Executive Director may continue to serve on the Board but shall be re-designated as Non-Independent Non-Executive Director.

New Appointment and Re-Appointment of Director

Pursuant to provisions of the FSA and policy documents and guidelines issued by BNM, the proposed appointment of a new Director is subject to the prior approval of BNM, and the term of appointment shall be as specified by BNM in its approval.

The Nomination Committee is responsible for assessing the candidate for proposed directorship and thereupon submitting their recommendation to the Board for decision. The Nomination Committee's recommendation is after due consideration of the Board's composition and requirements, and the candidate's fitness and propriety to be considered for appointment based on the factors specified in the Bank's Fit and Proper Policy and the BNM Policy Document on Fit and Proper Criteria.

The proposed re-appointment of a Director, upon expiry of his/her current term of appointment as approved by BNM, is also subject to the approval of BNM.

The Nomination Committee is responsible for assessing the performance of Directors whose current term of appointment as approved by BNM is due to expire, and for submitting their recommendation to the Board for decision to submit the application to BNM for the proposed re-appointment of the Director concerned.

Re-Election of Directors

The Articles of Association (Constitution) of Public Bank provide that at every annual general meeting of Public Bank, one-third of Directors for the time being or the number nearest to one-third, and those Directors newly appointed subsequent to the preceding annual general meeting, 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 3 years but shall be eligible for re-election.

The performance of those Directors who are subject to re-election at the annual general meeting of Public Bank will be assessed by the Nomination Committee whereupon recommendation will be submitted to the Board for decision to table the resolution on the re-election of the Director concerned for shareholders' approval at the next annual general meeting.

Time Commitment

To ensure that Directors do not have competing time commitments that impair their ability to discharge their duties effectively, the Board has established a policy on the maximum number of directorships/positions in non-public listed companies and non-profit organisations that a Director can hold in Malaysia and offshore/overseas, which is as follows:

- Maximum 5 directorships in public listed companies.
- Maximum 15 directorships/positions held in non-public listed companies and non-profit organisations.

The Directors remain fully committed in carrying out their duties and responsibilities and are able to give sufficient time commitment to their duties and responsibilities as reflected by inter-alia, the following:

- Their full attendance at the Board meetings held during the financial year ended 31 December 2017.
- The total number of directorships held by each Director are well below the maximum number set by the Board.

Directors' Training

During financial year 2017, the Members of the Public Bank Board had received training on areas relevant to their duties and responsibilities as Directors by attending external seminars/talks and internally facilitated sessions and through reading materials. The Directors had attended talks, dialogue sessions and focus group sessions organised by FIDE Forum, an initiative of the alumni members of the Financial Institutions Directors' Education (FIDE) Programme, which is set up to enhance corporate governance practices in the boards of financial institutions and to develop world class directors who are advocates of best practices and excellence in corporate governance. The Directors had also kept up-to-date with market developments and related issues through Board discussion meetings with the Deputy CEO, Chief Operating Officers, Chief Financial Officer and other Senior Management Officers.

The Company Secretary and the Bank's Knowledge & Learning Centre undertake the role as the co-ordinator to manage and co-ordinate the Directors' training requirements, which include the following:

- Mandatory
  - Pursuant to the Bursa Malaysia Main Market Listing Requirements, a newly appointed Director is required to attend the Mandatory Accreditation Programme within 4 months of his/her appointment.
  - New Directors are to participate in induction programmes which allow the new Directors to meet with the CEO/Senior Management staff and be accustomed with the Company's governance framework, financial management and business operations.
  - FIDE Core Programme shall be the core training for Directors.
- Electives

  Upon completion of the FIDE Core Programme, Directors are eligible to attend FIDE Elective programmes that focus on Board Committee, technical and advanced governance issues.
- Enrichment

  To keep abreast with the current developments in the marketplace, Directors will be provided with opportunities to attend public programmes or seminars on the areas related to their functions/roles and for continuous development.

  Directors may request that training programmes on specific subjects be arranged in order to facilitate them to discharge their duties effectively.

The Company Secretary and Secretaries of Audit Committee, Compliance Committee and Risk Management Committee regularly update and apprise the Directors on new statutes, policy documents and guidelines issued by the regulatory authorities, and the requirements to be observed by the Company and Directors thereupon.

The Nomination Committee conducts annual review of training attended by the Directors during each financial year.

Conferences, seminars and training programmes attended by Directors in 2017 included the following:

Corporate Governance

- Corporate Governance Breakfast Series with Directors: Integrating an Innovation Mindset with Effective Governance.
- FIDE Forum 1st Distinguished Board Leadership Series: Efficient Inefficiency – Making Boards Effective in a Changing World.
- FIDE Forum 2nd Distinguished Board Leadership Series: Risk and Reward – What Must Boards Know About a Sustainable FI Remuneration System for Senior Management and Material Risk Takers.
- Independent Directors' Programme: The Essence of Independence.
- Conference for Independent Non-Executive Directors.

Risk/Compliance/Regulatory

- Compliance Conference.
- Securities Commission Capital Market Director Programme.
- Fraud Risk Management Workshop.
- Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001: Risk Challenges and Vulnerabilities Towards Regulatory Compliance.

Banking, Finance & Economy

- Global Symposium on Microfinance.
- Global Business Insights Series: Embracing Paradoxes.
- Talk on Global Macroeconomic Outlook – Understanding the Megatrends Post Brexit and Trump.

- Talk on Cybersecurity and Threat Landscape in Banking.
- Talk on Fund Transfer Pricing in a Basel III World – Have Positive Margins Gone Forever?
- Talk on Banking Strategy – Value Creation in Banking: Recent Developments with Capital Allocation and Fund Transfer Pricing.
- 30% Club Business Leaders Roundtable Meeting.
- Global Symposium on Development Financial Institutions.

FinTech and Technology Based Innovations

- FIDE Forum: FinTech – Opportunities for the Financial Services Industry in Malaysia.
- Securities Commission – FIDE Forum Dialogue: Leveraging Technology for Growth.
- Talk on Social Media Marketing – Strategy, Tools and Tactics.

Remuneration

The Remuneration Committee recommends the level and structure of Directors' fees which comprise an annual fee for service on the Board. In making its recommendation, the Remuneration Committee considers the responsibilities of the Directors and also benchmarking against the Directors' fees of peer banks.

The Board as a whole determines the remuneration of Non-Executive Directors.

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2017 are as follows:

	Remuneration from the Bank						Remuneration from Subsidiary Companies		
2017	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Bank Total RM'000	Fees RM'000	Other Emoluments RM'000	Group Total RM'000
Executive Director									
Tan Sri Dato' Sri Tay Ah Lek	5,850	301	15,974	4,909	28	27,062	454	320	27,836
Non-Executive Directors									
Tan Sri Dato' Sri Dr. Teh Hong Piow	–	408	–	30,703	32	31,143	830	75	32,048
The late Dato' Sri Lee Kong Lam*	–	260	–	252	–	512	264	42	818
Lai Wan	–	316	–	333	–	649	127	2	778
Tang Wing Chew	–	301	–	348	–	649	143	44	836
Lai Wai Keen	–	301	–	306	–	607	–	–	607
Cheah Kim Ling	–	301	–	360	–	661	–	–	661
	–	1,887	–	32,302	32	34,221	1,364	163	35,748
Total Directors' remuneration	**5,850**	**2,188**	**15,974**	**37,211**	**60**	**61,283**	**1,818**	**483**	**63,584**

* *This represents the remuneration payable to the Director until his demise on 14 September 2017.*

Senior Management

The CEO in leading the Senior Management team has the primary responsibility over the day-to-day management of the Bank. The Senior Management team plays a pivotal role in ensuring that the business and risk strategies, remuneration, succession planning and other policies of the Bank are established and implemented in accordance with the directions set out by the Board including the establishment of a management structure that promotes accountability and transparency throughout the Bank's operations and preserves the effectiveness and independence of control functions. The clear segregation of responsibilities amongst the Senior Management team provides an embedded check and balance system for its day-to-day business and operations.

The control functions of the Bank are independent and report direct to the respective Board Committees, namely Audit Committee, Risk Management Committee and Compliance Committee. To safeguard the independence and authority of individuals engaged in control functions, the remuneration of such individuals is based principally on the achievements of control functions objectives and independent from the business units they oversee.

Senior Management Appointment and Removal

The Bank's Fit and Proper Policy has established processes for the appointment and removal of the relevant Key Responsible Person (KRP) as well as the stringent assessment of candidates against the minimum requirements. All KRPs are assessed to have met all the fit and proper criteria based on the following factors:

1. Probity, Personal Integrity and Reputation

2. Competence and Capability

3. Financial Integrity

4. They do not hold an aggregate interest of 5% or more in the shares of Public Bank.

Succession Planning

The Bank has in place a robust succession planning process to ensure the continuity of leadership and long term business sustainability in particular covering all the key leadership positions. The framework encompasses the determination of criticality of positions, identification and selection of talents based on pre-defined competency profiles, drawing up individual development plan to bridge the competency gap and monitoring and reviewing the progress and leadership readiness of talents.

The Bank emphasises on the "look within" policy in the identification of talents to retain corporate knowledge and ensure the perpetuating of corporate culture. This further upholds the Bank's philosophy in providing staff with rewarding career advancement.

The Bank's succession planning policy and program is subject to the review and approval of the Board assisted by the Nomination Committee and collectively implemented by the Senior Management team.

Remuneration Policy & Practice

The Public Bank Group Remuneration Policy is established to put in place a framework to ensure a robust balance between attracting, retaining, motivating staff and prudent risk management within the organisation to be in line with its risk culture.

The Policy has been reviewed by the Remuneration Committee and approved by the Board for implementation to all levels of staff including Senior Management and other staff not governed by any collective agreement in Public Bank, Public Islamic Bank Berhad and Public Investment Bank Berhad. Senior Management in this context refers to the Chief Executive Officers and Senior Officers of the abovementioned companies in the Group.

The remuneration framework is designed to ensure that reward is measurably linked to achievement of business and performance objectives. However, to prevent any conflict of interest, the framework stipulates that staff of the control functions are to be assessed independently from the business units that they oversee. For effective segregation, these staff will be appraised principally based on achievement of their control objectives set out by the Board Committees of their respective control function and differentiated from that of the business units they oversee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The remuneration framework outlines the total compensation packages of fixed remuneration and variable remuneration payable to staff. Fixed remuneration refers to basic salary and other fixed income which commensurate with the role and position of an individual staff, including professional experience, qualifications, responsibilities, job complexity and local market condition etc.

The variable remuneration refers to the discretionary bonus which is cash based and does not consist of shares or non-cash instruments as the Group does not have such instruments in place. The pool for the variable remuneration is determined by financial matrices such as the Group's overall performance, achievement of selected financial ratios, market trends and economic outlook.

The following depicts the total value of cash based remuneration paid out to Senior Management staff of Public Bank for financial year 2017:

Remuneration	No. of Senior Management Staff	Non-Deferred (RM)	Deferred (RM)
Fixed	23	16,445,566	–
Variable		2,467,706	11,499,000

Note: The above excludes the remuneration of Managing Director/CEO which has been declared under the Directors' Remuneration

Strengthening Corporate Governance Culture

The Public Bank Group has in place the following policies to further inculcate ethical values and compliance culture in the Group:

- **Public Bank Group Code of Ethics**

  The Public Bank Group Code of Ethics is enshrined in Five (5) Fundamental Ethical Principles which the Bank and each employee must adhere to, both in letter and in spirit. The Five (5) Fundamental Ethical Principles are as follows:

  1. Competence
  2. Integrity
  3. Fairness
  4. Confidentiality
  5. Objectivity

  Further details of the Public Bank Group Code of Ethics are set out on page 105 of this annual report.

- **Whistleblowing Policy and Procedures**

  The scope of the Whistleblowing Policy and Procedures (WBP) has been expanded to include all employees and third parties in making disclosure of any improper conduct or irregularities without any risk of reprisal. The platform, accessibility and channels of reporting have also been revamped to make it more accessible and user-friendly for the submission of disclosure.

  Further details of the Whistleblowing Policy and Procedures are set out on page 107 of this annual report.

- **Anti-Fraud Policy**

  The Anti-Fraud Policy sets out the responsibility of employees of Public Bank Group for preventing and detecting defalcations, misappropriations and other irregularities, the specific roles of employees in the prevention and detection of fraud and fraud discovery reporting. The Policy also articulates the Group's ultimate objective in eliminating any form of fraud from all its business activities, hence, the Group has zero-tolerance towards any form of fraud.

  Further details of the Anti-Fraud Policy are set out on page 107 of this annual report.

Board Committees

The Board has established the following Board Committees which are made up exclusively of Independent Non-Executive Directors to support the Board in carrying out its functions:

- Compliance Committee
- Credit Risk Management Committee
- Risk Management Committee
- Audit Committee
- Nomination Committee
- Remuneration Committee

Common memberships in Board Committees such as the Compliance Committee; Risk Management Committee and Audit Committee, facilitate a holistic overview of the risk and control functions under the oversight of these Committees.

The functions and terms of reference of Board Committees as well as authority delegated by the Board to these Committees, are reviewed from time to time to ensure that they remain relevant and are up-to-date.

The roles and responsibilities of the Board Committees and attendance of each Director at the Board Committee meetings are disclosed in the Public Bank's Corporate Governance Report for the financial year ended 31 December 2017 which can be downloaded from Public Bank's corporate website at www.publicbankgroup.com.

The main activities of the Nomination Committee in 2017 included the following:

- Annual review of size and composition of Board, Board balance and independence of Directors and skills of Directors.
- Annual evaluation of performance and effectiveness of the Board as a whole and annual evaluation of performance of each individual Director.
- Annual review of compositions, functions and terms of reference of Board Committees.
- Annual evaluation of Board Committees and individual Audit Committee members.
- Assessment of fitness and propriety of Directors for re-appointment/re-election.
- Annual fit and proper assessment of Senior Management who are key responsible persons.
- Annual assessment of fitness and propriety of Company Secretary to remain appointed.
- Recommendation to the Board on promotion and appointment of key responsible persons.
- Recommendation to the Board on Public Bank Group Succession Planning Policy and Program for Key Leadership Positions.
- Recommendation to the Board on renewal of contracts of employment of the Managing Director/CEO, Senior Management staff and Company Secretary.

MCCG 2017 PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Audit Committee is established by the Board and comprises four (4) Members, all of whom are Independent Non-Executive Directors. The Chairman of Audit Committee is appointed by the Board and is not the Chairman of the Board.

The Composition, Authority as well as the Duties and Responsibilities of the Audit Committee are set out under its Terms of Reference approved by the Board. Incorporated in the Audit Committee's Terms of Reference on 31 October 2017 is a policy which requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. The Audit Committee's Terms of Reference are published in the Public Bank's corporate website.

Collectively, the Audit Committee Members have a wide range of relevant skills, knowledge and experience in discharging their duties. In addition, one (1) of the Audit Committee Members is a Chartered Accountant of the Malaysian Institute of Accountants. With the relevant skill sets, knowledge and experience, the Audit Committee Members are financially literate and are able to understand, analyse and challenge matters under the purview of the Audit Committee including the financial reporting process.

In 2017, the Audit Committee Members have attended training workshops, seminars and talks to keep themselves abreast of the latest developments in the banking industry including relevant regulatory requirements as well as effective governance practices.

The Audit Committee assists the Board to oversee the financial reporting process and assesses the reliability of the financial reporting of Public Bank and the Public Bank Group. The Audit Committee also seeks explanations and additional information from the Senior Management and the Chief Financial Officer in regard to the financial performance and preparation of the financial statements of Public Bank and the Public Bank Group. In addition the Audit Committee reviews and discusses with the external auditor on their observations of the annual and interim financial results of the Public Bank and the Public Bank Group.

The details of the duties and responsibilities of the Audit Committee are set out under the Audit Committee Report on pages 116 to 123 of this annual report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Relationship with External Auditors

The Audit Committee has put in place policies and procedures to assess the suitability, objectivity and independence of the external auditor. In this regard, the Audit Committee reviews and assesses annually the appointment or re-appointment of external auditor in accordance with the requirements set out in the Public Bank Group's Policies and Procedures for Appointment/Re-appointment of External Auditors for Audit and Non-Audit Services (Group Policies and Procedures) to ensure that the independence and objectivity of the external auditor as statutory auditor are not compromised.

For engagement of external auditor to perform non-audit services, the Audit Committee has to be satisfied that the external auditor is suitable, independent and objective in the provision of such services, no element of conflict of interest and the fees chargeable are within the allowable threshold set before Management engages the external auditor to carry out non-audit services for Public Bank and/or Public Bank Group.

The details of the fees paid/payable to the external auditor for its provision of statutory audit, audit related and non-audit related services in 2017 are set out in Practice 8.3 of the Public Bank's Corporate Governance Report for the financial year ended 31 December 2017 which can be downloaded from Public Bank's corporate website at www.publicbankgroup.com.

The Audit Committee's reviews and assessments of the external auditor for audit and non-audit services are carried out via an assessment checklist in accordance with the assessment criteria set out in the Group Policies and Procedures. This assessment checklist covers regulatory requirements, performance as well as the independence and objectivity of the external auditor.

Internal Audit Function

Public Bank has an in-house Internal Audit function which is carried out by the Internal Audit Division (IAD). The Audit Committee oversees the performance and effectiveness of the Internal Audit function based on the approved key performance indicators, assesses the competency and experience of the Internal Audit staff as well as the adequacy of resources in order for the Internal Audit function to carry out its work effectively. The Audit Committee also ensures that Internal Audit staff have the authority to carry out their work objectively and independently, free from any relationship or conflicts of interest.

IAD has a staff strength of 194 individuals (excludes 6 Office Administration staff), majority of whom are equipped with the relevant experience and qualifications.

The Group Chief Internal Auditor (GCIA), Mr Lim Then Fui oversees the Internal Audit function. He is a qualified accountant and a Member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA). Mr Lim has a total of 38 years of working experience in auditing, risk management, compliance and commercial banking.

To reflect the independence of Internal Audit, Internal Audit staff report directly to the GCIA, who in turn reports functionally to the Board through the Audit Committee. In this regard, the Audit Committee approves the appointment, replacement and dismissal of the GCIA as well as to evaluate the GCIA's performance and review the remuneration and/or bonus, if any, payable to the GCIA and the Senior Management staff of IAD.

The Internal Audit function performs ongoing reviews and assessments on the Bank's risk management systems, internal controls and governance processes in accordance with and conforms to the requirements as set out in the BNM's Guidelines on Internal Audit Function of Licensed Institutions.

As part of measures to ensure that internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence, Internal Audit staff recruited from other divisions within the Bank are not allowed to conduct audit on areas in which they were previously engaged immediately preceding their current internal audit appointment until after the "cooling off" period or until an independent audit has been conducted during the intervening period, whichever is earlier. For this purpose, the "cooling off" period shall not be less than six months from the date they joined Internal Audit or such longer period as may be determined by the GCIA.

The details of the Audit Committee's oversight over the Internal Audit function are set out under the Audit Committee Report on pages 116 to 123 of this annual report.

Risk Management and Internal Control Framework

The Board has established a risk management and internal control system that enables the identification, measurement, continuous monitoring and reporting of all relevant and material risks on a group and entity-wide basis, including new and emerging risks. The Board ensures that the risk management and internal control system manages the Public Bank Group's relevant and material risks within its risk appetite in the Group's pursuit of its strategies and business objectives.

The establishment of the risk management and internal control system is driven by the Public Bank Group's Risk Management Framework which is approved by the Board and developed based on the BNM's Policy Document on Risk Governance. The key principles and components of the Group's Risk Management Framework outlining the requirements for effective risk management are risk governance, risk appetite, risk management processes and risk culture.

The adequacy and effectiveness of the risk management and internal control system as well as the level of compliance with the relevant laws, regulations, policies and procedures are subject to periodic assessment by the Risk Management Function, Compliance Function and Internal Audit Function of Public Bank and its major operating subsidiaries. These independent control functions, as well as the Risk Management Committee, the Compliance Committee and the Audit Committee assist the Boards in discharging their oversight responsibilities on the adequacy and effectiveness of the risk management and internal control system.

The Board receives assurance from the Chief Executive Officer and the Chief Financial Officer on the adequacy and effectiveness of the Public Bank Group's risk management and internal control system on an annual basis.

The details of the key functions and processes that the Board has established in reviewing the adequacy and effectiveness of the risk management and internal control system are set out under the Public Bank Group's Statement on Risk Management and Internal Control on pages 109 to 115 of this annual report.

Risk Management Committee

The Risk Management Committee is established by the Board and supports the Board in carrying out its risk management roles and responsibilities as delegated and authorised by the Board of Directors. It comprises four (4) members, all of whom are independent non-executive directors. The Chairman of the Risk Management Committee is appointed by the Board of Directors and is not the Chairman of the Board of Directors. The Risk Management Committee assists the Board in meeting the expectations on risk management including ensuring the effective implementation of the risk management framework.

MCCG 2017 PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Effective Stakeholder Communication

Public Bank always gives importance to effective and timely communication with stakeholders in order to enhance their understanding and appreciation of the overall affairs of the Public Bank Group. The Bank continuously discloses and disseminates relevant and comprehensive information to the public in a timely manner to keep its stakeholders informed of its growth strategies, business activities, business and financial performance, including the sustainability of its performance. This facilitates the stakeholders in making informed decisions, be it in their dealings with the Group or in exercising their rights as shareholders.

Public Bank conducts investor relations activities that facilitate two-way communication with its shareholders. These activities include a number of ways in which shareholders can access information and provide feedback.

Public Bank regularly reviews its communication practices to ensure an appropriate level of transparency and openness in stakeholder communication. Several communication channels are used to promote effective communication between the Bank and its stakeholders. This includes results announcements, annual general meeting, analyst briefings, issuance of annual report and investor meetings in Malaysia and overseas.

Periodic and Continuous Disclosure

Public Bank makes announcements of its quarterly group financial results to Bursa Malaysia, followed by an issuance of press release. In addition to announcements of the quarterly group financial results, the Bank conducts briefings to the analysts covering the Bank's half-year and annual group financial results. For the analysts who could not be present at the briefings, subsequent conference calls with them are arranged. These briefings provide opportunity for dialogue between fund managers and analysts with Public Bank's Senior Management Officers.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Annual General Meeting

The annual general meeting of Public Bank is a forum which enables shareholders of the Bank to engage directly with the Bank's Directors and Senior Management. At the annual general meeting, the Chairman of the meeting presents a comprehensive review of the Public Bank Group's financial performance and value created for the shareholders. During the annual general meeting, queries from the shareholders are addressed, while feedbacks and suggestions are taken note by the Directors and Senior Management. The turnout of shareholders at the annual general meetings has always been high and this would support a meaningful and effective engagement with shareholders. A summary of the proceedings of the annual general meetings is made available at the corporate website of the Bank.

Electronic Communications

Public Bank's corporate website (www.publicbankgroup.com) is a key tool in ensuring stakeholders can access communications and documents as soon as they are published. The information available on the corporate website includes corporate and financial information, annual reports, press releases and regulatory announcements made by the Bank to Bursa Malaysia. In addition, the corporate website has a dedicated Investor Relations section that provides relevant investor-related information and also a section on Corporate Governance which consists of various materials including the Board Charter, Code of Ethics and Whistleblowing Policy and Procedures.

Investor Relations

Public Bank's investor relations unit has the primary responsibility to provide effective channels of communication with the broad investment community, both in Malaysia and international. In addition, Public Bank's corporate website Investor Relations section http://www.publicbankgroup.com/Investor-Relations provides information on the Public Bank Group, such as share price information, financial reports and presentations, press releases, credit ratings, salient information on capital and debt securities as well as the contact details of the investor relations team. Shareholders and investors can make inquiries about investor relations matters with the dedicated investor relations team as follows:

PUBLIC BANK

Tan Sri Dato' Sri Tay Ah Lek
Managing Director/Chief Executive Officer
Telephone number: +603-21766000
E-mail: ir@publicbank.com.my

Chang Siew Yen
Chief Operating Officer
Telephone number: +603-21767460
E-mail: changsiewyen@publicbank.com.my

Yik Sook Ling
Chief Financial Officer
Telephone number: +603-21773310
E-mail: yiksookling@publicbank.com.my

Ng Seiw Kuan
General Manager,
Corporate Planning, Strategy & Economics
Telephone number: +603-21773170
E-mail: ngseiwkuan@publicbank.com.my

PUBLIC FINANCIAL HOLDINGS LIMITED

Tan Yoke Kong
Executive Director
Telephone number: +852-25419200
E-mail: yktan@publicbank.com.hk

Investor Relations Unit

Denise Fong Po Yen
Corporate Planning, Strategy & Economics
Telephone number: +603-21766293
E-mail: ir@publicbank.com.my

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 27 February 2018.

Risk Management

As risks evolve from time to time, the Group continues to enhance its integrated risk management approach and processes to ensure effectiveness of its risk management processes.

THE PUBLIC BANK GROUP BELIEVES THAT AN EFFECTIVE RISK MANAGEMENT SYSTEM IS KEY TO CREATING VALUE TO ITS SHAREHOLDERS, CUSTOMERS, COUNTERPARTIES, EMPLOYEES, INVESTORS AND THE COMMUNITY IT SERVES AT LARGE.

INTRODUCTION

In 2017, the global economy improved but uncertainties due to geopolitics and macroeconomic developments remained. The domestic operating environment continued to face multiple headwinds arising from subdued oil prices, weak ringgit and slowdown in property market. The economy headwinds, together with the rapid advances in technological innovation and capacity, and heightened customers' expectations, led to various events that continued shifting the economic, financial and risk landscape. Amidst this, the Public Bank Group ("the Group") remained prudent and exercised utmost vigilance in executing its business strategies. The Group managed the identification, assessment and mitigation of top and emerging risks through an internal governance process and the use of risk management tools and processes. The Group's approach to risk identification and impact assessment aims to ensure that the impact of these risks on its financial results, long-term strategic goals and reputation is duly mitigated.

Risk management is the foundation of the Public Bank Group's business operations and the Group's risk appetite is set taking the normal and stressed scenarios into considerations. The risk management function oversees to ensure that the business activities operate consistently within the approved risk appetite. The Group believes that an effective risk management system is key to creating value to its shareholders, customers, counterparties, employees, investors and the

community it serves at large. As risks evolve from time to time, the Group continues to enhance its integrated risk management approach and processes to ensure effectiveness of its risk management processes.

During the year, the risk management policies, systems and processes were reviewed, enhanced and refined to proactively manage risks to ensure that the Public Bank Group's risk profile remains consistent with its risk appetite. Several risk initiatives were undertaken to strengthen the Group's vigilance and resilience to the new emerging risks as a result of the proliferation of digitalisation.

Risk Management Framework

The key principles and components of the Risk Management Framework of the Public Bank Group are as follows:

- Risk Governance Structure
- Risk Appetite
- Risk Management Processes
- Risk Management Culture

RISK GOVERNANCE STRUCTURE

The Public Bank Group's risk governance structure sets out the roles and responsibilities of the parties involved in the Group's risk management and internal control system as follows:

ESTABLISH RISK APPETITE & POLICY	**1. Board of Directors**	**10. COMPLIANCE COMMITTEE (supported by Compliance Function)**	**11. AUDIT COMMITTEE (supported by Internal Audit Function)**
	2. Risk Management Committee		
	3. Credit Risk Management Committee		
	4. Shariah Committee		
ENSURE IMPLEMENTATION OF RISK AND COMPLIANCE POLICY	**5. Dedicated Risk Committees**		
	Assets & Liabilities Management Committee Operational Risk Management Committee Internal Capital Adequacy Assessment Process Working Group		
	6. Credit Committee		
	7. Risk Management and Control Functions		
	Risk Management Function Compliance Function Shariah Compliance Function		
IMPLEMENT AND COMPLY WITH RISK POLICY	**8. Support Functions**		
	Human Resource Information Technology Finance Banking Operations Credit Control, Administration & Supervision Property Security		
	9. Business Functions		
	Corporate Lending Investment Banking Islamic Banking Retail Banking and Financing Operations Share Broking and Fund Management Treasury and Capital Market Operations		

Board of Directors

The Board of Directors ("Board") has overall responsibility for the Public Bank Group's risk management and internal control system. For this purpose, the Board:

- Ensures that the corporate objectives are supported by sound risk strategies and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities
- Provides overall oversight on the soundness of the risk management processes and internal controls
- Responsible for the remuneration of the Senior Management and that the remuneration is aligned with prudent risk-taking
- Provides direction and guidance to the Senior Management on action plans to be taken to address the material risks identified

Risk Management Committee

The Risk Management Committee ("RMC") assists the Board to oversee the management of all identified material risks including inter-alia reviewing risk management frameworks and policies, reviewing risk management limits, risk exposures and portfolio composition, and ensuring risk infrastructure, resources and systems are put in place for effective risk management oversight.

Credit Risk Management Committee

The Credit Risk Management Committee assists the Board in discharging its oversight role over the management of credit risk including inter-alia in ensuring the risk infrastructures and systems are able to manage and control the risk taking activities within the credit related risk appetite.

Shariah Committee

The Shariah Committee advises the Board on Shariah related matters. It deliberates and endorses all Shariah related matters covering the policies and procedures governing the Islamic operations, the Islamic products and the documents used in the Islamic business operations. It also deliberates on Shariah related findings and endorses rectification measures to address the findings. The Shariah Committee is supported by the Shariah compliance and research functions.

Dedicated Risk Committees

The dedicated risk committees assist the RMC in the management of all identified material risks. These committees are responsible for the effective implementation of the risk management strategies and policies as approved by the Board or by the RMC. The key responsibilities of the dedicated risk committees are as follows:

- Ensuring all relevant and material risks associated with the Public Bank Group have been identified and assessed and are operating within the Group's risk appetite
- Implementing, assessing and monitoring the risk management and internal control system in accordance with the Group's risk management strategies and overall risk appetite
- Identifying changes in the operating environment which may give rise to risks and taking the appropriate actions followed by the prompt escalation of the identified risks and actions to the Board

Compliance Committee

The Compliance Committee which is supported by the Compliance Division is responsible for the overall oversight on compliance related matters and the group-wide compliance risk management. It provides an independent assessment on the management of compliance risk, and ensures the controls to manage compliance risk are adequate and operating as intended.

Audit Committee

The Audit Committee reviews the internal control issues identified by the Internal Audit Division, the external auditors, the regulatory authorities and the management, including the timeliness of the remedial actions taken to address the audit issues identified, and to evaluate the adequacy and effectiveness of the risk management and internal control systems put in place. The Audit Committee also reviews the effectiveness of the internal audit functions with particular emphasis on the audit methodology applied, audit scope of coverage, audit cycle, adequacy of the manpower resources knowledge and competency of the internal audit personnel.

RISK APPETITE

The Public Bank Group's risk appetite defines the amount and the types of risk that the Group is able and willing to accept in pursuit of its business objectives. It also sets out the level of risk tolerance and limits to govern, manage and control the Group's risk taking activities. The strategic objectives, business plans, desired risk profile and capital plans are aligned to the risk appetite.

RISK MANAGEMENT

RISK MANAGEMENT PROCESSES

The principal risks faced by the Public Bank Group together with the key risk management processes are outlined below.

Principal Risks	Definition	Risk Management Processes
Credit Risk (including counterparty credit risk and country risk)	Credit risk is the potential loss of revenue as a result of defaults by the borrowers/ customers or counterparties through lending/ financing, hedging, trading and investing activities	• Credit policy incorporating prudent lending criteria and guidelines to manage credit risk • Clearly defined levels of authority to ensure the role of approving authorities commensurate with the level of credit experience and clear segregation of duties between parties originating and approving credits • Periodic review and validation of the credit risk rating score sheets to ensure their relevance • Strong credit controls and close monitoring are in place to identify potential distressed and impaired loans followed by prompt collection and recovery actions • Independent credit review by Risk Management Division prior to the approval of large credits apart from post credit reviews which are performed to assess the quality of the loans approved
Residual Credit Risk	Residual credit risk is the risk of loss or increase of other risk such as legal, operational, liquidity and market risk as a result of the acceptance of collateral and guarantees which are not properly executed and managed	• Policies are in place to determine the eligibility of collateral/ guarantee for credit risk mitigation, which include requiring collateral/guarantee to meet specific operational and legal requirements • Depending on the type of collateral, the valuation of collateral is carried out regularly based on the Group's valuation and review guidelines • Processes are in place to ensure proper documentation of the collateral and guarantee accepted
Model Risk	The risk of the potential adverse consequences from model misused and poorly designed/ implemented models. Model risk can lead to financial loss, poor business or strategic decision making, or reputation loss	• Framework and policies are in place to manage the model risk • Credit models are subject to periodic validation which is independently performed by risk management function
Credit Concentration Risk	Concentration to any single exposure or group of exposure or sector that has the potential to result in losses large enough to undermine the health of the Group	• Policies and limits are periodically reviewed to ensure their relevance in managing credit concentration risk • Processes and methodologies are in place to identify, measure, control and monitor the credit concentration risk
Market Risk	Market risk is the risk of loss arising from adverse movements in market variables, such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates	• Regular review of the market and economic conditions to identify areas which may give rise to market risk • Market risk policies, procedures and internal control measures are periodically reviewed to ensure relevance in managing market risk • Derivative activities for trading are strictly prohibited. Approval from the Board is required • Processes are in place to hedge interest rate/rate of return risk and foreign exchange risk in the event the exposures exceed the risk appetite

Principal Risks	Definition	Risk Management Processes
Liquidity and Funding Risk	Liquidity risk is the risk that the Group is unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient	• Pursuing growth in stable customer deposits is core • Maintaining a diversified and balanced funding portfolio comprising of customer deposits, shareholders' funds, debt and capital funds • Hold sufficient liquidity cushion in line with the liquidity exposures undertaken • Debt issuance programme is in place to facilitate immediate access to wholesale funding • Subsidiaries are required to attain self-funding position • Contingency funding plan is in place to enable the management to act effectively and efficiently during period of stress • Comprehensive liquidity stress test to anticipate potential impact from severe liquidity stress event
Operational Risk	Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	• Day-to-day management of operational risk through system of internal controls and risk management processes to ensure compliance with internal policies, guidelines, controls and limits • Use of operational risk management tools such as loss incident management, Risk and Control Self-Assessment and Key Risk Indicators for monitoring of operational risk exposures and effectiveness of controls • New products or services introduced as well as variations are subject to a vigorous product evaluation process which assesses the potential risk as well as the readiness to introduce the said products or services • Conduct regular IT risk assessment to enhance and ensure that IT systems are resilient, readily available for the customers and secure from cyber attacks • Disaster recovery and business continuity plans covering all critical business operations are regularly tested and updated to ensure continuity of essential business services during unforeseen events
Capital Risk	Capital risk is the risk of insufficient capital to meet the capital required to support the Group's business growth strategies and to satisfy regulatory capital adequacy requirements	• Close monitoring of capital positions to ensure the Group complies with current regulatory requirements and is well positioned to meet future requirements • Conduct bi-annual enterprise stress test to examine the adequacy of capital levels under various stress scenarios • Ability to raise additional capital in a variety of ways including raising equity via rights issue or debt instruments • Internal Capital Targets are in place to ensure adequate capital is set aside to meet regulatory requirements, regulatory capital buffers, capital required under period of stress and Pillar 2 risk • Capital contingency plan has been established to set out the framework for effective governance, escalation process and monitoring of capital position as well as actions to be undertaken in the event of a capital deficiency

RISK MANAGEMENT

Principal Risks	Definition	Risk Management Processes
Reputation Risk	Reputation risk is the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, staff, community, other relevant parties or regulators (collectively known as stakeholders) that can adversely affect the Group's ability to maintain existing or establish new business relationships and continued access to sources of funding	• Periodic identification, assessment and monitoring of key risk/performance factors associated with reputation risk through a set of Key Risk/Performance Indicators and ongoing enhancement of the control measures implemented to manage reputation risk • Procedures on the escalation and management of potential or current reputation events are in place to ensure such events are managed timely and appropriately • Conduct comprehensive risk assessment on emerging risk events to identify areas vulnerable to reputation risk
Strategic Risk	Strategic risk is the risk of current or prospective impact on the entities' earnings, capital or reputation arising from changes in the environment in which the Group operates, adverse strategic directions, improper implementation of decisions and lack of responsiveness to industry, economic or technological changes	• Business plans and targets are aligned to the Board approved risk appetite and Board approved strategic directions • Close monitoring of the achievements against the business targets and prompt actions are instituted to arrest any variances identified and are escalated to the respective Boards periodically • Regular review of the Group's business strategies taking into account the latest market conditions and developments
Shariah Non-Compliance Risk	Shariah non-compliance risk is the risk of failure to comply with the Shariah rules and principles as determined by the respective entities' Shariah Committee/ Advisor or the relevant bodies, such as the Shariah Advisory Council ("SAC") of Bank Negara Malaysia ("BNM") and the SAC of Securities Commission	• On-going identification, assessment, monitoring and controlling of Shariah non-compliance risk as set out in the Shariah Governance Framework and other guidelines to ensure the entities' operations and business activities are in compliance with Shariah requirements • Use of operational risk management tools such as loss incident management, Risk and Control Self-Assessment and Key Risk Indicators for monitoring of Shariah non-compliance risk exposures and effectiveness of controls • New Islamic products or services introduced as well as variations are subject to a vigorous product evaluation process which assesses potential Shariah non-compliance risk as well as the readiness to introduce the said products or services • Periodic review of the potential risks and issues relating to the Islamic concepts/contracts of the Group's Islamic products and services to ensure the potential issues are managed and the products and services are Shariah compliant • Sponsoring staff to acquire Shariah certification to enhance knowledge and upgrade skills on Shariah matters

Principal Risks	Definition	Risk Management Processes
Compliance risk	Compliance risk is the risk of legal or regulatory sanctions, financial loss, or reputational damage which a financial institution may suffer as a result of its failure to comply with legal and regulatory requirements applicable to its activities	• Policies and procedures to ensure compliance with internal controls and the relevant laws and regulations are set out in operations manuals, guidelines and directives which are updated periodically • Compliance Function undertakes Compliance Risk Assessment ("CRA") to identify and priortise the legal and regulatory requirements and develops appropriate testing and resource plans based on the results of the CRA to manage compliance risk within the Group effectively • Full time compliance officers are deployed and stationed at branches and operations which are deemed to have high level of risk to perform daily compliance checks • A team of mobile compliance officers is responsible to conduct visits to branches where no compliance officers are deployed for on-site compliance checks • Compliance Checklists are the core tools to monitor the compliance status of the compliance risk areas at each business / support unit within the Group

The Public Bank Group's risk management governance and approaches, together with the various analyses of risk exposures and comparative figures are detailed in:

i. Note 44 to the financial statements (pages 150 to 204 of the Annual Report 2017)
ii. Pillar 3 Disclosure (pages 255 to 307 of the Annual Report 2017)

RISK CULTURE

The culture of managing risk is embedded into the day-to-day operations and decision-making process through the following:

- Strong corporate governance
- Organisation structure with clearly defined roles and responsibilities
- Effective communication
- Commitment to compliance with laws, regulations and internal controls
- Integrity in fiduciary responsibilities
- Clear policies, procedures and guidelines
- Continuous training

TOP AND EMERGING RISKS

Identifying and monitoring of emerging risks are integral to the Public Bank Group's risk management approach. The emerging risks are identified through a top-down and bottom-up approach involving members of the Risk Management Committee, Senior Management, independent risk management and control units as well as business units. This is followed by a comprehensive risk assessment undertaken to ascertain the risk exposures and impact of the emerging risk on the Group's business activities and strategies including actions that will be taken if the risk is assessed to result in a material impact.

During the year, the Public Bank Group paid particular attention to the following top and emerging risks and put in place various strategies to mitigate these risks:

Operational Risk

Cyber Risk

The rapid introduction of new financial technologies ("FinTech") to replace certain conventional modes of performing banking transactions and the increasing use of the Internet and mobile devices to conduct financial transactions have heightened cyber risk to both the customers and the financial institutions.

To safeguard the customers and financial institutions and given that the threats from cyber-attacks are not only growing but also mutating into new and insidious forms, cyber risk came under increased regulatory scrutiny and is top of the agenda of the Senior Management in operational risk management.

Under such operating environment, the security and resiliency of the Public Bank Group's information and technology infrastructure is crucial to safeguarding customers' and other stakeholders' interest and in upholding the PB brand. In this connection, the Public Bank Group's Cyber Resilience Framework ("CRF") is formalised to provide guidance to the Group on managing cyber security risk, improving cyber resilience as well as ensuring adequate cyber-security preparedness throughout the Group on a continuous basis. The CRF laid down baseline security control requirements encompassing technology, processes and people in safeguarding cyber resilience.

The Public Bank Group is alert to the rapid evolvement of cyber threats which would correspondingly require robust cyber resiliency measures. To address this, the Group maintains continued focus and investment in its control environment through working closely with the relevant consultants, organisations and regulators to understand and address threats originating outside the Group. Some of the measures taken to combat cyber risk were as follows:

- Subscribing to third party security services to proactively monitor, detect and remove malware and to keep abreast with the latest development on cyber threats and fraud modus operandi to prepare the Bank from such potential threats

- Continuous assessment of the susceptibility of its systems to cyber-attacks and other information security threats and strengthening the information security including enhancing the security controls of the internet and mobile banking systems, the self-service terminals as well as the security features of the card payment instruments

- Periodic risk and control assessment to address the plausible emerging risk issues relating to the threat of Information Technology ("IT") system failures that could disrupt the Group's business operations, to ensure the resilience of its IT infrastructure

- Engaging external security consultants to carry out assessment on IT core risks including cyber security and resilience assessments to benchmark the existing IT capabilities against international standards and best practices

- Carrying out continuous security awareness programmes and education on cybercrimes to alert customers on online banking security and strengthening staff awareness to mitigate information leakage

Threats of Electronic Payment Frauds

In Malaysia, through the collaboration between BNM and the payments industry, promising progress has been made in identifying and removing barriers to achieve greater adoption of electronic payments, and providing the necessary support to ensure the smooth transition to electronic payments.

In tandem with the growth of electronic payments, the Public Bank Group has strengthened its risk management systems and practices to combat the threats of online fraud on financial transactions. The information generated by the automated fraud detection system implemented in the last quarter of 2016 was analysed to ensure effective detection of fraud and duly followed through with prompt investigations of the suspicious on-line transactions. Through this system, customers are alerted on the suspicious fraudulent transactions and actions are taken to reduce customer susceptibility to the online frauds. The Group also pursues continuous education to promote consumer awareness on the threats of payment fraud by publishing advisories and fraud alerts at the Group's websites.

Conduct of Business

Regulators in Malaysia and other countries have continued to increase their focus on fair treatment to customers and the conduct of businesses in an orderly and transparent manner by financial institutions. These include attention to sales processes and incentives, product and investment suitability, product governance, employee activities and accountabilities and concerns on general conduct of business to ensure due consideration is given with regard to the interest of the consumers in developing, marketing and selling of products.

In an era of more pervasive digital banking, regulators in countries where the Public Bank Group operates have directed greater attention to the management of risks associated with the wider adoption of technology by banking institutions, which can increase exposures to financial fraud.

Taking heed of the growing concern in these areas, the Public Bank Group continues to review and enhance its policies and procedures governing the conduct of business including the policies on the Group's e-banking services, product development, offering and marketing as well as the code of conduct of its employees to ensure compliance with the relevant laws and regulations in all jurisdiction where the Group operates and to provide fair and responsible treatment to the customers.

Money Laundering and Terrorist Financing Risks

Regulators increasingly seek financial institutions to place emphasis on anti-money laundering ("AML") and counter financing of terrorism ("CFT") to safeguard the financial system. The range of threats arising from money laundering and terrorist financing continues to grow and is further exacerbated with the use of new technologies for illicit purposes. To be effective and efficient in combating these threats, implementation of robust AML/CFT system and measures are critical. The AML/CFT program is continuously reviewed and updated in response to changes in the operational needs, business environment or regulatory requirements so as to counter money laundering and financing of terrorism activities.

The Public Bank Group has reinforced its group wide AML/CFT policies, systems and measures to mitigate money laundering/terrorist financing risks which included the following:

- Refinement of the risk-based assessment approach and risk factors which include enhancing the customer risk profiling and the geographical coverage assessment in managing Money Laundering/Terrorist Financing ("ML/TF") risks exposures

- Enhancing its management information system and work processes in conducting customer due diligence, strengthening transaction monitoring and detection of suspicious transactions

- Enrichment of training programmes to ensure that staff improve their knowledge and analytical skills and keep abreast with the changing risk and regulatory landscape relating to AML/CFT

Regulatory Developments

Financial service providers continue to face stringent regulatory and supervisory requirements, particularly in the areas of effective governance, risk management, capital and liquidity management, conduct of business, financial crime, operational structures and the integrity of financial services delivery. The Public Bank Group acknowledges that the strengthening of the regulatory framework is necessary to maintain an orderly conduct in the financial intermediation and a sound banking system. To this end, the Group remains vigilant to the regulatory development and ensures proper planning in formulating viable and effective plans in meeting the new regulatory requirements. The Group also recognises the importance of proactive engagement with regulators to facilitate early understanding and expeditious implementation of the regulatory requirements. In this regard, the Group strives to build and maintain positive relationships with regulators that have oversight responsibilities in the locations where the Group operates. Accordingly, the Group's frameworks, policies and associated practices are regularly reviewed to ensure that they keep pace with regulatory changes.

Credit Risk

In 2017, consumer spending and businesses remained cautious due to high cost of living, subdued oil prices, weak ringgit and slowdown in property market despite improving external environment which contributed positively to the Malaysia exports. The Public Bank Group monitors closely the development in operating environment and maintains its vigilance in identifying areas of emerging risk that could adversely impact its credit portfolios. On-going assessments are conducted to gauge the impact of the adverse developments such as slowdown in the domestic property market as well as external development on the credit exposures of the Group. The assessments revealed that there is minimal impact as the Group has always been prudent in its lending practices.

Retail lending remains the key focus of the Public Bank Group, with a well-diversified credit portfolio without specific concentration in any particular business sector, type of customers or geographic location. The Group's strong asset quality is preserved by practicing prudent and responsible lending.

During the loan origination, a comprehensive credit assessment of the borrower's credit worthiness and its ability to repay and thorough verifications of supporting documents are conducted prior to the approval of the applications. Independent credit risk assessment are performed on significant credit propositions to provide an independent view on the inherent credit risks to uphold the integrity of the credit approval process. The Public Bank Group's financing are mainly on secured basis and internal processes are in place to ensure reliable valuation and proper control over the collaterals so that the collaterals are able to be liquidated in the event of default. Furthermore, the credit policies and guidelines are reviewed regularly to ensure they remain relevant and effective in managing credit risks.

The Public Bank Group keeps close monitoring on the key credit risk indicators and performance of the credit portfolios to detect early signs of stress. In addition, the Group takes extensive and exhaustive recovery efforts to control the delinquency and impaired loans ratios. Stress testing is also conducted to assess the impact on the Group's capital and profitability, as well as to give a forward looking view of the Group's credit portfolios under various stressed scenarios.

Identified risks are analysed for their underlying causes to formulate remedial actions to safeguard the asset quality. Arising from the periodic portfolio analyses, the Public Bank Group continues to refine its on-boarding credit practices during the year. The lending criteria and loan-to-value ratios ("LTV") to the high risk and vulnerable segments identified within the consumer portfolios such as hire purchase and

mortgage were tightened to safeguard the asset quality. The remedial actions taken are reviewed by the Senior Management and Board Committees for its effectiveness from time to time. Despite the challenging operating environment, the Group recorded gross impaired loans ratio of 0.5% as at end of 2017 which was one-third of the banking industry's gross impaired loans ratio of 1.5%.

Liquidity and Funding Risk

Deposits campaigns were seen in 2017 as banks continued to compete for stable retail deposits and to improve deposit mix. To meet competitive pricing of the retail deposits, the Public Bank Group via Public Bank Berhad and Public Islamic Bank Berhad too offered competitive deposit rates to acquire new deposits as well as to safeguard its deposits market share. In the process, the Public Bank Group has lengthened the average maturity tenure of its deposits base. The year saw the increased use of e-banking to transfer deposits online. This has increased the ease of funds movements and consequently, competitive rates too are offered on on-line deposits. At the current operating environment coupled with the coming to force of the 2nd Basel III liquidity ratio, Net Stable Fund Ratio ("NSFR") in 2019, the competition for retail deposits is unlikely to abate. To this end, the Public Bank Group will remain steadfast to grow its core deposits and at the same time intensifies its effort to improving its digital services and e-payment as part of its strategy to grow and retain its deposit customers. Promoting cash management services is one of the on-going key focus which resulted in a growth of 58% in 2017. In recognition of the Group's efforts in promoting e-payments, Public Bank Berhad was granted four awards at the Malaysian e-Payments Excellence Awards 2017.

The onset of NSFR which apart from giving high value to retails funds, also gives value to long-term funds. In addition, BNM too recognises that banks have moved on to diversify their source of funding into medium/long term debt funding and have introduced alternative liquidity measures i.e. loan-to-fund ("LTF") ratio and loan-to-fund-and-equity ("LTFE") ratio which will better reflect banks' funding profile. The Group's medium-term-funding programmes are in place to facilitate the speedy issuance of both senior and subordinated debts when the need arises.

The Liquidity Coverage Ratio ("LCR") continued to be at satisfactory level and was above 100% as at end of 2017. The Public Bank Group and the entities within the Public Bank Group which are subject to the regulatory Basel III Liquidity Standards do not have any challenges in meeting the regulatory expectations as it transitioned to the regulatory limit of 100%. This is achieved due to its strong retail deposit franchise and the Group's unwavering focus of growing its retail deposits.

Foreign Exchange Risk

Fluctuations in exchange rates affect the value of the Public Bank Group's assets and liabilities denominated in foreign currencies as well as the earnings from the Group's overseas operations. Sharp currency movements can also impact trade flows and the wealth of clients both of which could have an impact on the Group's performance. Fluctuations in exchange rates are closely monitored by the Group's Treasury Division and Risk Management Division. The funding of assets in the same currency is key in the Group's exchange rate risk management. It is the Group's policy to hedge its foreign exchange exposures in order to protect the Group's reserves and capital ratios from the effects of fluctuations in exchange rates. In determining the ability to hedge, the Group takes into account the cost of hedging and the liquidity of the hedging instruments.

Ethics, Integrity and Trust

ETHICAL BUSINESS PRACTICES AUGMENTED WITH FAIRNESS AND SINCERITY IN PUBLIC BANK'S SERVICES ARE THE PILLARS TO THE CONTINUOUS SUCCESS OF THE PUBLIC BANK GROUP SINCE ITS ESTABLISHMENT IN 1966.

ETHICAL LEADERSHIP

The supreme quality for leadership is Integrity, without it, no real success is possible.

The Public Bank Group recognises that ethical management practices are the key foundation for organisational integrity. As such, it has always been the Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow's philosophy and unequivocal commitment to integrate ethics and integrity into the core fabric of the Group.

The Public Bank Group continues to commit significant resources to establish comprehensive frameworks and policies to guide all staff to understand, internalise and apply ethics and integrity in all aspects of the Group's business practices. The initiatives and policies include the following:

PUBLIC BANK GROUP CODE OF ETHICS

The Public Bank Group Code of Ethics for Directors, Officers and Employees has been revised in alignment to Bank Negara Malaysia's ("BNM") Corporate Governance Policy Document and is now extended to cover the entire Group. The following are the five Fundamental Ethical Principles which are consistently applied across the Group with the aim to build a sustainable, ethical, strong, respectable and profitable business:

ETHICS, INTEGRITY AND TRUST

Fundamental Ethical Principles	Concise Definition
1. Competence	To develop and maintain the relevant knowledge, skills and behavior to ensure that activities are conducted professionally and proficiently.
2. Integrity	To be honest and open in all business dealings or relationships. Behaving in an accountable and trustworthy manner.
3. Fairness	To be responsible and take actions that are fair and transparent towards all stakeholders.
4. Confidentiality	To protect the confidentiality and sensitivity of information, including customer's relationship with the Bank.
5. Objectivity	To not allow bias, conflict of interest or undue influence of others to override business and professional judgement.

FIT AND PROPER POLICY FOR KEY RESPONSIBLE PERSONS

The Public Bank Group has implemented the Fit and Proper Policy for Key Responsible Persons in adherence to the guidelines set out by BNM to ensure that key positions in the Group are filled by ethical, professional and competent personnel who have been assessed to have met with the following criteria:

- Probity, personal integrity and reputation – possesses the personal quality such as honesty, integrity, diligence, independence of mind and fairness.
- Competence and capability – have the relevant knowledge, skills, experience, ability and commitment to carry out the person's role.
- Financial integrity – able to manage his financial affairs properly and prudently.
- To preserve an appropriate separation between ownership and management of Public Bank, the Fit and Proper Policy has been revised for all Senior Management staff to declare whether they hold an aggregate interest of 5% or more in the shares of Public Bank during their initial Fit and Proper assessment. Thereafter, they are required to inform the Bank as and when there are changes pertaining to their declaration.

INVESTOR PROTECTION POLICY

The Public Bank Group continues to develop and review its policies, systems and internal controls to comply with the prevailing provisions of the Capital Markets and Services Act 2007 in respect of the following:

- Standards on "fit and proper" on its employees carrying out permitted capital market activities.
- Investor protection.
- Maintenance of a register of names.

COMPLIANCE POLICY

The ever-changing operating environment leads to evolving legal and regulatory risks where non-compliance may lead to greater or adverse effect on the Public Bank Group. As such, the Compliance Policy is developed with the following objectives:

- Set out the roles and responsibilities of the Board of Directors, Senior Management and Staff of the Group in managing compliance risk.
- Set out the mandate of the Compliance Function for the Group.
- Set out the compliance requirements and standards for the Group.
- Set out the operating model for Compliance Function with regards to the identification, management and reporting of compliance risk.
- Promote a corporate culture that upholds high standards of zero tolerance for legal and regulatory non-compliance, integrity and ethics in the conduct of the Group's business.

ANTI-FRAUD POLICY

The Public Bank Group is committed to the highest possible standards of integrity, openness, transparency and accountability in all its business activities. As such, the Group has zero-tolerance towards any form of fraud. The Anti-Fraud Policy is established with the following core objectives:

- Ensure the Group's business is conducted in accordance with the law.
- Nurture an environment of honesty and integrity.
- Promote 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.

ANTI-MONEY LAUNDERING AND COUNTER FINANCING OF TERRORISM POLICY ("AML/CFT")

Money laundering and terrorism financing continues to be an on-going threat which has the potential to adversely affect Public Bank's reputation. The Public Bank Group has put in place extensive infrastructure and system of internal controls to prevent the use of the banking system for any illicit and money laundering activities as well as the financing of terrorism. The Group's AML/CFT Policy sets out the following:

- Establishes the framework to ensure that the Group and all employees understand and comply with the requirements of the AML/CFT Policy to combat against money laundering and financing of terrorism.
- Accountability of employees in the detection and prevention of money laundering.
- 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.

WHISTLEBLOWING POLICY AND PROCEDURE

The Public Bank Group has put in place a Whistleblowing Policy and Procedure ("WBP") to further strengthen and uphold the high standards of ethics, integrity and professionalism expected of all employees. The WBP allows all employees and third parties to disclose any potential or actual unethical, illegal, irregular and questionable practices in confidence and without risk of reprisal.

The objectives of the policy are:

- Provide an avenue and designated channels of escalation for employees and third parties (e.g. interns, contractors, consultants, vendors, suppliers and/or customers) to direct their disclosures on any irregularities or suspected irregularities for the timely attention of management.
- Set out the protection accorded to whistleblowers to enable them to disclose such irregularities in confidence without any risk of reprisal.

A Board member, Mr Tang Wing Chew being the Chairman of the Audit Committee has been designated as the Non-Executive Director responsible for the effective implementation of this Policy.

SOCIAL MEDIA POLICY

Today, social media is more accessible than ever and these new ways of communication may expose the Public Bank Group to possible ethical risks committed by staff in the course of engaging in social media activities. The Group has implemented the Social Media Policy with the following objectives:

- Set out the guidelines on the responsible and ethical usage of social media by all staff of the Group.
- Set out the possible consequences of policy violation by staff.

ETHICS, INTEGRITY AND TRUST

INFORMATION SECURITY POLICY

The Public Bank Group takes seriously the confidentiality, integrity and availability of data placed in its care. The Information Security Policy is developed to protect and secure, to a consistently high standard, the information assets of the Group. The objectives of this policy are:

- Protect the Group's information from possible threats whether internal or external, deliberate or accidental.
- Enable secured information sharing.
- Ensure all staff are aware of their roles and responsibilities in managing and protecting the confidentiality and integrity of the information they handle.
- Protect the Group from legal liability due to inappropriate use of its information.
- Comply with applicable laws and regulations such as Financial Services Act 2013, Personal Data Protection Act 2010 etc.

EMBEDDING ETHICS, INTEGRITY AND TRUST IN THE PUBLIC BANK GROUP CORPORATE CULTURE

Ethical standards must be beyond reproach. To support the Public Bank Group's mission in achieving this, the Group has put in place a comprehensive framework in order to inculcate a culture of integrity and trust among its staff. The framework encompasses the following:

- Incorporation of applicable guidelines and policies in the offer letter and service undertaking to be read, understood and acknowledged by all employees upon their appointment.
- Reiteration of the guidelines and policies during the induction programme for new employees.
- Reminders via employee circulars from time to time.
- Comprehensive training on the standards of ethical conduct expected of employees in the Group with emphasis on:
  - Enhancing employee knowledge on regulatory requirements.
  - Enabling employee to understand and internalise the ethical standards set by the Group.
  - Equipping employee with skills to handle ethical dilemmas with integrity.
  - Equipping employee with skills to detect early warning signs of fraud and malpractices.
  - Enabling employee to comply with the Group's codes of ethics and conduct.
- Extensive supervisory control and procedures in the Group's daily operations to ensure scrupulous dealings are integral to the Group's corporate culture.
- Conducting stringent and vigorous pre-employment screening on potential incumbents in order to prevent or minimise infiltration of undesirable elements into the staff force.
- Conducting checks and monitoring on employee compliance of relevant guidelines or policies by the internal audit or compliance team on a regular basis.
- Implementing a performance management system incorporating the achievement of expected ethical standards in the performance evaluation criteria.
- Adopting strategic risk governance on employee remuneration through malus, reversal or downward revaluation of rewards in the event of fraud and misconduct.

PRUDENTIAL FRAMEWORK AGAINST UNETHICAL PRACTICES

The Public Bank Group has stringent disciplinary procedures which mete out specific and appropriate disciplinary actions or consequences to reinforce the Group's stand against any unethical or improper practices. These serve as a deterrent for employees to engage in any unethical practices which will expose the Group to reputational risk.

SUSTAINING THE PB BRAND

The success of the Public Bank Group and the PB brand comes alive in the behaviour and values of its staff. The ethos is protected and reflected in all the business practices of the Group. While the Group's product offerings and services evolve with the ever-changing business landscape, the Group's values and commitment to ethical excellence remain unchanged and entrenched in every facet of the Group's business activities.

Statement on Risk Management and Internal Control

INTRODUCTION

This Statement on Risk Management and Internal Control is made pursuant to Bursa Malaysia Securities Berhad Listing Requirements which require the Board of Directors ("the Board") to include in the Company Annual Report a statement about the state of the Company's risk management and internal control. Accordingly, the Board is pleased to provide the Statement on Risk Management and Internal Control that has been prepared in accordance with the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" endorsed by Bursa Malaysia Securities Berhad.

BOARD'S RESPONSIBILITY

The Board has oversight responsibility for the Public Bank Group's ("the Group") risk management and internal control system and for reviewing its adequacy and effectiveness. The Board ensures that the risk management and internal control system manages the Group's relevant and material risks within its risk appetite in the Group's pursuit of its strategies and business objectives. Such a system is designed to identify, evaluate and manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and 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 relevant and material risks encountered by the Group and a key aspect of this process is the adoption of the three lines of defence model which sets out clear risk management and control responsibilities of the parties involved. The process for assessing the adequacy and effectiveness of the risk management and internal control system is regularly reviewed by the Board, which is assisted by the Risk Management Committee, the Compliance Committee and the Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

MANAGEMENT'S RESPONSIBILITY

Management is overall responsible for ensuring that the day-to-day management of the Group's activities is consistent with the risk strategy, including the risk appetite and policies approved by the Board. To this end, the key responsibilities of the Management in respect of implementing the processes for risk management are as follows:

- Ensuring that all relevant and material risks associated with the Group's business operations have been identified and assessed to determine whether the risks are within the Group's risk appetite
- Designing, implementing and monitoring of the risk management and internal control system in accordance with the Group's strategies and overall risk appetite
- Identifying changes in the operational environment which give rise to risks or emerging risks and taking appropriate actions and prompt escalation of the identified risks and actions to the Board

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The key functions and processes that the Board has established in reviewing the adequacy and effectiveness of the risk management and internal control system include the following:

- **Risk Management Function**

  The Risk Management Function is responsible for the development and the implementation of the Group Risk Management Framework which is developed based on the Bank Negara Malaysia's Policy Document on Risk Governance. The Group Risk Management Framework sets out the key principles of risk governance, and the development of risk management practices and tools which enable the continuous identification, measurement, controlling and monitoring of all relevant and material risks of the Group including the identification of emerging risks. The key elements of the Group Risk Management Framework which is approved by the Board are as follows:

  – **Risk Governance**

    The Group's risk governance sets out the roles and responsibilities of the Board, the risk committees and the parties involved in the three lines of defence for risk management which consists of the business and support units as the first line of defence, risk management and compliance units as the second line of defence, and internal audit, the third line of defence.

    The Board is assisted by the Risk Management Committee ("RMC") to oversee the management of all identified risks including ensuring the risk infrastructures, processes and controls are able to manage the risk activities in meeting the risk appetite. The core committees and working groups set up to manage specific risk areas include the Credit Risk Management Committee, the Assets & Liabilities Management Committee, the Credit Committee, the Operational Risk Management Committee, the Shariah Committee and the Internal Capital Adequacy Assessment Process Working Group.

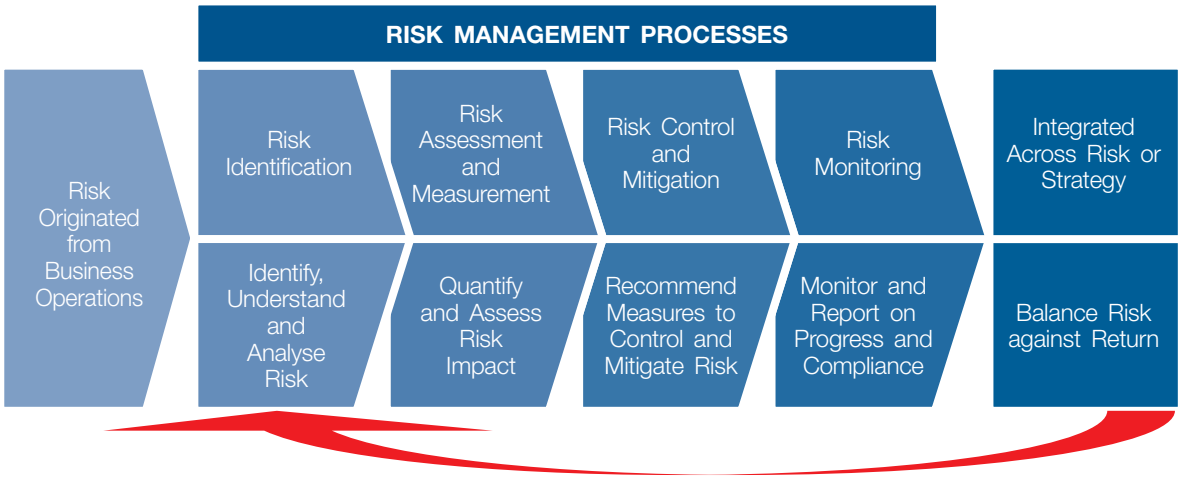
    Risk Management Division of Public Bank ("the Bank") provides main support to the RMC and to the other risk management committees in meeting their responsibilities and is responsible to develop and maintain group risk management policies and procedures that are responsive to changes in or expansion of business activities and developments in the operating environment.

