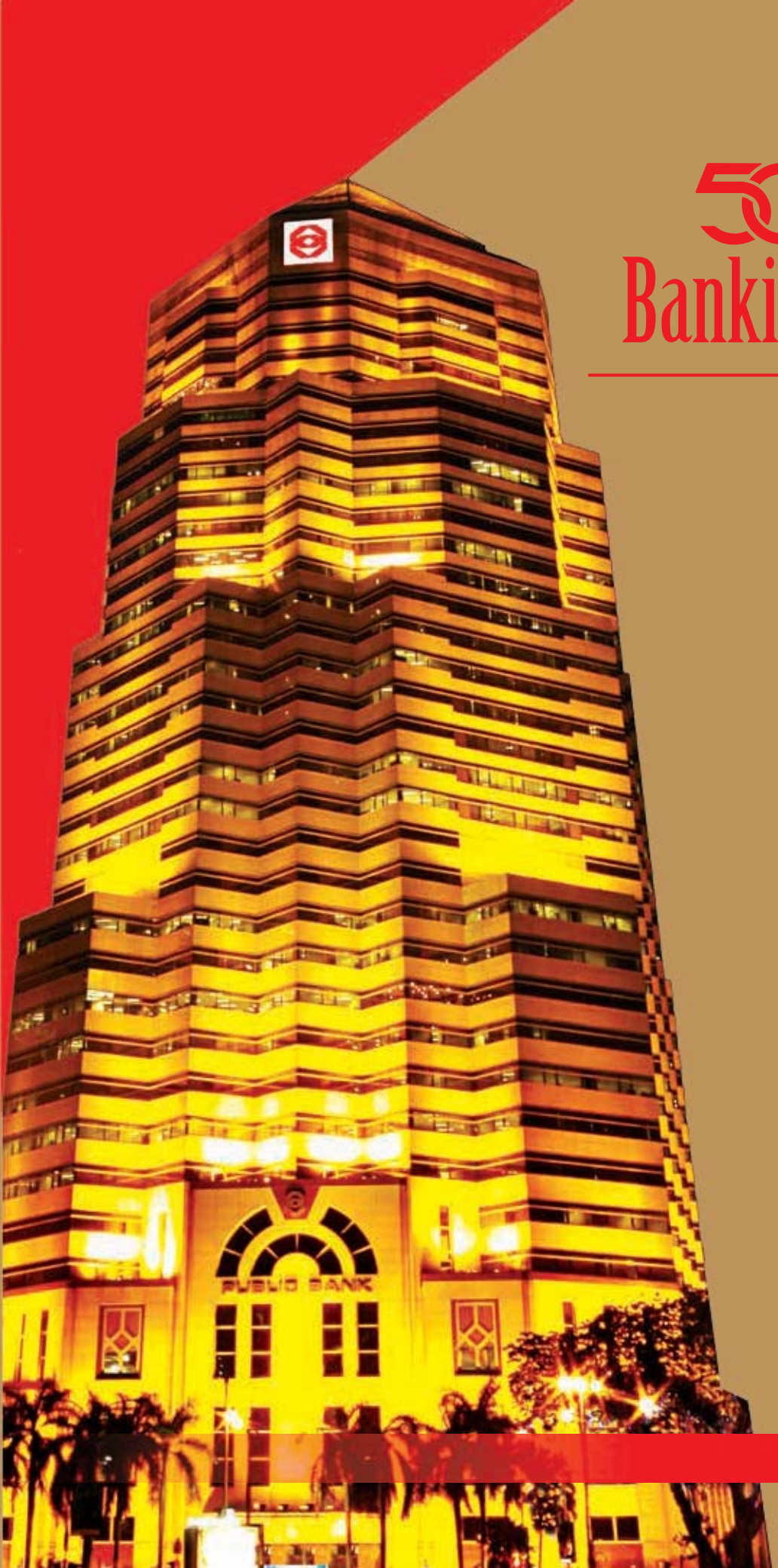
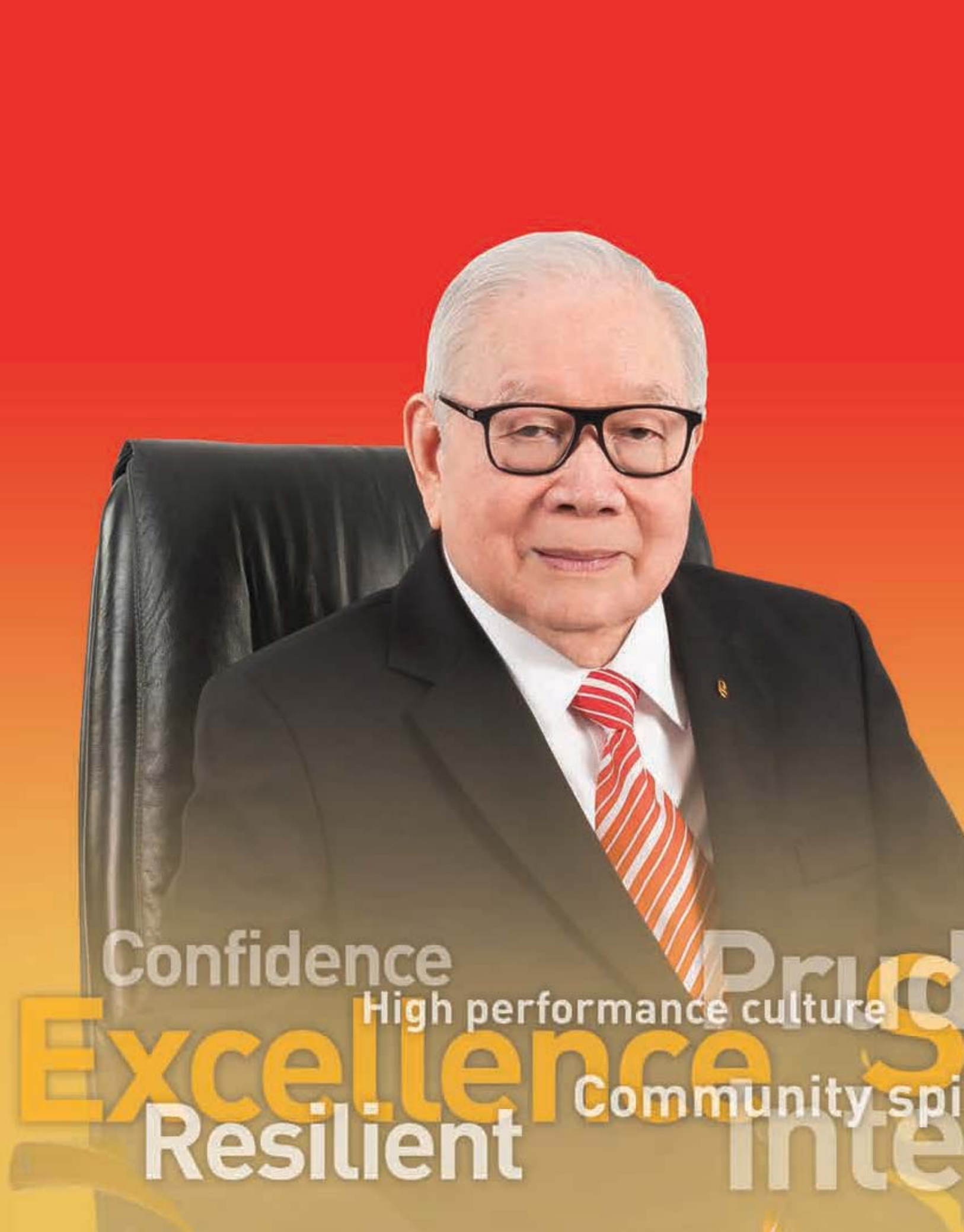