  – **Risk Appetite**

    The Group's risk appetite defines the amount and types of risk that the Group is able and willing to accept in pursuit of its business objectives. It also reflects the level of risk tolerance and limits to govern, manage and control the Group's risk-taking activities. The risk appetite of the Group is articulated via a set of risk indicators, risk limits and risk guiding principles. All entities within the Group are required to develop risk indicators and risk limits that have considered the Group's risk guiding principles and the respective entities' strategic business directions, risk taking capacity, risk profile and the operating environment. The processes for setting, cascading, monitoring and ongoing review of the risk appetite are set out in the Group Risk Appetite Framework.

– **Risk Management Processes**

A structured approach to risk management which balances risks against returns is established for all relevant and material risks. The four broad processes for risk management to lead to a balanced risk-return framework are as follows:



The risk management processes are supported by management information systems that facilitate timely and reliable reporting of risks to the Board and Management for deliberation.

– **Risk Culture**

The inculcation of a risk awareness culture is key in managing risk. The key factors of the Group's risk culture are as follows:

- Strong corporate governance
- Organisational structure with clearly defined roles and responsibilities
- Effective communication
- Commitment to compliance with laws, regulations and internal controls
- Integrity in fiduciary responsibilities
- Clear policies, procedures and guidelines
- Continuous training

• **Compliance Function**

The Compliance Function is responsible for the management of statutory and regulatory compliance risk of the Group across all jurisdictions in which the Group operates. The Compliance Function's overall responsibility of monitoring the compliance level of Group entities is guided by the Group Compliance Policy, which sets out the mandate of the Compliance Function for the Group and the compliance expectations for its entities to adopt and implement.

As stipulated in the Group Compliance Policy, the Board has the responsibility of oversight over compliance. The Board is assisted by the Compliance Committee ("CC") to oversee compliance matters including the implementation of the Group Compliance Policy. The Board recognises that a strong compliance culture cultivates high standards of integrity and conduct. This pursuit is set out in the establishment of the Group Compliance Policy which is based on the following principles:

– **Zero Tolerance Approach**

The Group adopts a zero-tolerance approach towards legal and regulatory non-compliance and all staff are expected to comply with the laws and regulations governing the Group's business.

– **Compliance Is Everyone's Responsibility**

  Compliance is the responsibility of all staff, regardless of their position within the Group.

– **Risk-based Approach**

  The Compliance Function undertakes a periodic Compliance Risk Assessment to identify and prioritise the legal and regulatory requirements applicable to the Group.

Reports on compliance matters covering compliance findings, corrective measures, the latest regulatory environment and any discernable areas of regulatory focus are tabled to the CC for review and deliberations at the monthly meetings. This facilitates appropriate actions to be taken to address the areas where compliance is lacking or has failed.

- **Shariah Compliance**

The Shariah Governance Framework as well as other relevant policies and procedures are in place to manage the Islamic businesses within the Group to ensure that Shariah-compliant products and the execution of the Islamic business transactions are in compliance with Shariah principles. The Shariah Governance Framework sets out amongst others, the roles and responsibilities of the Board, the independent Shariah Committee, the Management and the internal Shariah compliance function. The primary responsibilities of the Shariah Committee, which is presided by Shariah-qualified members, are to advise the Board on Shariah matters pertaining to Islamic operations and to deliberate and endorse all Shariah policies and Shariah related matters. Ongoing Shariah reviews and audits are conducted to provide assessment of the level of compliance with the Shariah rules and principles through an end-to-end review process from product development to management of the day-to-day operations of the Islamic business transactions. The outcome of the assessments and findings is escalated to the Shariah Committee for deliberations.

- **Reputation Risk Management**

The reputation of the Group is founded on trust from its customers, shareholders, employees, regulators and from the public in general. Isolated events can undermine that trust and negatively impact the Group's reputation and it is therefore of the utmost importance that it is protected. The Group's Policy on Managing Reputation Risk is established to ensure that reputation risk is consistently identified, assessed, mitigated/controlled and monitored at both entity and group levels. In addition, procedures on the escalation and management of potential or current reputation events are in place to ensure any reputation events are managed timely and appropriately.

- **Information Technology Security**

The security and resiliency of the Group's information and technology infrastructure is crucial to maintaining its business operations in meeting customers' and stakeholders' expectations and in safeguarding its reputation. The Corporate Information Security Management Policy is established to ensure that the Group's information systems and data are properly safeguarded and adequately protected from major potential threats such as errors, frauds, privacy violations, service disruptions and natural disasters. In addition, the Group Cyber Resilience Framework ("CRF") is established to provide guidance to the Group on managing cyber security risk, improving cyber resilience as well as ensuring adequate cyber-security preparedness throughout the Group on a continuous basis. The CRF sets out baseline security control requirements encompassing technology, processes and people in achieving cyber resilience.

Continuous and systematic reviews are conducted by Information Technology Divisions of the Bank and its major operating subsidiaries to identify potential threats including cyber threats and to enhance the technology infrastructure, processes and controls to strengthen the Group's ability to prevent, detect and respond to any potential business disruptions and systems failures. In addition, external consultants are engaged periodically to carry out targeted assessments on IT core risks such as cyber security and resilience assessments to benchmark the existing IT capabilities against international standards and best practices.

- **Internal Control System**

The key elements of the internal control system of the Group are as follows:

– **Board Executive Committee and other Board Committees**

  The Board has established the Board Executive Committee to assist the Board to manage the business of the Bank and to ensure that the Bank's day-to-day operations are executed in accordance with the Board's approved strategies, policies and business directions. The primary role of the Board Executive Committee is to oversee the implementation and monitoring of the Board's decisions and to provide strategic guidance to the Management in response to the changes to the business environment or regulatory requirements.

In addition, to discharge its stewardship and fiduciary obligations more effectively, the Board has delegated authority to various Board committees such as the Nomination Committee, the Remuneration Committee, the Risk Management Committee, the Credit Risk Management Committee, the Compliance Committee and the Audit Committee to enable them to oversee certain specific responsibilities based on clearly defined terms of reference. Any change to the terms of reference for any Board committee requires Board approval.

– **Management Committees and Management Working Committees**

Management Committees and the management working committees of the Bank and its major operating subsidiaries are established to ensure that the day-to-day business operations are consistent with the corporate objectives, strategies and business plans and budgets approved by the respective Boards including addressing issues emanating from both the external business environment and internal operating conditions. In addition, the management working committees also ensure the integration of sustainability in the business operations including the monitoring and implementation of sustainability-related strategies.

The management working committees include the Group Human Resource Committee, the Credit Committee, the Operational Risk Management Committee, the Assets & Liabilities Management Committee, the Share Investment Committee, the Business Continuity Management Committee, the IT Steering Committee and the Sustainability Management Committee.

– **Annual Business Plans, Budgets and Management Reports**

Annual business plans and budgets of the Bank and its major operating subsidiaries, which are developed in line with the Group's strategies and risk appetite, are reviewed and approved by the respective Boards. Performance achievements are assessed against the approved budgets and actions are taken to address variances identified and escalated to the respective Boards periodically. In addition, the respective Boards of the Bank and its major subsidiaries receive and review reports from the Management on a regular basis. These reports include business propositions, proposals on introduction of new products or services and management reports which highlight the key financial and performance indicators, as well as latest developments and compliance requirements on legal and regulatory matters. The Boards deliberate on the reports to ensure that appropriate actions are taken to resolve issues identified and where necessary provide directions to the Management.

– **Internal Controls, Policies and Procedures**

A system of internal controls based on segregation of duties, independent checks, segmented system access control and multi-tier authorisation processes is put in place to ensure control procedures and limits are implemented and complied with. Authority limits are imposed on the Management within the Group to govern the day-to-day risk taking activities such as extension of credits, treasury operations, investments, acquisitions and disposals of assets. Policies and procedures are formulated in support of the Group's internal control framework including the Group Risk Appetite Framework, the Group Compliance Policy, the Group Banking Secrecy Framework, the Group Policy on Outsourcing Activities and the Group Policy and Procedures on Risk Management Practices for New Products to ensure compliance with internal controls and relevant laws and regulations and to govern the business and operations of the Group. These policies and procedures are subject to periodic review and updated during the year in response to changes in the operational needs, business environment or regulatory requirements and are approved by the Boards, relevant board committees or management committees.

The adequacy and effectiveness of the internal controls, policies and procedures as well as the level of compliance with the relevant laws, regulations, policies and procedures are subject to assessment by the Risk Management Function, Compliance Function and Internal Audit Function of the Bank and its major operating subsidiaries. These independent control functions assist the Boards in discharging their oversight responsibilities on the adequacy and effectiveness of the risk management and internal control system.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

In addition, procedural guidelines are established to set out a systematic process and procedure in the review of the adequacy and effectiveness of the risk management and internal control system. Periodic assessments are conducted by the Bank and its major subsidiaries to assess the adequacy and effectiveness of their respective risk management and internal control systems. The assessment results are reviewed by Internal Audit Division, Compliance Division and Risk Management Division of the Bank.

– **Business Continuity Management**

The Bank and its major subsidiaries have established the Business Continuity Management Policy which sets out the objectives, scope, strategies and emergency response procedures as well as the lines of authority and responsibility for effective implementation of business continuity management throughout the organisation. In addition, Business Continuity Plans and Disaster Recovery Plans are established for critical business functions and critical application systems respectively and are regularly tested to ensure the preparedness of staff, the readiness of alternate worksites, the reliability of backup IT systems, and the effectiveness of communication, escalation and recovery procedures. Ongoing changes in systems, applications and procedures are included in the disaster recovery plan update cycle.

– **Information Asset Security**

The Group holds and processes confidential and personal information on customers, employees, business partners and suppliers as well as information relating to its own operations. To safeguard and prevent the misuse of such information, the Group has established principles and standards expected of staff when accessing and processing information in the course of their duties. In addition, policies, systems and control measures are put in place to ensure that the information assets are properly managed, controlled and protected during the collection, storage, use, transmission, sharing, disclosure and disposal.

– **Human Capital Management**

The Group manages its human capital according to a framework based on the employee life-cycle which covers different phases and the associated risks of each phase.

The framework encompasses policies and operating standards relating to workforce planning, talent acquisition, employment practices, talent management and succession planning aimed at managing and mitigating the people-related risks.

The Group undertakes a structured screening in the acquisition and placement of talents designed to attract and match the right talents to job functions. Customised training programmes are in place to groom and nurture staff at all levels to enhance their professional competencies, knowledge and skills. Various awareness programmes are conducted regularly to inculcate ethical and professional attitude in the staff force.

– **Group Code of Ethics**

The Group Code of Ethics spells out the organisational values and ethical principles including the ethical standard of behaviour expected of all staff in the Group. The five fundamental ethical principles outlined in the Group Code of Ethics are competence, integrity, confidentiality, fairness and objectivity. They are observed in all business and professional dealings towards all stakeholders.

– **Anti-Fraud Policy**

The Anti-Fraud Policy is established to ensure that the Group's business is conducted in accordance with the laws as well as to articulate the Group's zero-tolerance towards any improper, illegal and dishonest acts.

It further sets out the Group's expectations on all its staff and the requirements relating to the prohibition, recognition, reporting and investigation of suspected fraud, corruption, misappropriation and other similar irregularities. The enforcement of the Anti-Fraud Policy helps to manage the Group's reputational and operational risks arising from any fraudulent acts committed by staff.

– **Whistleblowing Policy and Procedures**

The Group is committed to ensure its business and operations are conducted in an ethical, moral and legal manner. In line with this commitment, the Group has put in place the Whistleblowing Policy and Procedures to provide an avenue for all staff, interns, consultants, contractors, vendors, suppliers and/or customers to disclose any illegal, unethical, questionable practices or improper conduct committed or about to be committed within the Group. The complaints shall be treated in strict confidence and without any risk of reprisal.

- **Internal Audit Function**

  The Internal Audit Divisions of the Bank and its major subsidiaries check for compliance with statutory/ regulatory requirements, internal policies and procedures and review the work processes/procedures for efficiency and effectiveness. In addition, the Internal Audit Divisions assess the operating effectiveness of the risk management and internal control systems during their course of the audits. Audits are carried out by Internal Audit Divisions on all units and branches, the frequency of which is determined by the level of assessed risks, 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 Bank's and its respective subsidiaries' Audit Committees. Audit findings are submitted to the respective entities' Audit Committees for review at their monthly or periodic meetings. In addition, Shariah related findings are escalated to the Shariah Committee.

  The Audit Committees of the Bank and its major subsidiaries review internal control issues identified by the respective Internal Audit Divisions, the external auditors, the regulatory authorities and the Management, including the remedial actions taken to address issues identified, and evaluate the adequacy and effectiveness of the risk management and internal control systems. The Audit Committees also review the internal audit functions with particular emphasis on the audit scope, the frequency of audits and the adequacy and knowledge of the resources. The minutes of the Audit Committee meetings are tabled to the respective Boards of the Bank and its major subsidiaries. Further details of the activities undertaken by the Audit Committee of the Bank are set out in the Audit Committee Report.

ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system implemented by the Group. Taking into consideration the assurance from the management and input from the relevant assurance providers, the Board is of the view that the Group's risk management and internal control system in place for the financial year under review and up to the date of approval of this statement for inclusion in the Annual Report is adequate and effective to safeguard the interests of shareholders, customers, employees and the Group's assets.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.



TANG WING CHEW
Chairman/Independent Non-Executive Director



LAI WAN
Member/Independent Non-Executive Deputy Chairman

Audit Committee Report

THE PRIMARY PURPOSE OF AN AUDIT COMMITTEE IS TO PROVIDE OVERSIGHT OF THE FINANCIAL REPORTING PROCESS, THE AUDIT PROCESS, THE SYSTEM OF INTERNAL CONTROLS AND COMPLIANCE WITH LAWS AND REGULATIONS...

AUDIT COMMITTEE REPORT



LAI WAI KEEN
Member/Independent Non-Executive Director



CHEAH KIM LING
Member/Independent Non-Executive Director

1. COMPOSITION

The Audit Committee is established by the Board of Directors and comprises four (4) Members, all of whom are independent non-executive directors. The Chairman of Audit Committee is appointed by the Board of Directors and is not the Chairman of the Board of Directors. Collectively, the Audit Committee Members have a wide range of necessary skills, knowledge and experience, including accounting or related banking expertise and experience in discharging their duties.

2. ATTENDANCE OF MEETINGS

The Audit Committee met 18 times in 2017. The attendance of each Audit Committee Member is shown in the table below:

Name of Audit Committee Members	Attendance at Audit Committee Meetings
Tang Wing Chew Chairman/Independent Non-Executive Director	18/18
Lai Wan * Member/Independent Non-Executive Deputy Chairman	18/18
Lai Wai Keen Member/Independent Non-Executive Director	18/18
Cheah Kim Ling Member/Independent Non-Executive Director	18/18

** Appointed as the Deputy Chairman of Public Bank with effect from 26 September 2017*

AUDIT COMMITTEE REPORT

3. ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Board of Directors approved the terms of reference including the roles and responsibilities of the Audit Committee, which were drawn up with reference to and in compliance with the requirements set out in the Bank Negara Malaysia's Policy Document on Corporate Governance, Bursa Malaysia Securities Berhad's Main Market Listing Requirements and Securities Commission of Malaysia's Malaysian Code of Corporate Governance 2017. The parent bank's Audit Committee is supported by the Audit Committee established at the respective subsidiaries as the case may be.

The roles and responsibilities of the Audit Committee, amongst others include the following:

- Reviews the adequacy and effectiveness of the risk management systems, internal controls and governance processes implemented in Public Bank and the Public Bank Group. The Audit Committee is supported by the independent Internal Audit function, which performs ongoing periodic review and assessment on the risk management systems, internal controls and governance processes put in place in accordance with the Bank Negara Malaysia's Guidelines on Internal Audit Function of Licensed Institutions and to report the outcome of such assessment directly to the Audit Committee in its monthly meetings.

- Reviews and recommends the internal audit charter to the Board of Directors for approval as well as approves the annual audit plan, training plan, internal audit methodologies and scope.

- Assesses and approves the appointment, replacement and dismissal of the Group Chief Internal Auditor ("GCIA"). On an annual basis, the Audit Committee assesses the suitability of the GCIA in assuming his position in accordance with the fit and proper criteria as approved by the Board of Directors. The Audit Committee also approves the recruitment and dismissal of Senior Management staff (Senior Manager level and above) of Internal Audit Division as well as evaluates the performance and decides the remuneration of the GCIA and the Senior Management staff of the Internal Audit Division annually.

- Oversees the performance and effectiveness of the Internal Audit function based on the approved key performance indicators, assesses the competency and experience of the Internal Audit staff as well as the adequacy of resources in order for the Internal Audit function to carry out its work effectively. The Audit Committee also ensures that Internal Audit staff have the authority to carry out their work objectively and independently, free from any relationship or conflicts of interest.

- Reviews the internal and external audit reports to ensure that appropriate and adequate remedial actions are taken timely by Management to address and resolve the key issues/significant lapses in controls and procedures that are identified. The Audit Committee also notes any significant disagreements between the GCIA and the Senior Management team, irrespective of whether the significant lapses have been resolved, in order to identify the impact of the disagreements that may have on the audit process or findings.

- Reviews the annual assurance statement provided by Internal Audit on the adequacy and effectiveness of risk management systems, internal controls and governance processes before it is tabled to the Board of Directors for noting.

- Reviews the audit report on the related party transactions on a quarterly basis for assurance that these transactions are conducted at arm's length and to inform the Board of Directors of any irregularities noted.

- On its role with regard to financial reporting, the Audit Committee is entrusted to review the unaudited quarterly and half-yearly financial results and annual audited financial statements of Public Bank and the Public Bank Group prior to its recommendation to the Board of Directors for approval. The Audit Committee, through the Internal Audit, ensures that the financial reporting process is reliable and transparent within Public Bank and the Public Bank Group.

- Reviews and assesses the performance of the external auditor in accordance with the requirements set out in Bank Negara Malaysia's Policy Document on External Auditor. This includes assessment on the performance of external auditor prior to recommendation to the Board of Directors for approval on their appointment/ reappointment, remuneration and removal. In evaluating such assessment, the Audit Committee is guided by the criteria set out in the Public Bank Berhad Group's Policies and Procedures for Appointment/Re-appointment of External Auditors for Audit and Non-Audit Services (Group Policies and Procedures). The Audit Committee has to be satisfied that the external auditor is capable, independent and objective in their services, including non-audit services as well as there is no conflict of interest and the fees chargeable are within the allowable threshold set before Management engages the external auditor to carry out non-audit services for Public Bank and the Public Bank Group. The Audit Committee also reviews key audit matters raised by the external auditor including Management's actions taken to address and resolve such matters.

The details of the terms of reference of the Audit Committee are available at www.publicbankgroup.com.

4. SUMMARY OF ACTIVITIES

For the financial year ended 31 December 2017, the Audit Committee had carried out the following activities in the discharge of its roles and responsibilities:

4.1 Financial Reporting

The Audit Committee had reviewed the unaudited quarterly and half-yearly financial results as well as the annual audited financial statements of Public Bank and the Public Bank Group. The review, covers among others, an assessment on the appropriateness of the accounting policies applied. In carrying out such a review, the Audit Committee had sought explanations and additional information from the Senior Management including the Chief Financial Officer on the reasons for any significant variances/fluctuations in the financial performance of Public Bank and the Public Bank Group, including the key income and operating expenses.

In reviewing the quarterly and annual financial results, the Audit Committee focused on the following:

- Profits contribution by domestic and overseas operations;
- Profits contribution by business segments;
- Trends on financial ratios, such as return on equity, net interest margin, cost of funds, cost-to-income ratio, loan loss allowances ratio and capital ratios; and
- Significant issues relating to adoption of accounting policies and financial reporting.

For the review of the half-yearly and annual financial results of Public Bank and the Public Bank Group, the Audit Committee communicated with the external auditor, Messrs. Ernst & Young ("EY") with particular focus on:

- significant matters highlighted including financial reporting issues, significant judgments made by the Management, significant and unusual events or transactions, and how these matters are addressed and resolved; and
- compliance with the applicable approved accounting/auditing standards in Malaysia and other legal and regulatory requirements.

The Audit Committee had also discussed with the GCIA on the internal audit coverage pertaining to the Bank's financial reporting processes, consistency in the methodology adopted and applied for impairment assessment and computation of impairment allowance, and the adequacy of the processes and procedures put in place to account for the significant adjustments made to the financial statements.

Based on its review and discussions with Management and EY, the Audit Committee considered that the financial statements are fairly presented in conformity with the relevant accounting standards in all material aspects for the financial year ended 31 December 2017.

4.2 Malaysian Financial Reporting Standard 9 Project

The Audit Committee, as part of its oversight role over Public Bank's preparation for the implementation of the Malaysian Financial Reporting Standard 9 ("MFRS 9"), which will come into effect from 1 January 2018, reviewed and monitored the progress of the preparatory work. The Audit Committee had also reviewed and endorsed the methodologies to be applied after taken into consideration, Bank Negara Malaysia's expectation on the Expected Credit Loss methodologies and approaches under MFRS 9.

In exercising its oversight role over the implementation of MFRS 9, the Audit Committee had obtained periodic updates from Management on whether:

- The MFRS 9 project deliverables are progressing as per the timelines set;
- All essential elements of the implementation plan are properly monitored and reviewed by the Project Team before they are implemented;
- The proposed bases and methodologies for the implementation of MFRS 9 are appropriate and consistently applied;
- Issues/difficulties encountered in the validation of the models and implementation of the MFRS 9 as well as the action plan to address and resolve the issues; and
- The MFRS 9 model management process including the pre-implementation model validation is appropriate and whether the credit risk assessment and control processes are in place and operating effectively.

In this regard, the Audit Committee had considered Bank Negara Malaysia's expectation on the Expected Credit Loss methodologies and approaches under MFRS 9. The Audit Committee also exercised oversight over the approaches to be adopted for loan/financing portfolio to ensure smooth implementation of the MFRS 9 and to put in place a control mechanism to track and monitor the progress of the implementation of MFRS 9 including for overseas banking subsidiaries.

4.3 External Audit

The Audit Committee reviewed and evaluated EY's audit plan for the financial year ended 31 December 2017. EY's audit plan covered its engagement team, concept of materiality, independence and objectivity, and the areas of audit emphasis. The Audit Committee also reviewed key audit matters raised by EY from its annual audit and management letter including Management's responses/actions taken on the resolution of such issues.

In 2017, the Audit Committee met 4 times with Public Bank's external auditor, EY to apprise on matters under review or on matters in regard to the financial statements. Under the terms of reference of the Audit Committee, the Audit Committee must meet up with the external auditor's engagement partner at least twice a year without the presence of Management or GCIA. In this regard, the Audit Committee had met the EY's engagement partner 4 times during the financial year under review, to discuss matters of interest in private without the presence of Management or GCIA. During the meetings with EY, the Audit Committee had also:

- Reviewed, discussed and where necessary sought explanations from EY on the results of their audits/half yearly limited review;
- Reviewed key audit matters raised by EY from its annual audit and management letter including Management's responses/actions taken on the resolution of such issues;
- Discussed the latest changes to the accounting standards and issues impacting the financial statements; and
- Discussed the latest developments in local regulatory requirements and their impact on the directors' roles and responsibilities arising from the new Malaysian Code of Corporate Governance 2017.

The Audit Committee had assessed and is satisfied with the performance and effectiveness of EY based on the criteria set out in the Group Policies and Procedures, and recommended to the Board to approve the re-appointment of EY as the external auditor for the Bank and the proposed remuneration for its services.

4.4 Internal Audit Matters

In its oversight over the Internal Audit function, the Audit Committee approved the internal audit framework and the annual audit plan to ensure adequate scope and comprehensive coverage over the activities of Public Bank and the Public Bank Group and ensured that all high risk areas were audited at least annually. In addition, the Audit Committee also reviewed and monitored the Internal Audit's performance, progress of achievement of approved annual audit plan and adequacy of audit coverage on a quarterly basis.

During the year, the Audit Committee reviewed and deliberated the revisions to the Internal Audit Charter and recommended the same to the Board for approval. In addition, the Audit Committee reviewed and approved the revised internal audit framework and the action plans to address the competency gaps of the Internal Audit function.

The Internal Audit reports were tabled to the Audit Committee in their meetings for their review, deliberations and noting. Senior Management officers were invited to attend the meetings as and when necessary to brief the Audit Committee on matters relating to their areas of responsibility. Where appropriate, the Audit Committee had directed Management to rectify and improve control procedures based on the internal auditors' recommendations. As for the reports issued by regulatory authorities, the Audit Committee reviewed for recommendations to the Board of Directors for approval, the Management's responses to the regulator's recommendations, remedial actions taken and the committed timeline to rectify the gaps highlighted. The Audit Committee also monitored the progress of the corrective actions taken by Management to ensure appropriate remedial actions were taken on a timely basis to address all key areas of risk and control issues highlighted in the internal audit report/reports issued by regulator.

The Audit Committee reviewed on a quarterly basis the tests conducted on the Bank's Business Contingency Plan and Disaster Recovery Plan and assessed annually the Bank's level of commitment to Business Continuity Management and overall preparedness to ensure compliance with the Bank Negara Malaysia's Guidelines on Business Continuity Management. The Audit Committee also reviewed the related party transactions entered into by the Public Bank and the Public Bank Group on a quarterly basis to ensure that these transactions are undertaken on an arm's length basis.

In 2017, the Chairman of the Audit Committee had met 3 times with the GCIA and Management staff of Internal Audit function to provide insights, guidance and directives to further improve the effectiveness of Internal Audit in discharging their roles and responsibilities as well as to discuss the work undertaken by Internal Audit, key audit findings and any other significant matters arising from Public Bank and the Public Bank Group's operations. The significant matters discussed included the following:

- Supervisory concerns over Public Bank and its subsidiaries on the action plans to address and resolve the identified training and resource gaps of Internal Audit Division, Risk Management Division and Compliance Division;

- Establishment of a group governance framework that sets out the roles and responsibilities of the parties at both the parent bank and subsidiaries and escalation of information to the Board and Board Committees;

- Role of Knowledge and Learning Centre in elevating the staff's skill sets and level of competency as well as to instil/reinforce compliance culture, particularly regulatory compliance among all levels of staff; and

- Increase usage of audit tools to improve the audit coverage and assessment to meet the challenges arising from the developments in the financial technology and digital revolution in the banking sector.

The Audit Committee had also held dialogue sessions with the Managing Director/Chief Executive Officer and the Management of the Bank to discuss and exchange views on governance issues and practices. The issues raised and discussed are as below:

- Provision of Annual Assurance Statement to the Audit Committee and Board of Directors of Public Bank Berhad on the state and effectiveness of the risk management, compliance, internal controls and governance processes;

- Staffing and Training Requirements;

- Group and Subsidiaries' Responsibilities and Functions;

- Supervisory Concerns over Subsidiary Companies;

- Succession Planning; and

- Key Audit Issues.

During the dialogue sessions, among other matters, the Audit Committee directed that the three Assurance Functions of the subsidiary companies should also provide the annual assurance statement to their respective boards.

For the financial year under review, the Audit Committee noted that there was no significant disagreement between the GCIA and Management.

5. INTERNAL AUDIT FUNCTION

The Audit Committee is supported by the Internal Audit function in the discharge of its duties and responsibilities. Internal Audit function, being the third line of defence, is responsible to provide independent assessment of compliance with statutory/regulatory requirements, internal policies and procedures and reviews the adequacy and effectiveness of the risk management systems, internal controls and governance processes put in place by Public Bank and the Public Bank Group.

Public Bank's Internal Audit Division is staffed by almost 200 individuals with relevant experience and qualifications, and comprised nine sections specialising in various auditing/business areas. The GCIA reports directly to the Audit Committee. The Internal Audit function has unfettered access to the Board, Audit Committee and Senior Management, as well as the authority to seek information and explanations, for the purpose of conducting its audit.

Internal Audit provides independent assurance to the Audit Committee and Senior Management by reporting on the adequacy and effectiveness of the internal control environment after every audit is completed. Internal Audit adopts a risk-based approach to prioritise the audit work and to scope the audits on high risk auditable areas. Internal Audit's assurance covers a broad range of business activities and operations including the Outsourced Service Providers, to ascertain whether the internal controls are sufficient and effective in ensuring proper safeguarding of assets; maintenance of accurate records and transactions; monitoring the quality of assets; compliance with relevant laws and regulations; adherence to established policies and procedures; and management efficiency. Internal Audit's assurance provides a comprehensive review on the established controls to determine if they are appropriate, effectively applied and consistent with Public Bank and the Public Bank Group's risk management policies. Audit recommendations for improvements to the existing system of internal controls and work processes are made to the Management for resolutions where necessary.

Internal Audit also carries out the following:

- audits on the information systems of Public Bank and the Public Bank Group to ensure that the computing resources are adequately secured to protect the data integrity and confidentiality, and there are adequate measures to safeguard and provide for the continued availability of the system to support business operational needs;

- reviews risk exposures of new systems, business products and services to assess the controls that should be in place to mitigate the risks identified prior to implementation. When performing such review, Internal Audit is not involved in the system selection or implementation process in order to maintain its objectivity and independence;

- investigative audits where there are improper, illegal and dishonest acts reported;

- reviews the level of commitment to Business Continuity Management ("BCM") and overall preparedness, against the institution's BCM policies and regulatory requirements as well as to determine the adequacy of the business continuity plan and disasters recovery plan testing exercise; and

- reviews the pre-implementation model validation of the MFRS 9 exercise such as assessing and evaluating Public Bank's validation policy/ framework, ascertaining the model governance and validation are conducted properly, and determining the appropriateness of EY's validation procedures on the ECL models.

Internal Audit works collaboratively with Compliance Division and Risk Management Division to review and assess the risk governance framework and risk management processes of Public Bank and the Public Bank Group in respect of their adequacy and effectiveness in managing the key risks facing Public Bank and the Public Bank Group.

Internal Audit had engaged an external consultant, Ernst & Young Advisory Services Sdn. Bhd. ("EY Advisory") at the end of 2015 to conduct a Quality Assurance Review ("QAR") to assess its effectiveness. EY Advisory, in its QAR report recommended enhancement initiatives to further intensify Internal Audit's effectiveness and quality of audit services. As at 31 December 2017, Internal Audit had implemented most of the recommended enhancement initiatives.

The total costs incurred for the internal audit function of the Bank and the PBB Group for 2017 are as follows:

	RM'000
Public Bank	26,793
Public Bank Group	40,410

Further details of the activities of Internal Audit are set out in the Statement on Risk Management and Internal Control.



Board Executive Committee

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

Tan Sri Dato' Sri Dr. Teh, aged 88, is a respected banking entrepreneur with a banking career spanning more than 66 years. Commencing his banking career in Singapore, he founded Public Bank in 1965 after spending 6 years in a senior management position in another prominent local bank. Since inception Tan Sri Teh has been at the helm of Public Bank and personally steered its growth till today.

BOARD EXECUTIVE COMMITTEE





TAN SRI DATO' SRI TAY AH LEK
Managing Director / Chief Executive Officer

Tan Sri Dato' Sri Tay, aged 75, is a veteran in the financial services industry with 57 years of experience. He holds a Master's degree in Business Administration. He is a Fellow, Chartered Banker of the Asian Institute of Chartered Bankers (AICB) and the Chartered Banker Institute (CBI), Scotland, an Emeritus Fellow of the Malaysian Institute of Management as well as a Fellow of CPA Australia and the Financial Services Institute of Australasia. A pioneer staff of Public Bank in 1966, he held several portfolios over the years including the Executive Vice President position in Public Finance and Public Bank. He was appointed Executive Director of Public Bank in 1997 and Managing Director / Chief Executive Officer in 2002. He sits on the Board of Directors of several subsidiary companies in the Public Bank Group.

DATO' CHANG KAT KIAM
Deputy Chief Executive Officer

Dato' Chang, aged 63, holds a Master's degree in Business Administration. He has been with Public Bank since 1975 and is experienced in all aspects of banking having managed branches and banking business portfolios in Head Office. Dato' Chang was appointed Chief Operating Officer in 2006 and redesignated Senior Chief Operating Officer in October 2013. Appointed to his present position in January 2016.

His directorships in other public companies in the Public Bank Group are as Director of Public Financial Holdings Ltd, Public Bank (Hong Kong) Ltd, Public Finance Ltd, Cambodian Public Bank Plc, Campu Lonpac Insurance Plc, Campu Securities Plc, Public Bank Vietnam Ltd and AIA PUBLIC Takaful Bhd.

None of the Board Executive Committee members 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 5 years other than traffic offences

All of the Board Executive Committee members are Malaysians.

Group Management Profile





CHANG SIEW YEN

Chief Operating Officer,
Public Bank Berhad

Ms Chang, aged 49, is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (MICPA). She has more than 23 years experience in the auditing, banking and finance industry. Joined Public Bank in 2005 as Deputy Director of Finance and subsequently appointed Head of Finance and Chief Financial Officer in 2006. She was promoted to General Manager in 2009 and Senior General Manager in July 2012 and was redesignated Chief Operating Officer in October 2013. She oversees the Bank's Finance, Corporate Planning, Strategy & Economics, Information Technology and Property. Her directorships in other public companies in the Public Bank Group are as Director of PB Trust (L) Ltd and PB Trustee Services Bhd.

DATO' SULAIMAN BIN ABD MANAP

Chief Operating Officer,
Public Bank Berhad

Dato' Sulaiman, aged 60, holds a Master's degree in Business Administration. Joined Public Bank in 1981 and experienced in both branch banking and Head Office credit. Appointed Head of Credit Operations in 2003 and Chief Operating Officer in July 2012. He oversees the Bank's Knowledge & Learning, Banking Operations, Credit Administration & Supervision, HP Credit Control, Process Innovation & Transformation and Compliance.

GROUP MANAGEMENT PROFILE





FONG LOONG SENG

Chief Executive Officer,
Public Investment Bank Berhad

Mr Fong, aged 56, holds a Master's degree in Business Administration (Finance). He started his banking career in 1984 and has more than 33 years experience in the financial services and capital markets sector of which 28 years were with investment banks. He has served as a Group Chief Executive before joining Public Investment Bank in March 2013 initially as the Head of Debt Capital Markets and appointed Chief Executive Officer in January 2015.

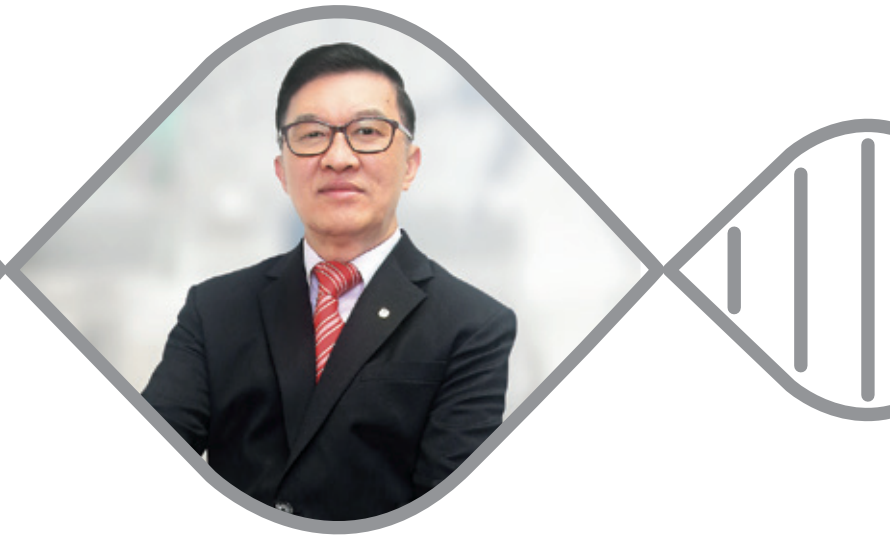
ABU HASSAN ASSARI BIN IBRAHIM

Chief Executive Officer,
Public Islamic Bank Berhad

En. Abu Hassan, aged 64, holds a Bachelor of Arts degree. He has more than 37 years experience in the banking industry. He joined the Public Bank Group in 1989. Has held several managerial positions at Head Office attached to Credit Operations, Retail Banking with his last position being Director of Credit Operations. En. Abu Hassan was transferred to Public Islamic Bank in 2010 as General Manager and appointed to his current position in early 2011. His directorship in other public company in the Public Bank Group is as Director of AIA PUBLIC Takaful Bhd.

GROUP MANAGEMENT PROFILE





YEOH KIM HONG

Chief Executive Officer,
Public Mutual Berhad

Ms Yeoh, aged 56, is a Chartered Accountant of the Malaysian Institute of Accountants (MIA), a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (MICPA) and a certified financial planner. She has more than 22 years experience in the unit trust industry. She is the Chief Executive Officer of Public Mutual since July 2007. She is also a member of the Board of Directors and the Investment Committees of Public Mutual. Ms Yeoh has played an active role in the development of the unit trust industry. She sits in the Board of the Federation of Investment Managers Malaysia (FIMM) and is a member of the Industry Development Committee, Regulatory Committee and Disciplinary Committee. Prior to joining Public Mutual, Ms Yeoh was with an international public accounting firm for more than 12 years during which she gained exposures in auditing and management consultancy and advisory, both locally and in the United States.

TAN YOKE KONG

Executive Director & Chief Executive,
Public Bank (Hong Kong) Limited

Mr Tan, aged 65, is a qualified accountant and has over 36 years experience in the banking and finance industry. He was seconded from Public Bank to Hong Kong in 1991 and was appointed Executive Director of Public Financial Holdings Limited, a company listed on the Stock Exchange of Hong Kong, in 1992. Mr Tan was appointed to his current position as Executive Director & Chief Executive of Public Bank (Hong Kong) Limited after its acquisition by the Group in 2006. Prior to this, he was the General Manager & Chief Executive of Public Finance Limited. Mr Tan had served as the Vice Chairman of The Deposit-Taking Companies Association and as a member of The Deposit-Taking Companies Advisory Committee in Hong Kong for several years prior to his appointment in Public Bank (Hong Kong). Mr Tan is a Fellow member of the Association of Chartered Certified Accountants, UK and a fellow member of the Institute of Chartered Secretaries and Administrators, UK.

GROUP MANAGEMENT PROFILE





LEE HUAT OON

General Manager / Chief Executive and Executive Director, Public Finance Limited

Mr Lee, aged 55, is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) with more than 30 years experience in the banking and finance industry. He joined the Public Bank Group's Hong Kong operations in 1995 and was appointed Chief Executive of Public Finance Limited in 2006. Mr Lee is also an Executive Director of Public Finance Limited and Public Financial Holdings Limited, a company listed on the Hong Kong Stock Exchange. He is currently the Acting Chairman of The Deposit-Taking Companies Association, a member of The Deposit-Taking Companies Advisory Committee and a director of The Hong Kong Mortgage Corporation Limited. He was previously a member of the Banking and Finance Industry Training Board in Hong Kong.

DATUK PHAN YING TONG

Regional Head, Indo-China Operations

Datuk Phan, aged 55, holds a Master's degree in Business Administration and has a total of 36 years service with the Public Bank Group. He was a Branch Manager of several branches in Public Bank before his appointment as General Manager of Cambodian Public Bank Plc in 2002. He was appointed Country Head of Cambodian Public Bank Plc in 2007 before his current appointment as Regional Head of Indo-China Operations in March 2014. His directorships in other public companies in the Public Bank Group are as Executive Director of Cambodian Public Bank Plc, as Director of Campu Securities Plc and Public Bank Vietnam Ltd.

None of the Group Management staff 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 5 years other than traffic offences

All of the Group Management staff are Malaysians.

Heads of Division

1. 

2. 

3. 

4. 

1. **DATO' AB. RAZAK BIN MD DALI**
Senior General Manager, Public Affairs

Dato' Ab. Razak, aged 63, holds a Master's degree in Science (Corporate Communication). Joined Public Bank in 1977, experienced in branch banking and appointed Head of Public Affairs in 1994. Responsible for the Bank's public relations, corporate communication, advertising and sports portfolio.

2. **CHAN CHEW FUNG**
Senior General Manager, Corporate Banking / Credit Operations / HP Operations / Share Investment

Ms Chan, aged 59, holds a Bachelor of Arts (Economics) degree. Joined Public Bank in 1982 and appointed Head of Corporate Banking & Trade Finance in 1995. Ms Chan was promoted to General Manager in 2009 and Senior General Manager in July 2012 overseeing Corporate Banking. In January 2016, her portfolio was expanded to also oversee Credit Operations, HP Operations and Share Investment. Her directorship in other public company in the Public Bank Group is as Director of Public Bank (L) Ltd.

3. **DATO' CHIA LEE KEE**
Senior General Manager, Secretariat

Dato' Chia, aged 64, is a Chartered Secretary (ICSA) and is a Fellow of The Malaysian Institute of Chartered Secretaries and Administrators. Joined Public Bank in 1978 and was appointed Head of Secretariat in 1997. Dato' Chia is the Bank's Company Secretary and oversees the Group's company secretarial matters. Her directorship in other public company in the Public Bank Group is as Director of PBFIN Bhd.

4. **KOAY SEOK KHIM**
Senior General Manager, Knowledge & Learning

Ms Koay, aged 64, holds a Bachelor of Arts (Economics) degree. Joined Public Bank in 1981 as a Trainer. Has been the Head of Knowledge & Learning Centre since 1993.

HEADS OF DIVISION

5.



5. LIM THEN FUI

Group Chief Internal Auditor

Mr Lim, aged 62, is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (MICPA). He has a total of 38 years experience in Bank Negara Malaysia and commercial banking. Joined Public Bank in 2001 and held the positions of Head of Risk Management and Head of Compliance in 2007 and 2013 respectively. Appointed Group Chief Internal Auditor in October 2013 to oversee the Group's Internal Audit portfolio.

6.



6. MARLENE GOH

Senior General Manager, Human Capital Management

Ms Goh, aged 59, holds a Bachelor of Social Science degree and has been in the HR field for the past 35 years. Has been with Public Bank since 1983. Appointed Director of Human Resource in 2011 and oversees the Group's Human Resource portfolio. Promoted to Senior General Manager in September 2017.

7.



7. YIK SOOK LING

Chief Financial Officer

Ms Yik, aged 48, is a Chartered Accountant of the Malaysian Institute of Accountants (MIA), a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (MICPA) and a Certified Practising Accountants (CPA) Australia. She has served as a Group Financial Controller before joining the Public Bank Group in 2010 as Deputy Director. She was appointed Head of Finance and Chief Financial Officer in July 2012. Her directorships in other public companies in the Public Bank Group are as Director of PB Trust (L) Ltd and PB Trustee Services Bhd.

8.



8. CHAN CHIEW PENG

General Manager, Retail Financial Services

Ms Chan, aged 54, holds a Bachelor of Economics degree. Joined Public Bank Group in 1986. Held several managerial portfolios at Head Office before her appointment as Head of Retail Financial Services in September 2012. Ms Chan was promoted to General Manager in October 2014 to oversee both PB Card Services & Support and Wealth Management & Transaction Banking.

HEADS OF DIVISION



9.

9. EDDIE CHAN KOK KWAI

General Manager, Credit Administration & Supervision

Mr Chan, aged 60, holds a Bachelor of Economics degree, FSD and AIBM. Joined Public Bank in 1982 and appointed Head of Credit Administration and Supervision in 1992. Responsible for credit control and recovery of impaired retail loans. Mr Chan was promoted to General Manager in 2011. His directorship in other public company in the Public Bank Group is as Director of PBFIN Bhd.



10.

10. FAM YOKE FONG

General Manager, Information Technology

Ms Fam, aged 48, holds a Bachelor of Computer Science degree. Joined Public Bank in 1994 and has more than 23 years experience in the IT field. Appointed Head of Division in January 2017.



11.

11. LIM LYE PING

General Manager, Treasury

Ms Lim, aged 48, holds a Bachelor of Economics degree. Joined Public Bank in 1994 and has more than 23 years experience in Treasury operations. Appointed Head of Treasury in May 2012. Promoted to General Manager in January 2016.



12.

12. PATRICK LIM YOONG LENG

General Manager, Banking Operations

Mr Lim, aged 59, holds a Diploma in Management. Has a total of 37 years experience in Auditing, Banking Systems and Processes and Compliance. Has held the positions of Head of Banking Operations in 2010, Head of Compliance in 2013 and as Chief Compliance Officer in March 2016. Appointed General Manager of Banking Operations in March 2017.

HEADS OF DIVISION

13.



13. JASMINE LOH SOOK LING

Chief Risk Officer

Ms Loh, aged 46, is a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (MICPA). She has a total of 27 years experience in Auditing, Finance and Risk Management. Joined Public Bank in 1999 and has held several managerial portfolios at Head Office before her appointment as Head of Risk Management in January 2013. She was appointed Chief Risk Officer in June 2016.

14.



14. TAN SHIEN DOON

Chief Compliance Officer

Mr Tan, aged 46, holds a Bachelor of Science (Business Administration) degree. Joined Public Bank in 1994 and has more than 20 years experience in Banking Operations. He was appointed Head of Banking Operations in January 2017 before his current appointment as Chief Compliance Officer in March 2017.

15.



15. NG SEIW KUAN

General Manager, Corporate Planning, Strategy & Economics

Mr Ng, aged 49, is a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Certified Public Accountant of the Malaysian Institute of Certified Public Accountants (MICPA). He has a total of 17 years experience in an auditing firm whereby he has developed his skills in the areas of corporate finance and financial advisory. Joined Public Bank in 2010 as Head of Corporate Planning & Strategy. Promoted to General Manager in June 2016. His portfolio was expanded to also oversee Economics in June 2017.

16.



16. TUAN HAJI A WAHAB BIN A RAMAN

Director, Security

Tuan Haji A Wahab, aged 59, holds a Diploma in Police Science. He has a total of 31 years of service with the Royal Malaysian Police. Held several high rank positions in the Police Force and last position held was Kuala Lumpur Traffic Chief (ACP Rank). Joined Public Bank in 2011 as Head of Security.

HEADS OF DIVISION

17. **CHAN SEE CHOI**
Director, HP Credit Control

Mr Chan, aged 51, holds a Bachelor of Science (Agribusiness) degree. Joined Public Bank in 1991 with exposure to branch banking and Head Office credit control. Appointed Head of HP Credit Control in January 2018.



17.

18. **CHEONG KIEN MENG**
Director, Property

Mr Cheong, aged 59, holds a Diploma in Management Programme. Joined Public Bank in 1979. Held several managerial portfolios at Head Office before his appointment as Head of Property in January 2018.



18.

19. **CARENE KHOO GEOK KHENG**
Director, Wealth Management & Transaction Banking

Ms Khoo, aged 51, holds a Master's degree in Business Administration (Finance). Joined the Public Bank Group in 1992 and experienced in both branch banking and retail financial services. Appointed Head of Wealth Management & Transaction Banking in October 2014.



19.

20. **LEE KOK KEONG**
Director, Credit Operations

Mr Lee, aged 49, holds a Bachelor of Economics degree. Joined Public Bank in 1993 and experienced in both branch banking and Head Office credit. Appointed Head of Credit Operations in November 2016.



20.

HEADS OF DIVISION

21.



21. POON YUEW SIM

Director, Branch Business Review & Support/Loan Product Development & Trade Finance

Ms Poon, aged 50, holds a Bachelor of Management (Marketing) degree. Joined Public Bank in 1992 and experienced in both branch banking and Head Office branch business review, loan product development & trade finance. Appointed Head of Branch Business Review & Support/Loan Product Development & Trade Finance in November 2011.

22.



22. SAMUEL SOH BOON LEONG

Director, Corporate Banking

Mr Soh, aged 44, holds a Bachelor of Economics degree. Joined Public Bank in 1996 and has more than 21 years experience in managing corporate loans. Appointed Head of Corporate Banking in 2016.

23.



23. TEE CHUI CHEE

Director, PB Card Services & Support

Mr Tee, aged 55, holds a Bachelor of Science (Computer Science) degree. Joined Public Bank in 1991 and has more than 30 years experience in the card industry. Appointed Head of Division in January 2014.

24.



24. WONG MAN HOE

Director, HP Operations

Mr Wong, aged 48, holds a Master's degree in Business Administration. Joined the Public Bank Group in 1994. Has more than 15 years experience in both branch banking and hire purchase operations prior to his transfer to Head Office as Senior Manager in 2009. Appointed Head of HP Operations in May 2012.

None of the Heads of Division 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 5 years other than traffic offences

All of the Heads of Division are Malaysians.



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GROUP FINANCIAL REVIEW
SUMMARY OF GROUP FINANCIAL PERFORMANCE

AT A GLANCE

	2017	2016	Growth %
PROFITABILITY (RM'MILLION)			
Profit before tax expense and zakat	**7,118**	6,554	8.6
Net profit attributable to shareholders	**5,470**	5,207	5.1
Earnings per share (sen)	**141.7**	134.8	5.1
BALANCE SHEET (RM'MILLION)			
Total assets	**395,276**	380,053	4.0
Gross loans, advances and financing	**304,453**	293,959	3.6
Deposits from customers	**319,259**	309,974	3.0
Shareholders' equity	**37,365**	34,213	9.2
FINANCIAL INDICATORS			
Net return on equity	**15.8%**	16.5%	(0.7)
Cost to income ratio	**31.9%**	32.3%	(0.4)
Gross impaired loans ratio	**0.5%**	0.5%	–
Loan loss coverage	**95.5%**	102.7%	(7.2)
Gross loans to fund ratio^	**90.0%**	90.8%	(0.8)
Gross loans to fund and equity ratio^	**80.7%**	81.8%	(1.1)
Common Equity Tier I capital ratio#	**12.2%**	11.4%	0.8
Tier I capital ratio#	**13.0%**	12.2%	0.8
Total capital ratio#	**16.0%**	15.5%	0.5

^ *Gross loans exclude loans/financing sold to Cagamas. Funds include deposits from customers and debt securities issued and other borrowed funds.*

\# *After deducting second interim dividend declared subsequent to year end.*

PRE-TAX PROFIT
RM7.12 Bil
2016: RM6.55 Bil
▲ 8.6%

LOANS GROWTH
RM304.45 Bil
2016: RM293.96 Bil
▲ 3.6%

DEPOSITS GROWTH
RM319.26 Bil
2016: RM309.97 Bil
▲ 3.0%

NET RETURN ON EQUITY
15.8%
2016: 16.5%

COST TO INCOME RATIO
31.9%
2016: 32.3%

GROSS IMPAIRED LOANS RATIO
0.5%
2016: 0.5%

GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE

KEY HIGHLIGHTS

STEADY PROFIT GROWTH

- Record pre-tax profit of RM7.12 billion, surpassing the RM7 billion mark for the first time. Pre-tax profit for 2017 was 8.6% higher than RM6.55 billion achieved in 2016.
- Net profit attributable to shareholders grew by 5.1% to RM5.47 billion in 2017.
- Higher earnings per share of 141.7 sen in 2017 from 134.8 sen in 2016.
- The highest net return on equity of 15.8% amongst Malaysian banking groups.
- The most cost efficient bank with the lowest cost to income ratio of 31.9% in the domestic banking industry.

CONSISTENT BALANCE SHEET GROWTH

- Gross loans, advances and financing increased by 3.6% to RM304.45 billion mainly driven by domestic loans which grew by 4.6%.
- Customer deposits rose by 3.0% to RM319.26 billion with domestic customer deposits growing by 3.6%.
- Total assets grew by 4.0% to RM395.28 billion as a result of continued expansion in loans and deposits.
- Stable gross loans to fund ratio and gross loans to fund and equity ratio of 90.0% and 80.7% respectively.

STRONG ASSET QUALITY

- The lowest gross impaired loans ratio of 0.5% amongst Malaysian banking groups.
- Loan loss coverage remained high at 95.5%.
- With the inclusion of regulatory reserves, loan loss coverage was significantly higher at 256.5% and was the most prudent amongst Malaysian banking groups.
- Well-positioned to meet the new requirements under MFRS 9 as there is adequate level of buffers to mitigate the expected increase in provisioning arising from the initial adoption of MFRS 9 with effect from 1 January 2018.

HEALTHY CAPITAL POSITIONS

- Common Equity Tier I capital ratio, Tier I capital ratio and total capital ratio remained healthy at 12.2%, 13.0% and 16.0% respectively.

CONSISTENT DIVIDEND PAYOUT

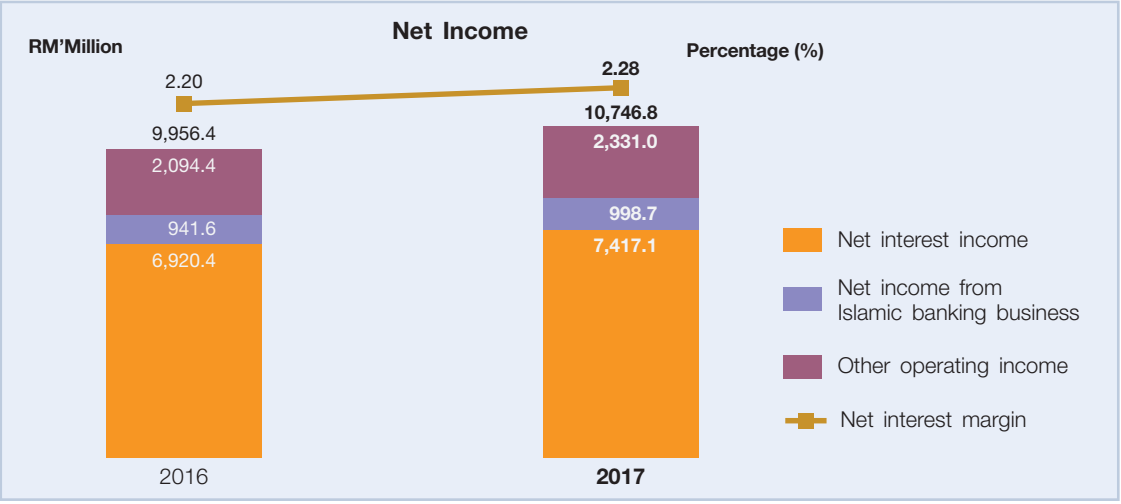
- The Board of Directors declared a second interim single tier dividend of 34 sen per ordinary share bringing the total dividend for 2017 to 61 sen per ordinary share as compared to a total dividend of 58 sen per ordinary share in 2016. The total dividend paid or payable amounted to RM2.36 billion, representing 43.1% of the Group's net profit in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE

INCOME STATEMENT ANALYSIS



Net income

The Public Bank Group's net income continued to expand in 2017. The Group's net income increased to RM10.75 billion, representing a growth of 7.9% as compared to 2016. The increase of RM790.4 million was mainly contributed by higher net interest income by RM496.7 million and growth in other operating income by RM236.6 million.

Net interest income

Net interest income, which accounted for 69.0% of the Public Bank Group's total net income, continued to be the largest contributor to the Group's net income in 2017. Net interest income increased by 7.2% to RM7.42 billion in 2017 amid consistent loans growth and improved margin. The Group's net interest margin has improved to 2.28% in 2017 as compared to 2.20% in 2016.

Net income from Islamic banking business

Net income from Islamic banking business increased by 6.1% to RM998.7 million in 2017, representing 9.3% of the Public Bank Group's total net income in 2017.

Other operating income

	2017 RM'000	2016 RM'000	Variance RM'000	Variance %
Income from fund management business	**898,977**	771,820	127,157	16.5
Net commission, service charges and fees	**734,354**	717,458	16,896	2.4
Brokerage and commissions from stock broking activities	**103,209**	75,712	27,497	36.3
Net fee and commission income	**1,736,540**	1,564,990	171,550	11.0
Net gains and losses on financial instruments	**90,431**	74,022	16,409	22.2
Foreign exchange income	**342,436**	273,621	68,815	25.1
Others	**161,563**	181,773	(20,210)	(11.1)
Other income	**503,999**	455,394	48,605	10.7
Total other operating income	**2,330,970**	2,094,406	236,564	11.3

Other operating income, which accounted for 21.7% of the Public Bank Group's total net income, increased by 11.3% to RM2,331.0 million in 2017 mainly due to overall increase in net fee and commission income.

Net fee and commission income rose by 11.0% to 1,736.5 million in 2017, supported by higher income from management of unit trust funds, stock broking activities, credit card and bancassurance. The Group's fund management activities benefited from strong portfolio expansion as well as increase in net asset value of unit trust funds under management in 2017. As a result, income from fund management activities increased by 16.5% to RM899.0 million in 2017.

Net gains and losses on financial instruments increased by 22.2% to RM90.4 million in 2017.

In 2017, profit from foreign exchange income increased by 25.1% to RM342.4 million mainly due to non-operational foreign exchange gain as a result of the strengthening of the ringgit against the US Dollar.

Other income decreased by 11.1% to RM161.6 million in 2017, mainly due to one-off mark-to-market gains on certain assets amounting to RM83.6 million in 2016.

Other operating expenses

	2017 RM'000	2016 RM'000	Variance RM'000	Variance %
Personnel costs	**2,385,927**	2,250,994	134,933	6.0
Establishment costs	**636,214**	599,850	36,364	6.1
Marketing expenses	**128,284**	115,434	12,850	11.1
Administration and general expenses	**277,753**	245,192	32,561	13.3
Total other operating expenses	**3,428,178**	3,211,470	216,708	6.7
Cost to income ratio (%)	**31.9**	32.3		
Staff strength	**18,553**	18,651		

The Public Bank Group's cost to income ratio improved to 31.9% as a result of prudent cost management and was the most efficient amongst banking groups in Malaysia.

The Group's total other operating expenses increased by 6.7% to RM3,428.2 million in 2017 to support the Group's growing business.

Personnel costs, which represent 69.6% of the Group's total other operating expenses rose by 6.0% to RM2,385.9 million from a year ago. This was due to the Group's continuous investment in talent and training.

Establishment costs rose by 6.1% to RM636.2 million in 2017 mainly due to higher IT-related depreciation expenses incurred during the year. Establishment cost accounted for 18.6% of the Group's total other operating expenses in 2017.

Marketing expenses increased by 11.1% to RM128.3 million in 2017 whilst administration and general expenses rose by 13.3% to RM277.8 million mainly due to higher compliance related cost.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE

SEGMENTAL PROFITABILITY

(i) Profit Before Tax By Business Segment

	2017		2016		
	RM'Million	% of Contribution	RM'Million	% of Contribution	Growth %
Domestic Operations					
Comprise of:					
Retail	**3,797**	**53.3**	3,466	52.9	9.5
Hire Purchase	**451**	**6.3**	454	6.9	(0.6)
Fund Management	**661**	**9.3**	573	8.7	15.4
Corporate Lending	**553**	**7.8**	502	7.7	10.1
Treasury and Capital Market	**554**	**7.8**	558	8.5	(0.8)
Investment Banking	**46**	**0.6**	49	0.7	(5.5)
Others*	**368**	**5.2**	331	5.1	11.2
Total domestic operations	**6,430**	**90.3**	5,933	90.5	8.4
Overseas Operations	**688**	**9.7**	621	9.5	10.8
Profit before taxation	**7,118**	**100.0**	6,554	100.0	8.6

* *Others comprise mainly of domestic head office, other miscellaneous domestic segment and domestic share of results of equity accounted associated company.*

- Retail Operations contributed 53.3% to the Group's pre-tax profit in 2017, followed by Fund Management, Corporate Lending and Treasury and Capital Market Operations which contributed 9.3%, 7.8% and 7.8% respectively to the Group's pre-tax profits.

- Retail Operations' pre-tax profit increased by 9.5% to RM3,796.6 million in 2017 mainly due to higher net interest income on higher average loan and deposit balances and higher fee and other operating income, partially offset by higher other operating expenses.

- Hire Purchase Operations reported a marginally lower pre-tax profit of RM451.1 million in 2017.

- Fund Management Operations' pre-tax profit grew by 15.4% from RM572.9 million in 2016 to RM660.9 million in 2017 mainly due to higher management fee earned on higher average net asset value of funds under management and higher fee income from sale of trust units, partially offset by higher other operating expenses.

- Corporate Lending recorded an increase in pre-tax profit of 10.1% to RM553.5 million in 2017, mainly due to higher net interest income on higher average loan balances partially offset by higher loan impairment allowance.

- Treasury and Capital Market Operations registered a marginally lower pre-tax profit of RM553.8 million in 2017.

- Investment Banking Operations recorded a marginally lower pre-tax profit of RM46.2 million in 2017 mainly due to higher other operating expenses and writeback of loan impairment allowance in the previous year, partially offset by higher brokerage income from stock broking activities.

(ii) Profit Before Tax By Geographical Locations and Major Companies

	2017		2016		
	RM'Million	% of Contribution	RM'Million	% of Contribution	Growth %
In Malaysia	**6,430**	**90.3**	5,933	90.5	8.4
of which:					
*Public Bank Berhad**	**5,147**	**72.3**	4,719	72.0	9.1
*Public Islamic Bank Berhad**	**535**	**7.5**	529	8.1	1.2
Public Mutual Berhad	**661**	**9.3**	573	8.7	15.4
*Public Investment Bank Berhad**	**46**	**0.6**	48	0.7	(4.7)
Outside Malaysia	**688**	**9.7**	621	9.5	10.8
of which:					
Hong Kong operations	**340**	**4.8**	266	4.1	28.0
– *Public Finance Limited**	**163**	**2.3**	134	2.0	21.9
– *Public Bank (Hong Kong) Limited**	**163**	**2.3**	122	1.9	34.3
Cambodian operations					
Cambodian Public Bank Plc	**253**	**3.6**	250	3.8	1.3
Vietnam operations					
*Public Bank Vietnam Limited***	**49**	**0.7**	33	0.5	46.4
Profit before taxation	**7,118**	**100.0**	6,554	100.0	8.6

* *Profit excluding dividends from subsidiaries and associated companies and any other intercompany transactions which are eliminated at Group level.*

** *Public Bank Vietnam Limited became a wholly-owned subsidiary with effect from 1 April 2016. The 2016 pre-tax profit from Public Bank Vietnam Limited represent 9 months of fully consolidated profit.*

- Domestic operations contributed 90.3% to the Public Bank Group's pre-tax profit in 2017 whilst overseas operations contributed the remaining 9.7%.

- Overseas operations achieved a commendable 10.8% growth in pre-tax profit from RM620.7 million in 2016 to RM687.8 million in 2017, mainly attributed to higher contribution from its Hong Kong and Indo-China operations. In particular, the Group's Hong Kong operations registered a 28.0% increase in pre-tax profit to RM339.9 million in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE

LOANS, ADVANCES AND FINANCING

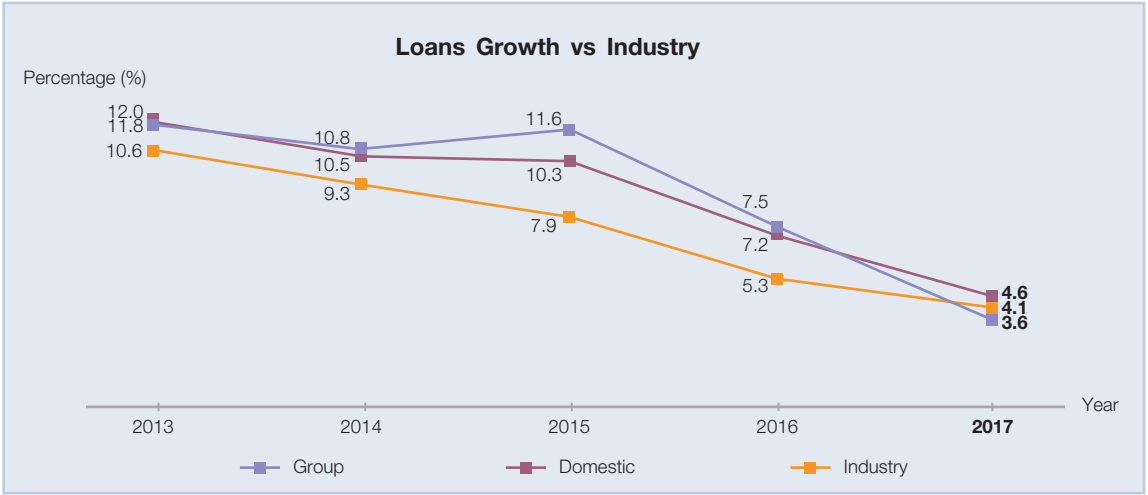
Consistently Above – Industry Loans Growth

	Outstanding (Gross)		Growth Rate	
	2017	**2016**	**2017 %**	**2016 %**
Domestic* (RM'Million)	**282,326**	269,915	**4.6**	7.2
of which:				
Public Bank Berhad (RM'Million)	**241,471**	233,733	**3.3**	5.8
Public Islamic Bank Berhad (RM'Million)	**42,009**	37,537	**11.9**	17.1
Overseas (RM'Million)	**22,127**	24,044	**(8.0)**	11.1
of which:				
Public Bank (Hong Kong) Limited (HKD'Million)	**23,613**	23,524	**0.4**	(2.5)
Public Finance Limited (HKD'Million)	**5,771**	5,410	**6.7**	2.2
Cambodian Public Bank Plc (USD'Million)	**1,027**	1,003	**2.3**	4.8
Public Bank Vietnam Limited (VND'Billion)	**8,979**	7,377	**21.7**	NA
Group (RM'Million)	**304,453**	293,959	**3.6**	7.5

* *Excluding overseas branches' loans and intercompany loans*
NA Not available

- The Public Bank Group's gross loans, advances and financing increased by 3.6% or RM10.49 billion from RM293.96 billion as at the end of 2016 to RM304.45 billion as at the end of 2017. Excluding the effect of foreign exchange translation, the Group's total gross loans grew by 4.4%.