50 Years of Banking Excellence

Since **1966**

PUBLIC BANK

2016 ANNUAL REPORT


Confidence
High performance culture
Excellence
Community spi
Resilient

Our Journey of Success

Since 1966

Public Bank's success story begins with a remarkable man driven by a remarkable dream. His dream – to found a bank for the public; his vision – to lead a bank which will be the most profitable and efficient in Malaysia. What began as a personal conviction for Tan Sri Dato' Sri Dr. Teh Hong Piow, Public Bank's Founder and Chairman, flourished into a journey of unparalleled excellence and momentous achievements. Public Bank now stands tall as the third largest banking group in Malaysia with a strong regional presence in Asia.

Under Tan Sri Dato' Sri Dr. Teh Hong Piow's sterling leadership, Public Bank continues to grow even stronger, more dynamic and more resilient. His personal traits, beliefs and values have given the Bank its identity, shaped its corporate culture and helped define its status as the most respected premier financial institution in Malaysia.



50 Years of Banking Excellence

Public Bank is proud to celebrate 50 years of banking excellence. As we celebrate, we are reminded of how far we have come on our journey from humble beginnings to becoming the third largest banking group in Malaysia today.

The rich legacy of the Bank over the last five decades is a tribute to the leadership of its founder, Tan Sri Dato' Sri Dr. Teh Hong Piow. With strong determination, profound ingenuity and clear vision, Tan Sri Teh powered Public Bank to what it is today – well-recognised in the local financial scenario with a strong corporate reputation. Leading through the strength and consistency of his character, Tan Sri Teh has always stood by the exacting standards of integrity which translates into sound business ethics for the Bank. It is these values that have stood the test of time and laid the foundation for the Bank's meteoric rise in the Malaysian industry through its 50 years of existence.

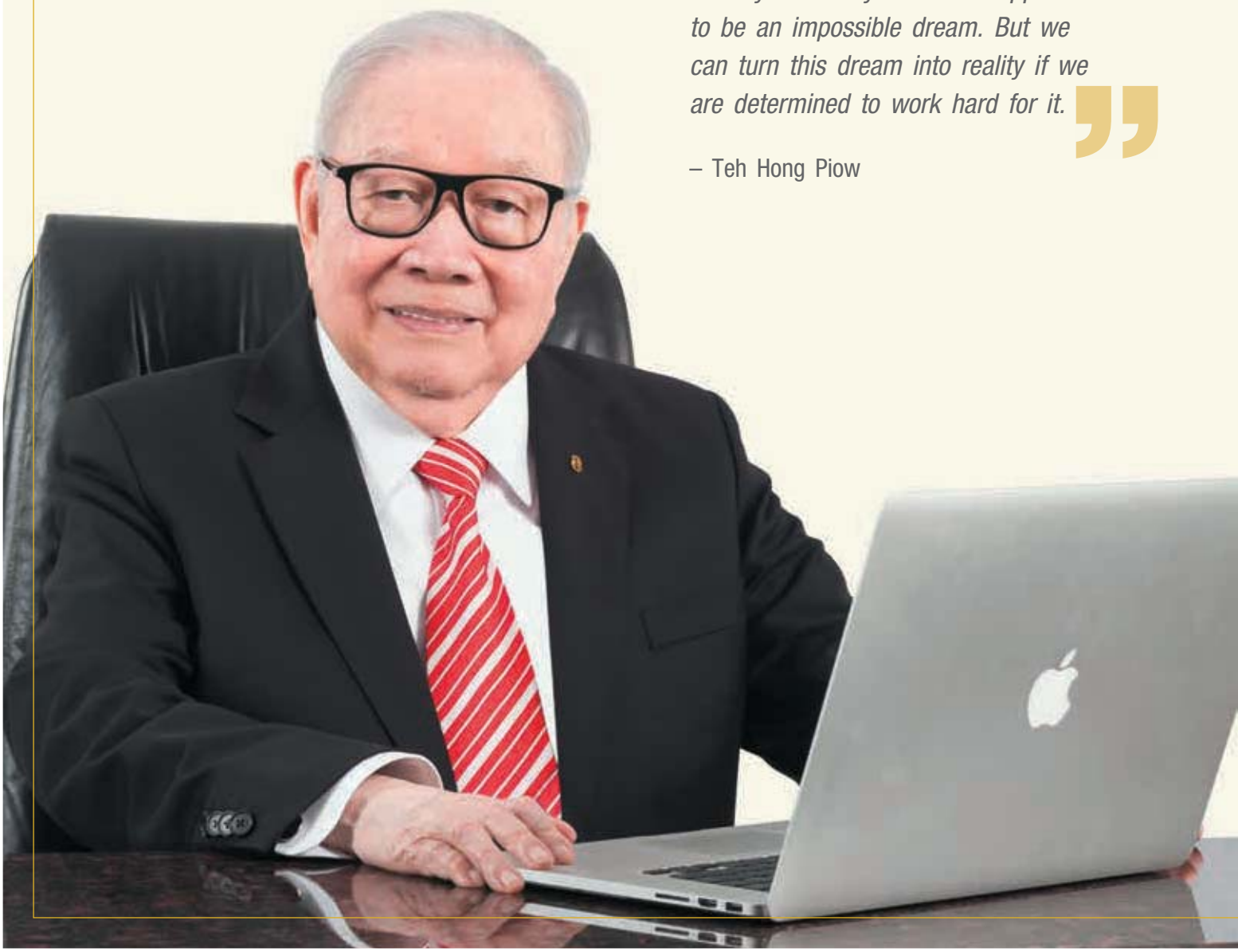
A bank constantly in touch with the financial needs of the people, businesses and corporations, in tune with changing times and trends, Public Bank's journey of banking excellence will continue to surge onwards towards the next chapter of the Bank's story of growth and profitability.