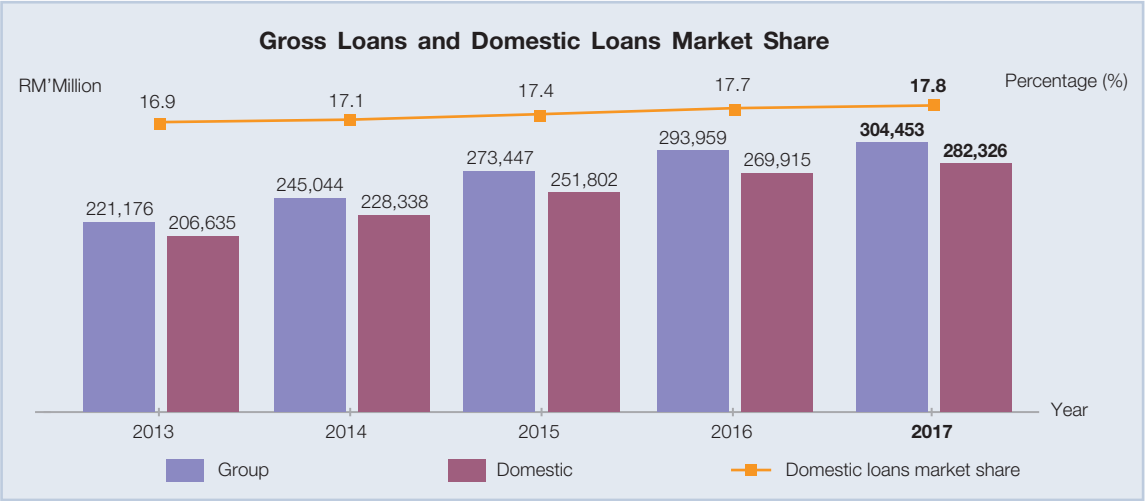
- Domestic loans grew by 4.6% or RM12.41 billion to RM282.33 billion as at the end of 2017, surpassing the Malaysian banking industry's growth rate of 4.1%. Overseas loans decreased by 8.0% to RM22.13 billion as at the end of 2017 mainly due to the challenging operating environment and stiff competition in Hong Kong and Cambodia as well as the effect of foreign exchange translation.



- Despite the domestic industry loans growing at a moderated pace particularly over the last two years, the Group's loans growth rates had consistently exceeded the banking industry's loans growth rates.

GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE



- The Public Bank Group's domestic loans growth which consistently exceeded industry growth rates have led to increasing market share over the years, from 16.9% as at the end of 2013 to 17.8% as at the end of 2017.

Loans, Advances and Financing by Key Retail Banking Segment	Outstanding		Growth Rate		2017 Market Share
	2017 RM'Million	2016 RM'Million	2017 %	2016 %	2017 %
Residential Properties	**107,289**	98,752	**8.6**	10.3	
– *Domestic*	**101,945**	92,624	**10.1**	10.5	**19.6**
Passenger Vehicles	**50,669**	52,252	**(3.0)**	(0.3)	
– *Domestic*	**48,145**	49,601	**(2.9)**	(1.0)	**28.5**
SME	**75,656**	71,293	**6.1**	11.4	
– *Domestic*	**71,741**	66,616	**7.7**	10.5	**NA**

NA Not available

- The Public Bank Group's key retail banking segments which comprised of financing of residential properties and passenger vehicles as well as commercial lending to SMEs, represented 76.7% of the Group's total gross loans, advances and financing as at the end of 2017.

- Loans growth in 2017 continued to be driven by growth in the Group's financing of residential properties and lending to SMEs of 8.6% and 6.1% respectively, whilst financing of passenger vehicles decreased by 3.0% amidst moderated industry car sales.

- Despite intense competition, the Group continued to maintain its position as the market leader in residential properties, passenger vehicles and commercial property financing in Malaysia with market shares of 19.6%, 28.5% and 35.5% respectively as at the end of 2017.

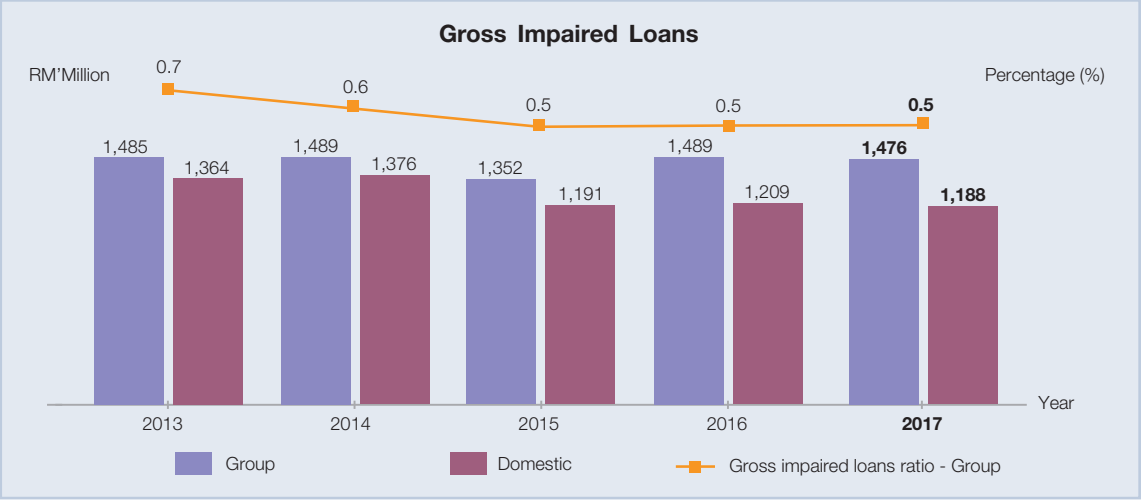
MANAGEMENT DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE

ASSET QUALITY

Superior Asset Quality



- The Public Bank Group continues to rank No. 1 in terms of asset quality amongst Malaysian banking groups with the lowest gross impaired loans ratio of 0.5% as at the end of 2017.

- Whilst the Group's gross loans, advances and financing grew by RM10.49 billion in 2017, gross impaired loans decreased by RM13.7 million during the same period. The Group's strong asset quality is attributed to a combination of preventive and proactive measures taken in credit risk management and loan approval processes as well as having in place efficient and effective recovery processes.

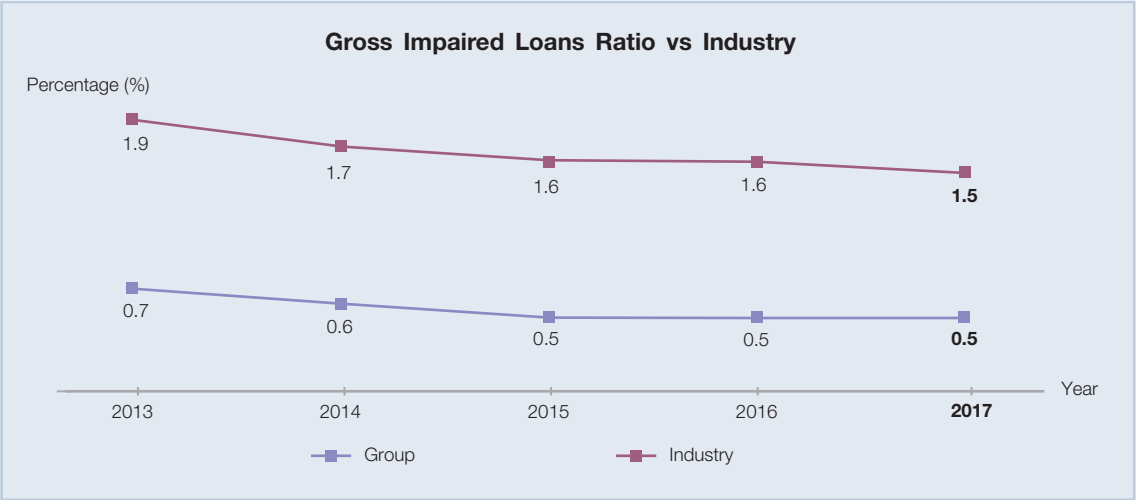
Gross Impaired Loans Ratio	2017 %	2016 %
Domestic	**0.4**	0.4
of which:		
Public Bank Berhad	**0.4**	0.4
Public Islamic Bank Berhad	**0.6**	0.6
Overseas	**1.3**	1.2
of which:		
Public Bank (Hong Kong) Limited	**0.1**	0.5
Public Finance Limited	**1.8**	2.3
Cambodian Public Bank Plc	**0.6**	0.8
Public Bank Vietnam Limited	**1.8**	2.2
Group	**0.5**	0.5

- The Group's domestic gross impaired loans ratio of 0.4% as at the end of 2017 remained the best amongst the Malaysian banking groups.

- The gross impaired loans ratio of the Group's overseas operations remained stable at 1.3% with gross impaired loans of RM287.7 million as at the end of 2017.

GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE



- Over the past five years, the Group's gross impaired loans ratio had stayed approximately one-third that of the banking industry's gross impaired loans ratio. The Group's gross impaired loans ratio continued to improve, from an already low 0.7% as at the end of 2013 to 0.5% currently.

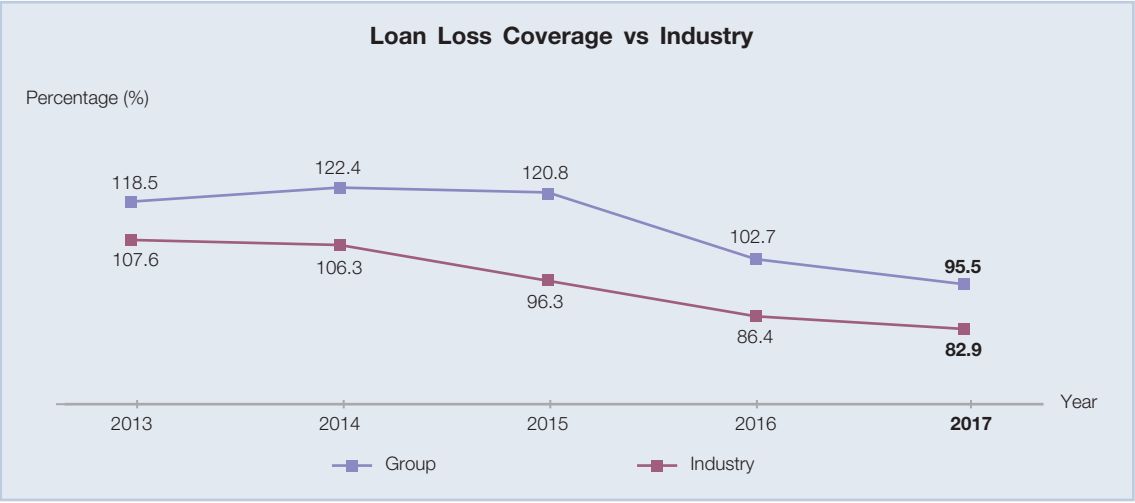
	Public Bank Group		
Gross Impaired Loans Ratio by Type	**2017 %**	**2016 %**	**Industry Average %**
Consumer			
Housing Loans	**0.5**	0.6	1.0
Hire Purchase	**0.6**	0.6	1.0

- The Group's gross impaired loans ratio for housing loans and hire purchase financing of 0.5% and 0.6% respectively as at the end of 2017 continued to be well below the industry average of 1.0% each respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE



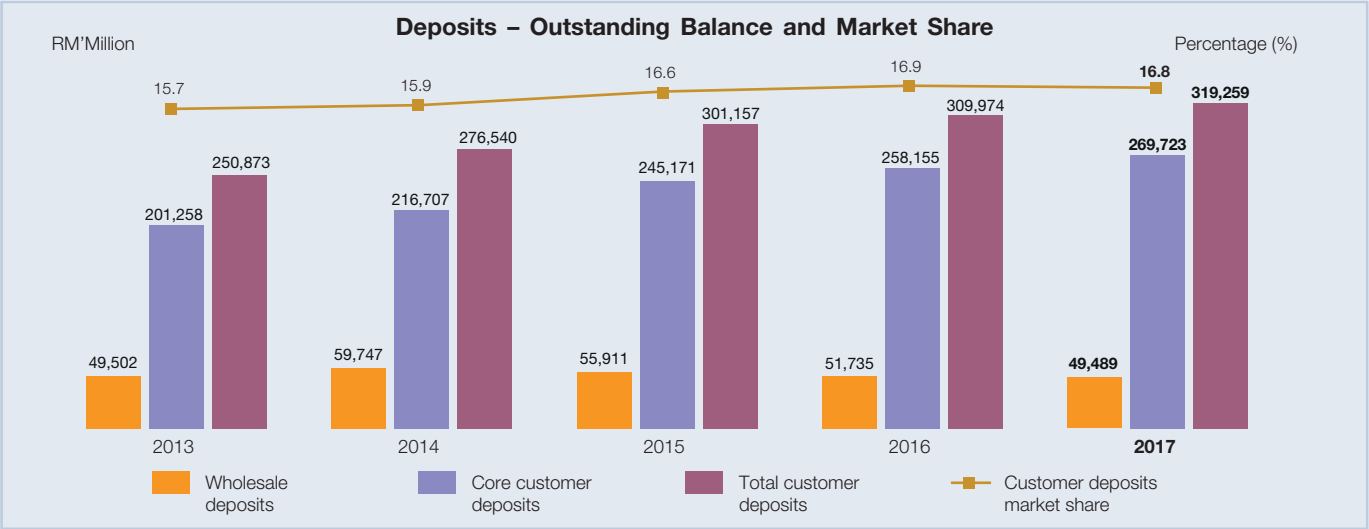
- The Public Bank Group's loan loss coverage ratio stood at 95.5% as at the end of 2017, which was higher and more prudent than the banking industry's loan loss coverage ratio of 82.9%. This is notwithstanding that more than 90% of the impaired loans outstanding are secured.

- With the inclusion of regulatory reserves, the loan loss coverage of the Group would be significantly higher at 256.5%.

- Apart from its low gross impaired loans ratio, the Group has also maintained high levels of provisioning and regulatory reserves as evidenced by its high loan loss coverage. Hence, the Group is well-positioned to meet the new requirements under MFRS 9 as there is adequate level of buffers to mitigate the expected increase in provisioning arising from the initial adoption of MFRS 9 with effect from 1 January 2018.

CUSTOMER DEPOSITS

Steady Customer Deposits Growth



- Despite keen competition for deposits, the Public Bank Group's customer deposits increased by 3.0% or RM9.29 billion, from RM309.97 billion as at the end of 2016 to RM319.26 billion as at the end of 2017. This was mainly led by growth in core customer deposits which grew by 4.5% or RM11.57 billion to RM269.72 billion as at the end of 2017.

- The Group's domestic customer deposits market share remained strong at 16.8% as at the end of 2017, a testament to the Group's strong retail franchise and large domestic depositor base.

Total Customer Deposits by Entity	Outstanding 2017	Outstanding 2016	Growth Rate 2017 %	Growth Rate 2016 %
Domestic (RM'Million)	**293,178**	282,967	**3.6**	1.8
of which:				
Public Bank Berhad (RM'Million)	**245,332**	241,957	**1.4**	2.3
Public Islamic Bank Berhad (RM'Million)	**49,504**	42,473	**16.6**	8.6
Overseas (RM'Million)	**26,081**	27,007	**(3.4)**	16.3
of which:				
Public Bank (Hong Kong) Limited (HKD'Million)	**29,203**	29,148	**0.2**	2.0
Public Finance Limited (HKD'Million)	**5,077**	4,975	**2.0**	3.7
Cambodian Public Bank Plc (USD'Million)	**1,631**	1,185	**37.7**	16.5
Public Bank Vietnam Limited (VND'Billion)	**7,956**	7,536	**5.6**	NA
Group (RM'Million)	**319,259**	309,974	**3.0**	2.9

NA Not available

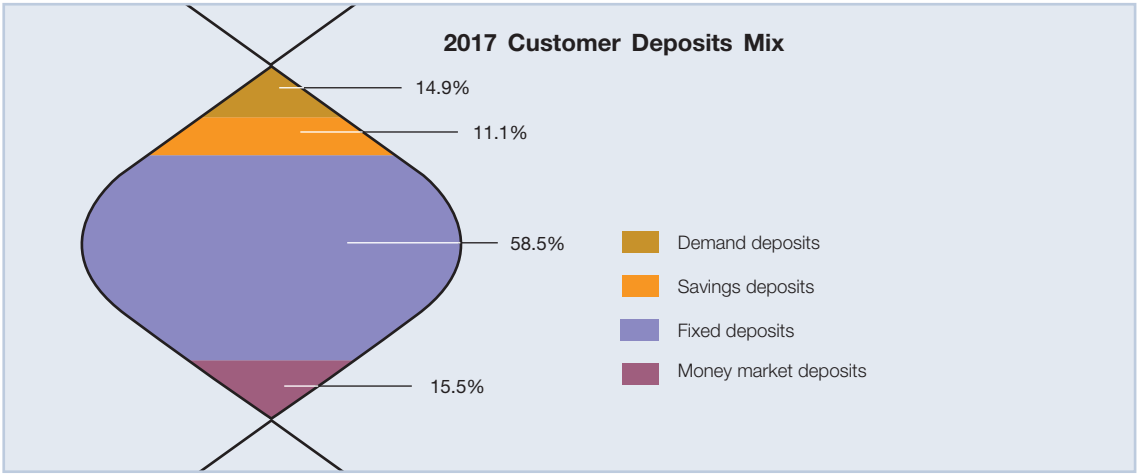
- Domestic customer deposits registered a healthy growth of 3.6% or RM10.21 billion to RM293.18 billion as at the end of 2017, as compared to the banking industry's customer deposits growth rate of 3.9%.

- The Group's customer deposits from overseas operations decreased marginally by 3.4% to RM26.08 billion as at the end of 2017 mainly due to stiff competition for deposits amid a challenging operating environment in Hong Kong. However, the customer deposits of Cambodian Public Bank Plc registered commendable 37.7% growth.

MANAGEMENT DISCUSSION AND ANALYSIS

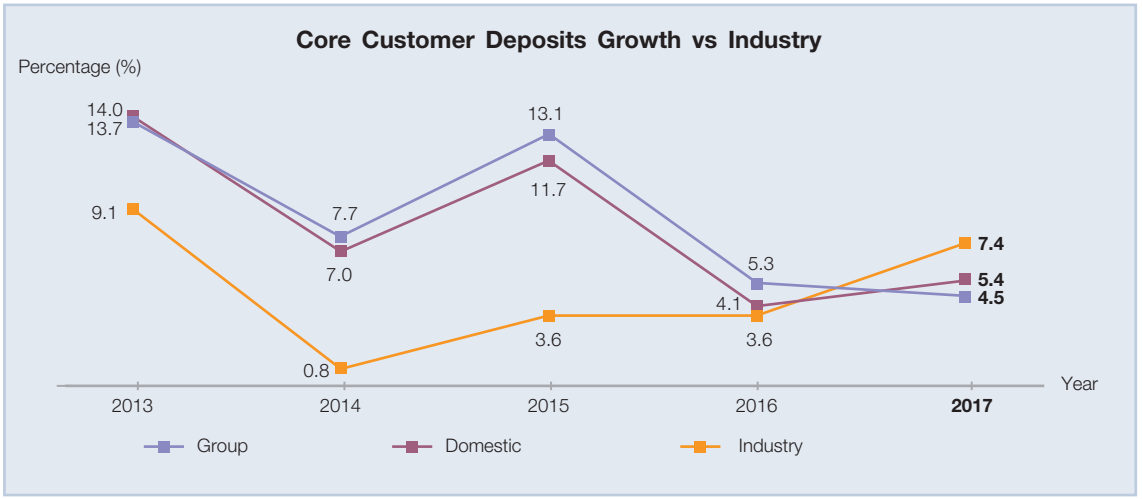
GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE



- Core customer deposits which consist of demand deposits, savings deposits and fixed deposits, accounted for 84.5% of the Group's total customer deposits.

- The Group continued to boost its deposit base, especially low cost deposits which comprise of demand deposits and savings deposits ("CASA") via various tactical campaigns to secure new funds. CASA represents 26.0% of the Group's total customer deposits as at the end of 2017.



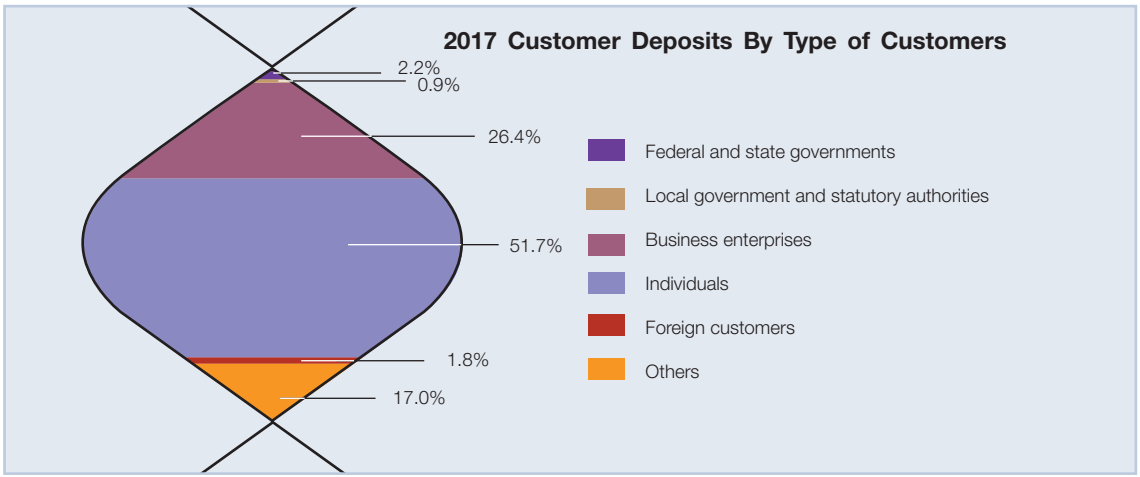
- In 2017, the Public Bank Group's core customer deposits rose by 4.5% mainly supported by growth in the domestic core customer deposits which grew by 5.4%.

GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE

Domestic Core Customer Deposits	Outstanding 2017 RM'Million	Outstanding 2016 RM'Million	Growth Rate %
Demand deposits	**43,019**	41,470	3.7
Savings deposits	**29,154**	27,524	5.9
Fixed deposits	**171,476**	162,164	5.7
	243,649	231,158	5.4

The domestic core customer deposits growth was driven by steady inflows of demand, savings and fixed deposits, which grew by 3.7%, 5.9% and 5.7% respectively in 2017.



- As at the end of 2017, 51.7% of the Group's total customer deposits were from individual depositors.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE

FUNDING AND LIQUIDITY

Stable Funding And Liquidity Position

Funding Profile	Outstanding 2017 RM'Million	2016 RM'Million	Growth Rate %	Composition %
Deposits from Customers				
Core customer deposits	**269,723**	258,155	4.5	69.5
Wholesale deposits	**49,489**	51,735	(4.3)	12.8
Other deposits	**47**	84	(42.5)	0.0
Deposits from banks	**11,446**	11,811	(3.1)	3.0
Debt Capital Funding				
Senior Medium Term Notes	**2,403**	2,405	(0.1)	0.6
Tier II Subordinated Notes/Sukuk Murabahah	**4,949**	5,455	(9.3)	1.3
Non-innovative Tier I Stapled Securities	**2,113**	2,127	(0.7)	0.6
Equity Capital				
Shareholders' equity	**37,365**	34,213	9.2	9.6
Others				
Obligations on securities sold under repurchase agreements	**1,238**	2,470	(49.9)	0.3
Bills and acceptances payable	**287**	327	(12.3)	0.1
Borrowings	**2,863**	1,527	87.4	0.7
Recourse obligations on loans sold to Cagamas	**5,922**	1,922	> 100.0	1.5
	387,845	372,231	4.2	100.0

- The Public Bank Group's total funding increased by 4.2% or RM15.61 billion to RM387.85 billion as at the end of 2017. This is mainly attributed to higher core customer deposits which grew by 4.5% or RM11.57 billion to RM269.72 billion as at the end of 2017.
- The Group's key sources of funding are core customer deposits and wholesale deposits which contributed 69.5% and 12.8% respectively to the Group's total funding.
- The Group's equity capital and long term debt capital funding which comprises of Senior Medium Term Notes, Subordinated Notes, Subordinated Sukuk Murabahah and Non-innovative Tier I Stapled Securities represented 12.1% of the Group's total funding.

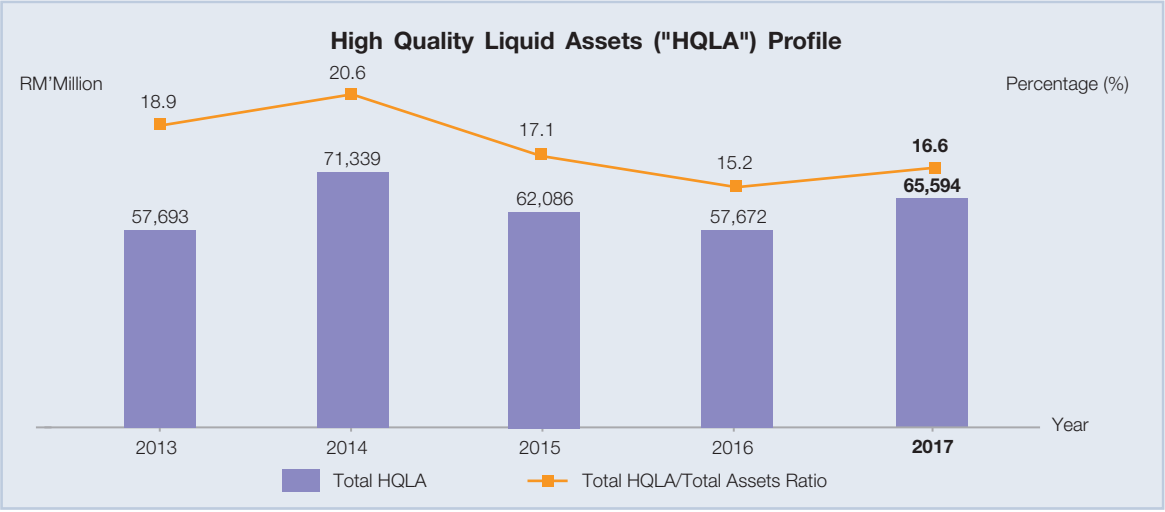
Group Funding Profile

Year	2013 %	2014 %	2015 %	2016 %	2017 %
Core customer deposits	67.1	63.9	68.8	69.3	**69.5**
Wholesale deposits	16.5	17.6	15.7	13.9	**12.8**
Deposits from banks	5.4	6.1	2.8	3.2	**3.0**
Debt capital funding	3.3	3.2	3.1	2.7	**2.5**
Equity capital	6.8	8.3	8.8	9.2	**9.6**
Others	0.9	0.9	0.8	1.7	**2.6**

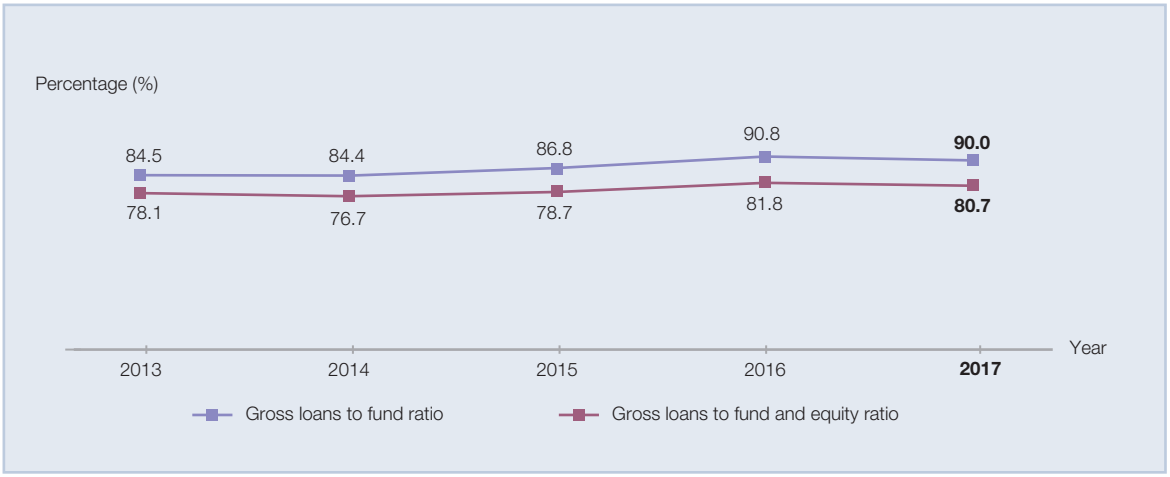
GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE

- The Group's most significant funding comes from customer deposits, as reflected by its funding profile. The Group's core customer deposits have grown steadily over the years, contributing approximately two-thirds of the Group's total funding. This source of funding, which is cost-efficient and long term, underpins the Group's ability to grow volume and market share in its core lending business.



- The Group holds high quality, well diversified liquid assets to meet balance sheet liquidity needs and regulatory requirements. The Group's high quality liquid assets of RM65.59 billion as at the end of 2017 represented 16.6% of the Group's total assets.



- The Group's gross loans to fund ratio and gross loans to fund and equity ratio remained stable at 90.0% and 80.7% respectively as at the end of 2017.

GROUP FINANCIAL REVIEW
KEY PERFORMANCE INDICATORS

The table below summarises the key performance indicators of the Public Bank Group and targets for 2018 set by the Group:

Key Performance Indicators	2013	2014	2015	2016	2017	2018 Targets
Profitability (%)						
Net return on equity	22.4	19.9	17.8	16.5	**15.8**	14% – 15%
Cost to income ratio	30.7	30.0	30.5	32.3	**31.9**	33% – 34%
Asset Quality (%)						
Gross impaired loans ratio	0.7	0.6	0.5	0.5	**0.5**	<1%
Balance Sheet (RM'Billion)						
Assets	305.7	345.7	363.8	380.1	**395.3**	–
Gross loans	221.2	245.0	273.4	294.0	**304.5**	5% growth
Deposits	250.9	276.5	301.2	310.0	**319.3**	5% growth

The uncertain macroeconomic environment coupled with more stringent regulatory requirements have presented many challenges to the banking business. Despite this, the Public Bank Group has delivered another set of favourable financial performance. The macro key performance objectives of the Group remain focused on pursuing profitability and balance sheet growth as well as sustaining superior asset quality and achieving cost efficiency.

PROFITABILITY

- In terms of profitability, the Public Bank Group continued to be the best amongst Malaysian banking groups with the highest net return on equity of 15.8% in 2017.
- The Group remained the most cost efficient bank amongst Malaysian banking groups with the lowest cost to income ratio of 31.9%.

ASSET QUALITY

- The Group's gross impaired loans ratio of 0.5% as at the end of 2017 remained the lowest and ranked No.1 amongst domestic banking groups.

BALANCE SHEET STRENGTH

- The Public Bank Group has demonstrated consistent growth in balance sheet over the last five years. Since the end of 2013, the Group's total assets increased by 29.3% to RM395.28 billion as at the end of 2017. Total loans grew by 37.7% from RM221.18 billion as at the end of 2013 to RM304.45 billion as at the end of 2017 whilst total deposits rose by 27.3% from RM250.87 billion as at the end of 2013 to RM319.26 billion as at the end of 2017.

TARGETS FOR 2018

- For 2018, the Group targets to achieve net return on equity between 14% and 15%, cost to income ratio between 33% and 34% whilst maintaining a low gross impaired loans ratio of below 1%.
- In 2018, the Group is also targeting to achieve 5% growth in gross loans and deposits respectively.

GROUP FINANCIAL REVIEW

BENCHMARKING AGAINST BANKING INDUSTRY'S PERFORMANCE

The table below compares the key financial indicators of the Public Bank Group with those of the banking system and domestic commercial banking groups in Malaysia.

Key Financial Indicators	2017 Public Bank Group	2017 Latest Industry Average	2017 Rank	2016 Public Bank Group	2016 Latest Industry Average	2016 Rank
Profitability (%)						
Pre-tax return on average equity	**20.0**	**12.5**	**1**	20.1	12.5	1
Pre-tax return on average assets	**1.8**	**1.3**	**1**	1.8	1.3	1
Cost to income ratio	**31.9**	**45.8**	**1**	32.3	45.8	1
Productivity (RM'000)						
Pre-tax profit/employee	**384**	**275**	**1**	351	275	1
Gross loans/employee	**16,410**	**12,992**	**1**	15,761	12,992	1
Deposits/employee	**17,208**	**14,490**	**1**	16,620	14,490	1
Asset Quality (%)						
Gross impaired loans ratio	**0.5**	**1.5**	**1**	0.5	1.6	1
Loan loss coverage	**95.5**	**82.9**	**1**	102.7	86.4	2
Growth Rate (%)						
Gross loans (domestic)	**4.6**	**4.1**	**NA**	7.2	5.3	NA
Customer deposits (domestic)	**3.6**	**3.9**	**NA**	1.8	2.1	NA

NA Not available

The Public Bank Group was the third largest banking group in Malaysia with an asset size of RM395.28 billion as at the end of 2017. The Group's total assets accounted for 14.1% share of the domestic industry's total assets whilst domestic market share of gross loans and customer deposits stood at 17.8% and 16.8% respectively as at the end of 2017.

PROFITABILITY

- The Public Bank Group continued to maintain its No. 1 position in the domestic commercial banking sector in terms of profitability and cost efficiency.
- The Group's pre-tax return on average equity and pre-tax return on average assets of 20.0% and 1.8% respectively were above the banking industry's average of 12.5% and 1.3% respectively.
- The Group's cost to income ratio remained efficient at 31.9%, well below the banking industry's average cost to income ratio of 45.8%, making the Group the most cost efficient domestic banking group in Malaysia.

PRODUCTIVITY

- The Public Bank Group continued to lead in terms of productivity per employee amongst its domestic commercial banking peers with pre-tax profit per employee, gross loans per employee and deposits per employee increasing by 9.2%, 4.1% and 3.5% respectively to RM384,000, RM16.4 million and RM17.2 million respectively as at the end of 2017.

ASSET QUALITY

- The Group continued to sustain its No. 1 position in terms of asset quality amongst its domestic banking peers.
- The Group's gross impaired loans and loan loss coverage ratios of 0.5% and 95.5% respectively as at the end of 2017 were the best amongst Malaysian banking groups. The Group's gross impaired loans ratio was significantly below the banking industry's gross impaired loans ratio of 1.5% whilst the Group's loan loss coverage of 95.5% remained prudent and was higher as compared to the banking industry's loan loss coverage ratio of 82.9%.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP FINANCIAL REVIEW

BENCHMARKING AGAINST BANKING INDUSTRY'S PERFORMANCE

The tables below compare the key financial indicators of the Public Bank Group with those of domestic banks in Malaysia as well as leading regional banks in the Asia Pacific region.

COMPARISON AGAINST KEY DOMESTIC BANKS

Banks	Net Return on Equity %	Cost to Income Ratio %	Gross Impaired Loans Ratio %
Public Bank Group	**15.8**	**31.9**	**0.5**
Malaysia			
Malayan Banking Berhad	10.3	49.1	2.5
CIMB Group Holdings Berhad	9.8	52.1	3.5
RHB Bank Berhad	8.9	49.6	2.3
Hong Leong Bank Berhad	11.1	43.0	1.0
AMMB Holdings Berhad	8.1	56.9	1.9
Affin Holdings Berhad	5.1	68.2	2.2
Alliance Bank Malaysia Berhad	10.0	47.0	1.2

* *The key financial indicators of the other domestic banks in Malaysia are based on their latest published results.*

The Public Bank Group maintained its leading position amongst domestic commercial banking groups in Malaysia in terms of profitability, cost efficiency and asset quality with the highest net return on equity of 15.8% and lowest cost to income ratio of 31.9% as well as lowest gross impaired loans ratio of 0.5%.

COMPARISON AGAINST LEADING BANKS IN ASIA PACIFIC

Banks	Net Return on Equity %	Cost to Income Ratio %	Gross Impaired Loans Ratio %
Public Bank Group	**15.8**	**31.9**	**0.5**
Singapore			
DBS Group	9.4	42.5	1.7
UOB	10.3	44.7	1.6
OCBC	11.4	42.3	1.3
Hong Kong			
Hang Seng Bank	14.6	29.8	0.4
Hongkong and Shanghai Bank Corporation Limited of Hong Kong ("HSBC HK")	14.0	41.9	NA
Australia			
ANZ Bank	11.0	46.6	0.4
Commonwealth Bank of Australia	16.1	42.7	0.4
National Australia Bank	10.9	42.7	0.7

* *The key financial indicators of the other leading regional banks are based on their latest published results.*

NA Not available

When benchmarked against the leading banks in the Asia Pacific region, the Public Bank Group's net return on equity and cost to income ratio of 15.8% and 31.9% respectively ranked second. The Group's gross impaired loans ratio of 0.5% ranked fourth when compared to the leading regional banking groups.

GROUP FINANCIAL REVIEW
CAPITAL MANAGEMENT

OBJECTIVE

The Public Bank Group's Capital Management Framework articulates the following key capital management objectives:

- Compliance with regulatory capital requirements
- Alignment of capital levels to the Group's risk appetite and strategic business plans
- Maintenance of strong external credit ratings of AAA by domestic rating agency and A3/A– (in line with country rating) by international rating agencies
- Maintaining an appropriate balance between optimising returns to shareholders and prudent capital management

In order to meet these objectives, the Group proactively manages its capital position, capital mix and capital allocation to meet the expectations of its key stakeholders which include investors, regulators and rating agencies. The level and composition of the Group's capital are continuously reviewed taking into consideration the Group's strategic and organisational requirements as well as the regulatory and business environment in which the Group operates.

COMPREHENSIVE RISK ASSESSMENT UNDER ICAAP

The Public Bank Group's capital management objective is implemented through the Group's Internal Capital Adequacy Assessment Process ("ICAAP"). The Group's ICAAP involves a comprehensive assessment of all material risks that the Group is exposed to as well as an evaluation of the adequacy of the Group's capital to support its business activities in relation to those risks. Capital stress tests are also performed under adverse but plausible events to assess the ability of the Group's capital to withstand market shocks. The actual market stresses which occurred in recent years are used in the stress testing exercise. The stress test exercise enables the Group to assess capital adequacy and identify potential risks that may arise. This will allow the Group to develop action plans and mitigating actions beforehand if the stress test results show that such events may adversely impact the Group's capital. Stress test results would also be used to determine the level of capital buffer required to absorb losses that may be experienced during an economic downturn. Based on these assessments, the Group's internal capital targets will be reviewed and recalibrated, if necessary, so that the Group will continue to maintain adequate capital above regulatory requirements even under stressed economic conditions.

A detailed capital plan is prepared annually over the medium term horizon of at least three years and includes consideration of the following factors:

- internal capital targets for the Group and entities within the Group taking into account anticipated future regulatory changes and stakeholder expectations;
- forecasting capital demand for regulatory requirements, business strategy and material risks based on the Group's risk appetite; and
- determining the availability and composition of different capital components as well as requirements for any capital issuance.

The annual capital plan is approved by the Board of Directors for implementation at the beginning of each financial year. A semi-annual update is also carried out to reflect the latest developments in capital regulatory requirements and to monitor the effective and timely execution of the capital initiatives planned.

REGULATORY ENVIRONMENT

The Public Bank Group adopts the Bank Negara Malaysia's ("BNM") Capital Adequacy Framework, which is in line with the Basel Committee on Banking Supervision Basel III Capital Adequacy Framework.

Minimum capital adequacy requirements

Under the BNM's Capital Adequacy Framework, banking institutions are required to maintain a minimum Common Equity Tier ("CET") I, Tier I and Total Capital Ratios of 4.5%, 6.0% and 8.0% respectively.

Capital buffer requirements

Banking institutions are also to hold the following capital buffers over and above the minimum capital requirements:

- capital conservation buffer ("CCB") of up to 2.5% to ensure banks build up adequate capital buffer outside periods of stress. The CCB is to be maintained in the form of CET I capital, and began with 0.625% on 1 January 2016, increasing by 0.625% on 1 January of each following year, to reach 2.5% on 1 January 2019.
- counter-cyclical buffer requirement in a range of 0% to 2.5% of total weighted assets. This capital buffer is currently not required for credit exposures in Malaysia but may be applied by BNM in the future.

GROUP FINANCIAL REVIEW

CAPITAL MANAGEMENT

Other capital buffer requirements which may be imposed by BNM include additional capital loss-absorbency requirements such as domestic systemically important bank ("DSIB") buffer and any other capital buffers deemed appropriate. BNM had on 10 October 2016 initiated a survey to develop a framework on DSIB with the view to implement it at a later stage.

BNM has also introduced additional capital deductions from CET I capital whereby items such as intangible assets and investments in banking and insurance subsidiaries and associates are deductible from CET I capital. Tighter requirements pertaining to write-off and/or conversion to equity have also been introduced for new Tier I and Tier II capital instruments. The Public Bank Group's previously issued Tier I and Tier II capital instruments which do not contain these stringent write-off or conversion features have been gradually disallowed from inclusion in regulatory capital since 1 January 2013.

HEALTHY CAPITAL ADEQUACY RATIOS

The table below shows the capital composition and capital adequacy ratios of the Public Bank Group and Public Bank as at the end of 2016 and 2017:

	Public Bank Group		Public Bank	
	2017 RM'Million	**2016 RM'Million**	**2017 RM'Million**	**2016 RM'Million**
Equity Capital	**32,834**	29,856	**25,278**	23,840
Additional Tier I Capital Instruments	**1,950**	2,086	**1,950**	2,086
Regulatory adjustments	**57**	65	**–**	–
Tier I Capital	**34,841**	32,007	**27,228**	25,926
Tier II Capital	**7,606**	8,198	**5,217**	5,078
Capital Base	**42,447**	40,205	**32,445**	31,004
Risk-weighted assets	**257,352**	251,662	**208,288**	203,329

	Public Bank Group		Public Bank	
Based on Transitional Arrangement	**2017 %**	**2016 %**	**2017 %**	**2016 %**
After Deducting Second Interim Dividends				
CET I capital ratio	**12.2**	11.4	**11.5**	11.1
Tier I capital ratio	**13.0**	12.2	**12.4**	12.1
Total capital ratio	**16.0**	15.5	**14.9**	14.6

BASEL III FULLY-LOADED Based on final rules with effect from 1 January 2019**	Public Bank Group %	Public Bank %	Current Minimum Basel III Requirements* %
After Deducting Second Interim Dividends			
CET I capital ratio	**12.2**	**11.0**	7.0
Tier I capital ratio	**13.0**	**11.9**	8.5
Total capital ratio	**16.0**	**14.9**	10.5

* *Minimum capital requirements includes capital conservation buffer of 2.5%, which is fully effective on 1 January 2019, i.e. at the end of the phase-in period. These minimum capital requirements exclude the counter-cyclical buffer and any other buffers yet to be determined by BNM.*

** *Assuming full deduction of investment in banking and insurance subsidiaries and associates from CET I capital. However, BNM's guidelines allow a transitional phase-in of such deduction at 20% per annum commencing 1 January 2014.*

Based on Basel III fully-loaded basis, the Group's and the Bank's CET I, Tier I and total capital ratio after deducting second interim dividends stood at 12.2%, 13.0% and 16.0% respectively and 11.0%, 11.9% and 14.9% respectively as at the end of 2017. These ratios were well above the current minimum regulatory capital requirements.

CAPITAL INITIATIVES

As part of its proactive capital management approach, the Public Bank Group had implemented several key initiatives over the years as follows:

(i) Equity Capital

In August 2014, Public Bank completed the issuance of rights issue amounting to RM4.8 billion which has further strengthened the Bank's equity capital to support continuous business growth and build up an adequate level of capital buffer for future regulatory requirements under the Basel III capital framework.

As at the end of 2017, the Bank has RM20.6 million remaining treasury shares held, being shares bought back previously. These shares are still available for sale which can consequently enhance the Group's and Bank's common equity capital.

(ii) Debt Capital

In April 2017, Public Bank issued RM2.0 billion Subordinated Medium Term Notes under its RM10 billion Basel III – Compliant Tier II Subordinated Medium Term Notes Programme to further strengthen the Public Bank Group's Tier II capital. This was to refinance the Bank's redemption of RM3.0 billion non-Basel III Subordinated Notes in August 2017.

In August 2017, Public Islamic Bank had issued RM500 million Subordinated Sukuk Murabahah under its RM5.0 billion Sukuk Murabahah Programme.

As at the end of 2017, the Public Bank Group has a total of RM7.06 billion debt capital outstanding comprising:

	RM'Billion
Non-Basel III (old-style)[1]	
Non-innovative Tier I stapled capital securities	2.11
Basel III compliant	
Subordinated notes/Sukuk Murabahah	4.95
	7.06

[1] *Debt capital instruments issued prior to 1 January 2013*

The remaining debt capital instruments which do not meet Basel III standards will be gradually phased-out over a 10 year transition period starting from 1 January 2013. However, this will not significantly impact the Group's capital position as the BNM's Basel III transitional provisions allow these capital instruments to continue to be included as part of the total regulatory capital during the transitional period. The Group actively assesses market conditions to ensure future debt instruments are issued in the most cost efficient manner to replace old-style debt securities and to support continuous business growth.

(iii) Healthy dividend payout

The Group aims to pay consistent and sustainable dividends to its shareholders over the long term by balancing growth with proactive capital management. Despite the more stringent capital requirements under Basel III, the Group continued to maintain a healthy dividend payout of 43.1% in 2017 with dividend per share increasing from 58 sen in 2016 to 61 sen in 2017.

GROUP FINANCIAL REVIEW

CREDIT RATINGS

Public Bank is rated by three rating agencies, RAM Ratings, Standard & Poor's and Moody's Investors Service.

During the year, RAM Ratings, the domestic rating agency, reaffirmed the AAA rating on Public Bank. The AAA rating is the highest rating assigned by RAM and reflects the ability to offer the highest level of safety for timely payment of its financial obligations. The credit ratings reaffirmed by Standard & Poor's and Moody's Investors Service also remain unchanged and are equivalent to Malaysia's sovereign rating.

The credit rating agencies conduct annual rating reviews on Public Bank. As part of the Bank's commitment to maintain its investment grade credit ratings, the Bank communicates regularly with the credit rating agencies as well as regulators to provide comprehensive, timely and transparent information on the Bank's performance, business strategies and prospects.

Rating Agency	Date Issued	Rating Classification	Rating	Outlook
RAM Ratings	23 May 2017	• Financial Institution Ratings • Up to RM5 billion Non-Cumulative Perpetual Capital Securities under the Non-Innovative Tier I Stapled Securities Programme • Up to RM20 billion Senior Medium Term Notes Programme • Up to RM10 billion Subordinated Medium Term Notes Programme	AAA/Stable/P1 AA2 AAA AA1	Stable
Standard & Poor's	16 October 2017	• Counterparty Credit Rating	A-/Stable/A-2	Stable
Moody's Investors Service	14 November 2017	• Bank Deposits • Baseline Credit Assessment • Adjusted Baseline Credit Assessment • Counterparty Risk Assessment	A3/P-2 a3 a3 A2(cr)/P-1(cr)	Stable


PUBLIC BANK
PB Cash Management Services
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PUBLIC BANK
Excellence is Our Commitment
UNIT TRUST BANCASSURANCE
Red Carpet Banking

BUSINESS OPERATIONS REVIEW
OVERVIEW

PBB GROUP'S STRATEGIC FOCUS:

FOCUS AREA	CORE FOCUS	
	 **DOMESTIC CONSUMER BANKING AND SME LENDING** (Page 164-171)	 **WEALTH MANAGEMENT** (Page 172-178)
STRATEGIC APPROACH	• Consumer lending to focus on purchase of residential properties and passenger vehicles • Continue to penetrate mid-market SME financing in encouraged sectors • Secure higher growth in retail and low cost deposits • Sustain existing pool of deposits • Achieve balance between growth and escalating cost of funds	• Sustain its leading market position in the private unit trust business • Offer superior services to customers and diversify product range • Develop new insurance products with AIA

SUPPORTED



SERVING THE CUSTOMER
(Page 189-190)

Provide top-notch customer service in line with the Group's corporate tagline "Excellence Is Our Commitment".



CHANNEL MANAGEMENT
(Page 191-192)

Serve customers through multi-channel network comprising branches, self service terminals and digital channels which include mobile, internet and social media platform.

ORGANIC GROWTH IN FOCUS AREAS

OTHER AREAS OF FOCUS

 **TRANSACTIONAL SERVICES** (Page 179)	 **CAPITAL MARKET OPERATIONS** (Page 180-182)	 **INTERNATIONAL OPERATIONS** (Page 183-188)
• Promote e-payment • Maintain effective collaboration with its banking and non-banking partners	• Continue to focus on commercial foreign exchange revenue • Continue to grow existing corporate portfolio and acquire targeted new corporate clients • Continue to grow retail and institutional customer base in the investment banking space	• Organic growth to enhance contribution from overseas operations in Hong Kong/People's Republic of China and Indo-China

BY



INFORMATION AND COMMUNICATION TECHNOLOGY

(Page 193-195)

Harness information technology to support the Group's business needs and improve customer experience.

BUSINESS OPERATIONS REVIEW
DOMESTIC CONSUMER BANKING AND SME LENDING

AT A GLANCE

DOMESTIC CONSUMER BANKING AND SME LENDING PROFIT	GROSS LOANS, ADVANCES AND FINANCING	CORE CUSTOMER DEPOSITS	GROSS IMPAIRED LOANS RATIO
RM4,247.7 Mil	**RM242.54 Bil**	**RM243.65 Bil**	**0.5%**
↑ 8.4%	↑ 4.6%	↑ 5.4%	2016: 0.5%

LEADING MARKET SHARES

RESIDENTIAL PROPERTY FINANCING	PASSENGER VEHICLE FINANCING	COMMERCIAL PROPERTY FINANCING
19.6%	**28.5%**	**35.5%**

2017 HIGHLIGHTS

- Pre-tax profit of the domestic consumer banking and SME lending operations, which remain the largest profit contributor to the Group, grew by 8.4% and contributed 66.1% to the Public Bank Group's total profit from domestic operations.
- Gross loans grew by 4.6% mainly driven by residential property financing and SME lending which expanded by 10.1% and 7.7% respectively.
- Remained the market leader in residential property financing, commercial property financing and passenger vehicle hire purchase financing with market shares of 19.6%, 35.5% and 28.5% respectively.
- Gross impaired loans ratio sustained at 0.5% with low gross impaired loans ratio of 0.5%, 0.6% and 0.3% respectively for residential properties, passenger vehicle hire purchase financing and SME lending respectively.

BUSINESS OPERATIONS REVIEW

DOMESTIC CONSUMER BANKING AND SME LENDING

The Public Bank Group's domestic retail banking which comprise of the two core business segments of consumer banking and small and medium enterprises ("SMEs") lending, offer a wide range of conventional as well as Shariah compliant retail loans, deposits products and financial services to both individual customers as well as SMEs. Collectively, these two business segments under the Group's domestic retail banking account for 85.9% of the Group's total domestic lending portfolio.

DOMESTIC CONSUMER BANKING

The Public Bank Group's domestic consumer banking consist of:

i. Residential property financing
ii. Passenger vehicle hire purchase financing
iii. Personal consumer financing
iv. Credit and debit cards
v. Share margin financing
vi. Customer deposits

Residential Property Financing

The residential property market remained soft in 2017 due to macro-prudential measures implemented by the government and Bank Negara Malaysia ("BNM") to inculcate responsible lending in the financial sector and curb speculative activities in the property market. Additionally, moderation in prices of residential properties and weaker consumer sentiment due to concerns over higher cost of living have further exerted pressure on the demand for residential properties.

Performance Review

Despite a slower property market in 2017, the Public Bank Group's domestic lending to the residential property sector grew by 10.1% to RM101.94 billion as at the end of 2017, accounting for 36.1% of the Group's total domestic loan portfolio. The Group remains the largest residential property financier in Malaysia with a market share of 19.6% as at the end of 2017.

In 2017, the Public Bank Group approved residential property loans amounting to RM18.80 billion, which accounted for 34.0% of total domestic loans approved. The Group remains focused on financing affordable homes for the mass market segment, particularly on residential property loans between RM100,000 and RM500,000 extended for purchase of properties for owner occupation. In 2017, loans granted to finance residential properties in this price range contributed 62.1% of the total residential property loans approved.

The asset quality of the Public Bank Group's domestic residential property loans remained solid with gross impaired loans ratio of 0.5% as at the end of 2017, well below the industry's gross impaired loans ratio of 1.0%. This was achieved on the back of prudent credit underwriting and risk management practices.

Products and Marketing Initiatives

The Public Bank Group's flagship package for residential property financing are the 5HOME ("Home Ownership Made Easy") Plan and MORE ("Mortgage Refinancing") Plan. In 2017, the majority of residential property loans were approved under 5HOME Plan and MORE Plan. During the year, a promotional rate campaign for HOME Plan and MORE Plan was launched which successfully generated financing growth as well as cross-selling of other products.

The Public Bank Group strongly supports the BNM's Priority Sector Lending to provide financing for affordable homes. As at the end of 2017, total loans outstanding for this segment stood at RM2.55 billion.

The Public Bank Group's sustained position as the leading financier in the residential property market is attributed to its strong business franchise leveraging on its established branding and wide branch network as well as excellent service delivery. The Group also maintains close business relationship with reputable developers, solicitors, property valuers and real estate agents for business support and referrals.

Anticipated Risks

The slow property market may persist with weaker consumer sentiment, high household debt and mismatch in demand and supply, particularly the lack of supply of affordable homes, leading to continued moderation in loans growth. Competition may also intensify which could lead to further net interest margin compression.

Prospects

Under Budget 2018, the government has allocated RM2.20 billion for affordable housing projects. This, together with other people-centric measures introduced such as the personal tax cut for individuals with taxable income between RM20,000 and RM70,000 per annum are expected to improve household income and increase the overall demand for home financing. The Public Bank Group is committed to sustain its strong market presence in the residential property financing sector by focusing on the broader base mass market segment and home mortgages for owner occupation, whilst maintaining its prudent credit underwriting standards.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATIONS REVIEW

DOMESTIC CONSUMER BANKING AND SME LENDING

Passenger Vehicle Hire Purchase Financing

The automotive industry remained challenging in 2017 with moderated vehicle sales as a result of more cautious consumer sentiment. The total vehicle sales in Malaysia has dropped from its peak in 2015 to below 600,000 units of vehicles in 2016 and 2017.

Performance Review

Passenger vehicle hire purchase financing remained one of the key retail lending businesses of the Public Bank Group, representing 17.1% of the Group's total domestic loan portfolio.

Given weaker vehicle sales, the Public Bank Group's domestic vehicle hire purchase portfolio decreased by 2.9% or RM1.46 billion to RM48.14 billion as at the end of 2017. Nevertheless, the Group retained its market leading position in this business segment with market share of 28.5% as at the end of 2017. The Group continued to sustain sound asset quality as reflected by its low gross impaired loans ratio of 0.6% as at the end of 2017 which was below the industry's ratio of 1.0%.

During the year, the Public Bank Group implemented new application scorecards for credit risk assessment used in the hire purchase approval process. The enhancement, which leverages on advanced analytics, will enable a more systematic credit risk evaluation in the credit underwriting process that will further safeguard the asset quality of the Group's hire purchase portfolio.

Marketing Initiatives

The Public Bank Group continues to drive business volume and market share through targeted market segmentation strategy, aggressive marketing initiatives and business collaboration with established vehicle dealers, distributors and manufacturers. The Group also maintains a strong team of more than 1,500 staff located in 26 Hire Purchase Centres and 259 branches nationwide to drive market expansion and deepen market penetration. Throughout the year, the Group has participated in more than 1,300 sales promotions, car sales carnivals and roadshows nationwide which were jointly organised with more than 8,000 established dealers in Malaysia. The Group was the sole-participating financial partner for several mega roadshows held in 2017, namely Carlist.my MAA Drive, Test and Buy event, Drive Luxury Edition and 2017 Malaysia Auto show.

Anticipated Risks

The automotive industry is expected to remain challenging in the year ahead in view of the cautious consumer sentiment and business confidence. In addition, intense competition among auto vehicle financiers will continue and further exert pressure on pricing resulting in continued interest margin squeeze.

Prospects

Moving forward, the Public Bank Group aims to regain some of the growth momentum for this portfolio when vehicle sales pick up pace again. The Group will also strive to enhance its penetration rate in target growth segments such as new passenger vehicles, secondhand passenger vehicles and light commercial vehicles as well as increase its fee-based income. The Group is confident that its strong performance culture and disciplined execution of its business strategy will enable the Group to address challenges ahead and capitalise on opportunities to drive its domestic vehicle hire purchase financing growth.

Personal Consumer Financing

The Public Bank Group's domestic personal consumer financing is mainly driven by Public Islamic Bank's Bai' Al-Inah ("BAE") Personal Financing-i which is tailored for staff of government agencies, statutory bodies, government linked corporations and large corporations. To date, Public Islamic Bank has established agency arrangements with more than 290 entities.

The Public Bank Group continues to adopt stringent lending criteria in support of BNM's initiative to promote a sound and sustainable household sector. As at the end of 2017, total financing outstanding of BAE-Personal Financing-i decreased by 6.2% to RM1.78 billion.

Credit and Debit Cards

2017 remained a challenging year for the domestic credit card industry mainly due to increased competition and lower interchange rate for domestic credit card transactions. In support of BNM's Payment Card Reform Framework, the Public Bank Group invested substantial resources to increase point-of-sale terminals and domestic debit card transactions during the year. Despite the challenging operating environment, the Group achieved commendable growth in both its credit and debit card segment in 2017.

BUSINESS OPERATIONS REVIEW

DOMESTIC CONSUMER BANKING AND SME LENDING

Performance Review

The Public Bank Group's total credit card sales and credit card receivables increased by 8.9% and 3.8% respectively in 2017 as compared to the card industry's growth rate of 5.9% and 0.2% respectively. The Group's credit card base also recorded a growth of 10.4% in 2017, higher than the industry's growth rate of 7.4%. The growth in the credit card portfolio was mainly driven by card acquisition campaigns and successful marketing initiatives coupled with attractive customer retention and loyalty programmes. In 2017, Public Bank's debit card sales also increased by 2.9% to RM2.50 billion as compared to RM2.43 billion in 2016 as a result of campaigns and awareness programmes to promote its usage.

Despite intense pricing competition in the merchant acquiring business, merchant sales registered strong growth of 18.3% in 2017. However, due to competitive rental fees offered by other acquirers and third party acquirers, contribution in merchant terminal rental, which is another income stream, experienced a slight drop of 1.3% as compared to the previous year.

New Products and Marketing Initiatives

In March 2017, Public Bank launched the PB Quantum Visa and PB Quantum Mastercard Credit Cards, which offer exclusive privileges to compliment the lifestyle and needs of customers. Throughout the year, attractive rewards and merchant privileges programmes were also offered to retain and reward cardholders. Some of the notable campaigns launched during the year include "Swipe more with PB Cash", "Get Rewarded with PB Cash", "Apply for PB Cards now and Enjoy Double Rewards to get 3 pieces Valentino Creations Travel Set" and "Samsung Galaxy J1 Mini Prime".

In August 2017, Public Bank launched the Alipay mobile wallet services to boost sales and further drive the adoption of cashless payments. The Bank also carried out tactical campaigns together with its co-brand business partners such as AIA Bhd. and Public Mutual Berhad to further promote its cards.

Anticipated Risks

Interchange fee for credit card transactions is anticipated to reduce further in 2018 which will exert more pressure on interchange fee income. The changing consumer landscape and roll out of more tactical card acquisition and usage campaigns by other card issuers will further increase competition in the market place.

Prospects

Despite the competitive business environment, Public Bank is optimistic of increasing its card market share as well as customer product holding by tapping into the Public Bank Group's large retail customer base. The Bank will continue to develop targeted programmes to drive cross-selling effort across the Group's customer base. The Bank will also collaborate with its co-brand business partners to further grow its card base.

Share Margin Financing

The Public Bank Group's share trading and share margin business in Malaysia, PB Sharelink, registered 35.9% growth in share trading volume from RM10.27 billion in 2016 to RM13.96 billion in 2017. The growth in the share trading volume has contributed positively to the total income generated from share trading and share margin business. The total income generated, which comprise of brokerage and interest income, increased by 22.1% or RM12.7 million to RM69.9 million in 2017. Initiatives undertaken to grow the Group's share trading and share margin business during the year include introducing a new share margin package to attract new customers.

Public Bank will continue to sustain growth in this segment by enhancing operational efficiencies and improving service delivery whilst pursuing new growth opportunities.

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Customer Deposits

Domestic Core Customer Deposits	2017 RM'Billion	2016 RM'Billion	Growth %	Market Share %
Demand Deposits	**43.02**	41.47	3.7%	12.1%
Savings Deposits	**29.15**	27.53	5.9%	19.4%
Fixed Deposits	**171.48**	162.16	5.7%	19.1%
Total Domestic Core Customer Deposits	**243.65**	**231.16**	**5.4%**	**17.4%**

Performance Review

Despite intense competition, the Public Bank Group's total domestic core customer deposits grew by 5.4% to RM243.65 billion as at the end of 2017 as a result of the Group's proactive deposits growth strategies. The higher domestic core customer deposits growth in 2017 was mainly due to steady inflow of demand deposits, savings deposits and fixed deposits which increased by 3.7%, 5.9% and 5.7% respectively. As at the end of 2017, the Group's market share of core customer deposits stood at 17.4%. The Group's domestic low cost demand and savings deposits of RM72.17 billion as at the end of 2017 accounted for 29.6% of the Group's domestic core customer deposit base.

New Products and Marketing Initiatives

In 2017, the Public Bank Group introduced new deposit products and implemented several promotional initiatives and tactical campaigns to acquire fresh deposits. These initiatives underpinned the Group's strategy to procure low cost deposits in order to build a stable retail deposits base and mitigate the impact of margin compression.

PB UnionPay Savings Account

Public Bank launched the PB UnionPay Savings Account, an electronic statement savings account which accompanies the PB UnionPay Lifestyle Debit Card targeted at frequent travellers to China and other parts of Asia.

ACE Enterprise

Public Bank launched the ACE Enterprise Account, an interest bearing current account designed for corporate customers.

Tactical Campaigns

To drive higher acquisition of new deposits, various tactical campaigns were launched in 2017. The Public Bank Group continues to offer competitive interest rates and exclusive gifts aimed at attracting new retail deposits. Several campaigns were also re-launched due to good response and popular demand from customers. Some of the notable campaigns which were launched during the year include PB Fixed Deposit/Term Deposit-i, PB Rollover Reward, PB Step Up Fixed Deposit/Term Deposit-i, PB Super Fixed Deposit/Term Deposit-i, PB Super2 Fixed Deposit/Term Deposit-i, PB FD Rush Fixed Deposit/Term Deposit-i, PB Grand Savers Reward, PB Bright & Young Savers Reward, PB Fortune Savers Reward and PB Savers Reward. Arising from focused marketing efforts and leveraging on the Group's wide delivery network, total deposits amounting to RM59.85 billion were successfully garnered via these tactical campaigns.

Red Carpet Banking

Public Bank's Red Carpet Banking ("RCB") which serves the needs of the high value customer segment continued to expand in 2017. As at the end of 2017, the RCB customer base grew by 14.7% whilst the average product holding per RCB customer also increased to 3.70. To meet the rising demand for wealth management advisory services, the Bank held several investment seminars as well as a Feng Shui Talk by one of Hong Kong's famous Feng Shui master, Mak Ling Ling, in conjunction with a property launch by One JSI Development during the year. The Bank aims to open more RCB Centres nationwide in order to provide greater accessibility and personalised services to fulfil the banking needs of the high net worth and affluent customer segment.

Anticipated Risks and Prospects

Looking ahead, competition will remain intense as banks continue to compete for lower cost and stable deposits to mitigate margin compression and to meet Basel III liquidity requirements. In addition, the 100% interest forfeiture ruling to be applied on premature withdrawal of fixed deposits with effect from 1 January 2019 may result in unfavourable market reaction. The challenging and uncertain operating environment will create a big push to develop new and innovative products and services which provide value added benefits and improved banking experience for customers. In order to stay competitive and further improve cost efficiency,

Public Bank will continue to enhance its product features and its e-banking and mobile banking channels, as well as pursue opportunities to establish effective partnerships with Financial Technology ("FinTech") companies in order to provide better product offerings via digital innovation.

SME LENDING

The small and medium enterprises ("SME") sector constitutes more than 98% of the total business establishment in Malaysia and assumes an important role in the country's economic growth and employment creation.

Performance Review

The Public Bank Group continues to provide strong support to SMEs through consistent growth of its SME portfolio. In 2017, loans to SMEs grew by 7.7% from RM66.62 billion as at the end of 2016 to RM71.74 billion as at the end of 2017 and accounted for 25.4% of the Group's domestic loans portfolio. A total of RM16.12 billion loans or 29.1% of total domestic loans approved were granted to fund SMEs.

Products

SWIFT ("Shophouse, Warehouse, Industrial Factory and Trade Financing") Plan

The SWIFT Plan which is the Public Bank Group's flagship SME financing product provides comprehensive and flexible financing solutions for asset acquisition, business expansion as well as trade financing. In 2017, the Group had extended a total of RM6.18 billion loans under the SWIFT Plan.

BNM Initiated Financing Schemes

The Public Bank Group strongly supports BNM's financing initiatives to facilitate SMEs to gain business financing. These schemes include:

- BNM's priority sector lending to SMEs. The Group has consistently exceeded the target set by BNM for financing under this initiative.

- BNM Fund for SME. This scheme was introduced by BNM in June 2017 to replace and consolidate the former BNM funded schemes namely Fund for Small and Medium Industries 2, New Entrepreneur Fund 2, Micro Enterprise Fund and Fund for Food. With the set up of this scheme, SMEs would be able to gain access to financing at reasonable financing cost.

Credit Guarantee Corporation ("CGC") and Government Guaranteed Schemes

The Public Bank Group collaborates with CGC to grant working capital financing to viable SMEs that lack collateral to obtain business funding. Amongst the CGC guaranteed schemes are Portfolio Guarantee Scheme and BizJamin. As part of the Group's support for environmental preservation, the Group participates in the Green Technology Financing Scheme which promotes the production and utilisation of green technology.

The Public Bank Group continues to support Malaysian government guaranteed financing schemes in support of the national agenda to spur the country's economic growth. These schemes include Working Capital Guarantee Scheme – Extension, Working Capital Guarantee Scheme – Start-up and Services Sector Guarantee Scheme which are structured to provide financing to SMEs at a reasonable cost.

Marketing Initiatives

The Public Bank Group expands its market reach in the SME sector by leveraging on its strong PB brand, dedicated sales and marketing team as well as wide domestic branch network. To better suit the financing needs of SMEs, the Group consistently develops and enhances its products and services. The Group also participates actively in government, BNM and CGC schemes as well as seminars, road shows, and exhibitions to elevate the awareness of SMEs to the financing products and services offered by the Group. During the year, the Group has launched a promotional campaign, allowing SMEs to gain business financing at competitive pricing under the Group's SWIFT Plan.

Anticipated Risks

Malaysia's open economy is not immune to external headwinds which include protectionism in certain economies, risks of capital outflows and uncertainties in advanced economies such as the United States and China. In addition, market sentiment may remain cautious due to concerns over escalating cost of living, weak ringgit and high household debt which may result in a slowdown in the demand for credit as SMEs scale back on large ticket purchases and expansion plans.

MANAGEMENT DISCUSSION AND ANALYSIS

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Prospects

The SME sector is expected to remain resilient following various expansionary measures announced during Budget 2018 to invigorate investment, trade and industry, particularly development expenditures budgeted for infrastructure and transportation development. The government has also allocated funds for government guaranteed loans and interest subsidies for Shariah Compliant Financing Schemes to bolster the growth of the SME sector. In addition, the implementation of Companies Act 2016 will facilitate and simplify procedures for business set up and reduce cost of doing business in Malaysia. The Public Bank Group will continue to expand its SMEs financing portfolio by seizing opportunities from the growth prospect in the SME sector to further strengthen its market leadership position. The Group remains committed to enhance access to financing for all SMEs and deliver products and services which meet the needs of their businesses.

ISLAMIC BANKING

At a Glance

PROFIT BEFORE TAX	GROSS LOANS, ADVANCES AND FINANCING	DEPOSITS FROM CUSTOMERS	GROSS IMPAIRED FINANCING RATIO
RM534.9 Mil	**RM42.01 Bil**	**RM49.50 Bil**	**0.6%**
↑ 1.2%	↑ 11.9%	↑ 16.6%	2016: 0.6%

Public Islamic Berhad ("Public Islamic") is a wholly-owned subsidiary and the Islamic banking arm of the Public Bank Group. By leveraging on Public Bank's strong PB brand, extensive branch network and infrastructure, Public Islamic provides an extensive range of Shariah compliant products and services under the guidance of the Public Islamic Shariah Committee.

Performance Review

Public Islamic registered a marginal increase in profit before tax of 1.2% from RM528.7 million in 2016 to RM534.9 million in 2017, which accounted for 7.5% of the Public Bank Group's pre-tax profit. The increase in profit before tax was mainly due to higher net finance income offset by higher other operating expenses, lower other operating income and higher allowance for impairment on financing and advances.

Public Islamic's total gross financing increased by 11.9% or RM4.47 billion to RM42.01 billion as at the end of 2017, accounting for 13.8% of the Public Bank Group's total loans, advances and financing. The growth in Public Islamic's financing was mainly driven by financing for the purchase of residential properties and commercial financing to small and medium enterprises.

Public Islamic's customer deposits grew by 16.6% or RM7.03 billion from RM42.47 billion as at the end of 2016 to RM49.50 billion as at the end of 2017, accounting for 15.5% of the Public Bank Group's total customer deposits. Public Islamic continues to sustain healthy funding and liquidity position with gross financing to fund ratio as well as gross financing to fund and equity ratio standing at 80.4% and 74.4% respectively as at the end of 2017.

Public Islamic's asset quality remained strong with sustained gross impaired financing ratio of 0.6% as at the end of 2017, well below the Islamic banking industry's gross impaired financing ratio of 1.2%. Public Islamic continued to be well-capitalised with Common Equity Tier I capital ratio, Tier I capital ratio and total capital ratio, after deducting second interim dividend, standing at 11.9%, 11.9% and 16.0% respectively as at the end of 2017.

New Product

In February 2017, Public Islamic launched the Plus Current Account-i Enterprise which is a Shariah compliant current account based on Wadiah Yad Dhamanah concept offered to Corporate Cash Management Services customers to optimise their business cash flow.

RAM Ratings

In May 2017, Rating Agency Malaysia reaffirmed Public Islamic's long and short term financial institution ratings at AAA and P1 respectively. The reaffirmation of the ratings recognises Public Islamic's strategic importance as the Islamic banking arm of Public Bank and also reflects Public Islamic's robust asset quality and sound capitalisation.

Role and Authority of Shariah Committee

Public Islamic's Shariah Committee ("SCOM") which bears the responsibility of the overall Shariah governance and Shariah-compliance of Public Islamic was established in line with the requirements of Islamic Financial Services Act and the Shariah Governance Framework ("SGF") issued by Bank Negara Malaysia ("BNM").

The SCOM which consists of five members appointed by the Board of Directors performs an oversight role on Shariah matters and advise Public Islamic on its business activities to ensure compliance with Shariah principles. The roles and responsibilities of the SCOM, as guided by BNM's SGF are as follows:

- Responsible and accountable for all Shariah decisions, opinions and views provided;
- Advise the Board on Shariah matters;
- Endorse the Shariah-related policies and procedures;
- Validate and endorse relevant documentations;
- Assess work carried out by Shariah review and Shariah audit;
- Assist related parties on Shariah matters;
- Advise on matter to be referred to the Shariah Advisory Council of BNM; and
- Provide written Shariah opinions.

The Shariah Committee comprises of the following members:

1. Professor Emeritus Dato' Paduka Dr. Mahmood Zuhdi Bin Haji Ab Majid
2. Tuan Haji Mohd Ridzuan Bin Awang
3. Associate Professor Datin Dr. Rusnah Binti Muhamad
4. Associate Professor Dr. Abdul Bari Bin Awang
5. Assistant Professor Dr. Mohd Afandi Bin Awang Hamat

During the year a total of 12 meetings were held and the details of attendance of each member are as follows:

	Number of Committee Meetings	
Shariah Committee members	**Held**	**Attended**
Professor Emeritus Dato' Paduka Dr. Mahmood Zuhdi Bin Haji Ab Majid (Chairman of Shariah Committee)	12	12
Tuan Haji Mohd Ridzuan Bin Awang	12	11
Associate Professor Datin Dr. Rusnah Binti Muhamad	12	12
Associate Professor Dr. Abdul Bari Bin Awang	12	12
Assistant Professor Dr. Mohd Afandi Bin Awang Hamat	12	12

Zakat Obligations

Public Islamic paid a total of RM255,000 in zakat payments for its 2016 Islamic banking operations to 14 states and selected orphanage homes in Malaysia.

Marketing and Training Initiatives

The Public Bank Group participated in the Karnival Kewangan at Putra World Trade Centre in January 2017, Karnival Kewangan Sabah at Kota Kinabalu in August 2017 and Karnival Kewangan Sarawak at Kuching in November 2017 to promote greater awareness and knowledge of Islamic banking to the public. As part of its human capital development, Public Islamic continues to develop core competencies and Islamic banking knowledge of its staff through extensive training. Sponsorships are also provided for staff to enrol in the Certified Islamic Banking and Finance programme conducted by the International Islamic University Malaysia.

Anticipated Risks

There remain uncertainties and challenges in the Islamic financial services sector arising from increasing competition, continued margin compression as well as stringent regulatory and supervisory requirements which include Basel III capital and liquidity requirements, responsible lending and Shariah compliance.

Prospects

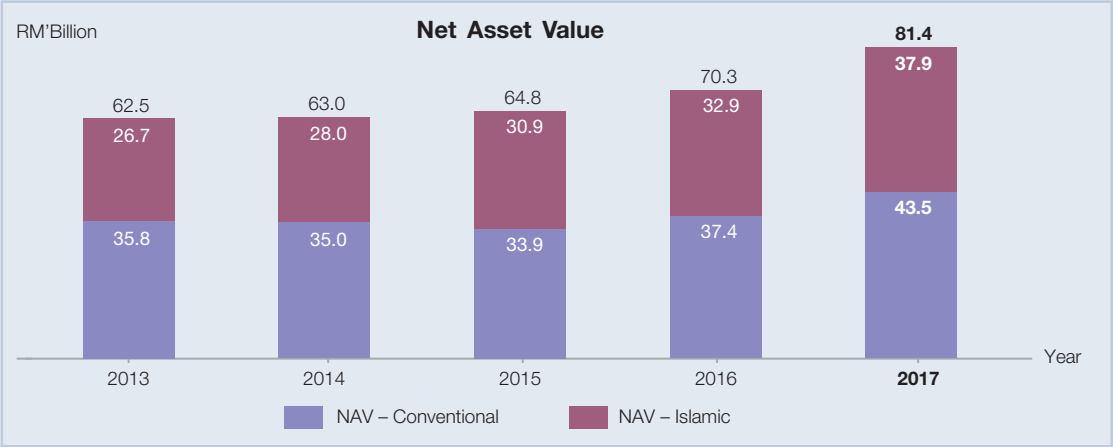
Despite the inherent challenges, Public Islamic will continue to expand its Islamic banking business in the domestic retail segment, focusing its financing growth on commercial financing, home mortgages for owner occupation and hire purchase financing. At the same time, Public Islamic will also continue to enhance its products and services to meet the demand of its SMEs customers. To further grow its fee-based income, Public Islamic will continue to work with AIA PUBLIC Takaful Bhd. to offer competitive bancatakaful products which meet customers' needs.

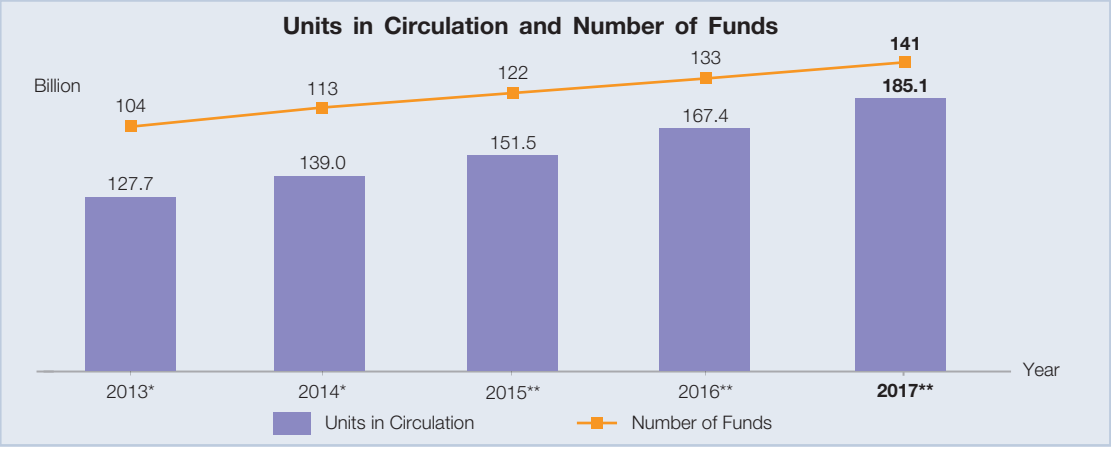
BUSINESS OPERATIONS REVIEW
WEALTH MANAGEMENT

FUND MANAGEMENT
At a Glance

OPERATING REVENUE*	PROFIT BEFORE TAX	TOTAL ASSETS	SHAREHOLDERS' FUNDS
RM1,103.9 Mil	**RM660.9 Mil**	**RM1,036.1 Mil**	**RM247.5 Mil**
▲ 14.1%	▲ 15.4%	▲ 17.8%	▲ 34.0%

* *After offsetting direct sales commission*





* *Inclusive of six Private Retirement Scheme Funds*
** *Inclusive of nine Private Retirement Scheme Funds*

Overview

Global equity markets trended higher in 2017 amid an improving global economic outlook supported by a broad-based recovery in global trade. In 2017, the FTSE Bursa Malaysia Kuala Lumpur Composite Index registered a gain of 9.4% on improved corporate earnings growth, while the domestic bond market traded on a firm note on the back of the strengthening of the ringgit and resilient crude oil prices.

Performance Review

Public Mutual Berhad ("Public Mutual") recorded an impressive 15.4% growth in profit before tax from RM572.9 million in 2016 to RM660.9 million in 2017, driven by a 14.1% growth in its total operating revenue from RM967.5 million in 2016 to RM1,103.9 million in 2017. The total assets under management ("AUM") increased by 15.9% to RM81.44 billion as at the end of 2017, of which retail funds represented RM74.67 billion or 91.7% of Public Mutual's AUM.

The AUM of the Malaysian retail private unit trust industry grew at an accelerated pace of 33.3% in 2017 as compared to 9.9% growth in 2016. The AUM of equity funds rose in tandem with fund inflows and higher stock prices while money market funds registered significant inflows during the year.

Public Mutual continued to retain its market leadership in the retail private unit trust industry with an overall market share of 40.9% as at the end of 2017. Public Mutual continued to maintain its lead in the sub-categories of equity funds, Islamic funds, bond funds and foreign funds with market shares of 55.3%, 50.2%, 43.4% and 36.1% respectively in 2017.

In terms of fund performance, domestic and foreign equity funds managed by Public Mutual achieved returns of up to 21.1% and 30.5% respectively in 2017.

New Fund Launches

In 2017, Public Mutual launched eight new funds as shown in the table below:

Fund	Launch date
Public Navigator Growth Fund	9 January 2017
PB Islamic SmallCap Fund	28 March 2017
Public e-Flexi Allocation Fund	14 July 2017
PB Asia Pacific Dividend Fund	15 August 2017
Public Islamic Global Equity Fund	26 September 2017
Public ASEAN Growth Fund	26 October 2017
Public Greater China Fund	26 October 2017
Public Wholesale Vietnam Equity Fund	29 December 2017

Including the eight new funds launched in 2017, Public Mutual manages a total of 141 funds which comprise 127 unit trust funds, five wholesale funds and nine Private Retirement Scheme funds as at the end of 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

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WEALTH MANAGEMENT

Awards

Having received numerous distinguished accolades over the years, Public Mutual continued to prove its worth by winning 19 awards in 2017. This strong track record speaks volumes of Public Mutual's commitment to deliver excellent products, services, and performance. The awards received are as follows:

TYPE OF AWARDS		TOTAL AWARDS
FUND PERFORMANCE AWARDS		
The Edge | Thomson Reuters Lipper Fund Awards 2017		13
3-Year Category	• Mixed Asset MYR Flexible: Public Tactical Allocation Fund • Mixed Asset MYR Flexible – Malaysia Islamic: Public Islamic Asia Tactical Allocation Fund • Equity Asia Pacific – Malaysia Provident: Public Asia Ittikal Fund • Equity Asia Pacific Ex-Japan – Malaysia Islamic: Public Islamic Asia Leaders Equity Fund • Equity Asia Pacific: Public Far-East Alpha-30 Fund • Equity Asia Pacific Ex-Japan: PB China ASEAN Equity Fund	
5-Year Category	• Mixed Asset MYR Flexible: Public Tactical Allocation Fund • Equity Asia Pacific – Malaysia Provident: Public Regional Sector Fund • Equity Asia Pacific: PB China Pacific Equity Fund • Bond MYR: Public Bond Fund	
10-Year Category	• Bond MYR: Public Bond Fund	
2017 Morningstar Malaysia Awards		
• Best Malaysia Bond (Syariah) Fund: Public Islamic Bond Fund • Best Malaysia Large-Cap Equity (Syariah) Fund: Public Ittikal Fund		
OTHER AWARDS		
2016 Asia Asset Management Best of the Best Country Awards		
• Islamic Retail House of the Year – Malaysia • Best Retail House – Malaysia		2
The Asset Triple A Islamic Finance Awards 2017		
• Islamic Asset Management House of the Year, Malaysia (Retail)		1
Reader's Digest Trusted Brand Platinum Award 2017		
• Investment Fund Company category in Malaysia		1
The BrandLaureate Best Brands Awards 2016-2017		
• Best Choice Brand for Financial and Wealth Planning – Unit Trust		1
The BrandLaureate Industry Champion Brand ICON Leadership Awards 2017		
• Financial and Wealth Planning – Unit Trust		1

Marketing and Promotional Initiatives

Public Mutual's advertising and branding efforts in 2017 include initiatives such as:

- Extensive billboard coverage at strategic locations nationwide.
- Print advertisements in major newspapers including The Star, The Edge Financial Daily, Berita Harian, Sin Chew and Nanban.
- Online advertisements to reach out to the digital-savvy audience.
- Nationwide roadshows, investment seminars and financial planning talks.
- Targeted investment seminars to engage corporate investors as well as Mutual Gold and Elite members.
- Sharing the latest news, happenings as well as financial tips on Public Mutual's Google+ and LinkedIn pages to engage investors and the public, especially the Gen-Yers.

Customer Service

Since its introduction in January 2009, the number of subscribers of Public Mutual Online service, which allows subscribers to undertake initial and additional investment, switching and redemption transactions, rose to more than 326,000 in 2017.

In 2017, Public Mutual's high net worth Mutual Gold Members also continued to grow and has exceeded 109,000.

Training, Branch Network and Support

Public Mutual continues to enhance the knowledge, productivity and skills of its unit trust consultants ("UTCs") by providing a wide range of training and development programmes which focus on the latest development in the industry, ethics and compliance, sales and support tools, best marketing practices and customer service.

In August 2017, Public Mutual relocated its Alor Setar Branch to a more strategic location to better support its UTCs and unit holders. Public Mutual will continue to provide support to its UTCs and unit holders through its 32 branch offices and customer service centres across the nation.

Anticipated Risks

The private retail unit trust industry is expected to see increased competition for AUM among unit trust management companies and other alternative investment instruments following Securities Commission Malaysia's and Budget 2018 initiatives to spur growth in Exchange Traded Funds as well as developments in FinTech involving digital investment management.

Due to recent incidences of global cyber-attacks involving data breaches, ransomware attacks and distributed denial of service, among others, the management of cyber security has become a significant risk area. Public Mutual remains committed to uphold cyber resilience and will maintain strong internal controls to mitigate external threats against its technology infrastructure.

Prospects

Looking ahead, sustained global growth is expected to support the domestic economy and the growth of the local private retail unit trust industry. To meet the diverse needs of its investors, Public Mutual will continue to introduce new products and enhance its services.

BANCASSURANCE

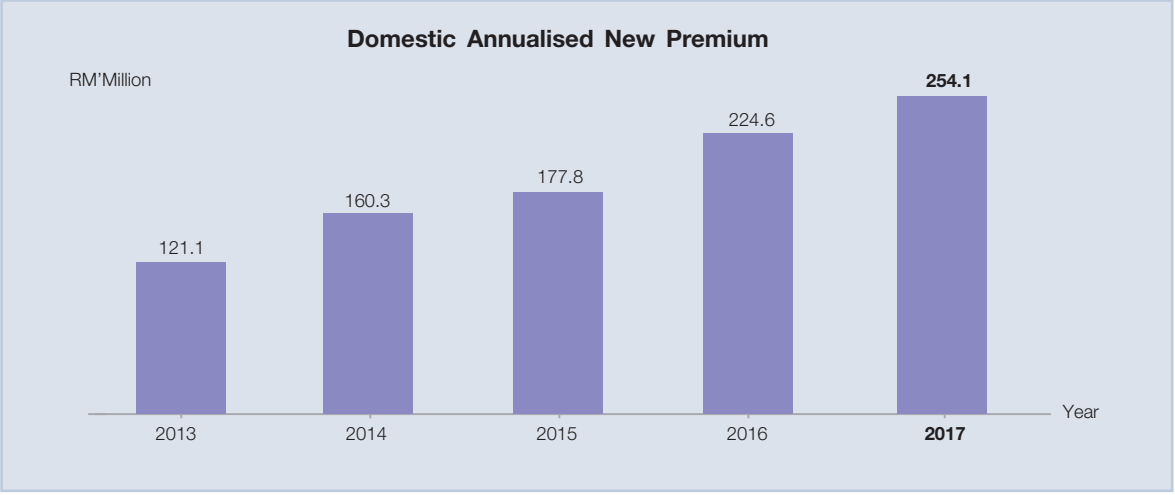
The Public Bank Group's bancassurance business continues to be one of the Group's main fee income generating business. It is driven mainly by the Group's strategic bancassurance partnership with AIA Group Ltd. ("AIA") which entered its fifth year of partnership in 2017. As at the end of 2017, the Group's bancassurance distribution channel is supported by approximately 480 licensed sales staff for the promotion of bancassurance products and approximately 2,600 licensed staff for the promotion of credit-related life insurance products. In support of Bank Negara Malaysia's LIFE Framework vision to increase Malaysian's life insurance penetration rate up to 75% by year 2020, the Group has further increased insurance penetration amongst the Bank's customer base via its wide bancassurance distribution network. To make this partnership an even greater success, AIA and Public Bank have extended the bancassurance partnership for another 15 years, commencing from year 2023 to year 2038. AIA and the Bank will continue to invest resources to build a strong distribution network across the Bank's branches, enhance capability through technology, conduct trainings and include best practices sharing as well as expand the Bank's life insurance products to include medical and personal accident.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATIONS REVIEW

WEALTH MANAGEMENT

Performance Review



The annualised new premium of the domestic bancassurance business increased by 13.1% or RM29.5 million from RM224.6 million in 2016 to RM254.1 million in 2017.

Products and New Initiatives

PB Pro Saver

In January 2017, Public Bank and AIA introduced the PB Pro Saver, targeted at customers who are looking for an entry-level plan that provides savings and insurance protection. The PB Pro Saver is a non-participating endowment plan with premium payment term of ten years that provides insurance coverage up to 20 years.

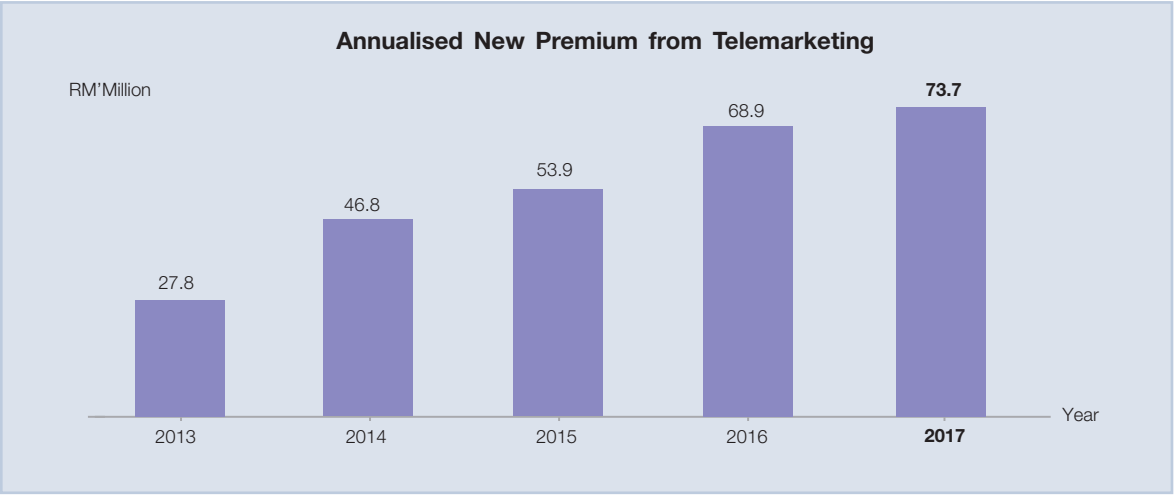
PB SME Platinum

In view of rising medical cost, Public Bank and AIA enhanced the PB SME Care, which was first introduced in 2014, to PB SME Platinum in August 2017. The PB SME Platinum is designed to administer employee benefit plans for SMEs by providing better coverage with higher insurance limits.

PB WealthPlus and empower Plan integrated with AIA Vitality

AIA Vitality is a unique health and insurance programme that actively motivates and rewards its customers for getting fit. In support of healthy living for a longer and better life, Public Bank's customers who are insured under the PB WealthPlus and empower Plan and have signed up as a AIA Vitality member will get to enjoy additional insurance benefits when they earn vitality points through their participation in the AIA Vitality Programme.

Telemarketing Insurance Products



In 2017, the annualised new premium of the telemarketing channel grew by 7.0% to RM73.7 million in 2017 from RM68.9 million in 2016 mainly from the sales of PB Care PA, PB Cancer Guard and PB CI Care.

A new telemarketing product, the PB CI Protector, was launched on 1 June 2017. PB CI Protector provides protection coverage against 36 critical illnesses, diabetes-related diseases up to age 80 and Compassionate Benefit upon Death.

Marketing Initiatives

Sales Campaigns

In 2017, Public Bank launched various attractive campaigns to motivate and boost productivity of bancassurance sales staff. The campaigns rolled out include the 2017 Quarterly Regular Premium Challenge, 2017 Fast Start Booster Challenge, 2017 PB Pro Saver Challenge, 2017 PB WealthPlus Branch Challenge, Incentive Trip Challenge 2017 and 2017 Bancassurance Bangkok Conference Trip Challenge as well as the 2017 Quarterly SME Challenge.

Training Initiatives

Public Bank continues to invest in various training programmes and courses such as familiarisation programme to equip sales staff with comprehensive product knowledge and selling skills. The AIA Basic Sales Effectiveness Programme has been rolled out to all sales staff to guide and train them to secure appointments, conduct need base selling, handle customers' feedback and carry out sales closure. The 2017 FASTRAC Sales Booster Challenge was also launched to inculcate a consistent and productive sales working habit among newly recruited Insurance Specialists.

Public Bank in collaboration with AIA is committed to improve customer experience through the use of technology and innovation. In 2017, the interactive Point-of-Sales application built into iPads for online submission was further expanded. Additional coverage namely Cover Boost and Wealth Boost were offered as enhanced benefit to empower Plan and PB WealthPlus respectively for life insurance customers who sign up for AIA Vitality membership. The benefit comes with no additional insurance charges or premium and no underwriting is required.

Hong Kong Operations

2017 marked the fifth year of partnership between Public Bank (Hong Kong) Limited ("PBHK") and AIA International Limited (Hong Kong) ("AIA"). The Public Bank Group's bancassurance business in Hong Kong is supported by 71 licensed Customer Service Officers stationed across the Group's network of 32 branches. In 2017, PBHK garnered a total of HKD31.1 million in annualised new premium, 24.9% higher as compared to HKD24.9 million in 2016 which was mainly contributed by sales of the "Simply Love Encore 2" insurance plan.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATIONS REVIEW

WEALTH MANAGEMENT

Cambodian Public Bank

On 3 May 2017, Cambodian Public Bank ("Campu Bank") signed a Distribution Agreement with AIA (Cambodia) Life Insurance Plc. to appoint Campu Bank as an exclusive referral agent for the distribution of life insurance products in Cambodia for five years. Under the exclusive distribution agreement, two new insurance products, namely the "Samrabchivit" or "AIA for Life" and the Loan Repayment Insurance were introduced. In particular, the "AIA for Life" has proven to be a unique and marketable product as it is the only life insurance policy with critical illness coverage in Cambodia. In 2017, Campu Bank registered encouraging results with more than 1,952 sales of "AIA for Life" and Loan Repayment Insurance policies which generated total annualised new premium of USD1.4 million.

Anticipated Risks and Prospects

The bancassurance segment is expected to remain competitive with growing number of players and a wider range of products in the market. Despite the challenging operating environment and strong competition for the bancassurance business, Public Bank is committed to achieve higher penetration in the market and expand its market presence. There will be continuous effort to roll out new products by leveraging on the Bank's wide distribution network. The Bank will also work closely with AIA to improve customer satisfaction and provide relevant products to meet customers' evolving investment and protection needs.

STRUCTURED PRODUCT INVESTMENT

PB Dual Currency Investment ("DCI")

PB DCI, a short-term currency-linked investment product, contributed RM1.6 million to the Public Bank Group's fee based income in 2017. Given the positive outlook of the Malaysian economic growth, income from PB DCI is expected to grow. Nonetheless, downside risks to the business would be the subdued volatility in the foreign exchange market which could result in less attractive returns for this investment.

PB Retail Negotiable Instruments of Deposit

On 6 January 2017, Public Bank launched the PB Retail Negotiable Instruments of Deposit ("R-NID"). The PB R-NID caters to customers who seek to diversify their investments over the medium to long-term with low risk. The offer period for Tranche 1, which offered 4.00% p.a. over a 15-month investment tenure with quarterly interest payments, was from 6 January 2017 to 1 February 2017. Tranche 2, which offered 4.28% per annum over a 15-month investment tenure with quarterly interest payment was launched from 4 December 2017 to 2 January 2018. Total sales generated from both tranches of R-NIDs amounted to RM76.8 million.

Initiatives for Product Cross-Sell

Public Bank regularly engages its customers to offer and provide specific wealth management solutions to address their needs as they go through different stages of life cycle. In order to be more effective, the Bank organises product promotional events which harness technology to gain insights into customers' primary banking needs and anticipate their product and service preferences in order to achieve better customer experience and develop stronger relationships.

Product Promotional Event

In 2017, Public Bank continued to conduct quarterly Product Promotional Events ("PPEs") to cross-sell the Bank's products and services. The four themes assigned to each quarter were "PB Golden Festive Celebrations", "PB Wealth Creators", "PB Health Boosters" and "PB Smart Achievers". As at the end of 2017, a total of 795 PPEs were conducted and RM158.9 million of sales were generated from various products which also included cross-selling of more than 3,200 new deposit accounts as well as credit and debit cards. These PPEs provide the Bank with opportunities to attract and acquire new customers as well as to build rapport with existing customers. In addition to quarterly PPEs, the Bank also launched promotional events jointly with AIA Bhd. ("AIA") during the year to promote and create awareness of AIA Vitality.

Customer Relationship Management

Public Bank continues to use analytic tools to explore and analyse customer information across different touch points to have a better understanding of customer expectations and requirements. The output from these analysis are incorporated into the Bank's decision making processes to ensure products and services offered are aligned to customers' preferences. The Bank has enhanced its Customer Relationship Management Application ("CRMA") to improve cross-selling with the aim of further growing its fee based income. The CRMA can assist the Bank to deepen engagement with existing customers and potential customers by suggesting relevant products and services at different touch points.

BUSINESS OPERATIONS REVIEW
TRANSACTIONAL SERVICES

CASH MANAGEMENT SERVICES

Public Bank's cash management services provide comprehensive collection and payment services designed to assist clients in their management of receivables and payables with greater efficiency and automation. These services are supported by the Bank's wide network of branches and digital channels.

Efforts were undertaken throughout the year to promote Public Bank's cash management and e-banking services. The Bank has organised 20 e-Payment Forums and participated in nine e-Payment Roadshows nationwide initiated by Bank Negara Malaysia. As a result of these promotional activities, the total number of payee and payor corporations had increased by 58.1% to 6,188 as at the end of 2017.

Public Bank has enhanced its Financial Process Exchange ("FPX") Service to allow corporate customers to send "Refund" request to the FPX system in order to credit refunds directly into their customers' originating account on a real-time basis. In addition, the Bank has implemented a new online cash management services, called PB enterprise, to replace the existing PBe Business Banking for corporate customers in July 2017.

In recognition of Public Bank's contribution to the country's e-payment agenda, Public Bank received the following awards during the Malaysian e-Payments Excellence Awards 2017 by PayNet (previously known as MyClear):

- Best e-Payments Bank
- Best MyDebit Bank
- Outstanding Contribution to FPX
- Outstanding Contribution to MyDebit

REMITTANCES

Public Bank's remittance services are offered through the Public Bank Group's network of domestic branches. In 2017, the Bank's remittance transactions grew by 24.8% to RM51.18 billion. The growth is attributed to improved domestic demand amidst gradual improvement in global market supported by remittance campaigns launched during the year.

Marketing Initiatives

PB Overseas Education Campaign

Due to popular demand, the "PB Overseas Education Campaign" which offers preferential forex rates to customers for education remittances to Australia, New Zealand, United Kingdom and United States was offered for the sixth consecutive year. A total of RM717.6 million was remitted under the campaign.

PB Overseas Remittance Campaign

Public Bank continues to promote cross border remittance service between the Bank and its overseas subsidiaries or branches in Hong Kong, Vietnam, Laos, Cambodia and Sri Lanka by extending the "PB Overseas Remittance Campaign" in 2017. The campaign which offered reduced service charges for each outward remittance transaction has attracted more than 95,000 transactions with total remittances amounting to USD2.94 billion.

PB Indonesia Money Transfer ("PBIMT") Ramadan Campaign 2017

In conjunction with the Ramadan and Hari Raya festive season, Public Bank collaborated with Bank Central Asia to launch "PBIMT Ramadan Campaign 2017" to promote outward remittance services to Indonesia with zero fees.

PB-Western Union Reward Campaign 2017

In 2017, Public Bank collaborated with Western Union to launch "PB-Western Union Reward Campaign". The campaign offered zero transfer fees for remittances to Indonesia and discounted transfer fees for remittances to Philippines, Nepal, Pakistan, Bangladesh, Myanmar, India and Vietnam.

Anticipated Risks and Prospects

While global economies are improving gradually, the global geopolitical risk is a concern for businesses. In addition, competition for remittance business has also intensified with the entry of more remittance players and FinTech remittance companies. To drive volume and sustainability of its remittance business, Public Bank will continue to promote its diverse range of remittances and money transfer services and embark on expanding its digital platform.

BUSINESS OPERATIONS REVIEW
CAPITAL MARKET OPERATIONS

TREASURY

The Public Bank Group's treasury operations provide financial services solutions to both wholesale and retail customers and cover treasury activities such as liquidity and interest rate risks management, proprietary trading and investments, foreign exchange and wholesale deposit-taking activities. These treasury functions are performed primarily through the treasury offices of Public Bank, Public Investment Bank, Public Islamic Bank, Public Bank (L) Limited and Public Bank (Hong Kong) Limited.

The Public Bank Group has established strategic business alliances with international partners such as Resona Bank, Saitama Resona Bank and The Kinki Osaka Bank from Japan, Bank Central Asia of Indonesia and China Construction Bank of China via its International Business Unit. These alliances aim to widen the Group's treasury business offerings to new clients by targeting specific market segments.

Performance Review

2017 was a challenging year for the treasury business. Globally, financial markets witnessed a stark contrast in monetary policies adopted by various central banks. While the United States ("US") Federal Reserve further tightened its monetary policies, the central banks in Europe and Asia were more skewed towards implementing accommodative monetary policies. Domestically, despite the ringgit outperforming regional currencies, the lack of inflow of fresh foreign funds coupled with higher US Treasuries yield, had weighed in on investors' sentiment towards ringgit fixed income assets.

The Public Bank Group's treasury operations recorded a profit before tax of RM553.8 million in 2017, a marginal decrease of RM4.4 million as compared to 2016, mainly attributed to lower trading gain from sales of fixed-income assets. However, net interest income improved by RM2.7 million due to higher gapping opportunities while income from foreign exchange business continued to deliver steady growth performance notwithstanding the reduced market volatility.

Anticipated Risks

The recent chorus of major central banks looking to scale back economic stimulus have caught market attention, causing global investors to shy away from emerging markets. While the weaker risk appetite for emerging market assets could continue in the near future, the risk appetite for Malaysian assets are improving. Investors' sentiment towards ringgit has improved significantly amid stronger economic growth and robust global exports. As crude oil prices recover and domestic economy benefit from the government's fiscal measures, it is envisaged that the ringgit will have further upside, consistent with the increased pace of economic activities. Nevertheless, the key risks to global financial markets may stem from US political concerns, geopolitical risks on the Korean peninsula as well as the pace of US Federal Reserve's policy tightening in 2018.

Prospects

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

DOMESTIC CORPORATE LENDING

At a Glance

PRE-TAX PROFIT	GROSS LOANS, ADVANCES AND FINANCING	GROSS IMPAIRED LOANS RATIO
RM553.5 Mil	**RM39.30 Bil**	**0.1%**
▲ 10.1%	▲ 4.9%	2016: 0.1%

Amidst the generally muted and challenging economic conditions, the domestic corporate lending operations of the Public Bank Group achieved loans growth of 4.9% or RM1.84 billion to RM39.30 billion as at the end of 2017 from RM37.46 billion as at the end of 2016. Meanwhile, asset quality remained strong with gross impaired loans ratio of 0.1% as at the end of 2017 due to the Group's strong credit culture and effective credit risk management practices.

Profit before tax of the Public Bank Group's corporate lending operations increased by 10.1% or RM51.0 million from RM502.5 million in 2016 to RM553.5 million in 2017 mainly due to higher net interest income on higher average loan balances partially offset by higher loan impairment allowance.

Going forward, the Public Bank Group will continue to expand its corporate lending business by leveraging on its existing clientele with good track record as well as acquire targeted new corporate clients in growth and resilient sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATIONS REVIEW

CAPITAL MARKET OPERATIONS

INVESTMENT BANKING

At a Glance

OPERATING REVENUE	PROFIT BEFORE TAX	TOTAL CAPITAL RATIO
RM180.3 Mil	**RM46.2 Mil**	**40.8%**
▲ 5.9%	▼ 4.7%	2016: 41.3%

Public Investment Bank Berhad ("Public Investment Bank") offers a broad range of investment banking services to both institutional and retail customers. The services offered include corporate finance and advisory services, advisory for the issuance of corporate bonds and sukuk, treasury as well as stock broking services.

In 2017, Public Investment Bank completed 17 corporate exercises which involved equity fund raising, merger and acquisition as well as independent advisory. The debt capital market division had also completed four new fund raising programmes totalling RM2.54 billion for its corporate clients through the corporate bonds and sukuk markets.

For its stock broking business, Public Investment Bank continued to leverage on its internet share trading platform and the Public Bank Group's Share Investment Units nationwide to grow its retail customer base. Meanwhile, the support of its institutional dealing teams and in-house research teams has spurred steady growth of its institutional customer base.

In 2017, Public Investment Bank reported satisfactory operating revenue and pre-tax profit of RM180.3 million and RM46.2 million respectively.

Anticipated Risks

The investment banking segment is dependent on capital market conditions which may be adversely affected by changes in regulations, political as well as global economic conditions. Any uncertainty and adverse sentiment to the capital market would result in investors delaying their investment decisions as well as companies deferring corporate exercises which would affect the advisory, debt capital market and stock broking operations.

Prospects

Fund raising needs are expected to remain healthy in 2018, driven by continued roll out of major infrastructure projects, which is likely to encourage private sector investments in domestic-oriented industries such as the construction and power sectors. Meanwhile, improvements in the global economy will also encourage investments in the manufacturing sector. Debt fund raising activities are expected to remain fairly active as companies continue to take advantage of the stable interest rate environment to lock-in funding at reasonable costs. The local equity market conditions are expected to remain positive, supported by the country's improving fundamentals and economic growth prospects, whilst trading sentiment is likely to remain volatile as a result of geopolitical risks and monetary policy tightening in the US and possibly Europe.

BUSINESS OPERATIONS REVIEW
INTERNATIONAL OPERATIONS

AT A GLANCE

PRESENCE IN HONG KONG & PEOPLE'S REPUBLIC OF CHINA, CAMBODIA, VIETNAM, LAOS AND SRI LANKA

PROFIT BEFORE TAX	GROSS LOANS, ADVANCES AND FINANCING	DEPOSITS FROM CUSTOMERS	GROSS IMPAIRED LOANS RATIO
RM687.8 Mil	**RM22.13 Bil**	**RM26.08 Bil**	**1.3%**
▲ 10.8%	▼ 8.0%	▼ 3.4%	2016: 1.2%

The Public Bank Group maintains strategic business presence across five countries in the Asian region, with subsidiaries in Hong Kong, Cambodia and Vietnam as well as branches in Laos and Sri Lanka.

The Public Bank Group's international operations posted a 10.8% growth in pre-tax profit from RM620.7 million in 2016 to RM687.8 million in 2017 mainly driven by contribution from its operations in Hong Kong, Cambodia and Vietnam. In 2017, the Group's international operations contributed 9.7% to the Group's pre-tax profit, higher than the 9.5% contribution in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATIONS REVIEW

INTERNATIONAL OPERATIONS

HONG KONG

At a Glance

HONG KONG
79 BRANCHES
2016: 82 BRANCHES

PEOPLE'S REPUBLIC OF CHINA
4 BRANCHES
2016: 4 BRANCHES

PRE-TAX PROFIT PUBLIC FINANCIAL HOLDINGS GROUP	PRE-TAX PROFIT PUBLIC BANK (HONG KONG) LIMITED^	PRE-TAX PROFIT PUBLIC FINANCE LIMITED^
HKD616.5 Mil	**HKD296.5 Mil**	**HKD296.1 Mil**
↑ 24.4%	↑ 30.5%	↑ 18.5%

^ *profit excluding dividends from subsidiaries*

PUBLIC BANK (HONG KONG) LIMITED

GROSS LOANS, ADVANCES AND FINANCING	DEPOSITS FROM CUSTOMERS	GROSS IMPAIRED LOANS RATIO	TOTAL CAPITAL RATIO*
HKD23.61 Bil	**HKD29.20 Bil**	**0.1%**	**17.3%**
↑ 0.4%	↑ 0.2%	2016: 0.5%	2016: 15.5%

PUBLIC FINANCE LIMITED

GROSS LOANS, ADVANCES AND FINANCING	DEPOSITS FROM CUSTOMERS	GROSS IMPAIRED LOANS RATIO	TOTAL CAPITAL RATIO*
HKD5.77 Bil	**HKD5.08 Bil**	**1.8%**	**22.8%**
↑ 6.7%	↑ 2.0%	2016: 2.3%	2016: 23.9%

* *presented in accordance with Banking (Capital) Rules under Section 97C of the Banking Ordinance issued by the Hong Kong Monetary Authority*

The Public Bank Group's operations in Hong Kong are undertaken by Public Financial Holdings Limited ("PFHL"), a company listed on The Stock Exchange of Hong Kong Limited. PFHL drives its business operations mainly through its two major subsidiaries, namely Public Bank (Hong Kong) Limited which concentrates on the provision of retail and commercial banking services and Public Finance Limited which specialises in the provision of personal financing.

Performance Review

In 2017, the Public Bank Group's operations in Hong Kong achieved double-digit growth in profit before tax of 24.4% to HKD616.5 million mainly due to higher contribution from both its retail and commercial banking as well as personal financing businesses. Public Bank (Hong Kong) Limited registered commendable profit before tax growth of 30.5% or HKD69.3 million to HKD296.5 million. The increase was mainly due to higher net interest income and fee income. Public Finance Limited also achieved higher pre-tax profit of HKD296.1 million, a growth of 18.5% or HKD46.2 million as compared to 2016. The higher profitability was mainly attributed to lower impairment allowances arising from more prudent credit assessment and control.

Despite the challenging economic conditions, Public Finance Limited which focus on the lower– to middle-income market and overseas contract workers recorded a healthy loans growth of 6.7% or HKD361.0 million to HKD5.77 billion as at the end of 2017. Total loans and advances of Public Bank (Hong Kong) Limited also increased marginally by 0.4% or HKD89.1 million to HKD23.61 billion as at the end of 2017.

Although market competition for deposits was intense, Public Bank (Hong Kong) Limited and Public Finance Limited reported customer deposits growth of 0.2% and 2.0% respectively to HKD29.20 billion and HKD5.08 billion respectively as at the end of 2017.

As a result of continued prudent credit risk management, the asset quality of the Public Bank Group's Hong Kong operations further improved. Public Bank (Hong Kong) Limited's gross impaired loans ratio improved from 0.5% as at the end of 2016 to 0.1% as at the end of 2017 and was well below the Hong Kong banking industry's gross impaired loans ratio of 0.8%. Public Finance Limited's asset quality also further strengthened with gross impaired loans ratio of 1.8% as at the end of 2017 as compared to 2.3% as at the end of 2016.

2017 marked the fifth year of partnership between Public Bank (Hong Kong) Limited and AIA International Limited (Hong Kong) ("AIA") to distribute bancassurance products through the Public Bank Group's branch network in Hong Kong. A total of HKD31.1 million in annualised new premium was generated in 2017, an increase of 24.9% or HKD6.2 million from HKD24.9 million in 2016. To further enhance the Group's fee income, Public Bank (Hong Kong) Limited will continue to work with AIA to roll out new bancassurance products to meet the financial needs of its customers.

Anticipated Risks and Prospects

Competition in the banking sector in Hong Kong is expected to intensify as financial institutions seek greater market share in loans, deposits and fee income. Hence, the operating environment is expected to be more challenging in the near term. In order to safeguard its financial strength and asset quality, the Group will continue to be prudent and manage risks cautiously. The Group will also continue to grow its retail and commercial lending business and diversify its income streams in order to mitigate interest margin compression.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATIONS REVIEW

INTERNATIONAL OPERATIONS

CAMBODIA

At a Glance

CAMBODIA
30 BRANCHES
2016: 30 BRANCHES

PROFIT BEFORE TAX	GROSS LOANS, ADVANCES AND FINANCING	DEPOSITS FROM CUSTOMERS	GROSS IMPAIRED LOANS RATIO
USD58.9 Mil	**USD1.03 Bil**	**USD1.63 Bil**	**0.6%**
↓ 1.9%	↑ 2.3%	↑ 37.7%	2016: 0.8%

The Public Bank Group's operations in Cambodia provide a wide range of financial products and services in retail and commercial banking, general insurance and stock broking services. Cambodian Public Bank Plc ("Campu Bank") spearheaded the Group's operations in Cambodia in 1992 and has since grown to become the largest foreign-owned bank in Cambodia. In 2017, Campu Bank celebrated its 25th year anniversary in Cambodia. Campu Lonpac Insurance Plc, which is 55% owned by the Group, offers general insurance business whilst Campu Securities, a wholly-owned subsidiary, provides securities underwriting, dealing and trading services.

In recognition of Campu Bank's banking excellence and outstanding business performance in the financial sector of Cambodia, Campu Bank was awarded the "Domestic Retail Bank of the Year – Cambodia" by Asian Banking & Finance magazine for the sixth consecutive year and "Bank of the Year in Cambodia" award by The Banker, London for the 10th time.

Performance Review

Amidst a lacklustre business environment, Campu Bank posted a profit before tax of USD58.9 million in 2017, a drop of 1.9% as compared to USD60.0 million in 2016, mainly due to higher loan impairment allowances arising from net writeback in 2016 and higher personnel and administrative cost.

Campu Bank's loans and advances grew by 2.3% from USD1.00 billion as at the end of 2016 to USD1.03 billion as at the end of 2017. Meanwhile, the asset quality of Campu Bank remained sound with gross impaired loans ratio of 0.6% as at the end of 2017.

In 2017, Campu Bank continued its focus to mobilise deposits, targeting low-cost savings and current accounts. As a result, Campu Bank recorded an impressive double-digit growth of 37.7% in customer deposits from USD1.18 billion as at the end of 2016 to USD1.63 billion as at the end of 2017.

On 5 May 2017, Campu Bank entered into a 5-year strategic bancassurance agreement with AIA (Cambodia) Life Insurance Plc which saw the appointment of Campu Bank as an exclusive referral agent for AIA bancassurance products in Cambodia. The strategic partnership will provide Campu Bank with an additional stream of fee-based revenue as it will enable Campu Bank to provide bancassurance products to customers via its network in Cambodia. Two new bancassurance products, namely Samrabchivit or "AIA for Life" and Loan Repayment Insurance were launched during the year which generated an encouraging annualised new premium totalling USD1.4 million in 2017.

Tapping on Campu Bank's customer base, Campu Lonpac Insurance Plc reported a 11.4% growth in profit before tax to USD1.5 million in 2017.

Anticipated Risks and Prospects

The economy in Cambodia is expected to grow at a steady pace, benefiting from a stable macroeconomic environment and adoption of business-friendly investment policies by the government. The economic outlook is positive, driven mainly by resilient key economic sectors namely the construction, garment, agriculture and tourism sectors. However, increases in minimum wage, especially in the garment sector could erode the country's competitiveness whilst escalating political tension in the run-up to general elections in 2018 could pose uncertainty to the business environment. On the banking front, continued intense competition could add further pressure to thinning net interest margins.

In the face of market uncertainties, Campu Bank will continue to build on its strength and make concerted efforts to grow its lending to the retail and commercial segments, expand its branch network and invest in technology to further improve service delivery. At the same time, Campu Bank will continue to maintain prudent credit risk management in order to sustain its healthy asset quality.

VIETNAM

At a Glance

VIETNAM
13 BRANCHES
2016: 7 BRANCHES

PROFIT BEFORE TAX	GROSS LOANS, ADVANCES AND FINANCING	DEPOSITS FROM CUSTOMERS	GROSS IMPAIRED LOANS RATIO
VND254.26 Bil	VND8,979.36 Bil	VND7,956.49 Bil	1.8%
↑ 21.4%	↑ 21.7%	↑ 5.6%	2016: 2.2%

Since the transformation of Public Bank Vietnam Limited ("PBVN") from a joint venture bank to a 100% foreign-owned bank in Vietnam in April 2016, the Public Bank Group has further expanded its business in Vietnam by opening six new branches in 2017. To date, PBVN has 13 branches and is planning to open more branches in 2018.

Performance Review

In 2017, PBVN continued to experience robust growth in tandem with the uptick in the country's economic growth coupled with the Group's proactive growth strategies subsequent to its full acquisition in 2016. PBVN delivered another sterling financial performance, registering an increase of 21.4% in profit before tax to VND254.26 billion in 2017 as compared to VND209.38 billion in 2016. Gross loans, advances and financing grew by 21.7% to VND8,979.36 billion as at the end of 2017 from VND7,377.23 billion as at the end of 2016. Despite the challenging deposits market, PBVN's customer deposits achieved an increase of 5.6% or VND420.00 billion from VND7,536.49 billion as at the end of 2016 to VND7,956.49 billion as at the end of 2017. As a result of prudent credit risk management, PBVN's gross impaired loans ratio further improved from 2.2% as at the end of 2016 to 1.8% as at the end of 2017.

BUSINESS OPERATIONS REVIEW

INTERNATIONAL OPERATIONS

Anticipated Risks and Prospects

Buoyed by a strong macroeconomic environment, Vietnam is expected to continue experiencing high demand for credit despite the challenging deposits market in the short to medium term. Against this backdrop, net interest margins will likely decline further due to intense competition. Whilst the banking sector will remain competitive, PBVN is fully committed to expand its operations in Vietnam with the opening of new branches and offering of new products and services.

LAOS OPERATIONS

The global economic uncertainties have caused a negative impact to the local business environment in Laos. Due to the challenging operating environment, Public Bank's Laos operations recorded a lower pre-tax profit of USD0.1 million in 2017 from USD8.0 million in 2016 mainly due to higher loan provisioning for a few borrowers affected by the economic slowdown in Laos. Total loans and advances stood at USD196.9 million as at the end of 2017. Customer deposits of Public Bank's Laos operations declined by 28.9% from USD158.2 million as at the end of 2016 to USD112.5 million as at the end of 2017 due to tight market liquidity conditions. Public Bank currently has four branches in Laos.

SRI LANKA

The Public Bank's operations in Sri Lanka achieved improved financial performance in tandem with the stronger macroeconomic conditions in the country. Public Bank's Sri Lanka operations recorded a 33.4% increase in profit before tax to LKR361.9 million in 2017 as compared to LKR271.2 million reported in 2016. Total customer deposits recorded commendable growth of 34.2% to LKR2.08 billion as at the end of 2017 from LKR1.55 billion as at the end of 2016. Meanwhile, total loans and advances increased by 9.2% to LKR6.39 billion as at the end of 2017. Public Bank presently has three branches in Sri Lanka.

BUSINESS OPERATIONS REVIEW
SERVING THE CUSTOMER

MAINTAINING HIGH STANDARD OF CUSTOMER SERVICE

Customer Service Excellence Is Our Commitment

The Public Bank Group is fully aware that the bar which defines excellence in customer service delivery has steadily risen with the advent of technology over the past decade. The availability of multi delivery channels has shaped and redefined market behaviour as well as expectations of customers. Hence, Public Bank continuously strives to create value through better services, processes and facilities in order to deliver superior banking experience for customers. Consistency in delivering excellent customer service is an integral part of the Group's business strategy and has long been embedded in the Group's customer care culture. Maintaining high standards of customer service delivery to customers and anticipating as well as exceeding customer expectations are the cornerstones of the Group's continued business growth and success. The Group's corporate tagline "Excellence Is Our Commitment" reflects the commitment of the Group's management and staff to sustain high customer satisfaction.

Public Bank is well recognised for the quality and efficiency of its service delivery. This commitment is inculcated into the Bank's work culture through various programmes which are designed to embed a service-oriented culture amongst the work force. Public Bank's Customer Service Charter has also been established to promote desired customer centric behaviour in staff and provides standards of service which guides the Bank's staff to deliver customer service effectively and efficiently. Many of these standards involve quantitative measures and turnaround time to provide a particular service and banking transaction to customers.

Standard Waiting Time

Public Bank is committed to continuously improve its performance and efficiency in service delivery at the branch counters. Although the minimum industry standard is set at a 10-minute waiting time, the Bank has set a higher standard that 80% of its customers are to be served within a 2-minute Standard Waiting Time ("SWT"). Under the "Provision of Customer Service at the Front Office" processes, the quantitative benchmark of a 2-minute SWT at branch counters is set and is regularly monitored via the Bank's quality management tools. In 2017, close to 70% of frontline customers were served within the 2-minute SWT. For the 3-minute and 5-minute SWT, the Bank achieved a higher conformance level of 75% and 82% respectively.

Service Ambassadors

Service Ambassadors ("SA") are present at branches to assist customers and help them familiarise with the range of services offered at self service banking channels and over the counters. Their experience and insights on customers' needs and expectations enable Public Bank to obtain feedback on the quality of services delivered and identify areas for further improvement.

Uninterrupted Banking Services

Public Bank has in place a Business Continuity Plan ("BCP") to ensure uninterrupted delivery of banking services in the event of disasters occurring. The BCP is tested regularly throughout the year by critical business units to ensure its effectiveness and robustness. The results of these tests are reviewed for further improvement to ensure that an effective, fit-for-purpose and sustainable BCP is in place.

SIRIM Certification

The Public Bank Group's unwavering commitment to continuously provide quality and efficient customer service is evidenced by Public Bank's reaffirmation of ISO 9001 Standard Certification by SIRIM for the "Provision of Customer Service at the Front Office" and "Provision of Customer Service in Loan Delivery" in 2017.

Prompt Complaint Resolution System

Public Bank places great importance on addressing customer complaints and responding to their feedback promptly. The Bank strives to ensure that all feedback and complaints received are responded to and resolved within its quantitative benchmark of 10 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATIONS REVIEW

SERVING THE CUSTOMER

Customer Service Focus Group

The Public Bank Group implemented the Customer Service Focus Group ("CSFG"), a customer service initiative centred on improving customer relations, at all the branches to collect customer feedback. Feedback received form the basis of performance measurement and helps the Bank to identify areas for improving service efficiency and service quality.

In 2017, the results of all the activities implemented have shown a reduction of customer complaints from 305 in 2016 to 233 in 2017 and a drop of the complaint to compliment ratio of 44 to 1 from 53 to 1 in the preceding year.

Special Care Counters for Customers

Public Bank provides Special Care Counters at its branches for the elderly, handicapped and expectant mothers. Priority and prompt services are provided to these group of customers regardless of the nature of banking transactions performed.

Standard Turnaround Time

Public Bank implemented the standard turnaround time to ensure fast response time to serve customers in their loan applications. The Bank's achievement of the internationally recognised ISO 9001 Standard Certification for the "Provision of Customer Service in Loan Delivery" since 2002 is a testimony of the Bank's strong commitment to excellent loan service delivery. The Bank has also put in place standard operating procedures, conducted continuous process improvement and ensured compliance with standard turnaround time from loan origination to loan disbursement to achieve an efficient loan delivery process.

Customer Feedback Survey

Public Bank continuously strives to improve the quality and efficiency of its service delivery which is vital towards building brand loyalty and customer retention. From customer feedback surveys conducted in 2017, the Bank was able to maintain high ratings in customer satisfaction in two areas of service delivery. 93% of customers served rated their experience at frontline counters as "excellent" and "good" while 94% of customers served rated the Bank's loan delivery services as "exceeded expectation" and "within expectation".

BUSINESS OPERATIONS REVIEW
CHANNEL MANAGEMENT

SELF SERVICE TERMINALS



2,107

2016: 2,059

INTERNET AND MOBILE BANKING

PBe

PB engage

PB enterprise

INTERNET BANKING PBe GROWTH

NEW USERS ▲ 26.8%

ACTIVE USERS ▲ 22.9%

FINANCIAL TRANSACTIONS ▲ 31.6%

MOBILE BANKING PB engage GROWTH

NEW USERS ▲ 53.5%

ACTIVE USERS ▲ 46.4%

FINANCIAL TRANSACTIONS ▲ 49.9%

The Public Bank Group reaches out to its customers via its distribution network of branches and a comprehensive range of digital channels which include self service terminals, internet and mobile banking as well as social media.

SELF SERVICE BANKING

As at the end of 2017, Public Bank has 2,107 self service terminals comprising of Automated Teller Machines, Cash Deposit Machines, Cash Recycling Machines, Coin Deposit Machines and Cheque Deposit Machines which are deployed in various off-branch and in-branch locations nationwide. The Bank continues to invest in its self service banking infrastructure to provide customers with easy and convenient access to banking services.

FINTECH & DIGITAL INNOVATION

The rapid advancement in technology is changing the banking landscape. There is increasing competition from Financial Technology ("FinTech") companies operating in the traditional banking space. Whilst FinTech would likely create more digital disruption in the market place, nonetheless there is also huge potential to reap benefits from embracing digital technologies across all aspects of banking to enhance customer engagement, improve agility and streamline operations.

In 2016, Bank Negara Malaysia ("BNM") introduced the Financial Technology Regulatory Sandbox Framework in a bid to accelerate innovation and adoption of FinTech. The Sandbox Framework encourages banks to experiment with promising innovation in a controlled environment in order to accelerate the development of digital innovation within the banking sector in Malaysia. In response to BNM's initiative, Public Bank has adopted an Enterprise-wide FinTech Strategy in 2017. The Bank's Enterprise-wide FinTech Strategy promotes the adoption of FinTech in the Bank's products and services, supporting infrastructure as well as digital channels. The Bank's digital channels – PBe and PB engage – will continue to be the flagship touch point to spearhead the Bank's digital transformation.

In July 2017, a new unit known as the FinTech and Digital Innovation unit was set up and marked Public Bank's first step towards FinTech adoption. The FinTech and Digital Innovation unit has been tasked to identify potential areas for improvement and new revenue generation avenues by leveraging on, amongst others, Big Data and Analytics, e-Know-Your-Customer, Open Application Programming Interface, Artificial Intelligence and Distributed Ledger Technology. In addition, the FinTech and Digital Innovation unit will drive and coordinate the Bank's overall digital strategy and roadmap to pave the Bank's way forward in digital innovation. Since its inception, discussions have been initiated with more than 60 aspiring FinTech companies. During the year, the Public Bank Group collaborated with Ant Financial Services Group, an affiliate company of Alibaba Group to launch a mobile wallet service.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATIONS REVIEW

CHANNEL MANAGEMENT

INTERNET BANKING AND MOBILE BANKING

In 2017, Public Bank's effort to promote online banking and to grow PBe's customer base showed promising results as the Bank maintained a steady growth of 26.8% and 53.5% newly registered PBe and PB engage users respectively. During the year, the number of active PBe and PB engage users also increased by 22.9% and 46.4% respectively. The number of internet and mobile banking transactions also increased at a commendable rate of 31.6% and 49.9% respectively in 2017.

During the year, Public Bank has revamped its online banking portal for business enterprises and rolled out the brand new PB enterprise which incorporates enhanced cash management features such as higher transaction limit, improved bulk payment service and an updated layout for superior user experience with easy navigational tools.

To facilitate customers to give cash gifts through mobile fund transfers during festive occasions, the Bank further expanded the "PB eGift" feature from PBe internet banking to PB engage. As a result of these initiatives, the number of downloads for PB engage increased by 23.8% in 2017.

Public Bank will be revamping the PB engage in order to further improve the mobile app in terms of usability, features and design. Going forward, the Bank will strive to maximise the use of technology to deploy new digital solutions in mobile banking. Given how indispensable smartphones have become to customers, it is important that banking and payment experiences be customised to their mobile-reliant lifestyle.

Promotional campaigns

In support of BNM's initiative to reduce cheque issuances and in anticipation of the high cash and cheque volume during the Chinese New Year period, Public Bank launched the "Enjoy Zero Fee" Campaign. During the campaign, service fee for Interbank GIRO and Instant Transfer via PBe and PB engage was waived. The campaign was well received and saw a 49.5% and 44.0% surge in transaction volume and transaction value.

Public Bank also rolled out the "PB eFD" Campaign to promote online placement of deposits. The campaign drew a total of RM141.3 million placements during the campaign period. Due to the overwhelming response, the campaign was further extended to 28 February 2018.

To promote greater adoption of e-payments, Public Bank participated in PayNet's "Zero Fee" Campaign whereby service fee for Instant Transfer payments for credit card and loan repayments were waived during the campaign period.