PUBLIC BANK

A VISION REALISED

Let us work together with one mind and one accord to achieve our corporate goals. One of these goals is to make our Organisation the leading financial institution in the country. To many of us this appears to be an impossible dream. But we can turn this dream into reality if we are determined to work hard for it.

– Teh Hong Piow





VISIONARY LEADERSHIP

The rich legacy of the Bank over the last five decades is a testament to the impeccable professionalism and visionary leadership of its Founder and Chairman – Tan Sri Dato' Sri Dr. Teh Hong Piow. A leadership that stems from his belief that only by having the passion for excellence can one make things happen. Through the years, Tan Sri Teh has been the catalyst of Public Bank's growth and achievements. His effective leadership and hands-on management style has consolidated the Bank's position as a stable, progressive and dynamic financial institution.

With sterling leadership at the helm, Public Bank remains committed to delivering best services to all, at all times. We will continue on our current prudent path whilst contributing positively towards the advancement of the nation.

PUBLIC BANK 50TH ANNIVERSARY
Still Surging Ahead
Since 1966

EXCEPTIONAL GROWTH

"The further growth of our businesses through branch network expansion poses a new challenge to all of us. We must ensure that further expansion is achieved through quality service to the public, banking prudence, proper administrative and operational control and high productivity."

– Teh Hong Piow







GROWING FROM STRENGTH TO STRENGTH

Public Bank has proved time and again to be consistent throughout the years – always moving forward. Yet, unbeatable track records and growth amidst challenging and competitive environments do not come by chance. Strong planning, clear strategies and swift executions are carried out consistently to ensure that the Bank never loses ground to its competitors.

Today, Public Bank is one of the nation's largest banking groups serving a diverse clientele, ranging from the man on the street, the small and medium-sized companies, to corporations and multinational conglomerates. With a total of 259 branches in Malaysia and 130 branches overseas, we will continue to spearhead the growth of our business and our people to further consolidate our reputation as Malaysia's most respected financial institution.