ONLINE SECURITY

Public Bank continues to ensure its customers perform online banking in a safe and secure environment. Additional fraud monitoring rules have been deployed in the Fraud Management System during the year, which have effectively detected 90.5% of confirmed fraud transactions. The Fraud Management System is envisaged to become even more effective and accurate in detecting and preventing suspicious and fraudulent online activities moving forward.

Public Bank is mindful of the rise in cyber threats and actively initiates and roll out online security measures to monitor and counter any fraud threats. The Bank continues to provide information on cyber threats and promote cyber security awareness among its customers through the Bank's website, email and SMS messages.

ANTICIPATED RISKS

The digital disruptions in the market place have witnessed changing customer behaviour and emerging digital trends. Technological advancement has changed the way customers interact with banks and carry out their financial transactions as well as expectation of how financial services are delivered to them. With multiple digital options, customers are increasingly less likely to go into physical branches for their banking needs. Hence, looking ahead, banks will continue to invest in technology enablers in order to ensure their continued relevance and uniqueness.

The advancement of technology and digitalisation have also led to new emerging digital trends. Trends in the banking industry increasingly point towards utilisation of data and advanced analytics for customisation of digital solutions to meet the needs of customers and regulatory compliance. Hence, banks are under increasing pressure to find technological solutions and develop digital strategy to remain nimble, maintain agility and ensure compliance.

PROSPECTS

Public Bank will continue to invest in technology to adapt to changing customer behaviour and further improve customer experience. The Bank is committed and focused to adopt digital transformation strategies in order to uncover growth opportunities and provide customers with more integrated services. Given the changing banking landscape, a key focus would be on increasing effort to elevate the Bank's products and services offerings on its digital banking platform. There are ongoing efforts to enhance user interface and deliver innovative functionalities to further improve customer experience. In addition, the Bank will continue to engage FinTechs and technology players to create new sources of competitive advantage through innovation and technology.

BUSINESS OPERATIONS REVIEW
INFORMATION & COMMUNICATION TECHNOLOGY

In a growing digital landscape, Information and Communication Technology ("ICT") plays a vital role to sustain business growth particularly given emerging competition from Financial Technology ("FinTech") start-ups. The use of the latest technologies, analytics and automation have enabled products and services which are attuned to customer demands to be delivered efficiently, reliably and securely while enabling risks to be managed prudently in compliance with statutory and regulatory mandates.

ICT FOCUS IN 2017

EXPANDING DIGITAL PRODUCT AND SERVICE OFFERINGS

- Cash Management Solution
- Enhanced Digital Payment Channels
- FinTech Enablement

MAINTAINING A RESILIENT INFRASTRUCTURE

- Latest Generation of Mainframe
- High-Speed All-Flash Storage
- Fibre-Optic Network Upgrade

RAISING PRODUCTIVITY AND COST EFFICIENCY

- Back-Office Digital Transformation
- ICT Resource Optimisation

MANAGING RISK AND ENSURING COMPLIANCE

- New Assets and Liabilities Management System
- Expert Credit Risk Scorecards
- Regulatory Compliance

ENHANCING CYBER RESILIENCE

- Cyber Resilience Framework
- Extreme Scenario Risk Assessment
- Adaptive Step-Up Authentication

ACCELERATING ICT FOR REGIONAL SUBSIDIARIES

- New Retail Banking Platform for Laos Operations
- Phase 2 Mobile Banking in Cambodia
- Data Analytics for Compliance

EXPANDING DIGITAL PRODUCT AND SERVICE OFFERINGS

As part of the Public Bank Group's initiative to grow its range of fee based income product offerings, a new Cash Management Solution and several new payment channels were launched.

Cash Management Solution

The brand new Cash Management Solution ("CMS") provides corporate customers with greater flexibility, faster turnaround and improved financial visibility. Designed using the latest digital technologies and with straight-through work processes streamlined from the onset, the CMS will be expanded in the future to provide a comprehensive range of services which includes liquidity management, trade finance and investment.

Enhanced Digital Payment Channels

In collaboration with FinTech partners, several new payment channels were launched to enhance digital experience and simplify banking for customers. These include the popular SamsungPay and AliPay mobile wallets and cashless parking fee payment using contactless credit or debit cards.

FinTech Enablement

The Public Bank Group has been actively involved in FinTech forums and industry focus groups to explore opportunities to collaborate in promising ventures that will drive business growth. In order to simplify accessibility and facilitate future provision of micro services, a flexible middleware architecture is used to enable fast-track integration of banking services into FinTech solutions.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OPERATIONS REVIEW

INFORMATION & COMMUNICATION TECHNOLOGY

MAINTAINING A RESILIENT INFRASTRUCTURE

The ICT infrastructure was upgraded during the year to cater for business growth and to boost system resilience. In addition, system capacity was increased and the latest hardware technology was deployed to improve system performance.

Latest Generation of Mainframe

Public Bank's existing retail banking mainframes were replaced with the latest IBM z14 mainframes, the first to be installed in the ASEAN region, which have 70% more memory capacity and feature redundant array of independent memory technology for high availability and solid reliability. The new machines also offer pervasive encryption in the mainframe for increased security.

High-Speed All-Flash Storage

In tandem with the mainframe upgrade, an IBM Flash Storage was commissioned. The new all-flash storage provides over 45% more capacity, four times the input-output ("I/O") throughput and improved mainframe integration. The overall batch processing time showed a 30% improvement while I/O response times improved by over 70%.

Fibre-Optic Network Upgrade

The fibre-optic link used for transferring data from the data centre to the backup site for disaster recovery was also upgraded to triple its previous capacity to keep data replication at near real-time and ensure that short recovery times are maintained.

RAISING PRODUCTIVITY AND COST EFFICIENCY

During the year, continuous efforts were made to further improve operational and cost efficiency. More routine back-office processes were examined, streamlined and automated with straight-through processing to eliminate human errors, improve turnaround time and data quality.

Back-Office Digital Transformation

Back-office processes were automated to improve productivity and enhance compliance control such as branches' end-of-day balancing tasks and loan review application which were migrated to Microsoft dotNet platform.

ICT Resource Optimisation

Application fine-tuning and offloading less critical workloads have contributed approximately RM13 million savings in software licensing costs for core business functions. The rationalising of broadband capacity and restructuring of network subscriptions as well as consolidation of hardware and software resources have also resulted in further savings.

MANAGING RISK AND ENSURING COMPLIANCE

The introduction of new systems that employ predictive analytics and incorporate knowhow from reputable subject matter experts have further strengthened risk management and ensure compliance with regulatory requirements.

New Assets and Liabilities Management ("ALM") System

With the implementation of a new ALM system, the Public Bank Group is able to fully optimise its fund transfer pricing practices, evaluate the impact of market and liquidity risks with more granularity and enhance the current internal reporting as well as Basel III regulatory reporting.

Expert Credit Risk Scorecards

Scorecards for corporate as well as small and medium enterprise customers were sourced from two highly reputable data analytics firms and were integrated into existing loans origination and review systems of the Public Bank Group nationwide.

Regulatory Compliance

In 2017, system changes for several regulatory and statutory compliances were completed including the Malaysian Financial Reporting Standards 9 and the External Sector Statistics Data Submission System for reporting cross-border transactions and capital flows.

ENHANCING CYBER RESILIENCE

As part of the Public Bank Group's pre-emptive and preventive effort to counter emerging global cyber threats, the Group has proactively strengthened its security resilience and upgraded its security infrastructure.

Cyber Resilience Framework

A cyber resilience framework has been developed to complement existing corporate information security policies and ensure continuous cyber-security preparedness throughout the Public Bank Group. The new framework adopts security-by-design best practices and "safe to fail" principles aimed at minimising the impact of a security breach from the onset.

Extreme Scenario Risk Assessment

An extreme scenario risk assessment on the SWIFT payment infrastructure was conducted to determine plausible attack scenarios and measure the severity of each scenario. The findings were used to validate the adequacy of existing mitigation measures and address any shortcomings by reinforcing existing cyber defences.

Adaptive Step-Up Authentication

Advanced analytics introduced in the latest behavioural fraud monitoring system for internet and mobile banking had enabled adaptive authentication methods to be implemented based on risk profiles which have been built over time. This ensures customer experience is unaffected as step-up authentication is only invoked to reaffirm the identity of the customer when required and alerts are raised when suspicious activities are detected.

ACCELERATING ICT FOR REGIONAL SUBSIDIARIES

The ICT infrastructure at regional subsidiaries were further developed in 2017.

New Retail Banking Platform for Laos Operations

A new retail banking system was deployed for Laos Operations to improve service delivery and introduce thumbprint verification, twenty-four hours banking and internet banking services. New features such as money market and trade finance module have also been introduced in the platform.

Phase 2 Mobile Banking in Cambodia

Following the launch of its mobile banking services in 2016, Cambodian Public Bank Plc introduced a host of new features including the use of geolocation and augmented reality to guide users to branches and sales promotion sites. Other new functions include credit cards and loans payment, bills payment, pre-paid top-ups and fixed deposits placements.

Data Analytics for Compliance

Data analytics was introduced to facilitate regulatory reporting in regional subsidiaries. Big data repositories have also been built or are in the process of being readied for the purpose of analytics modelling. In addition to preparing various reports for local and international regulatory compliances, analytics is also used for online detection of suspicious activities; in particular, violations of the Anti-Money Laundering Act by persons blacklisted in international watchlists.

BUSINESS OPERATIONS REVIEW
BRANCH PERFORMANCE – KPIs AND AWARDS

BRANCH KEY PERFORMANCE INDICES

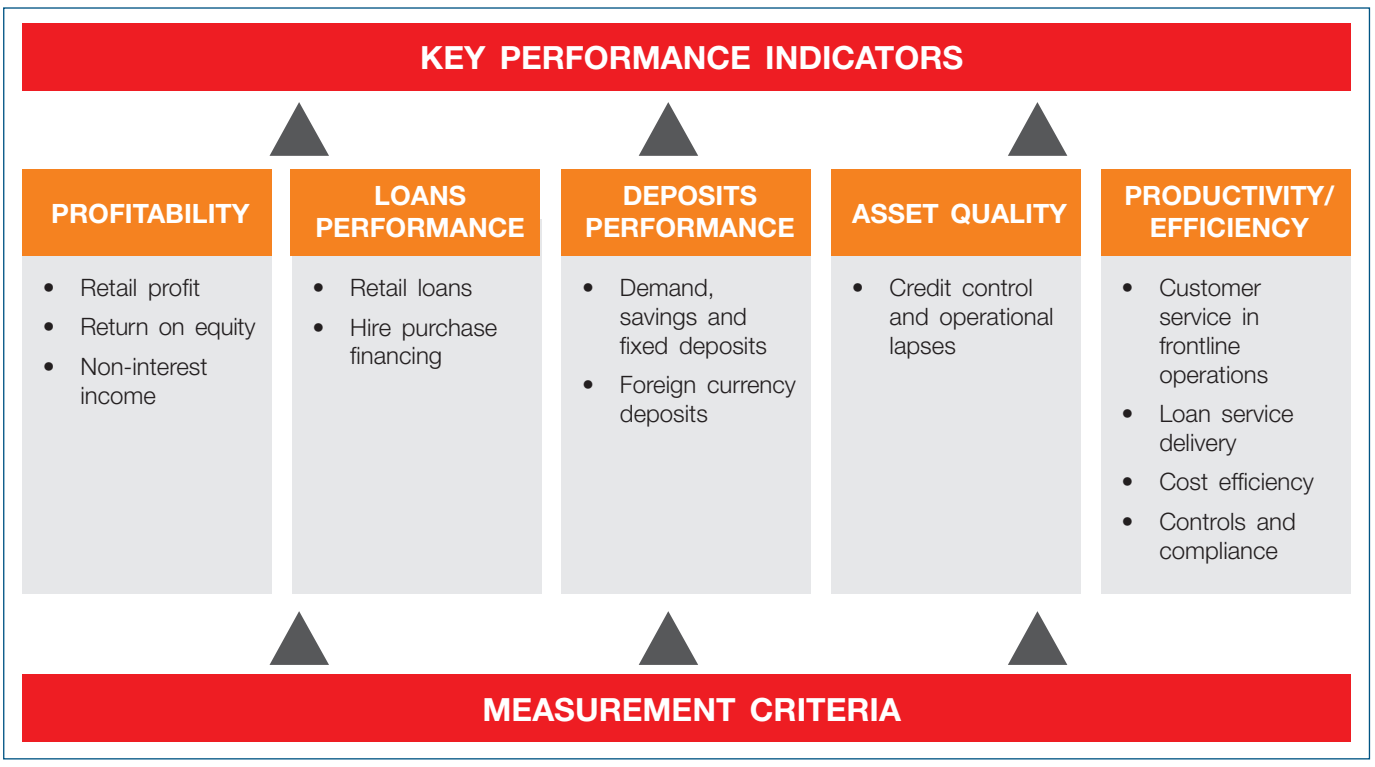
Public Bank assesses the performance of its branches with the use of Key Performance Indices ("KPIs"). Besides using the KPIs to drive and evaluate the performance of branches, these KPIs also provide a basis for appraising and rewarding branch managers and other key management and supervisory staff at branches. Key performance factors which are crucial in determining branch performance such as profitability, loans and deposits growth, asset quality, service delivery, control and compliance as well as staff productivity and efficiency are incorporated in these KPIs.

Public Bank's Approach

Each year, Public Bank reviews the KPIs and incorporates changes to align the KPIs to the current operating environment and business strategies of the Bank. The performance and ranking of the branches are disseminated on a monthly basis to enable branches to benchmark against their peers so that they can take necessary actions to improve their performance.

Public Bank's Measurement Criteria

The KPIs for the evaluation of branches, branch managers and supervisory staff of branches are set out below:



Branch Performance Awards

Public Bank awards its top performing domestic branches and overseas business units annually. The Branch Performance Awards which carry attractive monetary prizes inspire branches to achieve outstanding performance in key performance areas.

The various categories of the Branch Performance Awards are as follows:

- The Founder and Chairman Award for the Overall Best Domestic Branch
- Best Branch Awards for domestic and overseas branches; and
- Special Awards for specific areas of business performance, branch management and service quality.

Branches are assessed based on very stringent criteria covering key areas of business performance, loan asset quality, risk management, cost efficiency and customer service delivery. They are segregated into six groups based on branch size and rated against their respective peer groups.

The Winners

In 2017, 103 awards with cash prizes exceeding RM1.0 million were awarded to the winners of the Branch Performance Awards.

The winners of the Best Branch Awards for 2017 were as follows:

Domestic Branches

Group 1	Taman Johor Jaya Branch
Group 2	Li Hua Branch
Group 3	Stutong Branch
Group 4	Sutera Utama Branch
Group 5	Kapar Branch
Group 6	Bandar Mahkota Cheras Branch

Overseas Business Units

Public Bank (Hong Kong) Limited	Kwun Tong Branch
Public Finance Limited	Tsuen Wan Branch
Cambodian Public Bank	Phnom Penh Main Branch
Public Bank Vietnam	Cholon Branch
Sri Lanka Operations	Nawala Branch

Founder and Chairman Award	Taman Johor Jaya Branch

The Founder and Chairman's Award which comes with a cash prize of RM50,000 and a gold crafted challenge trophy was awarded to Taman Johor Jaya Branch in 2017.

OUTLOOK FOR 2018

EXPECTATIONS AND OPPORTUNITIES

Global economic expansion is expected to continue in 2018, driven by accommodative policies, positive sentiments across major economies, encouraging macro economic indicators and a broadly stable risk environment. The accommodative policies in the United States, recovery in the euro area and ongoing growth-focused policies in China are expected to be supportive of global growth. Meanwhile, emerging economies will potentially benefit from sustained domestic activities and implementation of accommodative policies.

The Malaysian economy is expected to remain strong with estimated Gross Domestic Product growth of between 5.0% and 5.5% in 2018, supported by domestic demand. The external sector will also provide impetus to the economy, driven by improvement in global growth while the domestic economy will remain supported by accommodative macro policies and stable employment market.

The Malaysian financial system remains well-capitalised, sustaining resilience in both liquidity and asset quality. The banking sector will continue to ride on opportunities within the domestic market, including prospects of income growth and healthy labour market which remain supportive of private consumption and credit expansion.

In 2017, the domestic economic growth has been mainly supported by the private sector. The export segment had also benefited from global growth and the weak ringgit. Amidst this backdrop, the banking system is expected to remain supported by domestic economic activities, strong capitalisation, stable funding and liquidity positions as well as sustained profitability.

The businesses in Malaysia will continue to emphasise on operational efficiencies to deliver superior financial performance, including implementing effective cost control and balance sheet management. Similarly, banks are anticipated to remain prudent in cost management whilst maintaining balance sheet efficiencies, driving market share by offering competitive pricing and attractive terms as well as innovative product features.

STRATEGIES AND DIRECTIONS

The Public Bank Group will continue to build on its strengths to further develop its business and sustain its market position. The Group will continue to focus on sustaining its operational excellence and efficiency, adopt prudent and responsible financing practices, while upholding strong corporate governance and compliance culture as well as sound risk management practices.

The Public Bank Group expects to maintain its leading market position in the domestic retail business by pursuing its long term strategy of organic growth. To grow its lending business, the Group will continue to provide financing for the purchase of residential properties, commercial properties, passenger vehicles as well as financing to the small and medium enterprises ("SMEs").

To sustain market leadership in SME financing, the Public Bank Group will continue to tap on market opportunities by offering products and services to meet the needs of these businesses. The Group will also continue to support government initiatives under the National Transformation Programme, the Eleventh Malaysia Plan and SME Masterplan which will be beneficial for the SME segment.

The Public Bank Group aims to expand its corporate lending business by leveraging on its existing clientele with good track record and acquire targeted new corporate clients in growth and resilient sectors.

Given the challenging market environment, the Public Bank Group's treasury and capital market operations will continue to ensure that risk management and liquidity positions remain strong.

The private retail unit trust industry is expected to grow in tandem with market conditions. To maintain its strong branding and leading position in the private unit trust industry in Malaysia, the Public Bank Group will remain focused on offering relevant financial products and deliver efficient services while broadening the range of investment products to cater to the needs of various investors.

The Public Bank Group will continue to work closely with AIA Bhd. to ensure its bancassurance products remain competitive, comprehensive and relevant to customers' needs. In addition, the Group will continue to grow its fee income segment through foreign exchange related transactions and transactional banking services.

With the rapid advancement in technology in the banking space, the Public Bank Group will stay agile in response to the digital banking evolution and will further enhance its digital capabilities to better serve its customers' needs.

The Public Bank Group will continue to leverage on its strong corporate branding as a reputable, safe and efficient commercial bank while expanding its businesses organically. The Group will also capitalise on opportunities in its overseas operations to enhance the overall business growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK FOR 2018



Sustainability Statement

"THE PUBLIC BANK GROUP HAS IN PLACE A LONG-HELD CORPORATE PHILOSOPHY FOCUSING ON CREATING VALUES FOR CUSTOMERS, SHAREHOLDERS, EMPLOYEES AND THE COMMUNITY IT SERVES. THIS DRIVES THE GROUP'S DIRECTION TO ENSURE THAT, AS THE GROUP GENERATES BUSINESS VALUES, IT ALSO CREATES ECONOMIC AND SOCIAL VALUES FOR ITS STAKEHOLDERS, AND AT THE SAME TIME, CONTRIBUTES TO ENVIRONMENTAL SUSTAINABILITY."

ABOUT THE SUSTAINABILITY STATEMENT

The Public Bank Group's actions and performance in creating values in the areas of Economic, Environmental and Social ("EES") for its stakeholders are provided in this Sustainability Statement 2017. The preparation of the Sustainability Statement 2017 continued to be guided by Bursa Malaysia's Sustainability Reporting Guide. Following the publishing of the Group's first Sustainability Statement in 2016 which covered the Group's 18 sustainability matters on the EES aspects, Sustainability Statement 2017 continues to report on the progress and provide updates on the Group's performance in the 18 sustainability matters.

The Group had determined the continued importance and relevance of the 18 sustainability matters set out in Sustainability Statement 2017, after taking into account the view of stakeholders and the Group's Management. For each sustainability matter, the Group has described the measures and performance in the process of managing the sustainability matter, guided by the Group's business strategies and policies. Where possible, the Group has provided quantitative indicators to better reflect the effectiveness of the actions taken in managing the sustainability matter.

The Group recognises the growing attention given by stakeholders and the investing community on sustainable practices and EES matters of business corporations. It is to be emphasised that the Group has long incorporated sustainability matters in its business operation and has been managing these matters alongside its pursuit of business growth and value creation for stakeholders. Therefore, many sustainability matters as reported in the Sustainability Statement 2017 are not new. Going forward, the Group will continue to enhance its business operation to add further value to the stakeholders, while at the same time, to strengthen the disclosure on the manner which the Group manages and performs in the material sustainability matters, to assist stakeholders to make better-informed decisions.

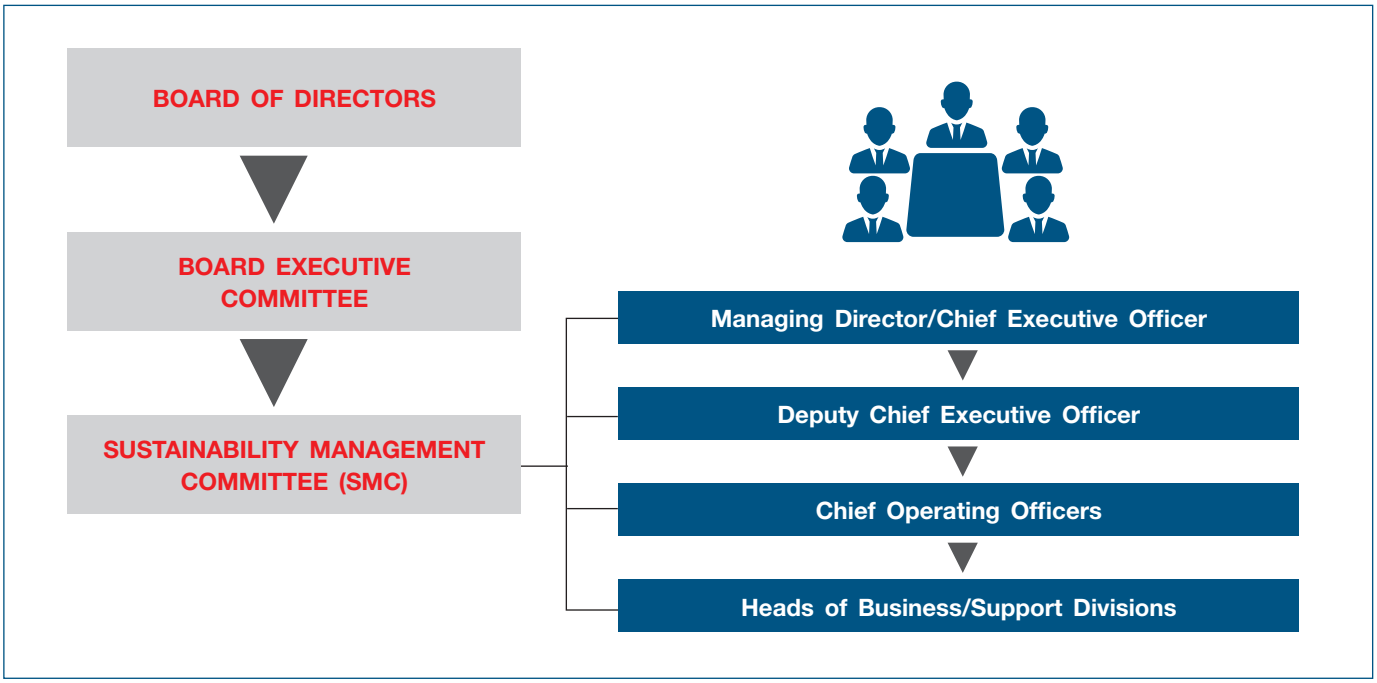
SUSTAINABILITY STATEMENT

Scope

Unless otherwise stated, Sustainability Statement 2017 covers the Public Bank Group's major business segments, namely the domestic banking operations of Public Bank and Public Islamic Bank Berhad in Malaysia for the financial year 2017.

The Group's subsidiary in Hong Kong, Public Financial Holdings Limited publishes its Environmental, Social and Governance Report in compliance with Listing Rules by Hong Kong Exchanges and Clearing Limited. The scope of the report includes Public Financial Holdings Limited and four of its subsidiaries, Public Bank (Hong Kong) Limited, Public Finance Limited, Winton Financial Limited and Public Securities Limited.

SUSTAINABILITY GOVERNANCE



At the Public Bank Group, the Board of Directors of Public Bank ("the Board") recognises that value creation for stakeholders is integral to the Group's long term sustainability. The Board is responsible for the oversight of embedding sustainability into the Group and its business strategy, and that adequate resources, systems and processes are in place for managing sustainability matters. This is also in line with the expectation outlined in the Malaysian Code of Corporate Governance.

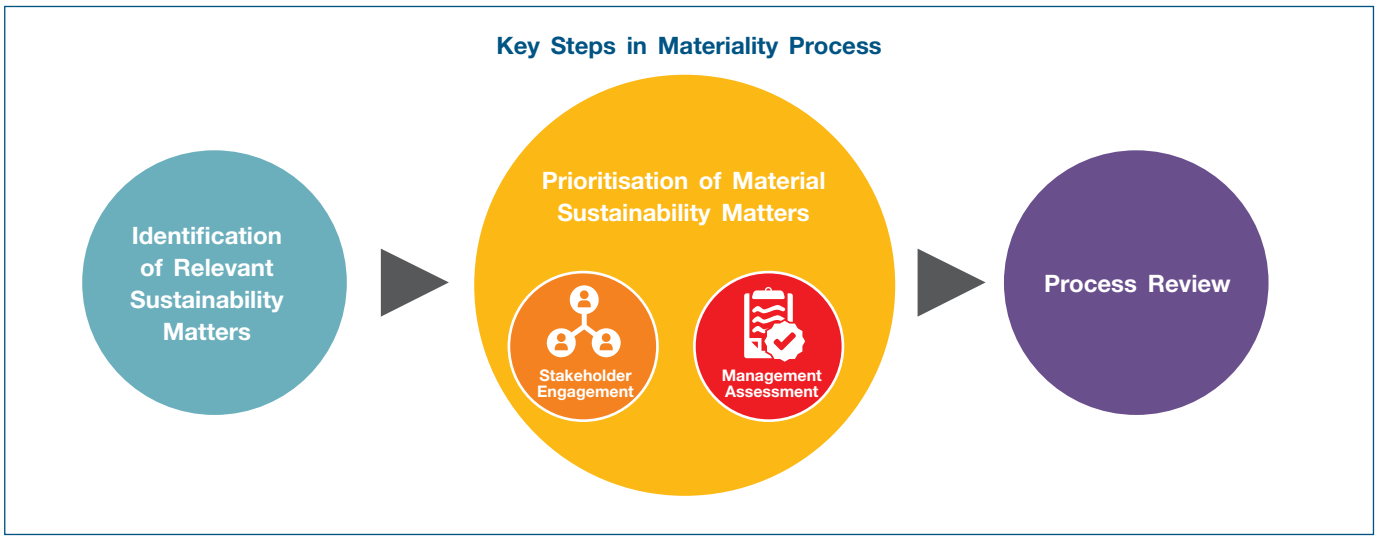
To assist the Board in driving and reporting the Group's sustainability practice, the Group had in 2016 formalised the Sustainability Management Committee ("SMC") to ensure sustainability continues to be embedded in the Group's business strategy and operation. The SMC is chaired by the Managing Director with members comprising the Senior Management and relevant Heads of Business and Support Divisions. The SMC works closely with all the Business and Support Divisions to ensure all material sustainability matters are being considered and managed throughout the Group's business operation.

SUSTAINABILITY STATEMENT

MATERIALITY PROCESS

The Public Bank Group conducts a materiality review every year to identify the sustainability matters that are important and relevant to the Group and its stakeholders. The result would help the Group to manage the material sustainability matters. In this respect, the Group has a structured approach in place to assess the materiality of the sustainability matters. Stakeholder engagement is a key process as it enables the Group to have an understanding of stakeholders' expectations and concerns on the sustainability matters.

The Group's materiality analysis comprises the following steps:





Step 1

The Public Bank Group conducted a review on the list of relevant sustainability matters from the 2016 materiality assessment. After assessing the conditions in the operating environment and the banking industry, and undertaking a screening on a broad range of references such as news, media analysis, sustainability research reports, feedback from institutional investors and international standards including the Global Reporting Initiative, the SMC concluded that the list of relevant sustainability matters identified in the 2016 materiality assessment remained valid.



Step 2





To identify the level of importance of each relevant sustainability matter to the Group and the stakeholders, the Group carried out assessments to gauge the perception of stakeholders and Public Bank Senior Management on the level of significance of each relevant sustainability matter.

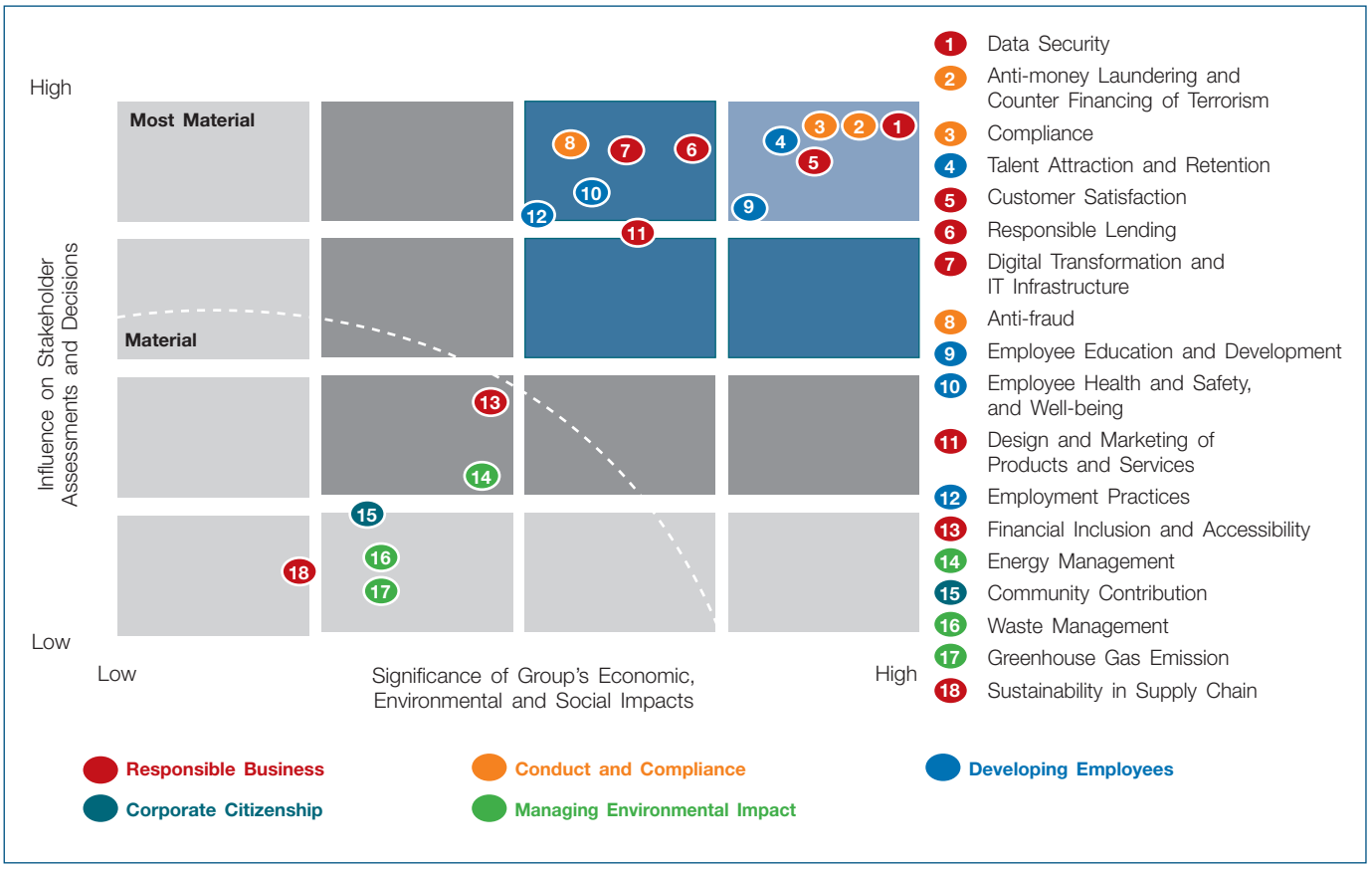
On stakeholder engagement, the Group conducted formal and informal engagements with them through a range of platforms that helped the Group to keep up to date with the concerns and issues of stakeholders. These included the following:

Stakeholder Group	Engagement Platforms	Key Issues
Employees	• Appraisal meetings • Employee engagement activities • Training programmes • Individual development plans • Public Bank intranet	• Performance and remuneration • Education and development • Employee health and safety, and well-being • Public Bank employment practice
Customers	• Branches • Customer surveys • Online and phone customer service channels • Social media	• Interest rates • Fees and charges • Access to banking products and services • Fair and ethical banking conduct • Data privacy • Customer service • Financial inclusion
Shareholders and Investors	• Investor relations channel • Investors conferences and roadshows • Annual General Meeting	• Financial performance • Business strategies and directions • Ethical business conduct • Compliance with regulations
Regulators	• Ongoing meetings • Industry forums • Submissions to authorities' inquiries • Consultation sessions	• Compliance with regulations • Responsible business conduct • Corporate culture
Rating Agencies	• Regular meetings • Analyst briefings	• Financial performance • Business strategies and directions • Good business conduct • Public Bank's response to changes in operating environment
Media	• Interviews • Annual General Meeting • Result briefings • Press release	• Business performance • Timely and transparent reporting • Ethical business conduct • Mutual relationship building
Industry Association	• Industry forums, meetings and consultation sessions	• Banking conduct and culture • Response to changes in banking operating environment

Based on the feedback from stakeholder engagement and management assessment, the Group had derived a materiality matrix of the 18 sustainability matters with different significance level to the Group and the stakeholders. The assessment showed that the materiality of the sustainability matters had remained the same as in 2016. Sustainability matters falling in the upper right quadrant are considered most material and important for the Group to manage.

SUSTAINABILITY STATEMENT

Public Bank's Materiality Matrix



Note: For more details on the categorisation of the sustainability matters, please refer to page 205.

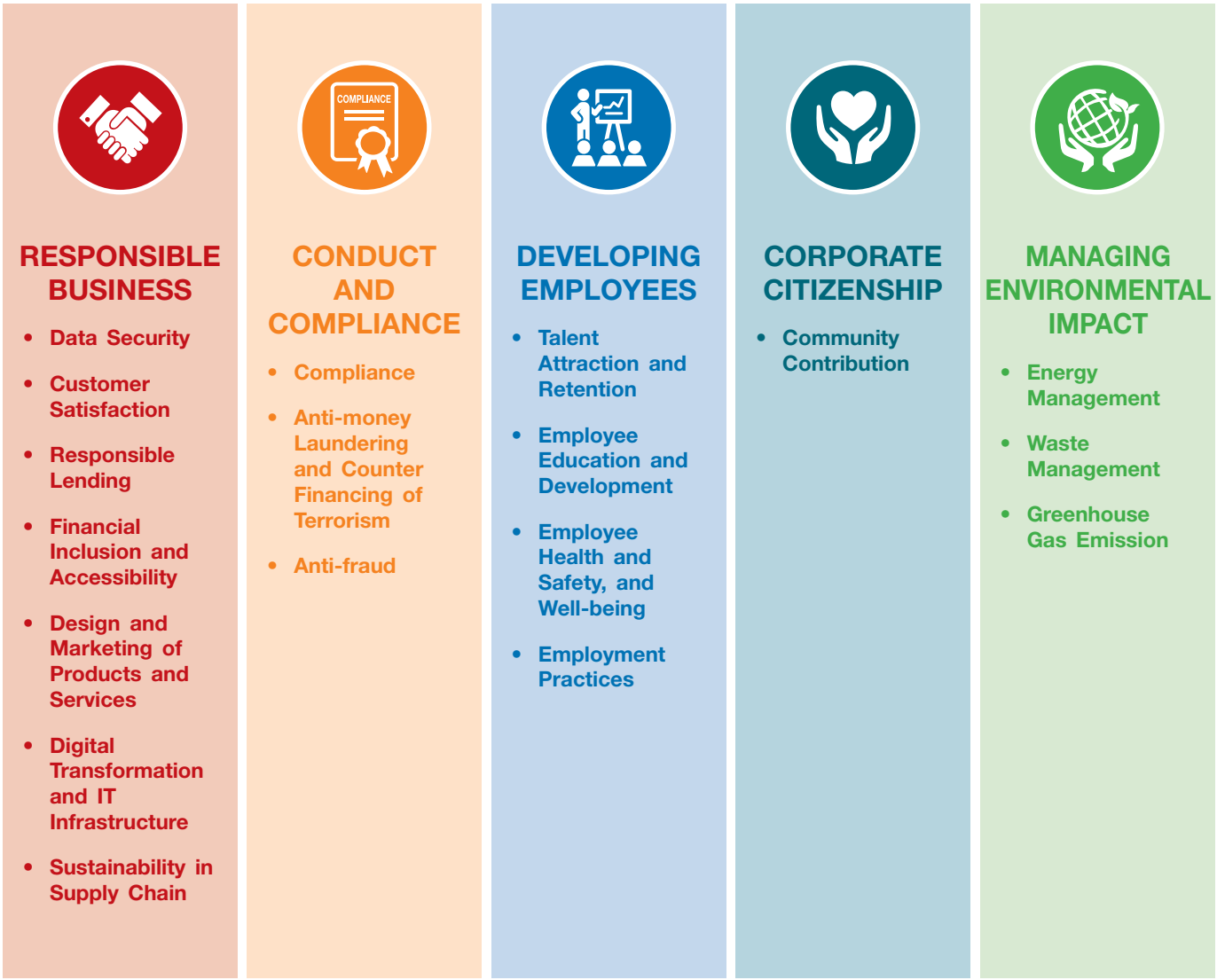
Process Review

Step 3

The SMC had reviewed the materiality process in identifying material sustainability issues of the Group, and approved the materiality matrix.

MANAGING SUSTAINABILITY MATTERS

Based on the materiality matrix derived from the result of materiality process, the Public Bank Group has categorised the 18 sustainability matters into five themes, as follows:



KEY HIGHLIGHTS 2017

CUSTOMER SATISFACTION

93% of customers rated frontline services as "Excellent" and "Good"

94% of customers rated loan delivery services as "Exceeded Expectation" and "Within Expectation"

96% of conformance level for 10 minute–Standard Waiting Time

69% of conformance level for 2 minute–Standard Waiting Time

GROSS IMPAIRED LOANS RATIO

0.5%

E-BANKING

Number of registered customers for:

PBe: ▲ **26.8%**

PB engage: ▲ **53.5%**

FINANCIAL INCLUSION

- Served **> 6 million** customers
- Granted new loans of

RM18.80 billion for **> 49,000** home purchasers

RM12.72 billion for **> 170,000** motor vehicle buyers

RM16.12 billion for **> 40,000** SMEs

COMPLAINT MANAGEMENT

100%

compliance rate on meeting the Group's 10-day internal turnaround time

WHISTLEBLOWING MECHANISM

- Reporting channels:
  - PBALERT link https://www.pbebank.com/Whistleblowing
  - Email to PBALERT@publicbank.com.my
- Available to all staff, interns, consultants, contractors, vendors, suppliers and/or customers
- Ensure confidentiality
- Effective response action

KEY HIGHLIGHTS 2017

WOMEN EMPOWERMENT

45.8%
of women in management

48.8%
of women in top management

STAFF DEVELOPMENT

32 training hours per employee

Employee participation (headcount):

- Classroom training: **41,498**
- E-learning: **132,137**

BLOOD DONATION DRIVES

> 400 donors

TALENT DEVELOPMENT

Contributed
USD1.25 million
to the Asia School of Business MBA Endowed Scholarship

TOTAL INCOME TAX PAID FOR 2017

RM1.35 billion

REDUCING ENVIRONMENTAL FOOTPRINT

- Lighting with **energy efficient LED lights**
- Running on **environmental-friendly air-conditioning system**
- Promoting **paperless banking**

GREEN BUILDING

Menara Public Bank 2

RESPONSIBLE BUSINESS

- Data Security
- Customer Satisfaction
- Responsible Lending
- Financial Inclusion and Accessibility
- Design and Marketing of Products and Services
- Digital Transformation and IT Infrastructure
- Sustainability in Supply Chain

RESPONSIBLE BUSINESS

Responsible business is an agenda of high importance to the banking industry. Sustainability in banking business is built on trust and integrity. Thus acting responsibly is a prerequisite to business sustainability. Failure to do so may be detrimental to stakeholders' interest and lead to loss of trust.

At the Public Bank Group, responsible business conduct is the core of its strategic thrust. The Group has fostered a corporate culture that is centred on the principles of fair and ethical conduct to safeguard stakeholders' interest. In this section, the Group describes its efforts and the performance measures in the seven sustainability matters, namely data security, customer satisfaction, responsible lending, financial inclusion and accessibility, design and marketing of products and services, digital transformation and Information Technology infrastructure, and sustainability in supply chain.

I. Data Security

Data security matters more today than ever. Managing data security has been a challenge and major risk in today's corporate environment. The incidents of customer data breach of late have raised grave concerns on the loopholes in security at corporates. This highlights the importance for corporations to take a more serious approach in protecting data privacy.

Being in the banking business, the Public Bank Group holds and processes a large amount of confidential and personal information of customers. The Group is responsible to protect the confidentiality and integrity of customer information. The Group is mindful that compromising on data security may cause great loss of business and reputation. On the contrary, the Group can earn trust by putting customer data protection as top priority.

The Group has a group-wide governance framework driving a holistic approach for the preservation and security of the Group's data. Top senior leadership drives improvements through various initiatives and continuous reviewing and strengthening of the Group's capabilities and privacy practices. Key initiatives in 2017 included responsible data handling, ongoing assessment of data privacy practices and coordinating communication throughout the Group.

The Public Bank Group places high priority on the principles of integrity and reliability to protect information security

Preserving Data Confidentiality as Key Risk Indicator

At the Public Bank Group, there is no room for complacency in the matter of protecting data security. The Group has made protecting data confidentiality a strategic priority of its day-to-day operation, and close monitoring and concrete prevention actions are required. Loss of confidential data is set as a Key Risk Indicator, which serves to ascertain any breaches of preservation of data confidentiality. Punitive action and corrective action plan will be taken immediately in any cases of data breach.

Banking Secrecy Framework

To foster a strong culture of data security awareness among all employees, the Public Bank Group has put in place internal policies, guidelines and procedures which provide guidance to the employees on protecting data confidentiality. These include the Information Security Policy, Corporate Information Security Management Policy, and Data Management and Statistical Reporting Framework. The Group's Code of Ethics has also clearly set out the standards expected of staff when handling data.

In 2017, the Group developed the Banking Secrecy Framework which has enhanced the processes for the management of compliance with the Group's secrecy provisions. The Framework also sets out a detailed description on governance structure, and escalation process in the event of breach of secrecy provisions. The Group will review the Framework annually or as and when necessary to ensure that it remains relevant and applicable all the times.

The Objectives of the Banking Secrecy Framework:

- *To set out the governance process*
- *To establish the internal control processes and procedures*
- *To establish the escalation process*
- *To train and educate staff*

Raising Awareness via Staff Circulars

The Public Bank Group also continued to tap on the electronic staff circular platform to strengthen staff awareness on information protection. Regular notices are circulated through this employee communication channel to keep them mindful of protecting data privacy, and also to provide employees timely information and updated guidance on security and privacy practices.

Cyber Security

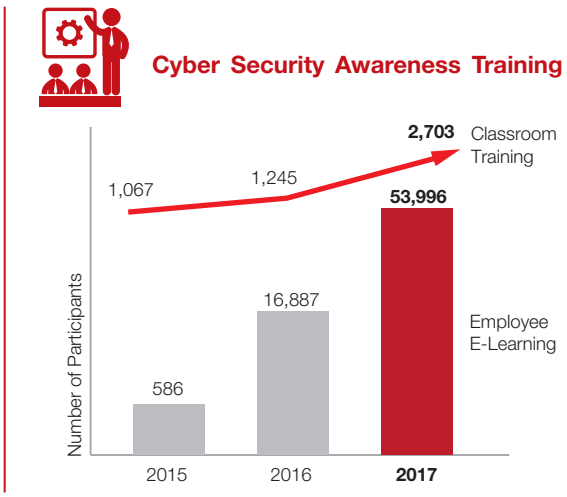
The Public Bank Group is well aware that while technology and its advancement present many opportunities, it also gives rise to the risk of cybercrime which places bank's data at risk of data breach. In 2017, the Group continued to initiate various efforts to reinforce data security across the Group. Among the initiatives was the introduction of Cyber Resilience Framework which sets out the guidance for employees to strengthen cyber security. In addition, it has been the Group's ongoing practice to engage the services of Information Technology consultants to conduct independent security assessment of Public Bank, which is benchmarked against international standards. The Group has also widened its collaboration with international security vendors to provide latest updates and alerts on cyber threats.

During the year, the Group had intensified cyber security awareness training to the employees, with a significant increase in the number of employees participating in cyber awareness training programmes.

Engaging customers on the latest cyber threats and methods to identify data theft is also an effective measure taken by the Group to raise customer awareness on the issue. While it helps to keep customers up to date with the latest security measures that the Group has undertaken, it also helps to increase their awareness and knowledge to prevent customers from falling for scams.

Training and Awareness Programme

Employee training is essential in protecting data confidentiality. To keep employees up to date with the Public Bank Group's policies and best practices concerning information protection, the Group ensures employees are trained and informed of the latest development in data security. The Group makes such training sessions mandatory for employees through a series of e-learning courses and classroom training throughout the year. Furthermore, the Group also conducts on-site briefing and inspections by compliance personnel and internal auditors to raise awareness among branches.



II. Customer Satisfaction

The Public Bank Group serves a large diverse base of satisfied customers. The Group's approach to meeting customer satisfaction is driven by one core objective – serving our customers well. Various initiatives have been drawn up and are ongoing to enhance as well as measure the level of customer satisfaction.

Customer Service Charter

The Charter sets out four pillars building on the core values of:

- *Know your customer*
- *Timely and efficient service*
- *Transparent and personal service*
- *Banking made accessible*

Employees in the Public Bank Group are guided by Public Bank's Customer Service Charter which sets out the standard of service that employees should strive for in serving the customers. It also outlines the Group's internal standard, set in quantitative terms, for delivering service to customers.

It is to be emphasised that the Group has set a more stringent standard in customer service delivery as compared to the minimum industry standard. These include customer waiting time, account application turnaround time and turnaround time in addressing a customer complaint. The Group's Customer Service Charter is made known to the customers through display at branch banking halls and on the Group's corporate website.

ISO 9001 Standard Certification

The Public Bank Group takes pride that its continuous enhancements and execution of customer service delivery have enabled the Group to consistently maintain the ISO 9001 certification. For frontline service, the Group had established the "Provision of Customer Service at the Front Office" in 2000, and has been upholding the bank-wide ISO 9001 certification for 17 years since its implementation. For its loan delivery service, the Group's ongoing efforts to ensure efficient and effective loan processing turnaround time has enabled the Group to hold bank-wide ISO certification for its "Provision of Customer Service in Loan Delivery" for 15 years since its establishment in 2002.

Queue Management System

The Public Bank Group's Queue Management System ("QMS") serves as a standard and guide for frontline staff in serving customers waiting in line at frontline counters of banking halls. In meeting the minimum industry standard for 80% of customers to be served within a 10-minute waiting time, the Group has consistently achieved the target set, with a high conformance level of 96% in 2017.

Nevertheless, the Group has always strived to exceed expectation. Although the minimum industry standard is set for a 10-minute waiting time, the Group has an additional higher standard that 80% of its customers are to be served within a 2-minute waiting time. This standard of 2-minute waiting time has long been put in place by the Group since 2001, even before the introduction of the minimum industry standard.

In 2017, the Group achieved close to 70% conformance level in meeting the Group's higher standard of 2-minute standard waiting time. For the 3-minute and 5-minute waiting time, the Group achieved a higher conformance level of 75% and 82% respectively.

As part of ongoing efforts to further improve its service level to customers at the frontline counters, the Group appointed Customer Service Ambassadors to assist customers to utilise self service machines to make their banking transactions more efficient. Also, to enhance the speed of service and waiting time of customers at the frontline counters, the Group has migrated transactions of cash deposit and withdrawal of RM5,000 and below by customers to self service machines. The measure became effective across all branches in Malaysia from September 2017.

Customer Feedback Survey

The Public Bank Group measures customer satisfaction to gauge whether its services are meeting the needs and expectations of customers.

For customer service at frontline counters and loans delivery, the Group was able to maintain a high rating for customer satisfaction, with 93% of customers rating their experience in the frontline counters "excellent" and "good", while 94% of customers rated the Public Bank's loan service delivery as "exceeded expectation" and "within expectation".



CUSTOMER WAITING TIME

96% of conformance level within 10 mins

82% of conformance level within 5 mins

75% of conformance level within 3 mins

69% of conformance level within 2 mins

Frontline service delivery

93% of customers rated as "Excellent" and "Good"

Loans service delivery

94% of customers rated as "Exceeded Expectation" and "Within Expectation"

Complaint Management

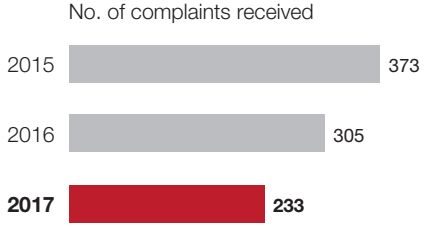
In managing customer complaint, the speed and manner in which the complaint is handled matters, as the Group believes that prompt and effective resolution impacts customer satisfaction. The Group makes it convenient for customers to raise issues. A complaint form is made available for customers' easy access at all bank branches. To proactively manage customer satisfaction, customer making a complaint is promptly engaged to provide explanation on the issue and there is speedy follow up to ensure a complete resolution.

The Group has an effective complaint management system, the Complaint Tracking System, which is being actively managed by the Group's Complaint Unit to ensure all customer complaints are promptly addressed. The System enables all parties involved to track, update and monitor the current status throughout the complaint management life cycle. The System also enables the Complaint Unit to keep track of the resolutions, in terms of aggregate, type and frequency to allow statistical analysis of complaints to be produced for post-mortem review and continuous improvement initiative. The functionality of the System has enabled the Complaint Unit to effectively manage the turnaround time in complaint management.

The Group acknowledges customer complaint within 24 hours on business days, and will address the issue in an equitable and objective manner, as well as provide a reply to the customer no later than 10 days. This is a more stringent standard than Bank Negara Malaysia's 14-day complaint resolution requirement. In 2017, the Group continued to achieve 100% compliance with the internal standard of turnaround time in ensuring resolution is complete. This helps to promote higher level of customer satisfaction in complaint resolution.



Achieved 100% compliance rate in meeting the Group's 10-day internal turnaround time



III. Responsible Lending

As one of the country's major financial institutions, responsible lending is an important aspect of preserving stability of the financial system. The Public Bank Group is cognisant that lending practices which are based solely on business growth, with no regard for the interest of borrowers, may bring consequences not only to its financial performance, but also bring financial risks to the borrowers, which will in turn, have an impact on the country's financial stability. The Group is also mindful of its fiduciary duty of lending responsibly to protect the interest of its depositors who place their funds with the Group.

Public Bank's Credit Policy

Well-reputed for its sound and prudent credit practice, the Public Bank Group has long established a prudent and comprehensive credit evaluation process. Public Bank's Credit Policy forms the foundation of the Group's credit function, which provides credit officers with guidance and direction on proper and responsible credit practices. The Policy has been further enhanced to be in line with relevant guidelines issued by Bank Negara Malaysia, which include "Responsible Financing" and "Best Practices for the Management of Credit Risk". The Credit Policy outlines the roles and responsibilities of the parties involved, customer qualification criteria, steps to be taken in case of customer delinquency, and the terms and conditions for providing financing. The Group regularly reviews the Credit Policy to ensure it is aligned with the latest regulatory requirements, economic environment and the management's expectation in promoting a prudent lending culture.

Credit Scoring System

In addition, the Public Bank Group has in place an internal statistical-based credit scoring system for housing loan and hire purchase loan applications. The system enables a more objective credit assessment and also allows credit officers to better quantify the risks involved. Moving forward, the Group will extend the application of the system to the assessment of commercial financing applications.

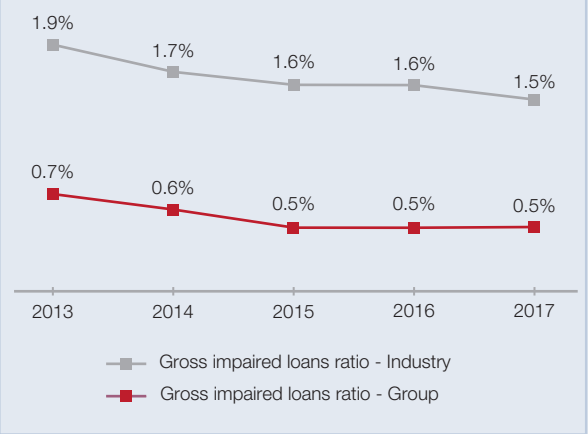
Support for Customers Experiencing Financial Hardship

Supporting customers who are experiencing financial hardship is an important part of the Public Bank Group's commitment to responsible lending. The Group provides reasonable assistance to the customer upon verifying the customer's financial condition, to avoid the problem from worsening. In relation to this, the Group has in place the Policy On Rescheduling & Restructuring of Loans and Financing, the core intention of which is to assist borrowers to overcome their short term financial difficulties. The assistance that the Group offers include modifying repayment terms, and referral to Agensi Kaunseling dan Pengurusan Kredit ("AKPK") or Small Debt Resolution Scheme ("SDRS"). For the past three years, the Group had referred 8,902 cases with total outstanding loan amount of RM321.0 million to AKPK. In addition, the Group is also supportive of customers who are affected by natural disasters. On the recent flood in several states in Malaysia, the Group had activated its Relief Assistance Programme to offer affected customers a moratorium of up to six months of the monthly instalment payments of loans and financing. In 2017, the Group had offered moratorium to alleviate the burden of 1,576 customers who experienced financial difficulties arising from natural disasters.

Low Gross Impaired Loans Ratio

At the Public Bank Group, each lending segment has its own credit evaluation unit to carry out careful analysis and ensure compliance with the Credit Policy. To measure the effectiveness of the actions undertaken, the Group has set an internal target for its gross impaired loans ratio for the different lending segments, including house financing, hire purchase and corporate lending. Over the years, the Group's stringent practice in responsible lending has resulted in the Group achieving the lowest gross impaired loans ratio in the domestic banking industry. The strong asset quality of the Group's lending portfolio has also resulted in lower financial loss to the Group, which in turn contributed to sustained profitability of the Group and enhanced shareholder value.

Gross impaired loans ratio



IV. Financial Inclusion and Accessibility

Extensive Delivery Channel for Convenient Accessibility

To cater to the banking service needs of the community at large, the Public Bank Group also focused on building channel capabilities. The Group's wide branch network of 259 branches located conveniently across the nation has continued to serve customers seeking direct interaction with the Bank. Tapping on technology, the Group is able to deploy a wide array of delivery channels, such as self service machines, PBe internet banking and PB engage mobile banking to provide customers seamless and convenient accessibility to banking services.

Strong Supporter of House and Vehicle Ownership

Throughout the years, the Public Bank Group's lending business has helped many customers to purchase houses and vehicles. In 2017, the Group provided financial assistance to over 49,000 home purchasers and more than 170,000 motor vehicle buyers. This translates into RM18.80 billion and RM12.72 billion of new loans to customers for the purchase of homes and motor vehicles respectively. The amount represented 34.0% and 23.0% of total new domestic loans approved by the Group in 2017.

Supporting SMEs in Business Expansion

Financing to the small and medium enterprises ("SMEs") is a core business for the Public Bank Group. In addition to promoting its flagship product, the SWIFT Plan, the Group has been proactively supporting financing schemes initiated by the Government and Bank Negara Malaysia. The Group also collaborates with Credit Guarantee Corporation and Syarikat Jaminan Pembiayaan Perniagaan Berhad to assist SMEs which lack collateral to obtain financing for their business growth. The Group's support to SMEs is well reflected in its domestic financing granted to SMEs in 2017, with a 7.7% growth to RM71.74 billion in total financing to SMEs, of which RM16.12 billion was new loans granted to SMEs during the year.

In 2017, the Group participated in the inaugural finance carnivals across the country organised by Bank Negara Malaysia. The carnivals aimed to educate the public, including the SMEs, on financial services, financial management and consumer protection. In addition, it was also an opportunity for the Group to showcase the wide range of financial services and products offered.

Lending/Financing to Priority Sectors

The Public Bank Group is also a strong supporter of Bank Negara Malaysia's policy on Lending/Financing to the Priority Sector. The Policy was set out by Bank Negara Malaysia to ensure that SMEs and purchasers of affordable houses costing up to RM250,000 in Peninsular Malaysia and RM300,000 for Sabah and Sarawak, have access to financing at reasonable cost. In support of the Policy, the Group has set financing targets to these priority sectors. In 2017, the Group continued to achieve the target set in financing to these sectors. For affordable house financing, the Group exceeded its target by over 70% during the year. While for SME financing, the Group achieved more than three fold its target set for 2017.

Wide Range of Deposit Products

The Group's wide range of deposit products are designed to cater to the needs of different ages and life stages of customers. With as low as RM20 of initial deposits, customers can open a Basic Savings Account with Public Bank. In addition, the Group also offers specially designed deposit products for children below 18 years old, such as the PB Bright Star Savings Account which needs only RM50 initial deposit and the WISE Savings Account which needs as little as



259
Domestic Branches



> 2,000
Self Service Machines



Granted new loans of

RM18.80 billion
for **> 49,000**
home purchasers

RM12.72 billion
for **>170,000**
motor vehicle buyers

RM16.12 billion
for **> 40,000**
SMEs

26.8%
PBe Internet Banking

53.5%
PB engage Mobile Banking



Served

> 6 million
customers

RM1 to open an account. The easy opening of account encourages them to inculcate savings habit from young. Meanwhile, senior citizens can opt for the 50 PLUS Savings Account which offers them additional benefits, such as special discounts on the Group's products, higher interest rates and waiver of service charge.

Special Care Counters

The Public Bank Group is committed to ensuring that its products and services are supportive of customers with special care needs. All of the Group's 259 domestic branches are equipped with a Special Care Counter to serve the physically disabled, senior citizens and expectant mothers. These customers who need special care will enjoy priority service irrespective of the queue length, time of arrival and the nature of banking service they need.

V. Design and Marketing of Products and Services

At the Public Bank Group, the safety of retail products is paramount. There is a stringent and rigorous process of product evaluation and approval governing the launching and enhancement of products to ensure compliance with Bank Negara Malaysia's requirements and the Group's internal policies. During the process, Risk Management plays an active role to provide advice and assessments on the risks involved.

On the aspect of marketing, the Group must ensure the adherence of all marketing materials to Bank Negara Malaysia's guidelines. This is reviewed by the Group's Compliance function prior to the launching of products and services. The Group also holds the marketing team accountable for ethical business conduct. Employees involved are to familiarise themselves with regulations and guidelines. In addition to making sure that the sales staff are fully compliant with all applicable regulatory requirements, sales staff must possess the required certification and knowledge when conducting product marketing. During the marketing process, sales staff must ensure customers understand the products. In this respect, a Product Disclosure Sheet which highlights important information about the product must be provided to customers to enable customers to make an informed decision. For customer convenience, the Product Disclosure Sheets are available online on the Group's corporate website.

For the Group's bancassurance business undertaken in partnership with AIA Group Ltd, a PBB-AIA joint Market Conduct Committee has been established to oversee sales practices by its sales and marketing team. The Committee is responsible to ensure the team delivers fair treatment and quality service to its customers. In addition, quality assurance review sessions are conducted on a monthly basis on outsourced call centres to ensure quality service standard by the telemarketing representatives and marketing executives. Bancassurance Financial Executives and Insurance Specialists are also required to convey clear and concise product information to customers as outlined in the Bancassurance Product Sales Presentation Checklist and Bancassurance Service Guide.

Staff are to comply with the following guidelines and policies:

- *Bank Negara Malaysia's Guidelines on Product Transparency and Disclosure*
- *Bank Negara Malaysia's Guidelines on Introduction of New Products*
- *Public Bank Group's Policy on Product Transparency and Disclosure*
- *Public Bank Group's Policy and Procedures on Risk Management Practices for New Products*



AIA Vitality

As a responsible corporate citizen, Public Bank is supportive of initiatives to inculcate a healthy lifestyle among stakeholders. In the bancassurance partnership with AIA, Public Bank supports AIA Vitality, a unique health and insurance programme that motivates and rewards its members for pursuing a healthier lifestyle, by providing a platform for the Bank's customers to sign up as AIA Vitality members at a nominal fee. By doing healthy activities such as exercising and health screenings, members earn vitality points which can be utilised for a range of benefits and rewards such as discounts on health screenings, air fares, hotel rates, fitness devices and gym membership fare. Members are also eligible to receive additional benefits from their AIA insurance plans.

VI. Digital Transformation and IT Infrastructure

Technology is becoming more prevalent and is currently redefining how customers are interacting with their banks as more customers are migrating to faster and more innovative ways of banking. If banks do not leverage on technology to innovate, banks could risk losing customers.

The Group is closely monitoring the potential implication of technological adoption which meets the expectations of customers who have grown to be more technology savvy. With its large customer base, there is huge growth potential in the development of digitalisation in meeting customer expectation. In relation to this, the Group has been exploring ways to tap on digital technology to enhance existing systems and to serve its customers better. The Group is highly aware of the potential opportunities and risks arising from technology advancement. Adoption of technology innovation will be made if it is relevant to the needs of the Group's customers.

Alipay

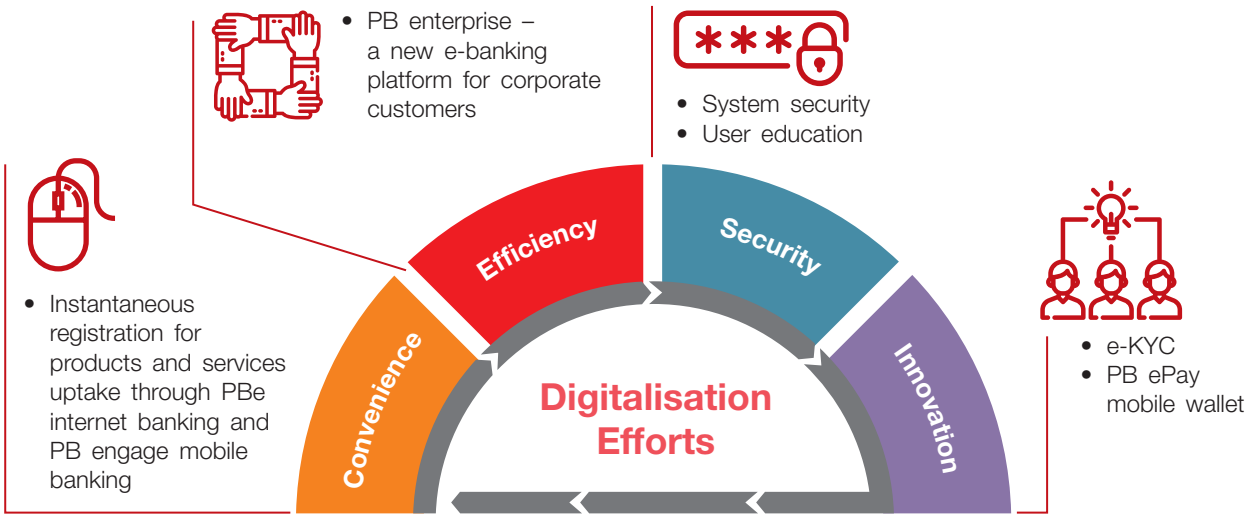
Among the notable initiatives during the year was the implementation of Alipay Mobile Wallet. The effort was in collaboration with Ant Financial Services Group, an affiliate company of the Alibaba Group, to connect Malaysian merchants with Alipay mobile wallet services. Alipay mobile wallet services caters to the needs of Alipay users from China who frequently travel and shop in Malaysia, offering them the convenience of payment service over having to carry large amounts of cash.

PB Direct

In its bancassurance business, the PB Direct e-submission application was implemented with AIA. PB Direct enables an easier, simpler and faster distribution of bancassurance products through the use of tablet. Sales staff is able to visit customers at their convenience and at a place of their choice. Today, the PB Direct is enhanced with features that enable sales staff to adopt a customised sales approach that encompasses financial health check, customer fact finding, e-brochures, personalised sales quotation, e-application form and e-signatures.

The Four Key Drivers – Convenience, Efficiency, Security and Innovation

Moving forward, internet and mobile banking are fast becoming convenient touch points for customers to perform their banking transactions. In view of this, the Group is initiating efforts to design its PBe internet banking and PB engage as its flagship channels. The Group's digitalisation efforts will continue to be based on four key drivers, namely Convenience, Efficiency, Security and Innovation.



Convenience

With customers continuing to demand for more convenience from their banks, the Group focuses on enhancing user experience by introducing new and innovative functionalities, enhanced user-friendliness and more personalised internet and mobile banking experience. In relation to this, the Group is expected to introduce instantaneous registration, or in other words, the uptake of products and services through PBe internet banking and PB engage mobile banking. This is expected to provide greater banking convenience for customers, who do not have to visit the branch.

Efficiency

The Group is working towards migrating its corporate customers from the current internet banking platform to a new business channel known as PB enterprise. The new platform provides corporate clients multiple functional enhancements and more customisable features to suit their needs. The Group's corporate customers would have administrator rights to their business banking platforms and would be able to add and remove users comprised of employees in their companies. They could also provide separate access and limitations to each user as they deem fit.

Security

While the internet has created tremendous business opportunities and easy accessibility to information, it has also created opportunities for scammers, hackers and identity thieves.

The Group takes online security and the protection of its customer information seriously. The Group has remained steadfast not only in mitigating fraud risks but also in educating and informing customers in a holistic manner on online safe practices and keeping them updated on the latest modus operandi of scams. The Group will continue to review the fraud landscape and take proactive measures in terms of system security and user education to thwart cyber threats.

Innovation

The PBe internet banking and PB engage have massive potential for scaling and improvements. The Group will continuously look into enhancements of these online channels for better user experience and functionality.

The Group has embarked on the e-Know-Your-Customer initiative driven by Bank Negara Malaysia. The electronic Know-Your-Customer is a process in which the financial institution verifies the identity of its clients through an electronic or paperless method, without the customer having to fill in forms or going through data entry.

The Group has also identified key areas of growth by striking strategic partnerships with prominent parties, such as Alipay and SamsungPay, and will continue to engage with potential FinTech companies to further drive innovation in developing its own mobile wallet.

VII. Sustainability in Supply Chain

Although sustainability in supply chain is not one of the most material in the list of Public Bank Group's sustainability matters, the Group recognises that as it spends on goods and services, its initiatives to support a sustainable supply chain would in turn make a difference to sustainability of the community.

The Group has been working and exploring ways to apply sustainability criteria in its sourcing practices. In 2017, the Group continued to conduct visits to the vendors and suppliers' offices and factories to assess their business practices, of which EES matters such as occupational health and safety, employment practices, business conduct with regard to the environment are taken into consideration. Apart from this, the Group also made an effort to screen vendors' sustainability policies to gain a better understanding of their sustainability practices.

While the Group has begun moving in the right direction in managing sustainability in supply chain, the Group is well aware that there is significant room for improvement. The Group will be more attentive and proactive in implementing sustainability practices in its supplier network going forward.



CONDUCT AND COMPLIANCE

- Compliance
- Anti-money Laundering and Counter Financing of Terrorism
- Anti-fraud

CONDUCT AND COMPLIANCE

As a responsible bank, the Public Bank Group is committed to responsible business conduct in complying with regulations. The Group is mindful of the important role of a financial institution in the economy and society. Financial stability and integrity of financial institutions hold the key to support economic growth, which affect the well-being of society.

In response to tighter regulations and public concerns on banks' conduct in recent years, the Group has been investing heavily to enhance the capability of its compliance function. Instead of compliance being a box-ticking process, it is the Group's target to inculcate a stronger compliance culture and ethical conduct within the Group.

In this section, the Group describes its policies, governance and measures taken in the areas of compliance, anti-money laundering and counter financing of terrorism, and anti-fraud.

Whistleblowing Policy and Procedure

The Public Bank Group has put in place a whistleblowing mechanism which serves as a channel for staff, interns, consultants, contractors, vendors, suppliers and/or customers to disclose any illegal, unethical, questionable practices or improper conduct committed or about to be committed within the Bank. Reporting channel include the PBALERT Link at https://www.pbebank.com/Whistleblowing, and email PBALERT@publicbank.com.my. The Bank is committed to accord protection of confidentiality to the whistleblower to the extent reasonably consistent with the need to conduct an adequate investigation.

Please refer to Whistleblowing Policy and Procedure on page 107 of this Annual Report.

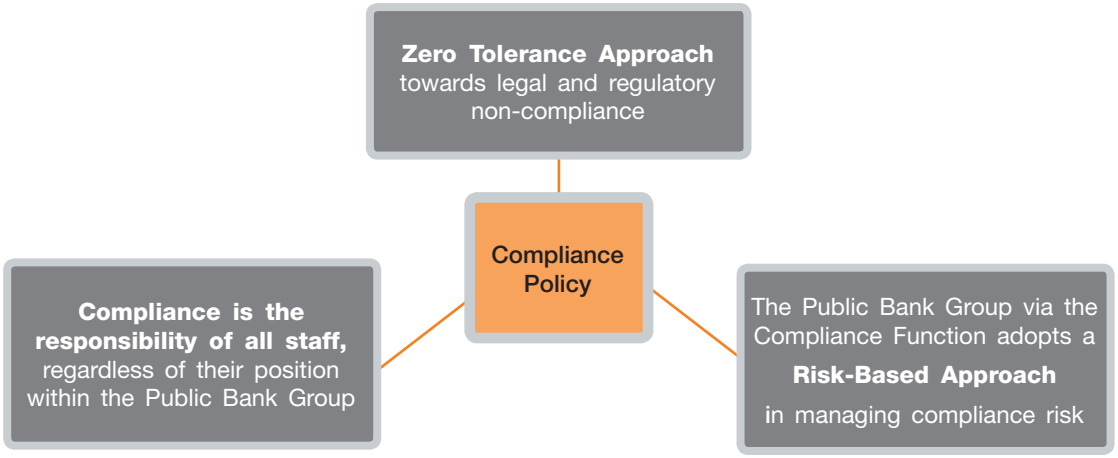
I. Compliance

Compliance risk is a principal risk in the Public Bank Group. The Group has built a strong risk culture on the commitment to compliance with laws, regulations and internal controls. Due to the elevated importance of compliance, the Group has been allocating and investing more resources to ensure strict compliance with legal and regulatory requirements.

The Group constantly strives to keep up with the latest developments and has remained pragmatic and forward looking in risk identification and management. In 2017, the Group further enhanced its Compliance Policy upon conducting a Quality Assurance Review. The enhanced Policy which has been approved by the Board codifies three main principles, namely Zero Tolerance Approach, Compliance is Everyone's Responsibility and Risk-based Approach.

Compliance Policy

The Public Bank Group's Compliance Policy is developed with reference to the requirements of the Policy Document on Compliance issued by Bank Negara Malaysia. It sets out the Group's compliance expectations covering the key areas of compliance principles, compliance structure and governance, and compliance risk management approaches and activities, and is applicable to all staff within the Group. The Compliance Policy is available on the Group's intranet to ensure all staff are kept mindful of its importance and being informed of the latest changes in the area of compliance.



The Group's compliance function undertakes Compliance Risk Assessment on a periodic basis to assess and identify compliance risk. Based on the assessment result, compliance function will develop a Compliance Plan comprising the appropriate testing and resource plans which commensurates with the level of compliance risk identified. Compliance officers will then conduct regular assessment on rectification measures in mitigating compliance risks.

Compliance Governance

At the Public Bank Group, the Board holds the overall responsibility to oversee the management of the Group's compliance risk. The Board is assisted by the Board Compliance Committee in discharging their oversight role for compliance matters and is responsible for group-wide compliance risk management. At the same time, the Group's Senior Management also holds the overall responsibility for the effective management of compliance risk and execution of compliance function. To carry out a more effective compliance function, the Operational Risk Management Committee also plays a proactive role to assist the Board Compliance Committee.

Furthermore, compliance officers at branches perform regular compliance checks. The Group also has a team of mobile compliance officers to conduct compliance checks at branches, when necessary.

Above all, the Group places great importance that every employee is constantly reminded of their responsibility for managing compliance risk related to their work portfolio and complying with applicable laws, regulations and standards in both personal and business conduct at all times.



II. Anti-money Laundering and Counter Financing of Terrorism

Due to their role as a financial intermediary in mobilising funds, banks are highly exposed to the risks of criminals and terrorists using banks as a channel to move and manage their funds in an illegal manner. As the level of sophistication in money laundering and financing of terrorism is rapidly expanding, banks are facing growing scrutiny on their practices in anti-money laundering and counter financing of terrorism ("AML/CFT"). In light of this, continued review and update of compliance measures is critical to ensure effective application of risk mitigation.

As the industry evolves, the Group has been attentive to changes in the operating environment. In 2017, the Group conducted a review and updated the AML/CFT Policy to be in line with the regulatory changes to ensure the Policy remains applicable and relevant.

The Group also taps on the Group's staff circular to keep all staff up to date with the latest development in AML/CFT. All Heads of branches, divisions and departments across the Group's business operations are required to brief and ensure employees are conversant and comply with the regulations and controls. Compliance officers also conduct on-site visits to branches and hire purchase centres to gauge the effectiveness of AML/CFT measures. Throughout the year, mandatory training is conducted for employees to facilitate understanding of AML/CFT risks. These include classroom training, e-learning courses and quizzes. The Group has also continued to encourage more staff to raise their credentials through taking up the AML/CFT certification.

Anti-Money Laundering and Counter-Financing of Terrorism Policy

All employees are required to abide by the Public Bank Group's AML/CFT Policy. The Policy sets out the Group's obligation to the requirements imposed under the Anti-money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001. It also outlines the requirements in the implementation of the risk-based approach in managing AMF/CFT risks, and the roles of the Board and Senior Management in AML/CFT measures.

Please refer to AML/CFT Policy on page 107 of this Annual Report.

No. of Trained Participants on AML/CFT	**2017**	2016	2015
Classroom training	**2,567**	2,045	1,535
E-learning	**36,557**	34,859	32,886
Quizzes	**9,426**	7,638	7,306
AML/CFT Certification	**43**	36	22

III. Anti-fraud

The increasing sophistication of banking fraud has driven up losses of banks and customers. Improving defences and enhancing fraud management capability are therefore of high priority for banks to focus on in order to mitigate such losses.

The Public Bank Group has been continuously enhancing its operational process and upskilling its employees to be in a state of readiness to identify and prevent any risks of fraudulent cases. In 2017, the Group continued to carry out training programme to heighten staff awareness and knowledge on anti-fraud, with a total number of 4,896 employees participating in the programme.

Anti-fraud Policy

The Public Bank Group has an Anti-fraud Policy providing guidance to employees on fraud prevention and management. All staff are responsible in the prevention and detection of defalcations, misappropriations and other irregularities. They are required to immediately escalate any suspected fraudulent incident. The Policy also sets out employees' responsibility to uphold the values of integrity and honesty in their daily operation.

Please refer to Anti-fraud Policy on page 107 of this Annual Report.

SUSTAINABILITY STATEMENT



DEVELOPING EMPLOYEES

- Talent Attraction and Retention
- Employee Education and Development
- Employee Health and Safety, and Well-being
- Employment Practices

DEVELOPING EMPLOYEES

The Public Bank Group believes that culture dictates results, and it is a culture of engagement excellence that creates sustainable results. In building such a culture, the Group's strategy involves four elements: culture setting, culture alignment, culture coaching and culture motivation.

Today, the Group has a workforce of over 18,000 employees, for whom the Group has endeavoured to create a culture of meritocracy and transparency, and among whom it promotes excellence, initiative and the courage to do the right thing. Through such proactive development, the Group does not only benefit from having an effective workforce that delivers results in pursuit of the Group's business goals, it also benefits the individual employee in terms of building his or her own character.

The Group has a set of well-founded business principles and corporate values guiding staff to keep the highest standards of integrity as well as to comply, in spirit and words, with all laws and regulations when conducting business. "Courageous Integrity" is the guiding principle whereby staff are courageous to do the right thing without compromising ethical standards and integrity, and behave in a "Dependable, Open and Connected" way in their everyday work. The Group advocates the living of values by all staff, promotes their awareness and commitment, and empowers leaders and managers to drive value-aligned behaviour in the workplace.

In this section, the Group describes its sustainability practices in empowering its employees, which encompass the material matters of Talent Attraction and Retention, Employee Education and Development, Employee Health, Safety and Well-being, and Employment Practices.

Developing Performance & Maximising Potential

The Public Bank Group's long term success hinges on providing its people with the right development tools and knowledge to excel as well as to compete effectively in a multitude of environment. The Group takes a long term view of employees' personal and professional growth, and provides them with new learning and development opportunities to acquire deeper skills. The Group's Knowledge and Learning Centre thus continues to work closely with the three lines of defence and the business units to align its programmes with the Group's business needs and to drive compliance performance. Through active partnership with the various units, the Group's training curriculum integrates business strategies and action plans with the required skill set for organisational effectiveness. The Group takes a very keen interest in training as it is deemed to define the culture of the organisation not only in terms of learning for current job proficiency but also the risk culture, regulatory compliance, business ethics, leadership ethos, professionalism and future readiness.

The Group's investment in staff development therefore remains well above the minimum set by Bank Negara Malaysia. For 2017, the Group invested about RM46.9 million in human capital, training a total of 41,498 participants over 3,356 classroom days and 132,137 staff logged onto the e-learning platform to upscale themselves for an equivalent of 3,425 training days.



The Public Bank Group operates with the philosophy that high performance can only be achieved and sustained through a culture which captures the heart and mind of every employee.

Staff Development

	2017	2016	2015
Employee participation in training			
Classroom (Headcount)	**41,498**	36,722	35,813
E-learning (Headcount)	**132,137**	83,546	71,168
Average training budget per employee (RM)	**3,103**	3,017	2,844
Total hours of training per employee	**32**	30	31
Staff training as percentage of salaries (minimum statutory requirement of 2.5%)	**3.1**	3.1	3.2

While the Group's Knowledge and Learning Centre at Bangi remains the hub of learning activities, training is also being carried out at its overseas operations. Staff of the Group's overseas operations are therefore very much wrapped in the culture of the Group and in sync with the Group's objective to build a solid and sustainable business in its operation across the region.

To ensure the training is always value-added, training needs are periodically assessed and reviewed to be in line with the ever-changing operating and business environment. In November 2017, the Group conducted a Skill Gap Analysis on Customer Service nationwide to identify competency gaps among staff, and training is provided for the staff to bridge the skill gap. The Group designs training programmes which address the needs of the staff, while ensuring the training is in line with the Group's business strategy and direction. This enables the Group to deliver targeted learning and development opportunities that benefit not only its employees at the individual level, but ultimately elevate the overall strength, sustainability and capability of the entire organisation.



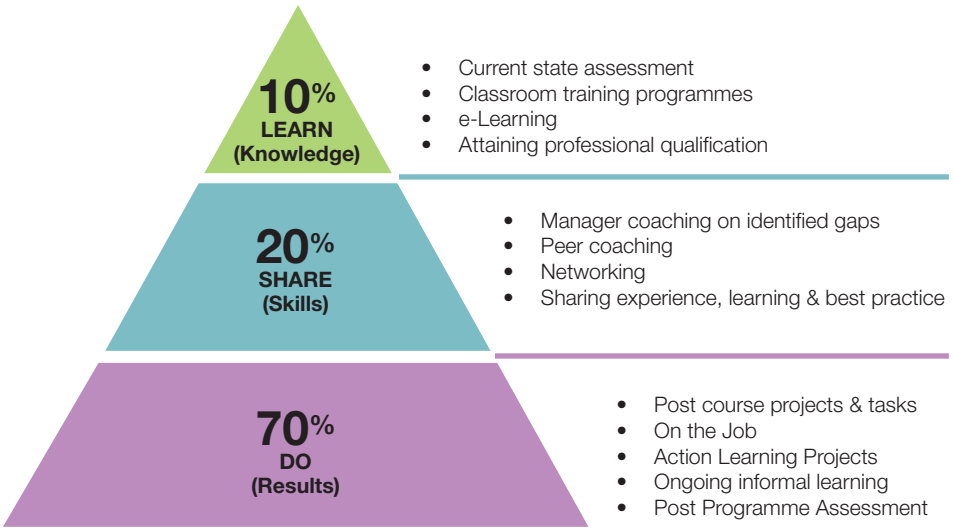
At the Public Bank Group, it is important for employees to be multi-faceted in competence. Learning is a journey. It is a continuous process to upscale competency. The employees are encouraged to pace and push boundaries with mindful learning. This means to develop the habit of learning everywhere, every day.



SUSTAINABILITY STATEMENT

As the Group is placing more expectation on staff to take higher responsibility and actively upscale their competencies and skills, the Group is stepping up its training and development activities. The Group's 70:20:10 training framework (Experiential: Coaching & Mentoring: Formal Learning) integrates learning framework ratio and emphasises on-the-job learning to help employees to develop greater passion for self-learning as well as to provide them holistic learning programme. Staff are encouraged to take personal ownership of their development by upgrading their skills, taking on expanded responsibility and cross-rotational roles.

70:20:10 Framework



Furthermore, the Group focuses on continuous learning and the move from "push" to "pull" training. The Group believes that corporate training requires content, context, and deep expertise.

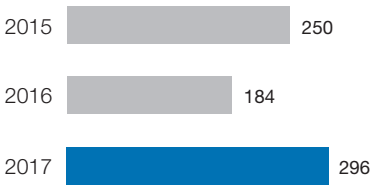
Instilling Professionalism

Professionalism is consciously and consistently instilled throughout the Public Bank Group as staff are encouraged to be certified through qualifications such as:

- Chartered Banker
- Professional Credit Certification
- Certified Financial Planner
- Certified Documentary Credit Specialist
- Certification in AMLA
- Certification in Regulatory Compliance
- Certification in Bank Risk Management
- Certificate in Internal Auditing for Financial Institutions
- Certification in Islamic Banking & Finance

In relation to this, the Group takes pride that it achieved the highest number of graduates for banking qualifications offered by the Asian Institute of Chartered Bankers ("AICB") in 2015, 2016 and 2017.

Number of Public Bank' s AICB Graduates





To further instil professionalism, the Group's training approach is supplemented with competency checks at various timelines to ensure that appropriate knowledge is being imparted and retained. In respect of this, the Group has in place the Mastery Test and Executive Assessment exercises, which have been set as a key criteria for staff promotion. The exercises also serve as an analysis of development gaps.

	2017		2016		2015	
	No. of Sessions	**No. of Candidates**	No. of Sessions	No. of Candidates	No. of Sessions	No. of Candidates
Mastery Test	**1**	**17**	1	7	2	417
Executive Assessment	**4**	**204**	1	163	2	281

In upholding the Group's philosophy to provide staff with opportunities for career advancement, 2,142 staff had been assessed in 2017 and included in the talent pool, whilst a total of 749 staff had been promoted to take on greater responsibilities as part of their career advancement.

Embedding a Culture of Good Conduct

The Public Bank Group's Code of Ethics sets out the standards of good and ethical banking practices, which all staff should uphold to maintain confidence in the security and integrity of the Group's business practices. It is a requirement that all employees of the Group understand and observe the Code. All staff undergo the e-learning on Code of Ethical Conduct annually. New recruits are also required to attend a one-day programme on Introduction to Ethics in Banking. The programme is opened to other staff as well. In 2017, total staff trained under the programme are as follows:

Introduction to Ethics in Banking

1,054 participants

e-Learning on Code of Ethical Conduct

14,702 participants

A well-disciplined and professional workforce is the cornerstone of a successful organisation. Employees are expected to be vigilant about wrong doings, malpractices or irregularities at their workplace. They are also made aware of the Group's Whistleblowing Policy and Procedure so that they can promptly report any such instances to the Management for immediate rectification or other necessary measures to minimise potential or reputational loss. To preserve the core value of integrity, the Group will not tolerate any act which is in breach of this value.

The Group uses various communication channels to remind staff of the requirement to adhere to the rules and ethical standards set out in the Staff Code of Conduct. The Group has set standards and established policies and procedures to manage actual or potential conflict of interest of its staff. Robust organisational structure has been designed to ensure adequate segregation of duties and avoid conflicts of interest. Staff working in sensitive or high-risk areas is required to adhere to job-specific rules and undergo training regarding avoidance of conflict of interest when carrying out their duties.

SUSTAINABILITY STATEMENT



Developing Performing Leaders

The Public Bank Group's leadership and learning solutions are focused on supporting the staff to develop critical skills and capabilities. The Group believes that leadership shapes culture that drives organisational performance. The Group constantly looks out for strong performers to be groomed into future leaders. The Leadership Development Programmes are designed to groom the right leaders so that it has the right calibre of leaders, in the right roles and at the right time to meet current and future needs.

For 2017, the Group conducted a range of leadership programmes for its leaders:

- √ – RETAIL BANKING LEADERSHIP
- √ – LEADING A HIGH PERFORMING TEAM
- √ – MANAGING CHANGE AND SUSTAINABILITY
- √ – MANAGERIAL INTELLIGENCE
- √ – RESULT ORIENTED COACHING
- √ – CORPORATE COUNSELING

A series of learning and development programmes for senior leaders are also in place. To ensure that senior leaders are up-skilled in contemporary thinking on executive management, arrangement are made to expose them to banking leadership thoughts and trends via collaborations with institutions such as Retail Banking Academy, ICLIF, INSEAD, London Speakers Bureau, Melbourne Business School and Harvard Club of Malaysia.

Employee Engagement

Employee engagement is one of the key elements of corporate cultural health. The Public Bank Group recognises the importance of listening to its staff. The Group adopts an open and two-way dialogue with employees. Through understanding the views of its staff, it helps to shape the decisions the Group makes, thereby helping to create an environment in which staff are actively involved. The Group believes that engagement inspires commitment and organisational citizenship.

In the first year of joining the Bank, Management Trainees are placed under the CEM (Call, Engage and Mentor) programme. The Programme helps and leads them to transit to the role of a working adult from that of a student. Dedicated officers will call the Management Trainees on a regular basis, to check on their progress and to address any concerns which they might have. The proactive engagement initiative has contributed to a high retention rate of Management Trainees of close to 80%.

The Group is also committed to helping employees achieve their ambitions even before they enter the working world. In 2017, the Group continued to reach out to young talents by having a series of on-campus engagement activities.

Campus Engagement Activities	2017	2016
Career Fairs/Event	**36**	43
On-campus Interviews	**10**	8
On-campus Career Talks	**9**	4
Career/Group Interview Workshops	**2**	3
Employer-Student Network Sessions	**1**	1
Student Visits to Menara Public Bank	**9**	7
"A Day with PBB" Workshop	**2**	–
	69	66

Public Bank also offers internship opportunities for young talents who are interested to learn about the banking industry.

Year	No. of Interns
2017	**116**
2016	105
2015	81
2014	40

The Group taps on various communication channels in place within the Group to actively engage with employees. Through internal platforms such as Management Seminar, Sales Convention, Briefing on Governor's Messages, Regional Manager Briefings, and Business Meetings, Senior Management is able to communicate the latest developments of the Group and the operating environment to the employees. Leveraging on these channels, employees are kept informed of the Group's business direction, plans and expectation.

No. of Participants	2017	2016	2015
July Convention	**1,817**	-	-
Management Seminar	**1,446**	1,439	1,408
Sales Convention	**1,270**	1,160	1,275
Business Meeting	**177**	252	257

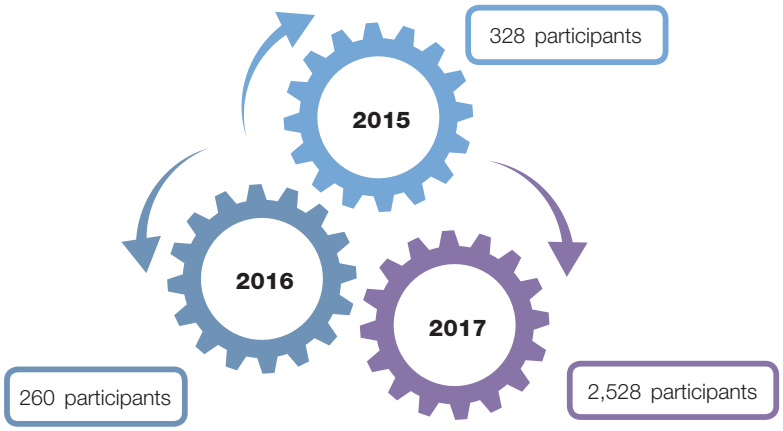
Health and Wellbeing

A key component to keep employees continuously engaged and motivated is through a conducive and nurturing work environment, which cares about employees' mental and physical well-being. The Public Bank Group is committed to looking after its employees' health in the belief that a healthy body and mind will have a positive impact on their professional and personal life.

Throughout 2017, based on the theme Energise and Revitalise, the Group organised various workshops with an aim to encourage staff to adopt a healthy diet and lifestyle, and to consistently rejuvenate and energise their body and mind. Ongoing initiatives include the conduct of Stress Management, Wellness and Health promotion programmes and regular health talks. All supervisory staff are also encouraged to undergo biennial medical check-ups subsidised by the Group.

SUSTAINABILITY STATEMENT

Staff Attendance at Total Wellness Workshop



The Group recognises that family is an important aspect of its employees' well-being. The Group has in place numerous family friendly policies including medical and hospitalisation benefits for immediate family members, including maternity and paternity leave entitlement. Furthermore, lactation facilities have been made available in Menara Public Bank to cater to the needs of new mothers. A series of Parenting Workshop, where staff are given professional guidance on how to bond with their teenagers, was also conducted to promote harmony in the family. The Group also grants sabbatical leave ranging from a few months to a few years to enable staff to meet their domestic obligations or personal aspiration.

No. of Staff granted sabbatical leave	**2017**	2016	2015
– Domestic Obligation	**54**	31	35
– Health and Wellbeing	**17**	8	16
– Further Studies	**1**	2	1
	72	41	52



Human capital sits at the core of the Public Bank Group's business strategy. The Group's long term success depends on having the right people, with the right skills, in the right roles, thriving in the right culture.

The hallmark of a successful organisation is neither the number of awards it obtains nor the number of customers it serves. It comes from the core values which have been ingrained in the organisation since inception. An organisation may have a vision that sets its goals; a mission that guides its directions. However, it is the values that form the foundation that carries the organisation safely through its journey.

The Group supports life-long learning through both in-house and extra-curricular activities. The Group operates two staff libraries with a comprehensive range of reading materials, covering professional development reference materials as well as self-help books on subjects such as emotional well-being, positive attitude and others. Other literature on diverse topics and interests are provided so that staff have an avenue to pursue their hobbies and interests to balance their lifestyle.

Embracing Equal Opportunities, Diversity and Inclusiveness

The Public Bank Group views the diversity of its employees as a source of strength. The Group takes the approach which aims to increase and leverage diversity of thoughts, to improve workforce agility, enhance risk management capability, drive innovation, and to provide better support to its diverse client base.

The Group shows the same respect, guided by the principle of meritocracy and fairness, to anyone regardless of level, grade and age in providing equal opportunities for recruitment, promotion, transfer or learning development opportunities.

Placement is made to ensure that staff is put in positions where they can most effectively display their ability and grow their potential. Clear career path and development are designed and made known to staff so that they are able to chart their future.

The Group also adopts a gender equality principle, complementing the Government's measures to enhance human capital by leveraging on women's talent. The Group has actively planned and created an environment which increases women's representation especially in the Group's management. This is reflected in the huge representation of women in the Group's management and top management, at 45.8% and 48.8% respectively.

Performance Data

Human Resource Malaysia	2017	2016
WORKPLACE		
Supervisory (%)	**67.6**	67.4
Non-supervisory (%)	**32.4**	32.6
Female (%)	**60.0**	59.9
Male (%)	**40.0**	40.1
Age group (%)		
< 30	**29.0**	31.9
30 to < 40	**31.3**	31.0
40 to < 50	**28.7**	27.0
50 and above	**11.0**	10.1
Diversity (%)		
Malay	**37.8**	37.4
Chinese	**55.4**	55.8
Indian	**6.5**	6.5
Others	**0.3**	0.3
Service in the Group (%)		
< 1 year	**5.0**	4.8
1 to < 5 years	**16.5**	18.6
5 to < 15 years	**33.5**	31.9
15 years and above	**45.0**	44.7
Women in management (%)	**45.8**	44.5
Women in top management (%)	**48.8**	45.8
Total no. of recruitment (Headcount)		
Supervisory	**923**	926
Non-supervisory	**108**	63
Total no. of promotion (Headcount)		
Supervisory	**769**	810
Non-supervisory	**103**	102
EMPLOYEE TURNOVER		
Supervisory (%)	**9.3**	8.5
Non-supervisory (%)	**2.9**	2.7
Employee turnover breakdown by supervisory age group (%)		
< 30	**77.8**	81.4
30 to < 40	**13.6**	12.3
40 to < 50	**6.5**	4.1
50 and above	**2.1**	2.2

Human Resource Malaysia	2017	2016
Employee turnover breakdown by non-supervisory age group (%)		
< 30	**63.5**	66.2
30 to < 40	**27.0**	25.2
40 to < 50	**8.8**	6.5
50 and above	**0.7**	2.1
PERFORMANCE MANAGEMENT		
Total number of employees appraised (%)	**97.2**	96.9
Total number of staff awarded bonus (%)	**96.6**	96.4
STAFF DEVELOPMENT		
Employee participation in training:		
Classroom (Headcount)	**41,498**	36,722
E-learning (Headcount)	**132,137**	83,546
Average no. of participants per training programme	**25**	24
Average training budget per employee (RM)	**3,103**	3,017
Total hours of training per employee	**32**	30
Staff training as percentage of salaries cost (minimum statutory requirement of 2.5%)	**3.05**	3.11
EMPLOYEE WELFARE		
Total amount of staff loans approved (RM'000)	**288,375**	311,550
Total outstanding amount of staff loans (RM'000)	**1,836,884**	1,763,757
Benefits paid under the Group's protection insurance policies:		
(i) Personal Accident Insurance (RM'000)	**803**	143
(ii) Group Term Life Insurance (RM'000)	**2,896**	878

SUSTAINABILITY STATEMENT

CORPORATE CITIZENSHIP

- Community Contribution

CORPORATE CITIZENSHIP

The Public Bank Group remains committed to giving back to the community. As a major bank in the country, the Group believes that it plays a key role in contributing towards the economic growth and well-being of the community. During the year, the Group continued to extend financial support aimed at improving lives and delivering positive social impact to the communities by organising various corporate philanthropic initiatives focusing on two main priorities:

To support talent development that contributes to the advancement of the economy

To strengthen the local communities in which the Group operates by providing volunteerism and charitable donations

Key initiatives in 2017 were as follows:

- **ASB MBA Endowed Scholarship:** The Group supported the Asia School of Business project through contributing USD1.25 million of endowed scholarship.

  Asia School of Business ("ASB") was established as a collaboration between MIT Sloan and Bank Negara Malaysia to be a premier business school that develops transformative and principled leaders who will contribute to a better future and advance the emerging world. The Public Bank Group shows full support for this endeavour as it will create an immense positive impact towards educating the next generation of talent for Malaysia as well as for the region.

- **Star Achiever Programme:** To motivate students to achieve their best in academics, the Group organises a yearly Star Achiever Programme for PB Bright Star Savings accountholders. Under the Programme, students who excel in public examinations are entitled to cash awards given by the Group.

Sponsored
USD1.25 MILLION
for ASB MBA Endowed Scholarship



Awarded
> 130
school children under Star Achiever Programme

- **Educational Visit:** The Group hosted several educational visits for undergraduates from various universities. The objectives were to provide opportunity for the students to gain insight into banking and finance operations as well as career opportunities with the Bank. In addition to that, the Group was invited to participate in the Sunway University's Actuarial and Banking Forum as part of its student engagement initiative.



- *University of Malaya*
- *UCSI University*
- *Sunway University*
- *Asia Pacific University of Technology & Innovation*
- *Nilai University*
- *University of Tunku Abdul Rahman*
- *Monash University*
- *Multimedia University*
- *Xiamen University Malaysia*



Hosted
9 visits
for universities



Benefited
> 500
undergraduates

- **School Adoption Programme:** The Group has adopted 860 schools throughout the country. Under the Programme, the Group distributes Buku Wang Saku to the students upon opening of children savings account and conducts financial education programme for the adopted schools. The Group also provides ongoing support to teachers to integrate financial education into formal school curriculum by providing technical advice and relevant materials on specific banking and finance matters.



School Adoption Programme was initiated by Bank Negara Malaysia, whereby selected schools are adopted by financial institutions to promote the savings habit amongst school children.



Adopted
860
schools

SUSTAINABILITY STATEMENT

- **Finance Carnival:** In supporting the objectives of educating the public on financial services, financial literacy and consumer protection, the Public Bank Group participated in the Finance Carnival organised by Bank Negara Malaysia which were held in Kuala Lumpur, Sabah and Sarawak in 2017. The Group invested resources to set up exhibition booths and sponsored activities held in the Carnival.

- **Professional Development**: The Group sponsored a total of RM60,000 to promote professional development in the country.

Sponsored
RM10,000 to
the National Tax Conference organised by Inland Revenue Board and the Chartered Tax Institute of Malaysia

Sponsored
RM50,000 to
the International Corporate Governance Network conference hosted by Kumpulan Wang Persaraan (Diperbadankan) and Minority Shareholder Watchdog Group

- **Festive Charity Programme:** Malaysia is a multi-racial country, where one can experience a multitude of cultural celebrations and festivals. Hence, the Group has taken this opportunity to organise festive charity programmes to give a helping hand and to bring festive cheer to the underprivileged.

Sharing blessings and thoughts with elderly friends during Chinese New Year

On 25 January 2017, the Public Bank Group shared blessings with the elderly at two old folks home. Each home received a sum of RM12,000, while an angpow worth RM88 each was distributed to 80 residents of both homes.



Donated
RM31,040 to
- Rumah Orang-Orang Tua Seri Setia
- Persatuan Kebajikan Dan Sosial Kim Loo Ting

Spreading festive joy during the holy month of Ramadan

On 19 June 2017, the Public Bank Group visited the Pediatrics Ward of Hospital Canselor Tuanku Muhriz and distributed duit raya and goodie bags worth RM15,600 to 120 children. Additionally, a total sum of RM10,000 was donated to the Hospital to assist in its daily operations and management costs for patients from the lower income group.



Donated
RM25,600 to
the Pediatrics Ward of Hospital Canselor Tuanku Muhriz

Festival of Lights and Joy

On 18 October 2017, the Public Bank Group donated a total of RM10,000 to two orphanages home. Each child was given an angpow of RM100 to enable them to buy new clothes for the celebration of Deepavali festival, which amounted to RM10,000 of angpow in total.



Donated

RM20,000 to

- Rumah Kebajikan Karunia Illam (Girls) Dan Anbu Illam (Boys)
- Pertubuhan Kebajikan Anak Yatim Mary

Christmas Cheers to the Underprivileged

On 8 December 2017, the Public Bank Group ran a Christmas Wish project which was a two-week-long charity drive during the Christmas month. A wish card was given to staff to be filled up and tied on to the Christmas Arch that was displayed at the Grand Lobby of Menara Public Bank. With the support of local and overseas staff of the Group, the project was an overwhelming success whereby each home received RM10,000, of which RM5,000 was from the staff and RM5,000 was from the Public Bank Group.



Donated

RM40,000 to

- Society of St Vincent De Paul
- Saint Barnabas Home
- YS Charity Foundation
- Rumah KIDS

- **Healthcare:** The Group believes the economic prosperity of a community correlates with the health and productivity of its population. During the year, the Group donated RM10,000 to Pantai Hospital to assist in its daily maintenance. Furthermore, two blood donation drives were conducted to assist the National Blood Bank to stock up their supplies for emergency needs.

Blood Donation Drive:

On 18 May 2017 and 23 November 2017, the Public Bank Group conducted blood donation drives at Menara Public Bank. Since 1994, the Group has been actively collaborating with the National Blood Bank and is still supporting this noble cause in saving the lives of those in need.



SUSTAINABILITY STATEMENT



In addition, a sum of USD3,000 was donated to the Nokor Tep Foundation to contribute to fundraising for the building of a hospital.

Donation to Nokor Tep Foundation

On 10 March 2017, Cambodian Public Bank donated USD3,000 to the Nokor Tep Foundation for the fifth consecutive year during the Neary Khmer Fundraising Elite Gala Dinner which was held in Phnom Penh. The Nokor Tep Foundation is a non-government organisation involved in raising funds to build a USD5.5 million 220-bed hospital (Nokortep Women's Hospital) which will be equipped with facilities to treat women's ailments including cancer.

Donated
RM10,000
to Pantai Hospital

Donated
USD3,000
to Nokor Tep Foundation

Blood donation drive
> 400
donors

- **Disaster Relief Donations:** When disaster strikes, there is often a sense of helplessness at the sight of the devastation. At such times, the Public Bank Group understands the need to help the affected people to rebuild their lives.

Donation to the Cambodian Red Cross

On 8 May 2017, Cambodian Public Bank donated a sum of USD5,000 for the sixth consecutive year to the Cambodian Red Cross ("CRC") during the 154th anniversary International Red Cross and Red Crescent Day which was held in Phnom Penh. The funds donated were to assist CRC to carry out its year-long activities to help the poor especially in rural areas afflicted by natural disasters such as floods and droughts.

A helping hand to flood and landslide victims

In addition to the initial contribution of LKR200,000 (USD1,300) made by Public Bank's Head Office, the Public Bank Sri Lanka Operations staff had organised a donation drive on 2 June 2017 to reach out and respond to the flooding in Sri Lanka. The donation drive received an overwhelming response from customers and well-wishers, as the employees managed to collect much needed items such as water bottles, gas cookers, gas cylinders, dry rations, cooking utensils, bed sheets, books and clothing. All in all, Public Bank Sri Lanka Operations staff delivered more than USD6,500 worth of goods to people affected by the flood and landslides in Sri Lanka.

Donated
USD5,000
to the Cambodian Red Cross

Donated
USD7,800
to the disaster victims in Sri Lanka

- **Relief Assistance Programme:** To ease the burden of customers affected by natural disasters such as flood and landslide, the Group provided moratorium on monthly instalment or deferred loan repayment of up to six months for eligible cases. During the massive flood in November 2017, the Group not only provided a moratorium of up to six months for monthly instalment payments for loan and financing, the Group also offered restructuring and rescheduling of loans and financing, as well as waiver of certain bank charges for affected customers. As for affected staff, the Group provided special cash relief assistance to them and their families, in addition to granting compassionate leave to enable them to attend to their domestic affairs. Meanwhile, the Group worked together with the Taiwan Buddhist Tzu Chi Foundation Malaysia to provide cash payout services to eligible recipients under the "Penang Flood Victims" cash card programme at all Public Bank branches nationwide. In 2017, the Group had provided moratorium to 1,576 affected customers for a total loan amount of RM234.8 million.

Total loan moratorium
RM234.8 million

Assisted
1,576
affected customers

- **PB TalentMax CSR Programme:** Through the Group's on-boarding TalentMax programme, Management Trainees are given the opportunity to undertake Corporate Social Responsibility activities. In 2017, the young employees had undertaken various visits and voluntary work to orphanages homes, and did community work such as clean-up services at zoo and animal shelter, as well as feeding the needy.

PB TalentMax is a talent development programme for the Public Bank Group's Management Trainees. The Programme exposes fresh graduates to the different facets of banking operations and management skills. It is specially designed to provide opportunities for the candidates to realise their potential, while building the right social skills and workplace behaviour. The Programme also emphasises on inculcating a culture of giving through encouraging the Trainees to contribute to the community through various social works.



Visited
8 orphanage homes
- Rumah Keluarga Kami
- Rumah Bakti Alkausar
- Rumah Caring
- Agathians Shelter Orphanage
- Pusat Jagaan Beribuan Kasih
- Rumah Charis Children's Home
- Pertubuhan Kebajikan Astana
- Pertubuhan Kebajikan Yesurin Mahligai

Carried out community work
2 times at Zoo Negara
1 time at SPCA Selangor

Feeding the needy
2 times by reaching out to Fungates Superflow Foundation Soup Kitchen

SUSTAINABILITY STATEMENT





- **Financial Aid to Staff:** The Group has a staff donation account under the Public Bank Group Sports Club ("PBGSC"), specifically for the sole purpose of soliciting voluntary donations from staff to assist fellow colleagues in times of need. During the year, PBGSC continued to extend a helping hand to staff, with a total of RM25,000 handed out to assist staff with family medical expenses, death or calamities. Since 2004, the Group had provided donations of more than RM270,000 to over 170 staff.

Benefitted
>170 staff
since 2004

Last but not least, as a responsible corporate citizen, the Group fulfils its responsibility as a tax payer in contributing to the fiscal revenue and economy of the country. In 2017, the Group's total tax payments to the Malaysian Government amounted to RM1.35 billion. The tax contribution will continue to facilitate national development and provide public services and amenities that benefit the society at large. All these efforts reflect the integration of sustainability into the Group's corporate culture, mission and strategies for its banking business.



MANAGING ENVIRONMENTAL IMPACT

- Energy Management
- Waste Management
- Greenhouse Gas Emission

MANAGING ENVIRONMENTAL IMPACT

Reducing the environmental footprint

The Public Bank Group recognises the need to contribute to addressing climate change as this is a core issue that is inextricably linked to the sustainability of a business into the future.

In 2017, the Group continued to initiate efforts to reduce its environmental footprint through the adoption of environmentally-sustainable practices in its day-to-day operation pertaining to the matters of Energy Management, Greenhouse Gas Emission, and Waste Management.

I. Energy Management and Greenhouse Gas Emission

In 2017, the Public Bank Group continued to work towards improving and tracking its impact in energy consumption and greenhouse gas emissions. The Group measures the progress of its efforts every year to track the effectiveness of its environment preservation measures.

Lighting with energy efficient LED lights

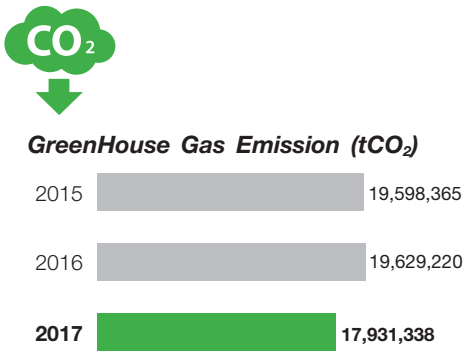
- In 2017, The Group had met the target set of replacing all the T8 fluorescent tubes and light bulbs in the Group's Corporate Head Office (Menara Public Bank and Information Technology & Training Centre in Bangi) with LED tubes and LED bulbs.

- Logistic arrangements are currently being made to replace the T8 fluorescent tubes with LED light tubes for other premises presently occupied by the Group, including the 259 branches nationwide. This exercise is targeted to be completed by the second quarter of 2018.

Electricity Consumption (kWh)



GreenHouse Gas Emission (tCO_2)



Scope: Menara Public Bank, Information Technology & Training Centre in Bangi, and Bangunan Public Bank

Running on environmental-friendly air-conditioning system

Air conditioning forms a major part of the Public Bank Group's electricity consumption. The Group is mindful that greenhouse gas emissions from air conditioners have a great impact on the environment. To ensure energy efficiency, the Group conducts proper and regular maintenance of the air-conditioning installations at its premises. Among the continuous measures carried out by the Group included scheduled preventive maintenance for its major buildings installations, such as the centralised air-conditioning chillers, cooling towers and vertical transportation system, so as to ensure optimal operational and energy efficiency. Service maintenance contractors are appointed to carry out scheduled servicing of all air-conditioning equipment on a monthly basis for all the 259 Public Bank branches nationwide. Currently, the Group continues its ongoing measure of replacing all its air-conditioning units which are running on ozone depleting R22 refrigerant gas with more environmental-friendly R410A refrigerant gas.

Environmental Conservation Initiatives at PBB

√	Replacement of 12,170 units of 36 watts T8 fluorescent light tubes with 16 watts LED tubes
√	Increasing the chilled water leaving temperature set point at the chiller by 2°C
√	Shutting down 50% of the lifts on weekends, public holiday and after 9.00 p.m. on weekdays

Green Building

The 40-storey green building by the Public Bank Group – Menara Public Bank 2 – was completed in early 2017. The Building is a notable effort by the Group's "going green" initiatives, and has become a new landmark located at the golden area of Jalan Raja Chulan in Kuala Lumpur.

Menara Public Bank 2 is designed to reduce overall impact on the environment by reducing waste and pollution, efficiently using energy and water, and incorporating green features such as special-designed sunshades and low-emissivity double glazing glass windows, and rainwater harvesting system. As a testament to this, Menara Public Bank 2 has been awarded the pre-certification "Gold" rating by the US Green Building Council under the Leadership in Energy and Environmental Design ("LEED") Green Building Rating System and the Malaysia Green Building Confederation under the Green Building Index ("GBI") certification system.

While Menara Public Bank 2 will be the new Head Office of Public Mutual, the building is also available for leasing, aiming to work together with more businesses in supporting a sustainable environment.

Engaging Energy Manager

As energy saving is a continuous journey, the Public Bank Group has enlisted the services of an independent qualified registered Energy Manager to review regularly the Group's energy utilisation, with the objective of further reducing energy consumption.

Public Bank Doing Its Part to Protect the Planet

On 25 March 2017, the Public Bank Group continued its participation in the Earth Hour in 2017, with Menara Public Bank joining other iconic buildings to turn off their lights for an hour from 8.30 p.m.

Water Consumption

The Public Bank Group has continued with its efforts to monitor water consumption of its premises, and has been exploring ways to save water.

Water Consumption 2015 – 2017

2017	2016	2015
213,140 m^3	226,117 m^3	223,025 m^3

Scope: Menara Public Bank, Information Technology & Training Centre in Bangi and Bangunan Public Bank

II. Paperless Banking and Waste Management

As a financial institution, the Public Bank Group acknowledges that its usage of paper is significant. Where possible and appropriate, the Group has always encouraged employees and customers to move towards a paperless environment to avoid unnecessary paper consumption and waste generation, in order to reduce paper pollution.

ePayslips via ePayroll System

In 2017, the Public Bank Group introduced the electronic payslips via the electronic payroll system to all Bank staff in Malaysia. This paperless initiative is in line with the Group's approach towards an environmentally-friendly concept.

E-procurement

The Public Bank Group Procurement system facilitates efficient processing of requisitions/purchases to reduce paper usage. In 2017, the Group transacted an average of 442 electronic purchase orders per month. The total of e-purchase orders issued represented 62% of the total of purchase orders issued by the Group in 2017.

Moving forward, the Public Bank Group will enlist more vendors to participate in this e-Purchase Order to further reduce the usage of paper. The Group will also review its procurement procedures and practices periodically to identify areas for further improvement.

Recycling

The Public Bank Group has waste management practices in place for paper collection, recycling and disposal. Waste is collected by appointed contractors to ensure compliance with regulatory requirements.

In 2017, total waste papers collected by Head Office and nearby branches in Kuala Lumpur for recycling purposes amounted to 151,255 kg.



	2017	2016	2015
Total Paper Recycled (kg)	**151,255**	160,420	161,473
Average Number of Electronic Purchase Orders via E-procurement (per month)	**442**	374	268*

** The e-Purchase Order was implemented in December 2015.*

CALENDAR OF SIGNIFI

CORPORATE



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9 January

The National Sales Convention 2017 was held at the Sunway Resort Hotel & Spa, Selangor for the Public Bank Group's sales personnel from Malaysia and abroad. This year's theme was '50 Years Of Banking Excellence'.

13 January

Public Bank and Public Islamic Bank participated in the Karnival Kewangan organised by Bank Negara Malaysia at Putra World Trade Centre with the theme 'Your Financial Needs Matter'.

13 February 1

Cambodian Public Bank converted its Tuol Tumpung Branch from a service branch to a full-fledged branch and moved to a new and larger premise in order to better serve its customers.

20 February

Cambodian Public Bank relocated its Bavet Branch to a new and larger premise at National Road No. 1, Bavet Kandal Village, Sangkat Bavet, Krong Bavet, Svay Rieng Province, Cambodia.

9 March 2

Public Bank led by Managing Director, Tan Sri Dato' Sri Tay Ah Lek and Deputy Chief Executive Officer, Dato' Chang Kat Kiam held a meeting with the President of Japan's Resona Bank, Mr. Kazuhiro Higashi and officials at Menara Public Bank, Kuala Lumpur to discuss matters of mutual interest for future business expansion.

11 March 3

The Management Seminar 2017 was held at the Sunway Resort Hotel & Spa, Selangor for the Public Bank Group's senior management, managers and officers from local and overseas operations.

17 March

Public Financial Holdings Limited held its 26th Annual General Meeting at Kowloon Shangri-La Hotel, Hong Kong.

27 March

More than 6,000 shareholders attended the Public Bank 51st Annual General Meeting held at Shangri-La Hotel, Kuala Lumpur.

CANT EVENTS 2017







29 March 4

Public Bank (Hong Kong) attended a Sales Rally 2017 hosted by AIA Hong Kong to give recognition to top sales performers and branches for their contribution in achieving the 2016 Circle of Excellence Award and the special Million Dollars Round Table Award.

5 May 5

Cambodian Public Bank and AIA (Cambodia) Life Insurance Plc ("AIA") signed a Distribution Agreement which appointed Cambodian Public Bank as AIA's exclusive referral agent for five years.

12 May

Public Bank Vietnam opened its eighth branch, the Hoang Mai Transaction Bureau in Hanoi.

13 May

The Public Mutual 28th National Sales Convention was held at the Sunway Resort Hotel & Spa, Selangor which was attended by 2,200 unit trust consultants.

13 May

Public Bank topped the list of the highest number of graduates at the 20th Asian Institute of Chartered Banker Graduation and Awards ceremony. A total of 296 graduates received their certification in various courses.

14 May 6

More than 3,000 unit trust consultants ("UTCs") and staff attended the Public Mutual Annual Awards Nite held at the MINES International Exhibition and Convention Centre, Selangor to celebrate top performing UTCs.

19 May

Public Bank Vietnam opened its ninth branch in Phu Nhuan, Ho Chi Minh City. This is the third branch in the city.

CALENDAR OF SIGNIFICANT EVENTS 2017



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2 June 7

In conjunction with the official opening of China Construction Bank (Malaysia) Bhd ("CCB"), CCB exchanged 13 Memorandum of Understandings with various parties including Public Bank to collaborate on Renminbi clearing.

22 July 8

Senior management and sales staff of the Public Bank Group attended a convention entitled 'Energise & Revitalise' which was held at the Sunway Pyramid Convention Centre, Selangor.

4 August

Staff from branches, hire purchase centres and sales personnel in the Sabah Region participated in the Karnival Kewangan Sabah organised by Bank Negara Malaysia in Kota Kinabalu with the theme 'Prioritise Your Financial Needs'.

7 September 9

Managing Director, Tan Sri Dato' Sri Tay Ah Lek and members of the Board of Directors of Cambodian Public Bank paid a courtesy visit to the Governor of the National Bank of Cambodia.

8 September

Cambodian Public Bank held a Working Session for its senior management staff, branch managers as well as sales and marketing personnel to review the Bank's overall performance and discuss action plans to accelerate growth in key business areas.

20 October 10

Public Bank Vietnam opened Hoa Binh Transaction Bureau in Cholon, the tenth branch in Vietnam and the fourth branch in the city of Ho Chi Minh.

8 December

Public Bank Vietnam opened Nguyen Trai Transaction Bureau, the 11th branch in Vietnam and the fifth branch in Ho Chi Minh City.

11 December

Public Bank Vietnam opened Giang Vo Transaction Bureau, Hanoi the 12th branch in Vietnam.

12 December

Public Bank opened its 13th branch in Vietnam at Thanh Xuan, Hanoi.

CORPORATE SOCIAL RESPONSIBILITY



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19 January 1

The Public Bank Group's employees jointly raised RM40,000 which was donated to Rumah Ozanam, Rumah HOPE, Agathians Shelter and House of Love under the Christmas Wish Tree charity project organised by the Bank.

21 January

Staff from Public Bank (Hong Kong) participated in 'Green Power Hike' to raise funds to create environmental awareness among the younger generation.

23 January

Public Bank hosted a visit by students from the Business Club, Faculty of Business and Accountancy, University of Malaya, at Menara Public Bank, Kuala Lumpur.

25 January 2

Public Bank donated RM31,000 to two old folks homes, Rumah Orang-Orang Tua Seri Setia and Persatuan Kebajikan Dan Sosial Kim Loo Ting Kuala Lumpur in conjunction with the Bank's annual Festive Charity Programme during Chinese New Year.

26 February 3

The PB We Care Team of volunteers from Public Bank (Hong Kong) participated in a charitable 'New Territories Walk for Millions' held at Ma On Shan to collect funds for The Community Chest.

10 March

Cambodian Public Bank donated USD3,000 to the Nokor Tep Foundation for the fifth year to assist in the construction of the Nokortep Women's Hospital in Phnom Penh.

17 April

Public Mutual organised a community outreach, 'Feed the Homeless 2.0' with Pertiwi Soup Kitchen to distribute food to the homeless in Kuala Lumpur.

18 April

Public Bank's Human Capital Management organised 'A Day with Public Bank' workshop at the Asia Pacific University of Technology & Innovation for students from the Information Technology and Business Schools to gain insights into career opportunities with the Bank.

CALENDAR OF SIGNIFICANT EVENTS 2017



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25 April 4

Public Bank participated in the Sunway University's Actuarial and Banking Forum as part of the Bank's Human Capital Management's student engagement.

8 May

Cambodian Public Bank donated USD5,000 to the Cambodian Red Cross to assist in its year-long activities to help the poor and needy in rural areas afflicted by natural disasters.

18 May

The first of the bi-annual blood donation drive, a collaboration with the National Blood Bank, was held at the main lobby of Menara Public Bank, Kuala Lumpur.

2 June 5

Staff from Public Bank Sri Lanka distributed goods worth more than USD6,500 to the flood and landslide victims in the southern province of Sri Lanka.

8 June

Public Bank hosted a visit by students from the Faculty of Business and Information Science, UCSI University at Menara Public Bank, Kuala Lumpur.

19 June 6

Public Bank donated RM10,000 under its annual Festive Charity Programme to Hospital Canselor Tuanku Muhriz, Kuala Lumpur and distributed duit raya and goodie bags worth RM15,600 to children warded at the Pediatrics Ward in conjunction with Hari Raya Aidil Fitri celebration.

13 July 7

Public Bank hosted a visit by students from the Faculty of Business Management, Asia Pacific University of Technology & Innovation at Menara Public Bank, Kuala Lumpur.

15 July

Public Mutual visited Pondok Penyayang Raudhah in Gombak to celebrate Hari Raya Aidil Fitri with the residents and donated essential items to the home.

23 July

Cambodian Public Bank supported the Cambodia-Japan Cooperation Centre with a contribution of USD1,500 towards the Nodojiman Japanese Song Contest.

21 August

Public Bank hosted a visit by students from the Banking & Finance Society, University Tunku Abdul Rahman at Menara Public Bank, Kuala Lumpur.

CALENDAR OF SIGNIFICANT EVENTS 2017



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22 August

Public Bank (Hong Kong) organised a talk on volunteerism for the Bank's 'PB WE CARE' team of volunteers to enhance their knowledge on providing services to the community and those in needs.

25 August

Public Bank hosted a visit by students from the Faculty of Business, Nilai University at Menara Public Bank, Kuala Lumpur.

28 August

Public Bank hosted a visit by students from the Sunway University at Menara Public Bank, Kuala Lumpur.

9 September 8

Public Mutual's staff and unit trust consultants jointly volunteered in a clean-up initiative at the Forest Research Institute Malaysia in support of a clean and fresh environment for the public.

4 October 9

In conjunction with the Deepavali festival, Public Bank donated RM5,000 each to Pertubuhan Kebajikan Karunia Illam Dan Anbu Illam and Pertubuhan Kebajikan Anak Yatim Mary Kuala Lumpur under its annual Festive Charity Programme.

9 October 10

Public Bank hosted a visit by students from the Accounting and Finance Club, Monash University Malaysia at Menara Public Bank, Kuala Lumpur.

21 October 11

Winton Financial Limited participated in a 'Rehab Power Day 2017' organised by the Hong Kong Rehabilitation Power to raise funds for vocational training programmes specially designed to train those with disabilities.

23 November

Public Bank hosted a visit by students from the Xiamen University at Menara Public Bank, Kuala Lumpur.

23 November

The second of the bi-annual blood donation drive, a collaboration with the National Blood Centre, was held at the main lobby of Menara Public Bank, Kuala Lumpur.

4 December

Public Bank hosted a visit by students from the Multimedia University at Menara Public Bank, Kuala Lumpur.

CALENDAR OF SIGNIFICANT EVENTS 2017

STAFF RELATIONS



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1 February 1

Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow hosted a Chinese New Year Open House at the Sunway Resort Hotel & Spa, Selangor to usher in the lunar year of the Rooster. It was attended by members of the Board of Directors, management staff from Head Office, overseas operations and branches in the Klang Valley.

11 March

Top performing branches in the Public Bank Group were acknowledged at the Annual Branch Performance Awards. The Taman Johor Jaya branch received the coveted Founder and Chairman Award.

11 March 2

The PB Star Campaign 2016 Regional Winners were announced at the Management Seminar held at the Sunway Pyramid Convention Centre, Selangor. The employee engagement campaign which ran from May till December 2016 had staff voting on a monthly basis, their fellow colleagues who displayed the desired behaviours in their interactions.

30 March

The Sports and Recreational Club of Public Bank Sri Lanka organised a Bowling Tournament for staff members at the Excel World Entertainment Park, Colombo.

10 June

Galle Branch came out top at the annual inter-branch six-a-side Cricket Tournament organised by the Sports and Recreational Club of Public Bank Sri Lanka.

16 June

Public Bank (Hong Kong) held its Annual Dinner 2017 at the Kowloon Bay International Trade and Exhibition Centre, Hong Kong with a turnout of 1,300 staff.

24 June

Cambodian Public Bank organised a training in first aid for staff members to enhance their awareness and knowledge on health care during emergencies.

CALENDAR OF SIGNIFICANT EVENTS 2017



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9 July 3

Public Bank Vietnam Limited's tennis team emerged champion at the Gamuda Tennis Tournament 2017 which was held at the Gamuda Garden Tennis Course, Gamuda City, Hanoi.

5 August 4

Public Bank held its 51st Anniversary Banquet at the MINES International Exhibition and Convention Centre, Selangor with the theme 'Flora Fiesta'.

15 October

The Public Bank Group Sports Club Bowling Tournament 2017 was held at the Mega Lanes, Endah Parade, Kuala Lumpur.

28 October

Public Bank Wilayah Persekutuan/Selangor Regions celebrated their 51st Anniversary Dinner at the MINES International Exhibition and Conventional Centre, Selangor.

25 November 5

A Badminton Tournament was organised by the Public Bank Group Sports Club at the Pro-One Badminton Centre, Bandar Baru Wangsa Maju, Kuala Lumpur.

CALENDAR OF SIGNIFICANT EVENTS 2017

PRODUCTS AND SERVICES



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1 January

Public Bank commenced the distribution of PB Pro Saver, a non-participating endowment plan underwritten by AIA Bhd.

9 January

Public Mutual launched the Public Navigator Growth Fund which targets to achieve 8% annualised returns over the long-term by investing in stocks with structural growth opportunities and reasonable valuations as well as stocks which are underpinned by strong fundamentals.

21 February 1

Public Bank Northern Region II organised a three-day e-Payment Roadshows at Sungai Petani, Bandar Seberang Jaya and Taiping to create awareness of Public Bank e-Payment services.

21 March 2

Public Bank, Visa Malaysia and MasterCard jointly launched the PB Quantum Visa and PB Quantum Mastercard Credit Cards at Menara Public Bank, Kuala Lumpur.

28 March

Public Bank commenced the distribution and sale of PB Islamic SmallCap Fund under the PB Series of Unit Trust Funds managed by Public Mutual. It provides investors with the opportunity to achieve capital growth over the medium to long-term by investing primarily in companies with small market capitalisation that comply with Shariah principles in domestic and selected foreign markets.

1 May

Public Bank launched a 'PB Bonus Reward' campaign which offers bonus interest rates of up to 3.08% p.a. on top of the prevailing board rates of PLUS Savings Account and Basic Savings Account.

13 July 3

Cambodian Public Bank Siem Reap Branch organised a Campu BrightStar World Jumble roadshow to promote the Bank's BrightStar Children Savings account and AIA Life Insurance policy.

13 July

Public Bank launched the Empower Plan ("EMP"), a regular premium investment-linked bancasssurance product which provides insurance coverage and investment returns, underwritten by AIA Bhd.

14 July

Public e-Flexi Allocation Fund, a new unit trust fund under the Public e-Series of unit trust funds managed by Public Mutual, commenced its distribution and sale for Public Mutual Online subscribers.

17 July 4

Public Bank held a 'PB eFD' campaign promotion from 17 July 2017 to 30 September 2017 which offered higher promotional interest rates during the campaign period to the PB eFD account holders.

CALENDAR OF SIGNIFICANT EVENTS 2017



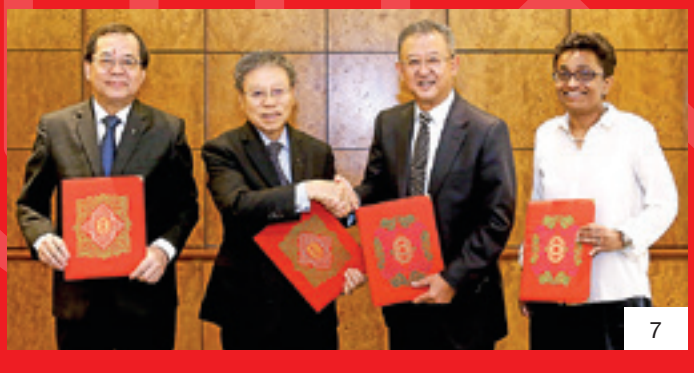
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11 August 5

Public Bank and AIA Bhd. jointly held a promotional event to promote the AIA Vitality, an insurance and health programme, to staff and members of the public at Menara Public Bank, Kuala Lumpur.

15 August 6

Public Bank and Ant Financial Services Group, an affiliate company of the Alibaba Group, officially announced their collaboration to connect Malaysian merchants with Alipay mobile wallet services, an online and mobile payment solution.

15 August

Public Bank commenced the distribution and sale of PB Asia Pacific Dividend Fund under the PB Series of unit trust funds managed by Public Mutual. The fund would invest 75% to 98% of its net asset value in equities and up to 98% in the Asia Pacific region and other permitted markets.

1 September

The third Current and Savings accounts ("CASA") campaign known as the 'PB Savers Reward' was launched by Public Bank which offered gift to customers who deposited fresh funds for a period of six month.

13 September

A SME Financing Roadshow was held at the Sheraton Imperial Hotel, Kuala Lumpur in support of Bank Negara Malaysia's SME Capacity Building to create awareness on the availability of various financing products, application processes and requirements including avenues for advisory services and redress.

26 September

A new fund called Public Islamic Global Equity Fund was launched by Public Mutual for investors seeking to participate in a Shariah-compliant equity fund which invests in global markets.

26 October

Public Mutual introduced two new funds, Public ASEAN Growth Fund ("PAGF") and Public Greater China Fund ("PGCF"). PAGF offers capital growth over medium– to long-term by investing in diversified portfolios in the ASEAN region whilst PGCF offers capital growth over the long term by investing in the China, Hong Kong and Taiwan markets as well as China based companies listed in overseas markets.

21 December 7

Public Bank and AIA Group Ltd signed an agreement which extended the existing exclusive regional bancassurance partnership for another 15 years to 2038.

CALENDAR OF SIGNIFICANT EVENTS 2017

AWARDS AND ACCOLADES



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22 February

Public Bank won the Euromoney Private Banking and Wealth Management Survey 2017 Award for the category of "Succession Planning Advice and Trusts".

27 February 1

Public Mutual clinched 11 awards at The Edge I Thomson Reuters Lipper Malaysia Fund Awards 2017 for Public Tactical Allocation Fund, Public Islamic Asia Tactical Allocation Fund, Public Asia Ittikal Fund, Public Islamic Asia Leaders Equity Fund, Public Far-East Alpha-30 Fund, PB China ASEAN Equity Fund, Public Regional Sector Fund, Public China Pacific Equity Fund and Public Bond Fund.

1 March

Public Bank was awarded the inaugural Best Tax Payer Award 2016 under the category of Public Limited Companies organised by the Inland Revenue Board of Malaysia.

10 March

Winton Financial Limited (Winton) was accorded the Caring Company Logo by the Hong Kong Council of Social Service in recognition of its commitment in Caring for the Community, Caring for the Employees and Caring for the Environment.

11 March 2

Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow was conferred the 'Medal for the Development of Vietnam Banking Industry' by the State Bank of Vietnam, the first foreign banker to receive this medal, in recognition of Tan Sri Teh's contribution to the construction and development of Vietnam's banking industry.

14 March

The Global Finance magazine named Public Bank the Best Bank in Malaysia 2017 for the ninth time.

22 March 3

Cambodian Public Bank was awarded the Gold Certificate 2016 for Tax Compliance by the General Department of Taxation in recognition of its excellent compliance with the tax laws and governance in Cambodia.

24 March

Public Mutual received two awards at the 2017 Morningstar Malaysia Fund Awards for Public Islamic Bond Fund and Public Ittikal Fund.

CALENDAR OF SIGNIFICANT EVENTS 2017



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30 March

Public Mutual won two awards at the 2016 Asia Asset Management Awards for Malaysia's Islamic Retail House of the Year and Malaysia's Best Retail House.

7 April 4

Public Bank received The Outstanding Partner (TOP) Recognition Award under the category of Most Preferred Financial Institution by Malaysia SME Media Group at its inaugural awards presentation ceremony.

17 April 5

Public Bank's ability to maintain an outstanding Straight Through Processing rates in 2016 was again recognised with the MT103 and MT202 Elite J.P. Morgan Quality Recognition Awards. This is the 15th consecutive year that Public Bank received these awards.

20 April 6

Public Bank was awarded the Trusted Brands Gold Award 2017 in the Bank category in Malaysia for the 14th consecutive year by Reader's Digest whilst Public Mutual was awarded the Reader's Digest Trusted Brands Platinum Award 2017 for the Investment Fund Company category in Malaysia for the eighth consecutive year.

28 April 7

Yazhou Zhoukan, a leading Hong Kong based Chinese publication awarded Public Bank with the Global Chinese Business 1000 Award 2016: Outstanding Performance Enterprise in Malaysia.

5 May

Cambodian Public Bank received four awards from Visa International for Leadership in Payment Volume, Leadership for Average Spend Visa Affluent Credit, Leadership in Merchant Sales Volume and Leadership in Credit Payment Volume.

22 May

The Asia Pacific Brands Foundation presented The BrandLaureate BestBrands Award Brand of the Year for Best Performing Public Listed Company – Banking Award 2016-2017 to Public Bank and The BrandLaureate Best Choice Brand Awards 2016-2017 for Financial and Wealth Planning – Unit Trust Fund to Public Mutual for the 11th consecutive year.

CALENDAR OF SIGNIFICANT EVENTS 2017



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22 May 8

Public Bank clinched four awards at the Malaysian Electronic Clearing Corporation's inaugural Malaysian e-Payments Excellence Awards 2017 for Outstanding Contribution to MyDebit, Outstanding Contribution to FPX, Best MyDebit Bank and Best e-Payments Bank.

9 June

Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow continued to be recognised as Asia's Best CEO (Investor Relations) 2017 for Malaysia for the seventh consecutive year by Corporate Governance Asia in their 7th Asian Excellence Recognition Awards 2017.

9 June

For the seventh consecutive year, Public Bank was awarded the Best Investor Relations Company for Malaysia by Corporate Governance Asia in the Corporate Governance Asia's 7th Asian Excellence Recognition Awards 2017. The Bank also won the Best Environmental Responsibility for Malaysia for the third consecutive year.

11 July

Public Mutual was accorded The Asset Triple A Asian Awards 2017 for Islamic Asset Management House of the Year Malaysia (Retail) for the seventh consecutive year.

13 July

Public Bank won the Domestic Retail Bank of the Year – Malaysia 2017 by the Asian Banking & Finance magazine for the ninth time whilst Cambodian Public Bank was the recipient of the Domestic Retail Bank of the Year – Cambodia 2017.

21 August 9

Public Bank received two Gold Awards for the Highest Return on Equity Over Three Years and Highest Growth in Profit After Tax Over Three Years under the category of Finance Sector – RM10 Billion and Above Market Capitalisation in The Edge Billion Ringgit Club Corporate Awards 2017. The Bank also received two Silver Awards for the Highest Return on Equity Over Three Years and Highest Growth in Profit After Tax Over Three Years for the category of Super Big Cap Companies Above RM40 Billion Market Capitalisation.

28 August 10

The Asia Pacific Brands Foundation awarded Public Bank with The BrandLaureate Industry Champion Brand Icon Leadership Award for Banking 2017 whilst Public Mutual was awarded The BrandLaureate Industry Champion Brand Icon Leadership Award in Financial and Wealth Planning – Unit Trust Fund 2017.

6 September

PricewaterhouseCooper named Public Bank as a Finalist of the Building Trust Awards 2017.

11 September

Visa International accorded Public Bank with the Visa Malaysia Bank Award 2016 for the Highest Payment Volume Growth for Visa Infinite, Highest Payment Volume Growth for Visa Commercial and Highest Visa e-Commerce Share of Purchase Volume.

CALENDAR OF SIGNIFICANT EVENTS 2017



11



12



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14 September 11

Alpha Southeast Asia awarded Public Bank with the Best Bank in Malaysia 2017 for the 11th consecutive year since 2007.

26 September

Public Bank was the recipient of the inaugural Best Bank for SMEs Award 2017 by Asiamoney.

28 September

Public Bank was accorded the Best Cross Border Program for Malaysia 2017 by MasterCard at the MasterCard's Innovation Forum 2017.

17 October

The Asian Banker awarded Public Bank with The Strongest Bank by Balance Sheet in Malaysia 2017 for the fourth time.

31 October

Cambodia Public Bank was the recipient of the Bank of the Year 2017 – Cambodia by The Banker, London for the tenth time.

14 November

The Bank of New York Mellon presented Public Bank with the Straight-Through Processing Award 2016 for the seventh consecutive year in recognition of its outstanding accuracy rates in the payment transfer operations.

15 November

Public Bank's outstanding straight-through processing rates was also recognised by Deutsche Bank AG with a Silver 2016 Euro STP Excellence Award for the seventh consecutive year.

23 November

Public Bank's 2016 Annual Report received a Merit Certificate at the National Annual Corporate Report Awards presentation.

24 November 12

Public Bank was presented with the Regional Award for SME Supporter 2017 at the Karnival Kewangan Sarawak.

7 December 13

Public Bank Vietnam was honoured by the Asia Pacific Brands Foundation with The BrandLaureate Special Edition World Awards 2017 for Brand Excellence in Banking & Finance (Foreign Bank).

11 December

The Asset magazine continued to recognise Public Bank with the Best Domestic Bank in Malaysia 2017 for the 16th consecutive year.

13 December

For the ninth consecutive year, Public Bank was accorded The Asset Platinum Corporate Award 2017 for Excellence in Environmental, Social and Corporate Governance.

BURSA MALAYSIA LISTING REQUIREMENTS COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"):

i) Utilisation of Proceeds Raised from Corporate Proposals

During the year, the following issuances were made by the Public Bank Group:

a) On 25 April 2017, Public Bank issued the fourth tranche of RM2.0 billion Subordinated Medium Term Notes under its RM10.0 billion Basel III – Compliant Tier II Subordinated Medium Term Notes Programme.

b) On 3 August 2017, Public Islamic Bank Berhad issued the second tranche of RM500 million Subordinated Sukuk Murabahah under its RM5.0 billion Sukuk Murabahah Programme.

The salient features of the Subordinated Medium Term Notes Programme and Subordinated Sukuk Murabahah Programme are as disclosed in Note 24 to the financial statements. The proceeds raised from the Subordinated Medium Term Notes and Subordinated Sukuk Murabahah have been used for working capital, general banking and other corporate purposes.

The proceeds raised from corporate proposals in prior years have been used for working capital, general banking and other corporate purposes, as intended.

Disclosed in accordance with Appendix 9C, Part A, item 13 of the Listing Requirements of Bursa Malaysia.

ii) Audit and Non-audit Fees

The amount of audit fees paid to external auditors by the Group and by the Bank for the financial year ended 31 December 2017 amounted to RM4,711,000 and RM1,711,000 respectively.

The amount of non-audit fees paid to external auditors or a firm or corporation affiliated to the external auditors by the Group and by the Bank for the financial year ended 31 December 2017 amounted to RM979,000 and RM364,000 respectively.

Disclosed in accordance with Appendix 9C, Part A, item 18 of the Listing Requirements of Bursa Malaysia.

iii) Material Contracts

There were no material contracts entered into by Public Bank and its subsidiary companies involving the interests of directors or major shareholders, which subsisted at the end of the financial year ended 31 December 2017 or, if not then subsisting, entered into since the end of the previous financial year.

Disclosed in accordance with Appendix 9C, Part A, item 21 of the Listing Requirements of Bursa Malaysia.

iv) Recurrent Related Party Transaction of a Revenue or Trading Nature

Public Bank did not seek any mandate from its shareholders as required under Paragraph 10.09(2)(b), Part E of Chapter 10 of the Listing Requirements of Bursa Malaysia as the recurrent related party transactions of a revenue or trading nature entered into by the Public Bank Group qualified as exempted transactions as defined under Paragraph 10.08(11)(e), Part E of Chapter 10 of the Listing Requirements of Bursa Malaysia.

Disclosed in accordance with Paragraph 10.09(2)(b) of the Listing Requirements of Bursa Malaysia.

MALAYSIAN ECONOMY: REVIEW AND OUTLOOK

I. GLOBAL PERSPECTIVE

Global recovery continued in 2017, with improved economic activity in both the advanced and emerging markets. The advanced economies were mainly driven by sustained domestic demand, supportive monetary policies and improved performance in the external sectors.

In the United States ("US"), the economy expanded at a modest pace in 2017, underpinned by higher investment activities, robust private consumption and stronger exports. As for Japan, the economy was supported by global demand and accommodative monetary and fiscal policies, as well as an uptick in spending for the 2020 Tokyo Olympics.

Growth in the euro area gained momentum in 2017, driven by acceleration in exports amid developments in global trades, continued strength in domestic demand, improved labour market conditions and accommodative financial conditions. Nevertheless, growth in the region will be affected by downside risks, which include the health of the banking sector in Europe and uncertainties arising from the United Kingdom's ("UK") exit from the European Union ("Brexit"), which have shown little progress.

The overall monetary policy stance in the advanced economies remained accommodative in 2017. In the US, the Federal Reserve ("Fed") raised the Fed funds rate by a cumulative 75 basis points ("bps") in 2017, bringing the policy rate to 1.25% – 1.50% by the end of the year. Also, the Fed has been gradually normalising the size of its balance sheet since October 2017. In the euro area, the European Central Bank ("ECB") left its main refinancing rate unchanged at 0% throughout the year. Meanwhile, ECB's quantitative easing ("QE") programme of EUR60 billion a month continued until the end of December 2017, before reducing to EUR30 billion a month for January 2018 until the end of September 2018. In the UK, the Bank of England raised its Bank Rate by 25 bps to 0.50% in November 2017, the first increase in more than 10 years. Elsewhere, the Bank of Japan ("BOJ") kept policy rate unchanged at a negative interest rate of 0.10% since January 2016 while Quantitative and Qualitative Monetary Easing with Yield Curve Control policy continued as BOJ aims to achieve price stability target of 2%.

Strong expansion in Asia had been supported by domestic demand amidst exports recovery alongside the pickup in global trade activities. For China, Gross Domestic Product ("GDP") growth remained stable, bolstered by supportive macro-policy and progressive domestic reforms, as well as strength in the external sector. In 2017, monetary authorities in the region had maintained accommodative policy stances in support of economic growth amid subdued inflationary pressure.

II. MALAYSIAN ECONOMY: REVIEW

With aggregate domestic demand as the main growth driver, the Malaysian economy grew by 5.9% in 2017, up from 4.2% in 2016. Agriculture, manufacturing and services sectors had been the anchor of production during the year, with positive growth for other sectors.

In the fourth quarter of 2017, GDP expanded by 5.9% year-on-year ("y-o-y"), supported by continued expansion in private sector spending with additional impetus from improved external demand (Table 1). During the fourth quarter of 2017, aggregate domestic demand was driven by continued strength in private sector expenditure. Expansion in private investment was mainly due to capital spending in the services and manufacturing sectors. Meanwhile, higher spending on supplies and services by the Federal Government continued to support public consumption. Also, net exports maintained positive growth, primarily contributed by manufactured exports.

Table 1

Malaysia: GDP by Expenditure Components, 2016-2017 (at constant 2010 prices)

	% Annual Change					
			2017			
	2016	2017	1Q	2Q	3Q	4Q
Aggregate Domestic Demand	4.3	**6.5**	**7.7**	**5.7**	**6.6**	**6.2**
Private Sector	5.6	**7.5**	**8.2**	**7.2**	**7.3**	**7.4**
Consumption	6.0	**7.0**	**6.6**	**7.1**	**7.2**	**7.0**
Investment	4.3	**9.3**	**12.9**	**7.4**	**7.9**	**9.2**
Public Sector	0.4	**3.3**	**5.8**	**0.2**	**4.0**	**3.4**
Consumption	0.9	**5.4**	**7.5**	**3.3**	**3.9**	**6.9**
Investment	-0.5	**0.1**	**3.2**	**-5.0**	**4.1**	**-1.4**
Net Exports	1.5	**-1.1**	**-14.5**	**1.4**	**1.7**	**5.4**
Exports of Goods and Services	1.1	**9.6**	**9.8**	**9.6**	**11.8**	**7.1**
Imports of Goods and Services	1.1	**11.0**	**12.9**	**10.7**	**13.4**	**7.4**
GDP	**4.2**	**5.9**	**5.6**	**5.8**	**6.2**	**5.9**

Source: Department of Statistics, Malaysia, Gross Domestic Product, various issues.

On the supply side, slower rate of expansion for most economic sectors were recorded in 4Q17, except for the improvement in agriculture sector, and the decline in the mining and quarrying sector (Table 2). The services sector slowed, due to lower growth in the wholesale and retail trade. The manufacturing sector eased, reflecting a broad-based moderation in both export- and domestic-oriented industries. The agriculture sector improved, reflected by higher crude palm oil ("CPO") output as yields recovered from adverse weather conditions. Growth in the construction sector was sustained by civil engineering activity for rail, highway, petrochemical and power plant projects. However, the mining and quarrying sector contracted as a result of lower production of natural gas following the pre-scheduled facilities' shutdown in Sarawak.

Table 2

Malaysia: GDP by Economic Activity, 2016-2017 (at constant 2010 prices)

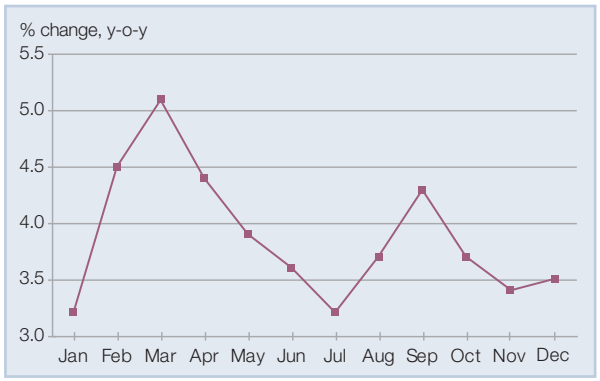
	% Annual Change					
			2017			
	2016	2017	1Q	2Q	3Q	4Q
Agriculture	-5.1	**7.2**	**8.3**	**5.9**	**4.1**	**10.7**
Mining & Quarrying	2.2	**1.1**	**1.6**	**0.2**	**3.1**	**-0.5**
Manufacturing	4.4	**6.0**	**5.6**	**6.0**	**7.0**	**5.4**
Construction	7.4	**6.7**	**6.5**	**8.3**	**6.1**	**5.8**
Services	5.6	**6.2**	**5.8**	**6.3**	**6.5**	**6.2**
GDP	**4.2**	**5.9**	**5.6**	**5.8**	**6.2**	**5.9**

Source: Department of Statistics, Malaysia, Gross Domestic Product, various issues.

In 2017, headline inflation rose to 3.7% compared to 2.1% in 2016, which was near the upper end of Bank Negara Malaysia's ("BNM") 3% – 4% forecast range (Graph 1). Inflation was largely influenced by global oil prices, coupled with the lower base in 2016. The labour market condition has been broadly stable, with the unemployment rate between 3.3% and 3.5% in 2017 (Graph 2). To improve the overall labour market, the Government has introduced several initiatives including the implementation of national minimum wages, introduction of the private sector retirement scheme and the extension of retirement age in the private sector.

Graph 1

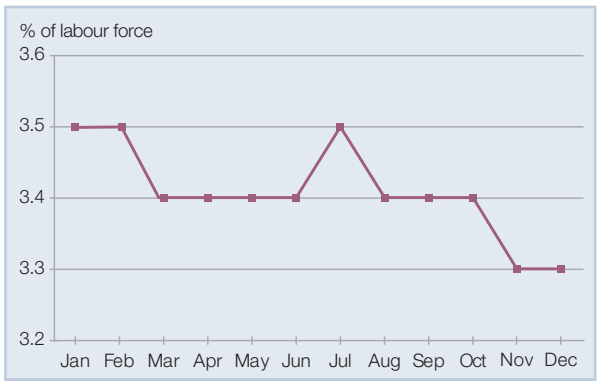
Malaysia: Headline Inflation, 2017



Source: Department of Statistics, Malaysia, Consumer Price Index, various issues.

Graph 2

Malaysia: Unemployment Rate, 2017



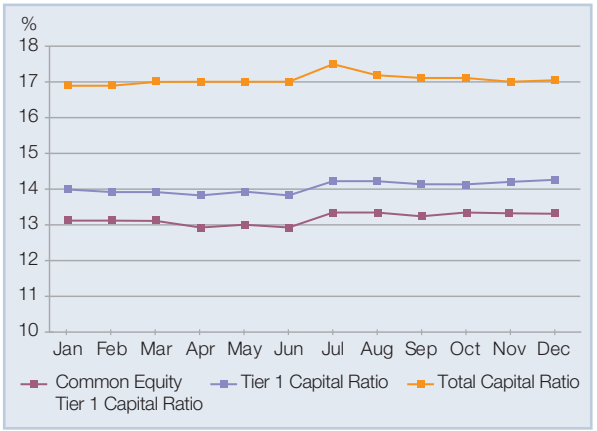
Source: Department of Statistics, Malaysia, Labour Force Statistics, various issues.

Banking System

The Malaysian banking system remains well-supported by sound financial institutions amid sustained confidence in the financial system. In 2017, the capital ratios remained healthy. As at end-December 2017, the Common Equity Tier 1 ("CET1") Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio sustained well above the minimum regulatory levels at 13.3%, 14.3% and 17.1%, respectively (Graph 3). Meanwhile, asset quality remained healthy with gross impaired loans ratio at 1.5% (Graph 4). Loan-to-fund ratio stood at 84.0% in 2017 (Graph 5).

Graph 3

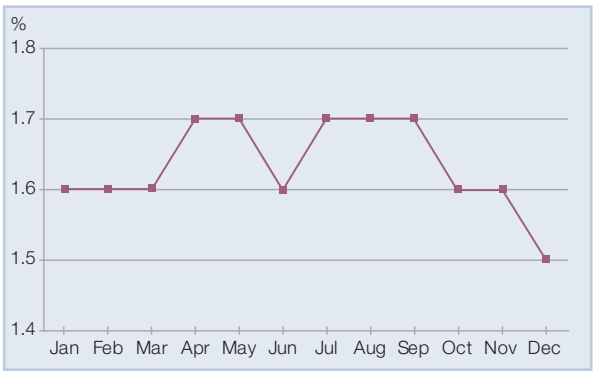
Banking System: Capital Strength, 2017



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2017.

Graph 4

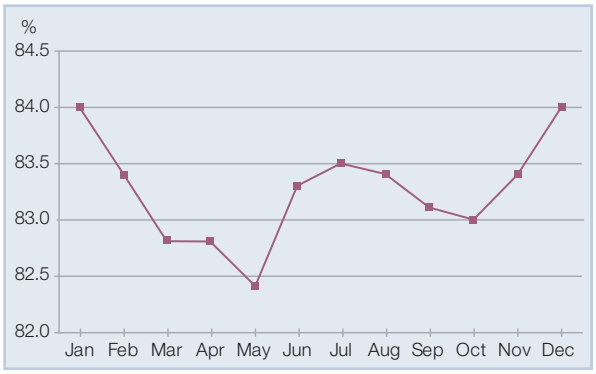
Banking System: Gross Impaired Loans Ratio, 2017



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2017.

Graph 5

Banking System: Loan-to-Fund Ratio, 2017

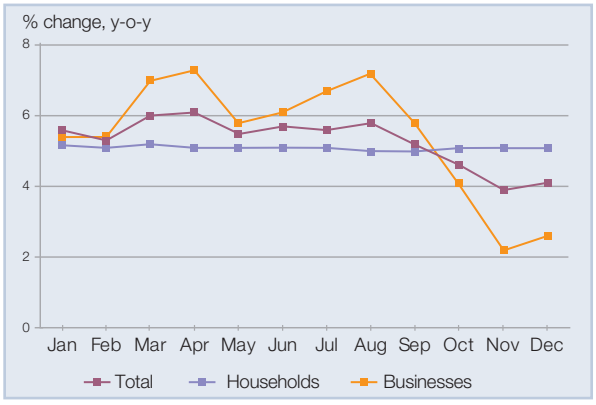


Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2017.

Lending activities had moderated in 2017. As at end-December 2017, total outstanding loans in the banking system grew by 4.1% y-o-y, driven by stable household loans but slower loans growth for businesses (Graph 6). Meanwhile, total deposits in the banking system grew by 4.0% y-o-y, driven by core deposits (Graph 7).

Graph 6

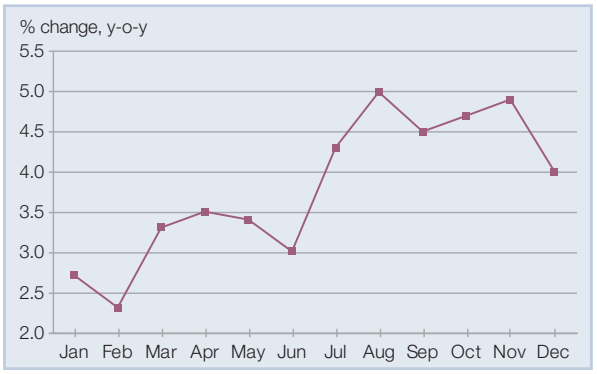
Banking System: Loans Growth, 2017



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2017.

Graph 7

Banking System: Deposits Growth, 2017



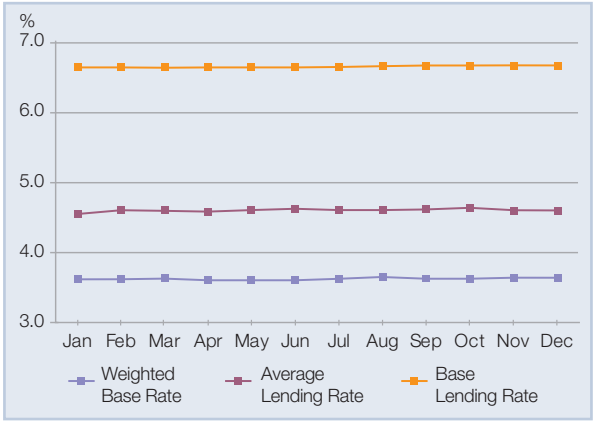
Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2017.

Monetary Policy

Monetary conditions remained stable in 2017. BNM has maintained its Overnight Policy Rate ("OPR") at 3.0% since 13 July 2016, citing that the stance of monetary policy remains accommodative to balance the risk of domestic growth and inflation prospects. Also, the Statutory Reserve Requirement was held steady at 3.50% since February 2016 to ensure sufficient liquidity in the domestic financial system. Lending (Graph 8) and deposit rates (Graph 9) were broadly stable throughout 2017.

Graph 8

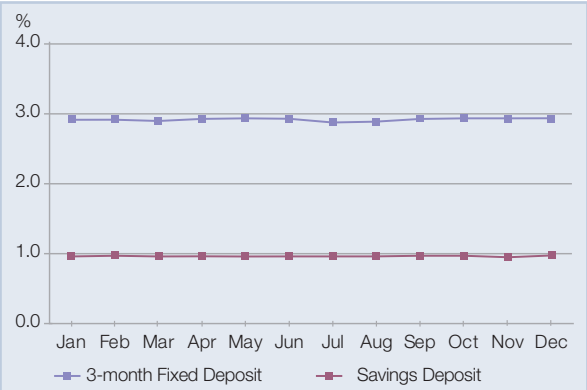
Banking System: Lending Rates of Commercial Banks, 2017



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2017.

Graph 9

Banking System: Deposit Rates of Commercial Banks, 2017



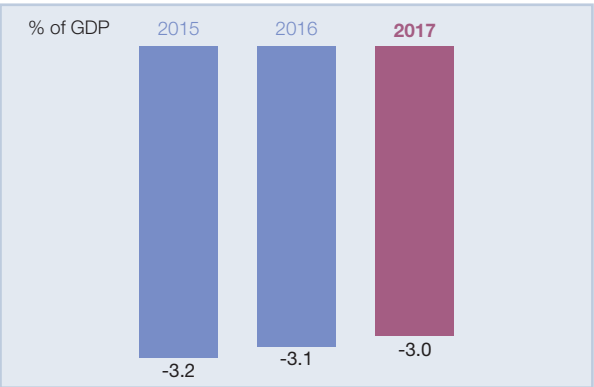
Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2017.

Fiscal Policy

The Government continues to ensure accommodative fiscal policies in support of growth. With commitment in fiscal consolidation, the budget deficit reduced further to 3.0% of GDP in 2017, from 3.1% of GDP in 2016 (Graph 10). Also, the Federal Government debt which stood at 50.8% of GDP as at end-2017, is expected to remain below the Government's self-imposed threshold of 55% of GDP.

Graph 10

Malaysia: Federal Government Fiscal Balance, 2015-2017



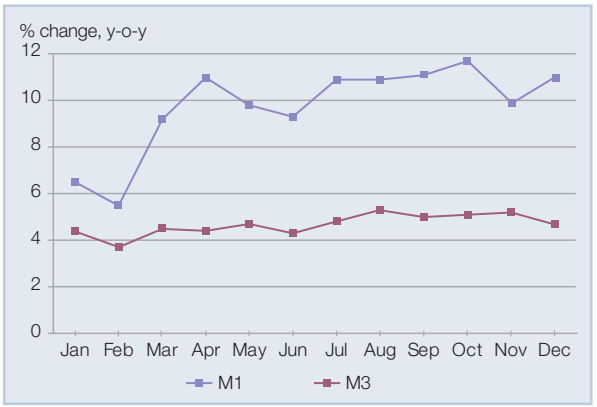
Source: Ministry of Finance, Malaysia, Economic Report, 2017/2018 and Bank Negara Malaysia, Quarterly Bulletin, Fourth Quarter 2017.

Monetary Aggregates

Monetary aggregates improved in tandem with the expansion in economic activity. In December 2017, narrow money (or M1) rose by 11.0% y-o-y. Broad money (M3) grew by 4.7% y-o-y, driven by continued growth in credit extended to the private sector by the banking system and net claims on government (Graph 11).

Graph 11

Malaysia: Monetary Aggregates, 2017



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2017.

External Position

Malaysia's external position remained resilient in 2017 given the continued expansion in global trade activities coupled with the relatively stronger ringgit. The surplus of current account of the balance of payment widened to RM40.3 billion or 3.1% of Gross National Income in 2017, supported by a larger goods surplus (Table 3). With the gradual improvement throughout the year, Malaysia's international reserves had amounted to USD102.4 billion as at end-December 2017, which is the highest level since June 2015 (Graph 12). The level of reserves was sufficient to finance 7.2 months of retained imports and 1.1 times the short-term external debt.

Table 3

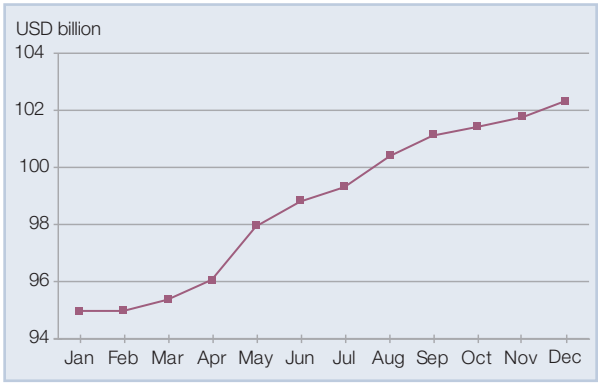
Malaysia: Current Account Balance, 2016-2017

	2016		2017		
	4Q	Year	3Q	4Q	Year
Current Account Balance (RM billion)	12.5	29.0	**12.5**	**12.9**	**40.3**
% of Gross National Income	3.9	2.4	**3.7**	**3.7**	**3.1**

Source: Bank Negara Malaysia, Quarterly Bulletin, Fourth Quarter 2017.

Graph 12

Malaysia: International Reserves, 2017



Source: Bank Negara Malaysia, Press Statements on International Reserves.

Malaysia's total external debt amounted to RM883.4 billion, equivalent to USD215.5 billion or 65.3% of GDP as at end-December 2017 (end-September 2017: 64.6% of GDP). The higher external debt reflects the increase in loans, interbank borrowing and non-resident holdings of domestic debt securities. This was partially offset by valuation effects of stronger ringgit against selected currencies during the fourth quarter of 2017.

Ringgit Exchange Rate

As at end-2017, the Malaysian ringgit appreciated against most major currencies, except the Korean won and the euro (Table 4). The ringgit surged by 9.8% vs. end-2016 to close at 4.0475 against the US Dollar ("USD") on encouraging macroeconomic conditions, mainly due to stronger-than-expected GDP growth, robust export performance, higher crude oil prices and anticipation of OPR hike in 2018. As at end-2017, the Brent crude oil price increased by 17.7% from end-2016 to USD66.87 per barrel (end-2016: USD56.82 per barrel). Measures introduced by the Financial Market Committee, particularly on enhancing liquidity in the bond market and allowing greater hedging flexibility in the onshore market, had also contributed to the stability of the ringgit.

Table 4

Malaysia: Performance of Ringgit, 2017

	End-period		% change*
RM/Foreign Currency	**2016**	**2017**	**2017/2016**
100 IDR	0.0333	**0.0298**	10.51
100 PHP	9.0444	**8.1183**	10.24
USD	4.4860	**4.0475**	9.77
JPY	3.8312	**3.5954**	6.15
CNY	0.6457	**0.6216**	3.73
SGD	3.1006	**3.0293**	2.30
100 THB	12.5237	**12.4156**	0.86
GBP	5.5122	**5.4666**	0.83
100 KRW	0.3729	**0.3798**	-1.85
EUR	4.7204	**4.8440**	-2.62

*Note: * Positive territory indicates appreciation of the Ringgit against foreign currencies and negative territory indicates depreciation.*
Source: Bank Negara Malaysia, Monthly Statistical Bulletin, website.

III. PROSPECTS, 2018

Global Economy: Positive sentiments

Global economy will continue to be driven by accommodative policies, positive sentiments across major economies and encouraging macro indicators. The US economy is expected to be supportive of global growth in 2018, coupled with continued growth in the euro area and Japan, as well as ongoing growth-focused policies in China.

Among the major advanced economies, the US is on track for further recovery, with the continuation of growth supported by favourable financial conditions and economic sentiments. Japan's economy is projected to grow albeit at a modest pace, partly due to fading fiscal support. Although the recovery in the euro area is expected to be moderate underpinned by domestic demand and improving labour market condition, post-Brexit uncertainties may dampen sentiments in Europe. As for Asia, being the main global growth engine, it is expected to maintain a steady growth path supported by the pickup in global economy, trade activities and broadly accommodative policies. In particular, China will continue to be driven by sustained domestic consumption amid the Government's ongoing rebalancing programmes.

While global growth is expected to remain broadly stable in 2018 and risks are more balanced, various challenges could potentially arise due to policy uncertainties in major advanced economies, trade protectionism, post-Brexit uncertainties and geopolitical tensions in the Middle East and East Asia.

MALAYSIAN ECONOMY: REVIEW AND OUTLOOK

Malaysia: Strong Expansion

The Malaysian economy is expected to remain strong in 2018. GDP growth is likely to be between 5.0% - 5.5% in 2018, supported by domestic demand. Growth momentum will continue to benefit from positive spillovers of better global growth on to domestic economic activity.

The domestic economy is expected to be driven by sustained private sector activities. Higher income and stable labour market conditions will continue to support private consumption. Private investment is projected to be sustained by the implementation of existing and new investment projects, particularly in the services and manufacturing sectors. Exports will be underpinned by sustainable economic growth of major trading partners and firmer commodity prices (Table 5).

On the supply side, growth is expected to be broad-based. The services sector will be buoyed by strong domestic economic activities while the manufacturing sector will be supported by sustained external demand and consumption activities. In the construction sector, growth is expected to be underpinned by major civil engineering projects. The mining and quarrying sector is projected to be supported by higher output from new oil and gas facilities. As for the agriculture sector, growth is expected to be supported by improvement in CPO yields (Table 6).

In 2018, economic policies will continue to remain supportive of sustainable growth amid a stable price environment. With the economy on a steady growth path and normalisation of rates, BNM raised the OPR by 25 bps to 3.25% on 25 January 2018. Underpinned by strong capitalisation, stable funding capacity and healthy liquidity position, the banking sector is expected to remain an effective financial intermediary by providing steady access of credit to households and businesses in support of domestic economic activities.

Table 5

Malaysia: GDP by Expenditure Components, 2016-2018 (at constant 2010 prices)

	% Annual Change		
	2016	**2017**	**2018f**
Aggregate Domestic Demand	4.3	6.5	5.5
Private Sector	5.6	7.5	7.3
Consumption	6.0	7.0	6.8
Investment	4.3	9.3	8.9
Public Sector	0.4	3.3	-0.4
Consumption	0.9	5.4	1.3
Investment	-0.5	0.1	-3.1
Net Exports	1.5	-1.1	1.0
Exports of Goods and Services	1.1	9.6	2.3
Imports of Goods and Services	1.1	11.0	2.5
GDP	**4.2**	**5.9**	**5.0 – 5.5**

Notes: f Forecast.
Source: Department of Statistics, Malaysia, Gross Domestic Product, Fourth Quarter 2017 and Ministry of Finance, Malaysia, Economic Report, 2017/2018.

Table 6

Malaysia: GDP by Economic Activity, 2016-2018 (at constant 2010 prices)

	% Annual Change		
	2016	**2017**	**2018f**
Agriculture	-5.1	7.2	2.4
Mining & Quarrying	2.2	1.1	0.9
Manufacturing	4.4	6.0	5.3
Construction	7.4	6.7	7.5
Services	5.6	6.2	5.8
GDP	**4.2**	**5.9**	**5.0 – 5.5**

Notes: f Forecast.
Source: Department of Statistics, Malaysia, Gross Domestic Product, Fourth Quarter 2017 and Ministry of Finance, Malaysia, Economic Report, 2017/2018.

INVESTOR INFORMATION

STOCK MARKET PERFORMANCE IN 2017

- The FTSE Bursa Malaysia Composite Index ("FBM KLCI") got off to a better start in 2017 as compared to the last two years, with upward trajectory seen from the early weeks of the year. Much of the improvement in performance was driven by stronger domestic retail-based participation while some foreign institutional investors also turned net buyers, hence driving the FBM KLCI higher by 6.0% in the first quarter. The increase in risk appetite was evident and was reflected by a 32.4% surge in average daily trading value to RM2.56 billion compared to the immediate preceding quarter as investors brushed off the 25 basis points interest rate hike in the United States ("US"). The announcement of Malaysia's fourth quarter 2016 Gross Domestic Product ("GDP") growth of 4.5%, which was higher than the previous quarter's growth of 4.3%, added to the positive sentiment.

- The market conditions continued to hold up in the second quarter amid a strengthening global economy. This was despite a visible rise in geopolitical developments, amongst which were deadlocked discussions following United Kingdom's official withdrawal from the European Union bloc, uncertainties surrounding the French Presidential election and the Gulf Crisis as a Saudi-led coalition boycotted Qatar for the latter's purported support of terrorism. The US Federal Reserve hiked interest rate by another 25 basis points in June. Meanwhile, Malaysia's economic growth further expanded by 5.6% in the first quarter of 2017 which was significantly higher than the previous quarter's growth of 4.5%. Consequently, the benchmark FBM KLCI ended the quarter 1.4% higher while trading activities remained robust with higher daily averages of 8.0% quarter-on-quarter to reach RM2.76 billion.

- The third quarter of 2017 was a period of lull with the FBM KLCI ending 0.5% lower to close at 1,755.58 points. Market activities were significantly lower, with average daily trading value dropping by 21.6% to RM2.16 billion as compared to the immediate preceding quarter despite strong domestic growth and global macroeconomic indicators. The Malaysian GDP grew by 5.8% in the second quarter of 2017 with long-time laggards in the international front, Japan and Euro area, also reporting stronger numbers.

- The local stock market was somewhat disconnected from the rest of the major markets during the fourth quarter. While the US, European and some Asian markets hit all-time highs underpinned by robust economic indicators and consumer sentiment, the FBM KLCI was mostly on a downward trend during the quarter. This happened despite the re-acceleration in global trades, stronger signs of economic stability in China, improvements in crude oil prices and resultant benefits to net exporters including Malaysia as well as the net capital inflows which led to the recovery of Malaysian Ringgit by 4.3% against the US Dollar to RM4.05. However, the FBM KLCI made a late surge in the final two trading weeks of the year, reversing earlier losses to subsequently end 2.3% higher in the fourth quarter.

- For the full year of 2017, the benchmark FBM KLCI increased by 155.08 points or 9.4% gain to end at 1,796.81 points, the first positive close since 2013. US interest rates were increased by another 25 basis points in December 2017.

INVESTOR INFORMATION

PUBLIC BANK SHARE PRICE PERFORMANCE IN 2017

HIGHLIGHTS

SHARE PRICE	MARKET CAPITALISATION	EARNINGS PER SHARE	DIVIDEND PER SHARE
RM20.78	**RM80.67 Bil**	**141.7 Sen**	**61 Sen**
2016: RM19.72	2016: RM76.56 Bil	2016: 134.8 Sen	2016: 58 Sen

- 2017 is a testament of the Public Bank Group's strength in upholding shareholders' value as its share price gradually rose throughout the year. The capital gains from Public Bank's share price which rose 5.4% from 2016 and the cumulative 59 sen single-tier dividend paid in 2017, comprising 2016 second interim dividend of 32 sen and 2017 first interim dividend of 27 sen, would see shareholders making a 8.4% gain on their investments. This year's returns marginally underperformed the FBM KLCI which registered a 9.4% increase, the latter benefitting from a late push which saw a 4.5% gain registered in the final two trading weeks of the year.

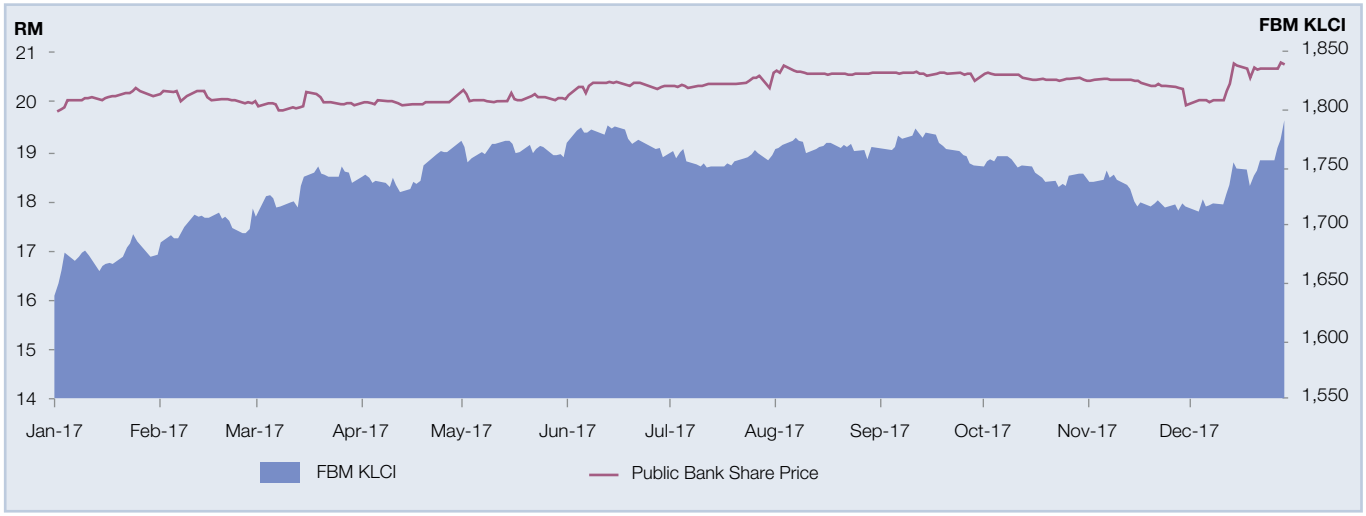
- In the first quarter of 2017, Public Bank's share price lagged the broader market, only rising 0.9% as compared to the FBM KLCI's 6.0% gain. Similar to 2016, the share price in the second quarter gained 2.1%, which outperformed the 1.4% gain in FBM KLCI. The share price gained during the quarter reflected sustained confidence in the Group's long-term prospects following the Group's announcement of the first quarter 2017 net profit growth of 1.5%. Public Bank's share price continued to outperform in the third quarter of the year, which rose 0.6% compared to the FBM KLCI's decline of 0.5%, underpinned by the announcement of the Group's cumulative first half 2017 net profit growth of 3.8% to RM2.58 billion. In the fourth quarter, with the local stock market making a late surge in the final two trading weeks of the year, the FBM KLCI rose 2.3% during the quarter, slightly stronger than the Public Bank Group's 1.7% gain in share price. A cumulative nine-month net profit growth of 7.0% to RM3.98 billion was reported during the period.

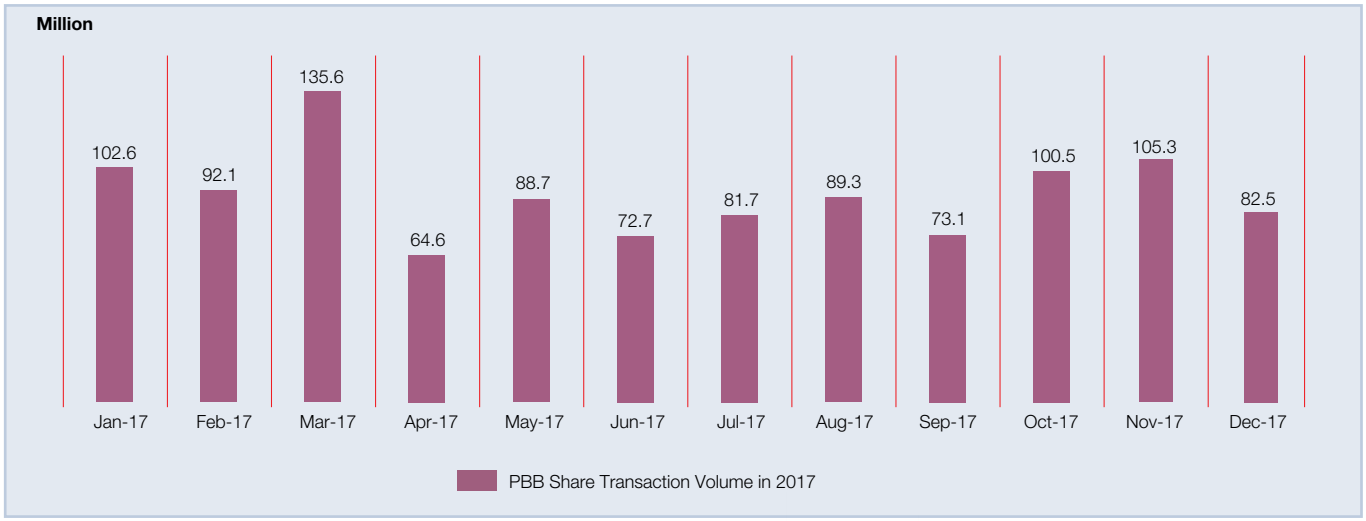
- As at the end of 2017, Public Bank share price ended at RM20.78, an increase of 5.4% from RM19.72 as at the end of 2016 as compared to the FBM KLCI's 9.4% increase to 1,796.81 points in the corresponding period.

- Public Bank's market capitalisation rose to RM80.67 billion as at the end of 2017, up RM4.11 billion or 5.4% from RM76.56 billion as at the end of 2016.

- Average daily volume and value of Public Bank shares traded in 2017 stood at 4.5 million shares (2016: 5.6 million shares) and RM90.8 million (2016: RM106.8 million) respectively.

PUBLIC BANK SHARE PRICE AND TRANSACTIONS IN 2017





ANALYSIS OF SHAREHOLDINGS

AS AT 22 FEBRUARY 2018

Issued Shares	:	3,882,138,347 ordinary shares
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS BASED ON RECORD OF DEPOSITORS

	Shareholders				No. of Shares Held			
	Malaysian		Foreigner		Malaysian		Foreigner	
Size of shareholdings	**No.**	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
Less than 100	8,500	11.76	239	0.33	247,632	0.01	8,240	*1
100 – 1,000 shares	14,738	20.39	439	0.61	6,672,530	0.17	210,855	*1
1,001 – 10,000 shares	34,155	47.26	2,226	3.08	112,307,370	2.91	9,544,793	0.25
10,001 – 100,000 shares	8,505	11.77	1,688	2.34	219,433,916	5.68	52,102,844	1.35
100,001 – 193,074,701 (less than 5% of issued shares*2)	844	1.17	933	1.29	668,068,146	17.30	1,440,687,442	37.31
193,074,702 (5% of issued shares*2) and above	2	*1	–	–	1,352,210,275	35.02	–	–
Total	66,744	92.35	5,525	7.65	2,358,939,869	61.09	1,502,554,174	38.91
Grand Total	**72,269 (100%)**				**3,861,494,043 (100%)*2**			

Notes:

*1 *Less than 0.01%.*

*2 *Excluding a total of 20,644,304 Public Bank (PBB) shares bought-back by PBB and retained as treasury shares as at 22 February 2018.*

DIRECTORS' DIRECT AND DEEMED INTERESTS IN SHARES IN THE COMPANY AND IN SUBSIDIARY COMPANY BASED ON REGISTER OF DIRECTORS' SHAREHOLDINGS

Shares Held in the Company

Name	Direct Interests		Deemed Interests		Total Interests	
	No. of Shares Held	% of Issued Shares[*5]	No. of Shares Held	% of Issued Shares[*5]	No. of Shares Held	% of Issued Shares[*5]
Tan Sri Dato' Sri Dr. Teh Hong Piow	24,711,282	0.64	884,194,971[*1]	22.90	908,906,253	23.54
Tan Sri Dato' Sri Tay Ah Lek	4,888,845	0.13	1,389,745[*2]	0.03	6,278,590	0.16
Lai Wan	–	–	18,654[*3]	[*4]	18,654	[*4]
Cheah Kim Ling	–	–	12,392[*3]	[*4]	12,392	[*4]

Notes:

[*1] *Deemed to have interests in PBB shares held by other corporations by virtue of Section 8(4) of the Companies Act, 2016.*

[*2] *Deemed to have interests in PBB shares held by person(s) connected as defined per Section 59 of the Companies Act, 2016 and held by other corporations by virtue of Section 8(4) of the Companies Act, 2016.*

[*3] *Deemed to have interests in PBB shares held by person connected as defined per Section 59 of the Companies Act, 2016.*

[*4] *Less than 0.01%*

[*5] *Excluding a total of 20,644,304 PBB shares bought-back by PBB and retained as treasury shares as at 22 February 2018.*

Shares Held in Subsidiary Company

– Shares Held in Public Financial Holdings Limited

Name	Direct Interests	
	No. of Shares Held	% of Issued Shares
Tan Sri Dato' Sri Tay Ah Lek	350,000	0.03

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and deemed interests of 908,906,253 shares in PBB, and pursuant to Section 8(4)(c) of the Companies Act, 2016, is deemed interested in the shares in all of PBB's subsidiary and associated companies to the extent that PBB has interests.

ANALYSIS OF SHAREHOLDINGS

SUBSTANTIAL SHAREHOLDERS BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

Name	Direct Interests		Deemed Interests		Total Interests	
	No. of Shares Held	% of Issued Shares*2	No. of Shares Held	% of Issued Shares*2	No. of Shares Held	% of Issued Shares*2
Tan Sri Dato' Sri Dr. Teh Hong Piow	24,711,282	0.64	884,194,971*1	22.90	908,906,253	23.54
Consolidated Teh Holdings Sdn Bhd	840,136,075	21.76	44,058,896*1	1.14	884,194,971	22.90
Employees Provident Fund Board	543,859,300	14.08	–	–	543,859,300	14.08

Notes:

*1 *Deemed to have interests in PBB shares held by other corporations by virtue of Section 8(4) of the Companies Act, 2016.*

*2 *Excluding a total of 20,644,304 PBB shares bought-back by PBB and retained as treasury shares as at 22 February 2018.*

TOP THIRTY SECURITIES ACCOUNT HOLDERS BASED ON RECORD OF DEPOSITORS

(Without aggregating the securities from different securities accounts belonging to the same Depositor)

	Name	No. of Shares Held	% of Issued Shares*
1.	Consolidated Teh Holdings Sdn Berhad	840,136,075	21.76
2.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board*	512,074,200	13.26
3.	Cartaban Nominees (Asing) Sdn Bhd *Exempt An For State Street Bank & Trust Company (West CLT OD67)*	110,349,060	2.86
4.	HSBC Nominees (Asing) Sdn Bhd *BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund*	52,442,356	1.36
5.	Cartaban Nominees (Asing) Sdn Bhd *GIC Private Limited For Government Of Singapore (C)*	44,803,928	1.16
6.	LPI Capital Bhd	42,520,704	1.10
7.	HSBC Nominees (Asing) Sdn Bhd *JPMCB NA For Vanguard Total International Stock Index Fund*	41,587,417	1.08
8.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	39,909,321	1.03
9.	Cartaban Nominees (Tempatan) Sdn Bhd *PAMB For Prulink Equity Fund*	39,624,105	1.03
10.	HSBC Nominees (Asing) Sdn Bhd *BBH And Co Boston For Matthews Pacific Tiger Fund*	32,488,394	0.84
11.	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)*	27,441,633	0.71
12.	Tan Sri Dato' Sri Dr. Teh Hong Piow	24,711,282	0.64
13.	Kumpulan Wang Persaraan (Diperbadankan)	23,552,600	0.61

	Name	No. of Shares Held	% of Issued Shares*
14.	DB (Malaysia) Nominee (Asing) Sdn Bhd *The Bank Of New York Mellon For Virtus Vontobel Emerging Markets Opportunities Fund*	22,927,600	0.59
15.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An For AIA Bhd*	21,991,222	0.57
16.	DB (Malaysia) Nominee (Asing) Sdn Bhd *SSBT Fund DRNA For Aberdeen Emerging Markets Fund*	19,459,200	0.50
17.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For The Bank Of New York Mellon (Mellon Acct)*	18,557,526	0.48
18.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)*	17,046,973	0.44
19.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (Nomura)*	16,533,900	0.43
20.	HSBC Nominees (Asing) Sdn Bhd *TNTC For Saudi Arabian Monetary Authority*	16,434,460	0.43
21.	DB (Malaysia) Nominee (Asing) Sdn Bhd *BNYM SA/NV For People's Bank Of China (SICL ASIA EM)*	14,185,800	0.37
22.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad (Par 3)*	14,012,536	0.36
23.	Cartaban Nominees (Asing) Sdn Bhd *RBC Investor Services Bank S.A. For Robeco Capital Growth Funds*	13,628,740	0.35
24.	DB (Malaysia) Nominee (Asing) Sdn Bhd *SSBT Fund ZM47 For Invesco Developing Markets Fund*	13,492,400	0.35
25.	Cartaban Nominees (Asing) Sdn Bhd *RBC Investor Services Bank S.A. For Vontobel Fund – Emergingmarkets Equity*	12,824,700	0.33
26.	Citigroup Nominee (Asing) Sdn Bhd *UBS AG*	12,721,913	0.33
27.	Public Invest Nominees (Tempatan) Sdn Bhd *Public Bank Group Officers' Retirement Benefits Fund*	12,580,832	0.33
28.	Citigroup Nominee (Asing) Sdn Bhd *Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)*	12,263,298	0.32
29.	HSBC Nominees (Asing) Sdn Bhd *BPSS LUX For Aberdeen Global – Emerging Markets Equity Fund*	11,702,510	0.30
30.	DB (Malaysia) Nominee (Asing) Sdn Bhd *SSBT Fund AM4R For Aberdeen Institutional Commingled Funds LLC*	11,348,312	0.29
		2,093,352,997	**54.21**

Note:
* *Excluding a total of 20,644,304 PBB shares bought-back by PBB and retained as treasury shares as at 22 February 2018.*

SHARE CAPITAL

The total number of issued shares as at 22 February 2018 stands at 3,882,138,347 ordinary shares. The changes in the number of issued shares are as follows:

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
Up to 30.08.1966	16,000,000	Cash	16,000,000
15.11.1978	4,000,000	Capitalisation of general reserve account (Bonus Issue 1:4)	20,000,000
22.07.1981	5,000,000	Capitalisation of general reserve account (Bonus Issue 1:4)	25,000,000
07.01.1982	10,000,000	Capitalisation of capital reserve account and general reserve account (Bonus Issue 2:5)	35,000,000
11.02.1982	35,000,000	Rights Issue 1:1 at RM2.00 per share	70,000,000
22.06.1983	42,000,000	Capitalisation of share premium account and general reserve account (Bonus Issue 3:5)	112,000,000
22.08.1983	56,000,000	Rights Issue 1:2 at RM2.00 per share	168,000,000
05.07.1984	42,000,000	Capitalisation of share premium account and general reserve account (Bonus Issue 1:4)	210,000,000
05.02.1988	42,000,000	Capitalisation of share premium account and general reserve account (Bonus Issue 1:5)	252,000,000
03.08.1988	105,000,000	Rights Issue 1:2 at RM1.60 per share	357,000,000
11.10.1989	218,500	Exercise of share options under Public Bank Berhad Employees' Share Option Scheme (PBB ESOS) at option price of RM3.80 per share	357,218,500
02.05.1990	1,237,500	Exercise of share options under PBB ESOS at option price of RM3.80 per share	358,456,000
15.06.1990	119,485,333	Capitalisation of share premium account and general reserve account (Bonus Issue 1:3)	477,941,333
06.08.1990	71,691,200	Rights Issue 1:5 at RM2.20 per share	549,632,533
08.10.1990	138,500	Exercise of share options under PBB ESOS at option price of RM2.76 per share	549,771,033
12.04.1991	3,828,850	Exercise of share options under PBB ESOS at option price of RM2.76 per share	553,599,883
24.09.1991	334,300	Exercise of share options under PBB ESOS at option price of RM2.76 per share	553,934,183
25.03.1992	114,700	Exercise of share options under PBB ESOS at option price of RM2.76 per share	554,048,883

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
15.04.1993	1,038,701	Exercise of share options under PBB ESOS at option price of RM2.76 per share	555,087,584
01.10.1993	9,912,337	Exercise of share options under PBB ESOS at option price of RM2.76 per share	564,999,921
20.04.1994	3,434,479	Exercise of share options under PBB ESOS at option price of RM2.76 per share	568,434,400
05.10.1994	1,113,000	Exercise of share options under PBB ESOS at option price of RM7.84 per share	569,547,400
27.12.1994	50,000,000	Issue and private placement of 50,000,000 new shares as follows: – 35,000,000 PBB local shares at RM8.28 per share – 15,000,000 PBB foreign shares at RM10.62 per share	619,547,400
18.04.1996	25,500	Exercise of share options under PBB ESOS at option price of RM7.84 per share	619,572,900
07.08.1996	206,524,300	Capitalisation of share premium account (Bonus Issue 1:3)	826,097,200
25.10.1996	143,541	Exercise of share options under PBB ESOS at option price of RM5.88 per share	826,240,741
12.05.1997	358,850	Exercise of share options under PBB ESOS at option price of RM5.88 per share	826,599,591
06.01.1998	165,319,918	Capitalisation of share premium account (Bonus Issue 1:5)	991,919,509
09.03.1998	165,319,918	Rights Issue 1:5 at RM2.00 per PBB local share and at RM2.28 per PBB foreign share	1,157,239,427
11.02.1999	8,007,750	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,165,247,177
11.05.1999	35,500	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,165,282,677
19.05.1999	4,736,865	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,170,019,542
07.06.1999	1,077,950	Exercise of share options under PBB ESOS at option price of RM4.48 per share	1,171,097,492
02.07.1999	12,063,250	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,183,160,742
08.12.2000	11,899,125	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,195,059,867
15.02.2001	1,662,500	Exercise of share options under PBB ESOS at option price of RM3.32 per share	1,196,722,367

SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
31.03.2001	213,140,892	New PBB local shares issued in exchange for 125,377,000 ordinary shares of RM1.00 each in Hock Hua Bank Bhd (HHB) pursuant to terms of merger of PBB and HHB	1,409,863,259
23.04.2001	422,958,977	Capitalisation of share premium account and retained profits (Bonus Issue 3:10)	1,832,822,236
11.12.2001	996,387	Exercise of share options under PBB ESOS at option price of RM2.54 per share	1,833,818,623
12.03.2002	1,025,362	Exercise of share options under PBB ESOS at option price of RM2.54 per share	1,834,843,985
12.07.2002	458,710,997	Capitalisation of share premium account (Bonus Issue 1:4)	2,293,554,982
13.09.2002	13,570,954	Exercise of share options under PBB ESOS as follows: – 1,488,329 shares at option price of RM2.04 per share – 12,082,625 shares at option price of RM4.44 per share	2,307,125,936
08.10.2002	7,153,442	Exercise of share options under PBB ESOS as follows: – 412,567 shares at option price of RM2.04 per share – 6,740,875 shares at option price of RM4.44 per share	2,314,279,378
12.12.2002	247,675	Exercise of share options under PBB ESOS as follows: – 130,050 shares at option price of RM2.04 per share – 117,625 shares at option price of RM4.44 per share	2,314,527,053
14.03.2003	153,158	Exercise of share options under PBB ESOS as follows: – 112,408 shares at option price of RM2.04 per share – 40,750 shares at option price of RM4.44 per share	2,314,680,211
09.04.2003	37,907	Exercise of share options under PBB ESOS at option price of RM2.04 per share	2,314,718,118
13.06.2003	202,598,923	New PBB local shares issued in exchange for 135,065,949 ordinary shares of RM1.00 each in Public Finance Bhd (PFB) pursuant to terms of privatisation of PFB	2,517,317,041
16.07.2003	629,329,261	Capitalisation of share premium account (Bonus Issue 1:4)	3,146,646,302
14.08.2003	8,337,798	Exercise of share options under PBB ESOS as follows: – 250,423 shares at option price of RM1.64 per share – 8,087,375 shares at option price of RM3.56 per share	3,154,984,100
05.09.2003	2,804,031	Exercise of share options under PBB ESOS as follows: – 75,156 shares at option price of RM1.64 per share – 2,728,875 shares at option price of RM3.56 per share	3,157,788,131
08.09.2003	2,902,623	Exercise of share options under PBB ESOS as follows: – 67,856 shares at option price of RM1.64 per share – 1,595,142 shares at option price of RM3.56 per share – 1,239,625 shares at option price of RM3.40 per share	3,160,690,754

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
12.09.2003	7,001,644	Exercise of share options under PBB ESOS as follows: – 54,489 shares at option price of RM1.64 per share – 4,948,530 shares at option price of RM3.56 per share – 1,998,625 shares at option price of RM3.40 per share	3,167,692,398
24.09.2003	1,216,063	Exercise of share options under PBB ESOS as follows: – 6,250 shares at option price of RM1.64 per share – 915,688 shares at option price of RM3.56 per share – 294,125 shares at option price of RM3.40 per share	3,168,908,461
15.10.2003	3,518,818	Exercise of share options under PBB ESOS as follows: – 15,169 shares at option price of RM1.64 per share – 2,515,399 shares at option price of RM3.56 per share – 988,250 shares at option price of RM3.40 per share	3,172,427,279
27.10.2003	2,054,251	Exercise of share options under PBB ESOS as follows: – 3,313 shares at option price of RM1.64 per share – 1,457,938 shares at option price of RM3.56 per share – 593,000 shares at option price of RM3.40 per share	3,174,481,530
29.10.2003	6,748,111	Exercise of share options under PBB ESOS as follows: – 32,993 shares at option price of RM1.64 per share – 3,781,268 shares at option price of RM3.56 per share – 2,933,850 shares at option price of RM3.40 per share	3,181,229,641
06.11.2003	4,913,239	Exercise of share options under PBB ESOS as follows: – 39,115 shares at option price of RM1.64 per share – 3,806,374 shares at option price of RM3.56 per share – 1,067,750 shares at option price of RM3.40 per share	3,186,142,880
13.11.2003	1,202,135	Exercise of share options under PBB ESOS as follows: – 5,040 shares at option price of RM1.64 per share – 961,220 shares at option price of RM3.56 per share – 235,875 shares at option price of RM3.40 per share	3,187,345,015
18.11.2003	455,750	Exercise of share options under PBB ESOS as follows: – 406,250 shares at option price of RM3.56 per share – 49,500 shares at option price of RM3.40 per share	3,187,800,765
21.11.2003	5,801,710	Exercise of share options under PBB ESOS as follows: – 33,297 shares at option price of RM1.64 per share – 2,989,788 shares at option price of RM3.56 per share – 2,778,625 shares at option price of RM3.40 per share	3,193,602,475
01.12.2003	1,417,894	Exercise of share options under PBB ESOS as follows: – 16,324 shares at option price of RM1.64 per share – 1,062,070 shares at option price of RM3.56 per share – 339,500 shares at option price of RM3.40 per share	3,195,020,369
04.12.2003	68,000	Exercise of share options under PBB ESOS at option price of RM3.56 per share	3,195,088,369

SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
22.12.2003	2,297,250	Exercise of share options under PBB ESOS as follows: – 13,484 shares at option price of RM1.64 per share – 1,889,391 shares at option price of RM3.56 per share – 394,375 shares at option price of RM3.40 per share	3,197,385,619
26.12.2003	9,214,108	Exercise of share options under PBB ESOS as follows: – 20,525 shares at option price of RM1.64 per share – 6,642,458 shares at option price of RM3.56 per share – 2,551,125 shares at option price of RM3.40 per share	3,206,599,727
27.01.2004	1,883,267	Exercise of share options under PBB ESOS as follows: – 4,547 shares at option price of RM1.64 per share – 1,680,345 shares at option price of RM3.56 per share – 198,375 shares at option price of RM3.40 per share	3,208,482,994
20.02.2004	483,813	Exercise of share options under PBB ESOS as follows: – 457,313 shares at option price of RM3.56 per share – 26,500 shares at option price of RM3.40 per share	3,208,966,807
01.03.2004	1,024,066	Exercise of share options under PBB ESOS as follows: – 886,316 shares at option price of RM3.56 per share – 137,750 shares at option price of RM3.40 per share	3,209,990,873
03.03.2004	13,717,282	Exercise of share options under PBB ESOS as follows: – 38,231 shares at option price of RM1.64 per share – 10,718,176 shares at option price of RM3.56 per share – 1,647,375 shares at option price of RM3.40 per share – 1,313,500 shares at option price of RM4.60 per share	3,223,708,155
05.03.2004	28,660,157	Exercise of share options under PBB ESOS as follows: – 253,907 shares at option price of RM1.64 per share – 28,406,250 shares at option price of RM3.56 per share	3,252,368,312
11.03.2004	13,177,700	Exercise of share options under PBB ESOS as follows: – 36,366 shares at option price of RM1.64 per share – 10,361,459 shares at option price of RM3.56 per share – 940,875 shares at option price of RM3.40 per share – 1,839,000 shares at option price of RM4.60 per share	3,265,546,012
17.03.2004	12,271,286	Exercise of share options under PBB ESOS as follows: – 46,892 shares at option price of RM1.64 per share – 10,183,769 shares at option price of RM3.56 per share – 597,125 shares at option price of RM3.40 per share – 1,443,500 shares at option price of RM4.60 per share	3,277,817,298
23.03.2004	8,575,825	Exercise of share options under PBB ESOS as follows: – 38,252 shares at option price of RM1.64 per share – 6,166,723 shares at option price of RM3.56 per share – 867,350 shares at option price of RM3.40 per share – 1,503,500 shares at option price of RM4.60 per share	3,286,393,123
06.04.2004	1,919,157	Exercise of share options under PBB ESOS as follows: – 1,703,532 shares at option price of RM3.56 per share – 69,625 shares at option price of RM3.40 per share – 146,000 shares at option price of RM4.60 per share	3,288,312,280

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
13.04.2004	4,016,890	Exercise of share options under PBB ESOS as follows: – 3,078,890 shares at option price of RM3.56 per share – 405,000 shares at option price of RM3.40 per share – 533,000 shares at option price of RM4.60 per share	3,292,329,170
16.04.2004	1,233,902	Exercise of share options under PBB ESOS as follows: – 10,500 shares at option price of RM1.64 per share – 1,017,652 shares at option price of RM3.56 per share – 85,750 shares at option price of RM3.40 per share – 120,000 shares at option price of RM4.60 per share	3,293,563,072
17.08.2004	11,152,166	Exercise of share options under PBB ESOS as follows: – 13,349 shares at option price of RM1.64 per share – 6,270,567 shares at option price of RM3.56 per share – 857,550 shares at option price of RM3.40 per share – 2,299,700 shares at option price of RM4.60 per share – 1,711,000 shares at option price of RM4.92 per share	3,304,715,238
30.08.2004	12,767,404	Exercise of share options under PBB ESOS as follows: – 57,078 shares at option price of RM1.64 per share – 7,127,076 shares at option price of RM3.56 per share – 618,450 shares at option price of RM3.40 per share – 2,372,800 shares at option price of RM4.60 per share – 2,592,000 shares at option price of RM4.92 per share	3,317,482,642
09.09.2004	1,649,681	Exercise of share options under PBB ESOS as follows: – 908,831 shares at option price of RM3.56 per share – 67,350 shares at option price of RM3.40 per share – 260,500 shares at option price of RM4.60 per share – 413,000 shares at option price of RM4.92 per share	3,319,132,323
27.09.2004	623,819	Exercise of share options under PBB ESOS as follows: – 8,125 shares at option price of RM1.64 per share – 344,819 shares at option price of RM3.56 per share – 63,375 shares at option price of RM3.40 per share – 136,000 shares at option price of RM4.60 per share – 71,500 shares at option price of RM4.92 per share	3,319,756,142
28.09.2004	1,737,912	Exercise of share options under PBB ESOS as follows: – 795,637 shares at option price of RM3.56 per share – 120,875 shares at option price of RM3.40 per share – 347,900 shares at option price of RM4.60 per share – 473,500 shares at option price of RM4.92 per share	3,321,494,054
04.10.2004	4,621,593	Exercise of share options under PBB ESOS as follows: – 33,767 shares at option price of RM1.64 per share – 2,569,876 shares at option price of RM3.56 per share – 267,650 shares at option price of RM3.40 per share – 1,187,300 shares at option price of RM4.60 per share – 563,000 shares at option price of RM4.92 per share	3,326,115,647

SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
26.10.2004	1,755,048	Exercise of share options under PBB ESOS as follows: – 665,498 shares at option price of RM3.56 per share – 71,650 shares at option price of RM3.40 per share – 527,400 shares at option price of RM4.60 per share – 490,500 shares at option price of RM4.92 per share	3,327,870,695
19.11.2004	4,569,277	Exercise of share options under PBB ESOS as follows: – 187,546 shares at option price of RM1.64 per share – 2,491,856 shares at option price of RM3.56 per share – 289,375 shares at option price of RM3.40 per share – 1,212,000 shares at option price of RM4.60 per share – 388,500 shares at option price of RM4.92 per share	3,332,439,972
25.11.2004	20,935,350	Exercise of share options under PBB ESOS as follows: – 31,710 shares at option price of RM1.64 per share – 9,479,777 shares at option price of RM3.56 per share – 653,600 shares at option price of RM3.40 per share – 4,162,263 shares at option price of RM4.60 per share – 6,608,000 shares at option price of RM4.92 per share	3,353,375,322
03.12.2004	2,392,002	Exercise of share options under PBB ESOS as follows: – 1,183,077 shares at option price of RM3.56 per share – 140,300 shares at option price of RM3.40 per share – 604,125 shares at option price of RM4.60 per share – 464,500 shares at option price of RM4.92 per share	3,355,767,324
28.01.2005	20,743,000	Exercise of share options under PBB ESOS at option price of RM4.92 per share	3,376,510,324
31.01.2005	2,415,001	Exercise of share options under PBB ESOS as follows: – 15,475 shares at option price of RM1.64 per share – 985,926 shares at option price of RM3.56 per share – 104,200 shares at option price of RM3.40 per share – 954,400 shares at option price of RM4.60 per share – 355,000 shares at option price of RM4.92 per share	3,378,925,325
07.02.2005	10,466,250	Exercise of share options under PBB ESOS as follows: – 2,406,250 shares at option price of RM3.56 per share – 2,250,000 shares at option price of RM4.60 per share – 5,810,000 shares at option price of RM4.92 per share	3,389,391,575
21.02.2005	7,511,743	Exercise of share options under PBB ESOS as follows: – 26,106 shares at option price of RM1.64 per share – 3,364,187 shares at option price of RM3.56 per share – 377,950 shares at option price of RM3.40 per share – 2,883,000 shares at option price of RM4.60 per share – 860,500 shares at option price of RM4.92 per share	3,396,903,318
25.02.2005	639,342	Exercise of share options under PBB ESOS as follows: – 6,094 shares at option price of RM1.64 per share – 236,373 shares at option price of RM3.56 per share – 14,875 shares at option price of RM3.40 per share – 291,000 shares at option price of RM4.60 per share – 91,000 shares at option price of RM4.92 per share	3,397,542,660

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
01.08.2005	12,813,748	Exercise of share options under PBB ESOS as follows: – 14,482 shares at option price of RM1.64 per share – 1,382,291 shares at option price of RM3.56 per share – 194,275 shares at option price of RM3.40 per share – 1,397,700 shares at option price of RM4.60 per share – 6,670,000 shares at option price of RM4.92 per share – 3,155,000 shares at option price of RM6.37 per share	3,410,356,408
31.10.2005	2,114,074	Exercise of share options under PBB ESOS as follows: – 1,063 shares at option price of RM1.64 per share – 442,561 shares at option price of RM3.56 per share – 96,950 shares at option price of RM3.40 per share – 424,800 shares at option price of RM4.60 per share – 1,014,500 shares at option price of RM4.92 per share – 134,200 shares at option price of RM6.37 per share	3,412,470,482
09.11.2005	3,737,523	Exercise of share options under PBB ESOS as follows: – 1,269 shares at option price of RM1.64 per share – 1,429,354 shares at option price of RM3.56 per share – 238,525 shares at option price of RM3.40 per share – 1,537,875 shares at option price of RM4.60 per share – 204,000 shares at option price of RM4.92 per share – 326,500 shares at option price of RM6.37 per share	3,416,208,005
15.11.2005	660,400	Exercise of share options under PBB ESOS as follows: – 163,100 shares at option price of RM3.56 per share – 61,700 shares at option price of RM3.40 per share – 390,100 shares at option price of RM4.60 per share – 45,500 shares at option price of RM4.92 per share	3,416,868,405
05.12.2005	504,684	Exercise of share options under PBB ESOS as follows: – 217,309 shares at option price of RM3.56 per share – 35,375 shares at option price of RM3.40 per share – 202,500 shares at option price of RM4.60 per share – 23,500 shares at option price of RM4.92 per share – 26,000 shares at option price of RM6.37 per share	3,417,373,089
13.01.2006	3,553,363	Exercise of share options under PBB ESOS as follows: – 2,587 shares at option price of RM1.64 per share – 391,750 shares at option price of RM3.56 per share – 77,325 shares at option price of RM3.40 per share – 519,300 shares at option price of RM4.60 per share – 71,000 shares at option price of RM4.92 per share – 86,000 shares at option price of RM6.37 per share – 2,405,401 shares at option price of RM5.67 per share	3,420,926,452
18.01.2006	115,100	Exercise of share options under PBB ESOS as follows: – 8,600 shares at option price of RM3.56 per share – 83,500 shares at option price of RM4.60 per share – 23,000 shares at option price of RM4.92 per share	3,421,041,552

SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
08.02.2006	329,363	Exercise of share options under PBB ESOS as follows: – 45,938 shares at option price of RM3.56 per share – 2,425 shares at option price of RM3.40 per share – 27,500 shares at option price of RM4.60 per share – 7,500 shares at option price of RM4.92 per share – 7,000 shares at option price of RM6.37 per share – 239,000 shares at option price of RM5.67 per share	3,421,370,915
28.02.2006	3,922,364	Exercise of share options under PBB ESOS as follows: – 302 shares at option price of RM1.64 per share – 234,931 shares at option price of RM3.56 per share – 20,125 shares at option price of RM3.40 per share – 293,500 shares at option price of RM4.60 per share – 63,500 shares at option price of RM4.92 per share – 255,000 shares at option price of RM6.37 per share – 3,055,006 shares at option price of RM5.67 per share	3,425,293,279
09.03.2006	8,050,287	Exercise of share options under PBB ESOS as follows: – 1,282 shares at option price of RM1.64 per share – 296,195 shares at option price of RM3.56 per share – 3,125 shares at option price of RM3.40 per share – 314,600 shares at option price of RM4.60 per share – 108,000 shares at option price of RM4.92 per share – 402,390 shares at option price of RM6.37 per share – 6,924,695 shares at option price of RM5.67 per share	3,433,343,566
14.03.2006	12,000	Exercise of share options under PBB ESOS at option price of RM5.67 per share	3,433,355,566
14.08.2006	1,960,920	Exercise of share options under PBB ESOS as follows: – 2,094 shares at option price of RM1.64 per share – 94,596 shares at option price of RM3.56 per share – 11,625 shares at option price of RM3.40 per share – 212,500 shares at option price of RM4.60 per share – 40,000 shares at option price of RM4.92 per share – 115,000 shares at option price of RM6.37 per share – 1,485,105 shares at option price of RM5.67 per share	3,435,316,486
22.08.2006	13,588,150	Exercise of share options under PBB ESOS as follows: – 17,923 shares at option price of RM1.64 per share – 411,452 shares at option price of RM3.56 per share – 44,250 shares at option price of RM3.40 per share – 555,000 shares at option price of RM4.60 per share – 72,900 shares at option price of RM4.92 per share – 319,000 shares at option price of RM6.37 per share – 12,167,625 shares at option price of RM5.67 per share	3,448,904,636
04.09.2006	1,147,600	Exercise of share options under PBB ESOS as follows: – 34,600 shares at option price of RM3.56 per share – 83,500 shares at option price of RM4.60 per share – 51,500 shares at option price of RM4.92 per share – 978,000 shares at option price of RM5.67 per share	3,450,052,236

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
22.09.2006	754,127	Exercise of share options under PBB ESOS as follows: – 16,127 shares at option price of RM3.56 per share – 22,000 shares at option price of RM4.60 per share – 7,000 shares at option price of RM4.92 per share – 16,000 shares at option price of RM6.37 per share – 693,000 shares at option price of RM5.67 per share	3,450,806,363
20.11.2006	1,735,884	Exercise of share options under PBB ESOS as follows: – 2,698 shares at option price of RM1.64 per share – 31,886 shares at option price of RM3.56 per share – 6,500 shares at option price of RM3.40 per share – 130,500 shares at option price of RM4.60 per share – 19,000 shares at option price of RM4.92 per share – 542,500 shares at option price of RM6.37 per share – 1,002,800 shares at option price of RM5.67 per share	3,452,542,247
30.11.2006	3,142,529	Exercise of share options under PBB ESOS as follows: – 1,358 shares at option price of RM1.64 per share – 90,371 shares at option price of RM3.56 per share – 4,000 shares at option price of RM3.40 per share – 188,500 shares at option price of RM4.60 per share – 43,500 shares at option price of RM4.92 per share – 1,083,300 shares at option price of RM6.37 per share – 1,731,500 shares at option price of RM5.67 per share	3,455,684,776
05.12.2006	4,553,096	Exercise of share options under PBB ESOS as follows: – 4,092 shares at option price of RM1.64 per share – 161,211 shares at option price of RM3.56 per share – 18,793 shares at option price of RM3.40 per share – 349,600 shares at option price of RM4.60 per share – 78,000 shares at option price of RM4.92 per share – 1,655,200 shares at option price of RM6.37 per share – 2,286,200 shares at option price of RM5.67 per share	3,460,237,872
15.12.2006	2,407,500	Exercise of share options under PBB ESOS as follows: – 30,700 shares at option price of RM3.56 per share – 1,800 shares at option price of RM3.40 per share – 82,200 shares at option price of RM4.60 per share – 59,000 shares at option price of RM4.92 per share – 729,000 shares at option price of RM6.37 per share – 1,504,800 shares at option price of RM5.67 per share	3,462,645,372
22.12.2006	179,500	Exercise of share options under PBB ESOS as follows: – 17,500 shares at option price of RM4.60 per share – 50,000 shares at option price of RM6.37 per share – 112,000 shares at option price of RM5.67 per share	3,462,824,872
25.01.2007	7,252,589	Exercise of share options under PBB ESOS as follows: – 473 shares at option price of RM1.64 per share – 184,208 shares at option price of RM3.56 per share – 14,800 shares at option price of RM3.40 per share – 234,500 shares at option price of RM4.60 per share – 43,500 shares at option price of RM4.92 per share – 3,230,108 shares at option price of RM6.37 per share – 3,545,000 shares at option price of RM5.67 per share	3,470,077,461

SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
30.01.2007	16,102,248	Exercise of share options under PBB ESOS as follows: – 5,228 shares at option price of RM1.64 per share – 68,187 shares at option price of RM3.56 per share – 29,000 shares at option price of RM3.40 per share – 254,031 shares at option price of RM4.60 per share – 60,200 shares at option price of RM4.92 per share – 11,004,802 shares at option price of RM6.37 per share – 4,680,800 shares at option price of RM5.67 per share	3,486,179,709
05.02.2007	2,798,614	Exercise of share options under PBB ESOS as follows: – 16,239 shares at option price of RM3.56 per share – 775 shares at option price of RM3.40 per share – 35,100 shares at option price of RM4.60 per share – 11,000 shares at option price of RM4.92 per share – 1,971,000 shares at option price of RM6.37 per share – 764,500 shares at option price of RM5.67 per share	3,488,978,323
15.02.2007	3,449,000	Exercise of share options under PBB ESOS as follows: – 8,000 shares at option price of RM3.56 per share – 1,000 shares at option price of RM3.40 per share – 48,500 shares at option price of RM4.60 per share – 25,500 shares at option price of RM4.92 per share – 2,387,000 shares at option price of RM6.37 per share – 979,000 shares at option price of RM5.67 per share	3,492,427,323
23.02.2007	118,000	Exercise of share options under PBB ESOS as follows: – 3,500 shares at option price of RM4.60 per share – 49,000 shares at option price of RM6.37 per share – 65,500 shares at option price of RM5.67 per share	3,492,545,323
14.05.2007	5,659,529	Exercise of share options under PBB ESOS as follows: – 22,492 shares at option price of RM1.64 per share – 75,283 shares at option price of RM3.56 per share – 24,350 shares at option price of RM3.40 per share – 185,000 shares at option price of RM4.60 per share – 43,500 shares at option price of RM4.92 per share – 3,516,279 shares at option price of RM6.37 per share – 1,792,625 shares at option price of RM5.67 per share	3,498,204,852
17.05.2007	7,553,346	Exercise of share options under PBB ESOS as follows: – 3,371 shares at option price of RM1.64 per share – 114,070 shares at option price of RM3.56 per share – 31,507 shares at option price of RM3.40 per share – 216,500 shares at option price of RM4.60 per share – 54,300 shares at option price of RM4.92 per share – 4,608,696 shares at option price of RM6.37 per share – 2,524,902 shares at option price of RM5.67 per share	3,505,758,198
30.05.2007	224,369	Exercise of share options under PBB ESOS as follows: – 9,369 shares at option price of RM3.56 per share – 6,500 shares at option price of RM4.60 per share – 2,500 shares at option price of RM4.92 per share – 128,000 shares at option price of RM6.37 per share – 78,000 shares at option price of RM5.67 per share	3,505,982,567

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
04.06.2007	2,962,800	Exercise of share options under PBB ESOS as follows: – 43,000 shares at option price of RM3.56 per share – 1,000 shares at option price of RM3.40 per share – 117,000 shares at option price of RM4.60 per share – 34,000 shares at option price of RM4.92 per share – 1,931,000 shares at option price of RM6.37 per share – 836,800 shares at option price of RM5.67 per share	3,508,945,367
07.06.2007	33,900	Exercise of share options under PBB ESOS as follows: – 400 shares at option price of RM3.56 per share – 1,500 shares at option price of RM4.60 per share – 25,000 shares at option price of RM6.37 per share – 7,000 shares at option price of RM5.67 per share	3,508,979,267
10.07.2007	1,974,411	Exercise of share options under PBB ESOS as follows: – 379 shares at option price of RM1.64 per share – 47,133 shares at option price of RM3.56 per share – 91,000 shares at option price of RM4.60 per share – 15,500 shares at option price of RM4.92 per share – 1,201,900 shares at option price of RM6.37 per share – 618,499 shares at option price of RM5.67 per share	3,510,953,678
17.07.2007	7,444,206	Exercise of share options under PBB ESOS as follows: – 82,283 shares at option price of RM3.56 per share – 19,925 shares at option price of RM3.40 per share – 95,575 shares at option price of RM4.60 per share – 16,100 shares at option price of RM4.92 per share – 6,428,923 shares at option price of RM6.37 per share – 801,400 shares at option price of RM5.67 per share	3,518,397,884
20.07.2007	727,500	Exercise of share options under PBB ESOS as follows: – 3,000 shares at option price of RM3.56 per share – 21,000 shares at option price of RM4.60 per share – 10,000 shares at option price of RM4.92 per share – 512,000 shares at option price of RM6.37 per share – 181,500 shares at option price of RM5.67 per share	3,519,125,384
14.11.2007	6,071,344	Exercise of share options under PBB ESOS as follows: – 727 shares at option price of RM1.64 per share – 68,822 shares at option price of RM3.56 per share – 450 shares at option price of RM3.40 per share – 138,900 shares at option price of RM4.60 per share – 26,000 shares at option price of RM4.92 per share – 4,763,700 shares at option price of RM6.37 per share – 1,072,745 shares at option price of RM5.67 per share	3,525,196,728
16.11.2007	1,834,280	Exercise of share options under PBB ESOS as follows: – 32,006 shares at option price of RM3.56 per share – 29,075 shares at option price of RM3.40 per share – 86,969 shares at option price of RM4.60 per share – 16,000 shares at option price of RM4.92 per share – 1,117,231 shares at option price of RM6.37 per share – 552,999 shares at option price of RM5.67 per share	3,527,031,008

SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Number of Issued Shares
26.11.2007	849,375	Exercise of share options under PBB ESOS as follows: – 9,700 shares at option price of RM3.56 per share – 19,075 shares at option price of RM3.40 per share – 38,000 shares at option price of RM4.60 per share – 19,500 shares at option price of RM4.92 per share – 479,800 shares at option price of RM6.37 per share – 283,300 shares at option price of RM5.67 per share	3,527,880,383
17.12.2007	11,000	Exercise of share options under PBB ESOS at option price of RM6.37 per share	3,527,891,383
21.01.2008	701,527	Exercise of share options under PBB ESOS as follows: – 46,600 shares at option price of RM3.56 per share – 125 shares at option price of RM3.40 per share – 19,000 shares at option price of RM4.60 per share – 8,500 shares at option price of RM4.92 per share – 481,302 shares at option price of RM6.37 per share – 146,000 shares at option price of RM5.67 per share	3,528,592,910
05.02.2008	710,476	Exercise of share options under PBB ESOS as follows: – 11,109 shares at option price of RM3.56 per share – 4,700 shares at option price of RM4.60 per share – 8,000 shares at option price of RM4.92 per share – 502,167 shares at option price of RM6.37 per share – 184,500 shares at option price of RM5.67 per share	3,529,303,386
18.02.2008	1,595,474	Exercise of share options under PBB ESOS as follows: – 10,262 shares at option price of RM3.56 per share – 50 shares at option price of RM3.40 per share – 61,862 shares at option price of RM4.60 per share – 10,500 shares at option price of RM4.92 per share – 1,090,800 shares at option price of RM6.37 per share – 422,000 shares at option price of RM5.67 per share	3,530,898,860
21.02.2008	65,000	Exercise of share options under PBB ESOS as follows: – 2,500 shares at option price of RM4.60 per share – 41,500 shares at option price of RM6.37 per share – 21,000 shares at option price of RM5.67 per share	3,530,963,860
05.03.2008	748,792	Exercise of share options under PBB ESOS as follows: – 2,121 shares at option price of RM1.64 per share – 23,221 shares at option price of RM3.56 per share – 4,750 shares at option price of RM3.40 per share – 37,700 shares at option price of RM4.60 per share – 17,500 shares at option price of RM4.92 per share – 462,400 shares at option price of RM6.37 per share – 201,100 shares at option price of RM5.67 per share	3,531,712,652
12.03.2008	213,182	Exercise of share options under PBB ESOS as follows: – 18,982 shares at option price of RM3.56 per share – 11,500 shares at option price of RM4.60 per share – 5,500 shares at option price of RM4.92 per share – 123,000 shares at option price of RM6.37 per share – 54,200 shares at option price of RM5.67 per share	3,531,925,834
01.08.2014	350,212,513	Rights Issue 1:10 at RM13.80 per share	3,882,138,347

SUMMARY OF PROPERTIES OWNED BY PUBLIC BANK GROUP

AS AT 31 DECEMBER 2017

Area	No. of Properties		Net Book Value (RM'000)
	Freehold	Leasehold	
DOMESTIC			
PUBLIC BANK BERHAD			
Kuala Lumpur	2	–	227,193
Perak Darul Ridzuan	1	–	228
Sarawak	–	1	122
PUBLIC MUTUAL BERHAD			
Kuala Lumpur	1	1	8,212
Johor Darul Takzim	–	1	726
Pahang Darul Makmur	1	–	1,553
Pulau Pinang	1	–	1,675
Sarawak	–	2	2,282
Selangor Darul Ehsan	1	1	5,273
PUBLIC HOLDINGS SDN BHD			
Kuala Lumpur	5	4	704,855
Johor Darul Takzim	4	–	69,722
Kedah Darul Aman	1	–	1,409
Melaka	–	2	1,028
Pahang Darul Makmur	1	–	84
Perak Darul Ridzuan	3	1	4,601
Pulau Pinang	8	1	5,096
Sabah	–	2	2,700
Sarawak	1	3	4,197
Selangor Darul Ehsan	1	2	37,009
OVERSEAS			
CAMBODIAN PUBLIC BANK PLC			
Phnom Penh	1	–	57,131
PUBLIC FINANCIAL HOLDINGS GROUP			
Hong Kong	–	32	515,275

Note:

The details of the top 10 properties as included in the above summary are disclosed in the following page.

TOP 10 LIST OF PROPERTIES OWNED BY PUBLIC BANK GROUP

AS AT 31 DECEMBER 2017

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (RM'000)
Menara Public Bank 2 No. 78, Jalan Raja Chulan 50200 Kuala Lumpur Malaysia	40-storey office block including a 4-level commercial podium with a 6-level basement carpark	Public Bank's Jalan Raja Chulan branch and future Public Mutual New Head Quarters	Freehold	–	1 Year (CCC issued on 1-1-2017)	58,865 (gross) Net lettable 42,816	5-12-2017 (R)	654,170
Menara Public Bank 146 Jalan Ampang 50450 Kuala Lumpur Malaysia	36-storey office tower and 5-storey podium (L/B)	Public Bank's Head Office and Kuala Lumpur City Main Office; business premises of subsidiary and associated companies	Freehold	–	23 Years	46,436	2-1-1995	227,016
Basement, Ground Floor 1st-12th Floor, Flat A & B on 14th Floor, 17th Floor, Flat A on 19th Floor, 21st Floor and Main Roof Public Bank Centre 120 Des Voeux Road Central Central Hong Kong	A shop unit on ground floor and basement; and office floors of a 23-storey commercial building	Public Bank (HK) Ltd's Main Branch and administrative office	Leasehold 999 Years	825 Years (26-6-2842)	40 Years	5,451	30-5-2006**	128,979
11th Floor Argyle Centre Phase 1 688 Nathan Road 65 Argyle Street Mongkok Kowloon Hong Kong	Office space on the 11th Floor of a 21-storey commercial building	Public Financial Holdings Group office; part of office space leased to third parties	Leasehold 150 Years	43 Years (18-2-2060)	35 Years	1,465	2-5-1994 (R)	104,380
Public Bank Tower 19 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Malaysia	30-storey office tower (L/B)	Public Bank's Johor Bahru Branch; office space rented to third parties and a related party	Freehold	–	23 Years	36,222	5-12-2017 (R)	66,713

TOP 10 LIST OF PROPERTIES OWNED BY PUBLIC BANK GROUP

Location	Description	Current Use	Tenure	Remaining Lease Period (Expiry Date)	Age of Property	Built-up Area (sq m)	Date of Last Revaluation/ Acquisition	Net Book Value (RM'000)
Campu Bank Building No. 23, Kramuon Sar Avenue (Street No. 114) Sangkat Phsar Thmey 2 Phnom Penh Kingdom of Cambodia	10 storey building 2 1/2 Basement on lot 23 & 24	Head Office and Phnom Penh Main Branch, Campu Properties Co. Ltd, Campu Securities Plc and Campu Lonpac Insurance	Freehold	–	8 Years	18,149	14-10-2009	57,132
Shop B Ground Floor and Office B 1st to 17th Floor JCG Building 16 Mongkok Road Mongkok Kowloon Hong Kong	A shop unit on ground floor and all B units for 1st to 17th floors of an 18-storey commercial building with shops and offices	Public Bank (HK) Ltd. & Public Finance Ltd.'s Mongkok Branch; storeroom of Public Financial Holdings Group; office space leased to third parties	Leasehold 150 Years	33 Years (27-5-2050)	30 Years	2,215	30-6-1994 (R)	54,043
11th Floor Wing On House 71 Des Voeux Road Central Central Hong Kong	11th floor of a 31-storey office building built on a 2-storey podium	Office of Public Financial Holdings Group	Leasehold 999 Years	885 Years (14-8-2902)	50 Years	1,464	11-6-1993	45,452
1 Jalan Air Hitam Kawasan Institusi Bandar Baru Bangi 43000 Kajang Selangor Darul Ehsan Malaysia	5 blocks of integrated muti-storey building (L/B)	Public Bank's IT & Training Centre	Leasehold 99 Years	79 Years (2-9-2096)	20 Years	31,669	5-12-2017 (R)	30,588
Shop B, Ground Floor Kong Kai Building No. 184 Aberdeen Main Road Hong Kong	A shop unit on ground floor of a 22-storey residential building	Leased to third parties	Leasehold 999 Years	842 Years (26-12-2859)	27 Years	105	16-4-2016 (R)	26,565

Notes:

(L/B) Land and building

(R) Revaluation was performed as at 31 December 2017

CCC Certificate of Completion and Compliance

*** The acquisition date of 30 May 2006 is the date such property was acquired upon acquisition of Public Bank (Hong Kong) Limited by Public Financial Holdings Group*

Public Financial Holdings Group hold the land portion of all properties by means of leases, in Hong Kong SAR.

International Network



GROUP CORPORATE DIRECTORY

PUBLIC BANK

PUBLIC BANK BERHAD (6463-H)

HEAD OFFICE

Menara Public Bank, 146 Jalan Ampang,
50450 Kuala Lumpur, Malaysia

Tel : 03-2176 6000, 03-2176 6666,
03-2163 8888, 03-2163 8899

Fax : 03-2163 9917

Swift : PBBEMYKL

Cable : "PBBKLCITY" Kuala Lumpur

www.publicbankgroup.com

FEDERAL TERRITORY

Bandar Menjalara
03-6287 0988
03-6287 0990

Bandar Sri Damansara
03-6272 5694
03-6272 5741

Bandar Sri Permaisuri
03-9171 9966
03-9172 6388

Bangsar
03-2282 8929
03-2282 8930

Bintang Walk
03-2142 7833
03-2142 7886

Bukit Damansara
03-2095 1757
03-2095 4278

Changkat Thambi Dollah
03-2145 4492
03-2145 4498

Jalan Bukit Bintang
03-2144 5755
03-2144 5759

Jalan Hang Lekiu
03-2078 1115
03-2078 7077

Jalan Ipoh
03-4042 1836
03-4042 7487

Jalan Kelang Lama
03-7981 1211
03-7985 5888

Jalan Kuchai Lama
03-7980 4377
03-7980 4575

Jalan Pasar
03-2142 9073
03-2142 9110

Jalan Raja Chulan
03-2036 8828
03-2036 8888

Jalan Raja Laut
03-2693 0722
03-2693 0828

Jalan Sultan Sulaiman
03-2054 1700
03-2054 1788

Jalan Sungei Besi
03-9221 4771
03-9221 5650

Jalan Tun H.S. Lee
03-2070 2121
03-2070 2234

Jalan Tun Sambanthan
03-2272 5930
03-2273 6494

Jinjang
03-6243 1000
03-6243 1088

Kepong
03-6257 0032
03-6257 0040

KL City Main Office
03-2163 8866
03-2176 7888

Labuan
087-414 278
087-414 373

Medan Idaman
03-4023 4467
03-4023 4468

Mont' Kiara
03-6203 6363
03-6203 6787

Overseas Union Garden
03-7785 6409
03-7785 6410

Pandan Indah
03-9274 2495
03-9274 2496

Pandan Jaya
03-9281 2199
03-9286 3149

Salak South
03-7980 2921
03-7980 4293

Segambut
03-6252 6636
03-6252 7052

Selayang
03-6120 5099
03-6136 8644

Sentul
03-4042 1509
03-4042 1652

Seri Petaling
03-9057 3154
03-9057 3157

Setapak
03-4021 9341
03-4021 9343

Starparc Point
03-4143 2888
03-4143 6988

Taman Cheras
03-9130 7840
03-9131 3466

GROUP CORPORATE DIRECTORY

Taman Connaught
03-9101 7152
03-9102 3649

Taman Desa
03-7983 7811
03-7983 7812

Taman Maluri
03-9285 9994
03-9285 9995

Taman Melawati
03-4105 2003
03-4105 2004

Taman Midah
03-9130 0234
03-9130 0533

Taman Tun Dr. Ismail
03-7729 4672
03-7729 6670

Tiong Nam
03-2693 9526
03-2693 9528

Wangsa Maju
03-4142 8577
03-4142 8579

JOHOR

Bandar Baru Permas Jaya
07-388 3252
07-388 3253

Batu Pahat
07-434 4941
07-436 7788

Bukit Indah
07-238 2878
07-238 3966

Bukit Pasir
06-985 6878
06-985 7261

Chaah
07-926 2001
07-926 2002

Endau
07-794 4051
07-794 4155

Jalan Abdullah
06-951 8753
06-951 8760

Johor Bahru
07-218 6888
07-223 9918

Kahang
07-788 2294
07-788 2295

Kluang
07-773 5112
07-773 5113

Kota Tinggi
07-883 4192
07-883 4195

Kulai
07-661 8500
07-661 8588

Masai
07-251 1849
07-252 2498

Mersing
07-799 2477
07-799 2478

Muar
06-951 7505
06-951 7520

Parit Raja
07-454 2855
07-454 2857

Pekan Nenas
07-699 5352
07-699 5594

Pontian Kecil
07-687 9601
07-687 9602

Segamat
07-931 3900
07-931 3930

Simpang Renggam
07-755 0510
07-755 0511

Skudai
07-556 4625
07-556 8670

Sutera Utama
07-557 6299
07-559 1788

Taman Daya
07-353 1122
07-353 8282

Taman Desa Cemerlang
07-861 0096
07-861 6450

Taman Johor Jaya
07-351 3128
07-354 6755

Taman Munsyi Ibrahim
07-234 6697
07-234 6820

Taman Perling
07-234 4919
07-234 4608

Taman Sentosa
07-331 6521
07-331 2266

Tampoi
07-237 7184
07-237 7519

Tangkak
06-978 2123
06-978 2124

Ulu Tiram
07-861 3291
07-861 3292

KEDAH

Alor Setar
04-731 5411
04-731 5412

Changlun
04-924 1085
04-924 1457

Gurun
04-468 6143
04-468 6325

Jalan Kota
04-731 0559
04-731 1384

Jitra
04-917 4926
04-917 4927

Kuala Ketil
04-416 3010
04-416 3278

Kulim
04-490 1090
04-490 1096

GROUP CORPORATE DIRECTORY

Pokok Sena
04-782 2000
04-782 2008

Pulau Langkawi
04-966 7372
04-966 7373

Sik
04-469 5691
04-469 5764

Sungai Petani
04-421 7622
04-421 7623

KELANTAN

Gua Musang
09-912 2600
09-912 2602

Kota Bharu
09-726 3888
09-726 3899

Kuala Krai
09-966 4027
09-966 4028

Tanah Merah
09-955 6139
09-955 6244

Wakaf Siku
09-747 0111
09-747 2351

MELAKA

Air Keroh
06-232 7208
06-232 7209

Batu Berendam
06-317 5680
06-317 6200

Masjid Tanah
06-384 7712
06-384 7713

Melaka
06-283 0233
06-283 2809

Taman Malim Jaya
06-334 6397
06-334 6404

Taman Melaka Raya
06-281 7527
06-281 8804

Tengkera
06-283 2052
06-283 2054

NEGERI SEMBILAN

Bahau
06-454 4102
06-454 4103

Gemas
07-948 1770
07-948 1780

Kuala Kelawang
06-613 6925
06-613 6926

Kuala Pilah
06-481 2277
06-481 2299

Nilai
06-799 1066
06-799 1067

Port Dickson
06-647 2942
06-647 2943

Rasah
06-762 0623
06-768 6688

Seremban
06-763 0661
06-763 0662

Tampin
06-441 2511
06-441 2512

PAHANG

Benta
09-323 8621
09-323 8622

Bentong
09-222 5653
09-222 5659

Brinchang
05-491 1590
05-491 2682

Bureau de Change Resorts Hotel, Genting Highlands
03-6101 1237
03-6101 1239

Genting Highlands
03-6436 0088
03-6436 0145

Jalan Beserah
09-567 8461
09-568 8088

Jerantut
09-266 1917
09-266 1972

Kemayan
09-240 9824
09-240 9866

Kuala Lipis
09-312 2066
09-312 2077

Kuantan
09-517 8288
09-517 9822

Mentakab
09-277 5800
09-277 5801

Raub
09-355 3471
09-355 3502

Temerloh
09-296 5652
09-296 5653

Triang
09-255 3480
09-255 3481

PERAK

Ayer Tawar
05-672 6399
05-672 6400

Bagan Serai
05-721 2842
05-721 2843

Bercham
05-546 8140
05-548 3888

Bidor
05-434 1252
05-434 1253

GROUP CORPORATE DIRECTORY

Chemor
05-201 1124
05-201 1125

Gunung Rapat
05-313 1646
05-313 1649

Ipoh Garden
05-548 0951
05-548 0955

Ipoh Main Office
05-245 6688
05-253 0115

Jalan Pasir Putih
05-321 9892
05-322 1658

Jalan Sultan Idris Shah
05-255 1068
05-255 1069

Jalan Yang Kalsom
05-245 6888
05-255 7692

Jelapang
05-526 4014
05-526 4015

Kampar
05-465 1044
05-465 2160

Kamunting
05-808 1110
05-808 1112

Kuala Kangsar
05-776 9894
05-776 9895

Menglembu
05-281 1014
05-281 4978

Pantai Remis
05-677 1251
05-677 1252

Parit Buntar
05-716 0078
05-716 0079

Pusing
05-288 4077
05-288 4078

Seri Manjung
05-688 2927
05-688 2987

Simpang Pulai
05-357 5360
05-357 5361

Sitiawan
05-691 3526
05-691 3527

Sungai Siput
05-598 4114
05-598 6116

Taiping
05-807 2551
05-808 4291

Tanjong Malim
05-459 7602
05-459 7603

Tanjong Piandang
05-725 5327
05-725 7941

Teluk Intan
05-621 2325
05-622 3282

PERLIS

Kangar
04-976 3311
04-976 3413

PULAU PINANG

Bagan Ajam
04-331 7822
04-331 7823

Bandar Baru Air Itam
04-828 4088
04-828 6088

Bandar Bayan Baru
04-643 8200
04-643 8390

Bandar Seberang Jaya
04-390 4513
04-390 4592

Bukit Mertajam
04-539 2205
04-539 2207

Butterworth
04-332 9837
04-332 9839

Jalan Air Itam
04-828 8591
04-828 8595

Jalan Datuk Keramat
04-226 4571
04-228 1045

Jalan Macalister
04-227 6842
04-227 6843

Jalan Raja Uda
04-324 5229
04-324 5297

Jelutong
04-281 3227
04-282 5230

Kepala Batas
04-575 9085
04-575 9086

Lebuh Macallum
04-262 7732
04-262 8442

Nibong Tebal
04-593 1433
04-593 2216

Prai
04-390 1241
04-390 1246

Pulau Pinang
04-261 3415
04-261 6755

Pulau Tikus
04-228 6018
04-228 6019

Relau
04-644 3102
04-644 3112

Simpang Ampat
04-588 2419
04-588 6744

Sungai Nibong
04-656 2288
04-658 6000

Taman Bandar Raya
04-530 0288
04-530 1951

SABAH

Beaufort
087-214 844
087-214 869

City Parade
088-251 812
088-251 813

Donggongon
088-722 780
088-723 780

Inanam
088-429 112
088-429 113

Jalan Apas
089-913 262
089-913 606

Jalan Pantai
088-236 800
088-237 883

Keningau
087-335 841
087-335 846

Kota Belud
088-977 784
088-977 807

Kota Kinabalu
088-239 611
088-536 188

Lahad Datu
089-882 472
089-884 020

Lido
088-217 125
088-245 687

Papar
088-912 522
088-912 523

Prima Square
089-202 288
089-202 289

Putatan
088-771 811
088-771 999

Sandakan
089-245 588
089-245 666

Tawau
089-761 311
089-761 322

SARAWAK

Batu Niah
085-737 111
085-737 112

Bintangor
084-693 511
084-693 622

Bintulu
086-858 688
086-858 788

China Street
085-461 600
085-461 688

Jalan Central
084-311 080
084-335 677

Jalan Penrissen
082-613 377
082-615 988

Jalan Tun Zaidi
082-245 220
082-245 271

Kapit
084-797 652
084-797 677

Kuching City
082-228 688
082-417 922

Li Hua
084-213 186
084-216 996

Limbang
085-212 443
085-212 933

Marudi
085-755 000
085-755 009

Medan Sentral
086-311 116
086-318 883

Miri
085-412 944
085-412 955

Mukah
084-871 900
084-872 668

Padungan
082-489 904
082-489 905

Pelita
085-415 728
085-431 639

Sarikei
084-652 490
084-652 495

Sibu
084-316 511
084-320 088

Sri Aman
083-323 031
083-323 032

Stutong
082-363 889
082-369 389

Wisma Saberkas
082-419 889
082-428 800

SELANGOR

Ampang
03-4256 2333
03-4256 2636

Bandar Bukit Tinggi
03-3323 1661
03-3323 6006

Bandar Mahkota Cheras
03-9019 8788
03-9019 8898

Bandar Puchong Jaya
03-8074 2626
03-8074 2788

Bandar Puteri Puchong
03-8062 7799
03-8062 8833

Bandar Sungai Long
03-9055 1880
03-9055 1888

Bandar Sunway
03-5636 1050
03-5636 4056

Banting
03-3187 8386
03-3187 8587

Batang Kali
03-6057 1200
03-6057 2401

GROUP CORPORATE DIRECTORY

Bukit Beruntung
03-6028 2168
03-6028 2169

Damansara Jaya
03-7728 7353
03-7729 8588

Damansara Utama
03-7711 5000
03-7728 9376

Jalan Tapah
03-3341 4889
03-3341 9036

Kajang
03-8736 6857
03-8913 4888

Kampung Baru Subang
03-7845 8614
03-7846 8012

Kapar
03-3250 0916
03-3250 0917

Kelana Jaya
03-7803 1267
03-7803 4928

Klang
03-3342 3567
03-3342 3569

Kota Damansara
03-6140 6295
03-6148 3766

Kuala Selangor
03-3289 4193
03-3289 4194

Pandamaran
03-3167 2830
03-3167 2831

Petaling Jaya New Town
03-7957 0007
03-7957 0211

Petaling Jaya Old Town
03-7783 3734
03-7783 3735

Port Klang
03-3167 4550
03-3167 4668

Rawang
03-6092 4936
03-6099 6388

Sabak Bernam
03-3216 2500
03-3216 2612

Sea Park
03-7873 8931
03-7873 8932

Section 14
03-7958 2585
03-7958 2586

Sekinchan
03-3241 0092
03-3241 0093

Semenyih
03-8723 8706
03-8723 8811

Seri Gombak
03-6185 2980
03-6188 6316

Seri Kembangan
03-8939 2000
03-8939 2001

Seri Setia
03-7874 1944
03-7874 1966

Shah Alam
03-5510 0567
03-5510 1313

SS2
03-7872 8800
03-7874 1911

Subang Jaya
03-5629 3588
03-5634 3636

Sungai Buloh
03-6156 1983
03-6156 2056

Sungai Chua
03-8736 0228
03-8737 0228

Sungai Jarom
03-3191 2031
03-3191 2032

Sungai Pelek
03-3141 1236
03-3141 1237

Taman Chi Liung
03-3371 8212
03-3371 8433

Taman Equine
03-8938 1988
03-8938 2020

Taman Indah
03-9075 5200
03-9075 5202

Taman Mayang
03-7803 0124
03-7803 0151

Taman Muda
03-4296 1806
03-4296 1935

Taman Sentosa Klang
03-5161 3369
03-5161 3414

Taman Sri Muda
03-5121 6394
03-5121 6395

Taman Taming Jaya
03-8961 2460
03-8961 4980

UEP Subang Jaya
03-5635 0617
03-5635 0760

TERENGGANU

Chukai
09-859 4069
09-859 5962

Kuala Dungun
09-848 2511
09-848 2549

Kuala Terengganu
09-622 6016
09-622 6122

OVERSEAS BRANCHES

SRI LANKA OPERATIONS

Head Office:

340, R A de Mel Mawatha
Colombo 00300, Sri Lanka
Tel: 94-11-257 6289/90/91/92
94-11-729 0200-7
Fax: 94-11-257 3958
E-mail: pbbslk@publicbank.com.lk
SWIFT: PBBE LK LX

Colombo Main Branch

340, R A de Mel Mawatha
Colombo 00300, Sri Lanka
Tel: 94-11-257 6289/90/91/92
94-11-729 0200-7
Fax: 94-11-237 5128
E-mail: hisham@publicbank.com.lk
SWIFT: PBBE LK LX

Nawala Branch

150, Nawala Road
Nugegoda, Sri Lanka
Tel: 94-11-282 9751-4
Fax: 94-11-282 9755
E-mail: saranga@publicbank.com.lk
SWIFT: PBBE LK LX

Galle Branch

26A, Colombo Road, Kaluwella
Galle, Sri Lanka
Tel: 94-91-223 1741-2
Fax: 94-91-223 1743
E-mail: gab@publicbank.com.lk
SWIFT: PBBE LK LX

LAOS OPERATIONS

Vientiane Branch

100/1-4 Talat Sao Road
P.O. Box 6614
Vientiane Lao P.D.R.
Tel: 856-21-223 394
856-21-216 614
856-21-217 087
Fax: 856-21-222 743
E-mail: pbbvte@publicbank.com.la
SWIFT: PBBELALA

Savannakhet Branch

308/3 Sisavangvong Road
Group 24 Ban. Sounantha
Kaisonephomvihanh District
Savannakhet Province, Lao P.D.R.
Tel: 856-41-252 131/32
Fax: 856-41-252 133
E-mail: pbbsvn@publicbank.com.la

Pakse Branch

070, 13 Southern Road,
Phonesavanh Village
Pakse District, Champasack Province
P.O. Box 6614, Vientiane Lao P.D.R.
Tel: 856-31-218 111/12
Fax: 856-31-218 113
E-mail: pbbpks@publicbank.com.la
SWIFT: PBBELALA

Wattay Branch

No. 146/1 & 146/2, Souphanouvong Road
Unit 6, Wattay Noi Tha Village
Sikhottabong District
P.O. Box 6614, Vientiane Capital
Lao P.D.R.
Tel: 856-21-219 869/70
Fax: 856-21-219 876
E-mail: pbbwta@publicbank.com.la
SWIFT: PBBELALA

SUBSIDIARIES

Public Islamic Bank Berhad

Head Office:

14th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur, Malaysia
Tel: 03-2176 6000
Fax: 03-2162 2224
E-mail: islamicbkg@publicislamicbank.com.my
Website: www.publicislamicbank.com.my

Kampung Baru Branch

1-1, 1-2 & 2-3, Plaza RAH
No. 111, Jalan Raja Abdullah
Kampung Baru
50300 Kuala Lumpur, Malaysia
Tel: 03-2692 7269
03-2692 8749
Fax: 03-2692 7188
03-2698 7699

Putrajaya Branch

66, Jalan Diplomatik
Presint 15
62050 Putrajaya, Malaysia
Tel: 03-8888 7878
Fax: 03-8881 1366

PB Trustee Services Berhad

17th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur, Malaysia
Tel: 03-2176 6623/6651/6760/7645
Fax: 03-2164 3285

Public Nominees (Tempatan) Sdn Bhd

6th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur, Malaysia
Tel: 03-2162 6077
Fax: 03-2162 6078

Public Nominees (Asing) Sdn Bhd

6th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur, Malaysia
Tel: 03-2162 6077
Fax: 03-2162 6078

GROUP CORPORATE DIRECTORY

Public Investment Bank Berhad

Head Office

25th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur, Malaysia
Tel: 03-2166 9382
Fax: 03-2166 9362
E-mail: pivb@publicinvestbank.com.my
Website: www.publicinvestbank.com

Branch Office:

27th Floor, Bangunan Public Bank
6 Jalan Sultan Sulaiman
50000 Kuala Lumpur, Malaysia
Tel: 03-2268 3000
03-2031 3733
Fax: 03-2268 3167
03-2268 3178

Public Invest Nominees (Tempatan) Sdn Bhd

27th Floor, Bangunan Public Bank
6 Jalan Sultan Sulaiman
50000 Kuala Lumpur, Malaysia
Tel: 03-2268 3000
Fax: 03-2268 3167

Public Invest Nominees (Asing) Sdn Bhd

27th Floor, Bangunan Public Bank
6 Jalan Sultan Sulaiman
50000 Kuala Lumpur, Malaysia
Tel: 03-2268 3000
Fax: 03-2268 3167

Public Mutual Berhad

Menara Public Bank 2
No. 78, Jalan Raja Chulan
50200 Kuala Lumpur, Malaysia
Tel: 03-2022 6800
Fax: 03-2022 6900
E-mail: cc@publicmutual.com.my
Website: www.publicmutual.com.my
(32 customer service centres/branches nationwide)

Public Holdings Sdn Bhd

8th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur, Malaysia
Tel: 03-2176 6000
03-2176 6666
Fax: 03-2163 9903

PB Trust (L) Ltd

Level 8(B), Main Office Tower
Financial Park Labuan, Jalan Merdeka
87000 Federal Territory of Labuan, Malaysia
Tel: 6087-411 898
6087-412 336
Fax: 6087-451 193
E-mail: pbtrust@pbtrust.com.my
Website: www.pbtrust.com.my

Public Bank (L) Ltd

LLevel 8 (A) & (B), Main Office Tower
Financial Park Labuan, Jalan Merdeka
87000 Federal Territory of Labuan, Malaysia
Tel: 6087-411 898
Fax: 6087-413 220
Website: www.pblebank.com
SWIFT: PBLLMYKA

Public Financial Holdings Limited

2/F, Public Bank Centre
120 Des Voeux Road Central
Central, Hong Kong
Tel: 852-2541 9222
Fax: 852-2815 9232
E-mail: investor@publicbank.com.hk
Website: www.publicfinancial.com.hk

Public Finance Limited

Room 1105-7, Wing On House
71 Des Voeux Road Central
Central, Hong Kong
Tel: 852-2525 9351
Fax: 852-2845 0681
E-mail: info@publicfinance.com.hk
Website: www.publicfinance.com.hk
(42 branches in Hong Kong)

Public Financial Limited

Room 1105-7, Wing On House
71 Des Voeux Road Central
Central, Hong Kong
Tel: 852-2525 9351
Fax: 852-2845 0681

Public Securities Limited

Room 1101-3, Wing On House
71 Des Voeux Road Central
Central, Hong Kong
Tel: 852-3929 2800
Fax: 852-2845 5240
E-mail: cs@publicsec.com.hk
Website: www.publicsec.com.hk

Public Securities (Nominees) Limited

Room 1101-3, Wing On House
71 Des Voeux Road Central
Central, Hong Kong
Tel: 852-3929 2850
Fax: 852-2845 5240

Winton (B.V.I.) Limited

Room 1101-1110, 11/F
Phase 1, Argyle Centre
688 Nathan Road, Mongkok
Kowloon, Hong Kong
Tel: 852-2391 9388
Fax: 852-2391 5366
E-mail: contact@wintongroup.com.hk
Website: www.wintongroup.com.hk
(5 branches in Hong Kong)

Public Bank (Hong Kong) Limited

2/F, Public Bank Centre
120 Des Voeux Road Central
Central, Hong Kong
Tel: 852-2541 9222
Fax: 852-2541 0009
E-mail: contact@publicbank.com.hk
Website: www.publicbank.com.hk
(32 branches in Hong Kong, 4 branches in Shenzhen, China and 1 representative office each in Shanghai and Shenyang, China)

Public Financial Securities Limited

7/F, Public Bank Centre
120 Des Voeux Road Central
Central, Hong Kong
Tel: 852-2119 6888
Fax: 852-2541 4482

Public Bank (Nominees) Limited

7/F, Public Bank Centre
120 Des Voeux Road Central
Central, Hong Kong
Tel: 852-2541 9222
Fax: 852-2541 0009

Cambodian Public Bank Plc

Head Office:

Campu Bank Building
No. 23, Kramuon Sar Avenue
(Street No. 114)
Sangkat Phsar Thmey II
Khan Daun Penh
12209 Phnom Penh
Kingdom of Cambodia
Tel: 855-23-222 880/222 881
Fax: 855-23-222 887
E-mail: hoe@campubank.com.kh
SWIFT: CPBLKHPP
(30 branches in Cambodia)

Campu Securities Plc

6th Floor, Campu Bank Building
No. 23, Kramuon Sar Avenue
(Street No. 114)
Sangkat Phsar Thmey II
Khan Daun Penh
12209 Phnom Penh
Kingdom of Cambodia
Tel: 855-23-999 880/998 860
Fax: 855-23-999 883
E-mail: campusec@campusecurities.com.kh
Website: www.campusecurities.com.kh

Campu Lonpac Insurance Plc

7th Floor, Campu Bank Building
No. 23, Kramuon Sar Avenue
(Street No. 114)
P.O. Box 1556, Sangkat Phsar Thmey II
Khan Daun Penh
12209 Phnom Penh
Kingdom of Cambodia
Tel: 855-23-966 966/998 200/986 279
Fax: 855-23-986 273/986 308
E-mail: enquiries@campulonpac.com.kh
Website: www.campulonpac.com.kh

Public Bank Vietnam Limited

Head Office:

1st, 10th and 11th Floor
Hanoi Tungshing Square Building
No. 2, Ngo Quyen Street
Ly Thai To Ward
Hoan Kiem District
Hanoi, Vietnam
Tel: 84-24-3943 8999/9011/9012
Fax: 84-24-3943 9005
E-mail: pbvn@publicbank.com.vn
(9 branches and 4 Transaction Bureaus)

ASSOCIATED COMPANIES

AIA PUBLIC Takaful Bhd

Menara AIA
99 Jalan Ampang
50450 Kuala Lumpur, Malaysia
Call Centre: 1 300 88 8922
Website: www.aiapublic.com.my

CPB Properties Co Ltd

2nd Floor, Campu Bank Building
No. 23, Kramuon Sar Avenue
(Street No. 114)
Sangkat Phsar Thmey II
Khan Daun Penh
12209 Phnom Penh
Kingdom of Cambodia
Tel: 855-23-222 880/855-23-222 881
Fax: 855-23-222 887
E-mail: hoe@campubank.com.kh
SWIFT: CPBLKHPP

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PUBLIC BANK
(6463-H)

FORM OF PROXY

Number of shares held	CDS Account No.

"A" I/We _____ NRIC/Co. No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

Tel No. _____ being a Member of PUBLIC BANK BERHAD, hereby appoint

_____ NRIC No. _____
(FULL NAME IN BLOCK LETTERS AS PER NRIC)

of _____
(FULL ADDRESS)

or failing him, _____ NRIC No. _____
(FULL NAME IN BLOCK LETTERS AS PER NRIC)

of _____
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our *first proxy to attend and vote for me/us on my/our behalf at the 52nd Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 23 April 2018 at 11.00 a.m., or any adjournment thereof.

"B" Where it is desired to appoint a second proxy, this section must also be completed, otherwise it should be deleted.

I/We _____ NRIC/Co. No. _____
(FULL NAME IN BLOCK LETTERS)

of _____
(FULL ADDRESS)

Tel No. _____ being a Member of PUBLIC BANK BERHAD, hereby appoint

_____ NRIC No. _____
(FULL NAME IN BLOCK LETTERS AS PER NRIC)

of _____
(FULL ADDRESS)

or failing him, _____ NRIC No. _____
(FULL NAME IN BLOCK LETTERS AS PER NRIC)

of _____
(FULL ADDRESS)

or failing him, the CHAIRMAN OF THE MEETING as my/our second proxy to attend and vote for me/us on my/our behalf at the 52nd Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 23 April 2018 at 11.00 a.m., or any adjournment thereof.

The proportions of my/our holding to be represented by my/our proxies are as follows:

First Proxy "A"	%
Second Proxy "B"	%
	100%

My/our proxy/proxies shall vote as follows:

(Please indicate with an "X" in the space provided below how you wish your votes to be cast on the resolutions specified in the notice of meeting. If you do not do so, the proxy/proxies will vote, or abstain from voting on the resolutions as he/they may think fit.)

NO.	ORDINARY RESOLUTIONS	FIRST PROXY "A"		SECOND PROXY "B"	
		FOR	AGAINST	FOR	AGAINST
1.	Re-election of Lai Wan as Director				
2.	Re-election of Tang Wing Chew as Director				
3.	Re-election of Cheah Kim Ling as Director				
4.	Approval of payment of Directors' fees, Board Committees Members' fees, and allowances to Directors for the financial year ended 31 December 2017				
5.	Approval of payment of remuneration and benefits-in-kind (excluding Director's fee and Board meeting allowance) to the Founder and Non-Executive Chairman for the financial year ended 31 December 2017				
6.	Re-appointment of Messrs Ernst & Young as Auditors and authority to the Directors to fix the Auditors' remuneration				

Signed this _____ day of _____ 2018.

* *Delete if inapplicable.*

_____

Signature of Member/Common Seal

Notes:

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 16 April 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 52nd Annual General Meeting (AGM).
2. A Member entitled to attend, speak and vote at this 52nd AGM may appoint a proxy to attend, speak and vote on his behalf. A proxy need not be a Member of the Company.
3. A Member shall not be entitled to appoint more than 2 proxies to attend and vote at this 52nd AGM 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 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.

   Where a Member appoints 2 proxies, the appointment shall be invalid unless he specifies the proportions of his shareholdings to be represented by each proxy.

   Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 which is exempted from compliance with the provisions of subsection 25A(1) of the said Act.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney of the corporation duly authorised.
5. The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd, Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time set for this 52nd AGM or no later than 21 April 2018 at 11.00 a.m.
6. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

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STAMP

TO: SHARE REGISTRAR

TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD

Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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2016 ANNUAL REPORT

NACRA Award
- Certificate of Merit

2015 ANNUAL REPORT

NACRA Award
- Certificate of Merit

2014 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report – Silver Award
- Best Annual Report in Bahasa Malaysia – Gold Award

2013 ANNUAL REPORT

NACRA Award
- Certificate of Merit

2012 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report – Silver Award
- Best Annual Report in Bahasa Malaysia – Platinum Award

2011 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report – Gold Award
- Best Annual Report in Bahasa Malaysia – Platinum Award

2010 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report – Gold Award
- Industry Excellence Award – Finance Sector
- Best Annual Report in Bahasa Malaysia – Platinum Award

2009 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report – Platinum Award
- Industry Excellence Award – Finance Sector
- Best Annual Report in Bahasa Malaysia – Gold Award

2008 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report – Platinum Award
- Industry Excellence Award – Finance Sector
- Best Annual Report in Bahasa Malaysia – Platinum Award

2007 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report – Platinum Award
- Industry Excellence Award – Finance Sector
- Best Annual Report in Bahasa Malaysia – Platinum Award

2006 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report – Platinum Award
- Industry Excellence Award – Finance Sector
- Best Annual Report in Bahasa Malaysia – Platinum Award
- Best Designed Annual Report – Platinum Award

2005 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report – Gold Award
- Industry Excellence Award – Finance Sector
- Best Annual Report in Bahasa Malaysia – Platinum Award

2004 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report
- Industry Excellence Award – Finance Sector
- Best Annual Report in Bahasa Malaysia

CITRA Award
- Merit Award

2003 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report
- Industry Excellence Award – Finance Sector
- Best Annual Report in Bahasa Malaysia

2002 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report
- Industry Excellence Award – Finance Sector

CITRA Award
- Merit Award



PAST AWARD-WINNING ANNUAL REPORTS

2001 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report
- Industry Excellence Award – Finance Sector

CITRA Award
- Special Jury Award

2000 ANNUAL REPORT

NACRA Award
- Industry Excellence Award – Finance Sector

CITRA Award
- Special Jury Award

1999 ANNUAL REPORT

NACRA Award
- Industry Excellence Award – Finance Sector

CITRA Award
- Main Award

1998 ANNUAL REPORT

NACRA Award
- Industry Excellence Award – Finance Sector

1997 ANNUAL REPORT

NACRA Award
- Best Annual Report in Bahasa Malaysia
- Industry Excellence Award – Finance Sector

1996 ANNUAL REPORT

NACRA Award
- Most Outstanding Annual Report
- Industry Excellence Award – Finance Sector

1995 ANNUAL REPORT

NACRA Commendation Award
- Accounting Information
- Annual Report in Bahasa Malaysia

1994 ANNUAL REPORT

NACRA Commendation Award
- Accounting Information
- Corporate Information
- Annual Report in Bahasa Malaysia

1991 ANNUAL REPORT

NACRA Award
- Best Accounting Information

NACRA Commendation Award
- Corporate Information

1990 ANNUAL REPORT

NACRA Award
- Best Accounting Information

1989 ANNUAL REPORT

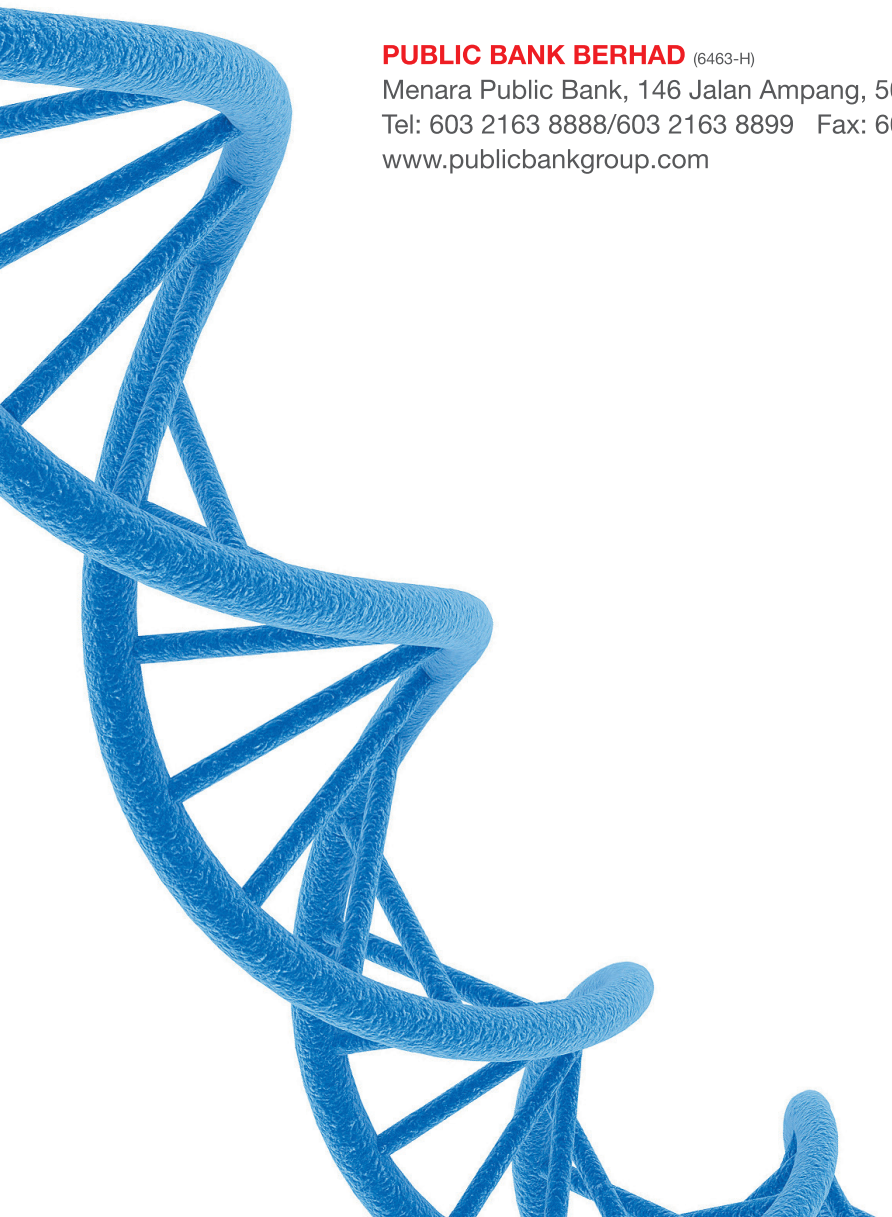
NACRA Award
- Most Outstanding Annual Report
- Best Annual Report – Finance Sector

NACRA Commendation Award
- Corporate Information
- Accounting Information
- Annual Report in Bahasa Malaysia

1988 ANNUAL REPORT

MACRA Award
- Best Overall Annual Report
- Best Corporate Information

NARA Award
- Best Annual Report – Finance Sector



PUBLIC BANK BERHAD (6463-H)
Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur, Malaysia
Tel: 603 2163 8888/603 2163 8899 Fax: 603 2163 9917
www.publicbankgroup.com