PUBLIC BANK 50TH ANNIVERSARY Still Surging Ahead Since 1966

UNBEATABLE TRACK RECORD

FINANCIAL YEAR 2016

PUBLIC BANK NETS RM5.2B

Revenue increases to RM20.1b on back of continued loans and deposits growth

FARAH ADILLA
KUALA LUMPUR
farah.adilla@mediaprima.com.my

HIGHER net interest income and earnings from its Islamic banking business have lifted Public Bank Bhd's net profit to RM5.21 billion for its financial year ended December 31 last year, a 2.9 per cent increase from RM5.06 billion recorded in 2015.

"The growth in the group's profit was driven by continued loans and customer deposits growth, coupled with stable asset quality," the bank said in a filing with Bursa Malaysia yesterday.

Revenue increased 4.8 per cent to RM20.1 billion, from RM19.18 billion.

On balance sheet growth, gross loans as at the end of 2016 stood at RM294 billion, representing growth of 7.5 per cent compared with a year ago, while customer deposits grew by 2.9 per cent to reach RM310 billion.

"With the favourable financial performance, the Public Bank group has continued to be at the forefront among its domestic banking peers by delivering high net return on equity of 16.5 per cent, as well as maintaining low gross impaired loan ratio of 0.5 per cent.

"This includes an efficient cost-to-income ratio of 32.3 per cent last year," said Public Bank founder and chairman Tan Sri Teh Hong Piow.

He said the group continued to achieve above-industry loan performance, despite the intense competition among banks for market



Public Bank chairman Tan Sri Teh Hong Piow says Public Bank Group continues to achieve above-industry loan performance, despite intense competition.

The group recorded total loan growth of 7.5 per cent, with growth in its domestic loans at 7.2 per cent compared with the domestic banking industry's 5.3 per cent, leading to an increased market share of 17.7 per cent in the domestic lending market.

For the fourth quarter, Public Bank's net profit eased 0.6 per cent due to lower other operating income, lower net writeback of loan impairment allowances and higher other operating expenses.

Revenue for the quarter increased 3.1 per cent to RM5.08 billion from RM4.93 billion.

In line with its favourable full year financial performance, the Public Bank board of directors has declared cents, taking full-year dividend for 2016 to 58 cents.

Total dividend paid and payable for last year amounted to RM2.24 billion and represents a total payout of 43 per cent of the group's net profit for last year.

Moving into this year, Teh said operating conditions would continue to be even more challenging, with strong economic headwinds stemming from policy uncertainties in the United States, the Brexit negotiation, political uncertainties in Europe, moderation in China's economic growth and volatility in global oil prices.

"While the Malaysian economy is not expected to be insulated from these headwinds, the country's sustained domestic demand and continued accommodative monetary policy are expected to remain supportive of continued expansion of the economy, with gross domestic product expected to grow at a stable four to five per cent this year.

"The group has weathered various headwinds and challenges over the past 50 years and had learned and grown stronger along the way.

"It has also validated the group's time-tested strength, sustaining the trust and confidence of its stakeholders," he said.

Teh said the group was confident of continued profitability this year and would strategise around focusing on the organic growth of its retail banking business.

"Stepping into the next half of the century for the Public Bank group, the group will continue to strengthen its position as a premier bank of ex-

> *We know where we want to go and that is to achieve our corporate mission of being the most profitable, efficient and respected financial institution in the country. We must ensure that this commitment is shared by each and every member of the bank. Together we can turn our mission into reality.*
>
> - Teh Hong Piow



STRONG FINANCIAL PERFORMANCE

Public Bank's performance has been nothing short of stellar. Under the astute business acumen of its Founder and Chairman, the Bank continues to record profit for every year of its operations. Its strong management and sound fiscal practices have led to effective financial control and long term strategic priorities that continue to serve the Bank well. We are pleased to be able to fulfil our commitment to our shareholders by delivering consistent, and sustainable returns on their investments.

In line with the Bank's aspirations to stay ahead of the pack, we will keep working hard to maintain our profit margins and productivity to sustain the position of being one of the most efficient and profitable banks in the country.

PUBLIC BANK 50TH ANNIVERSARY Still Surging Ahead Since 1966

A WINNING ORGANISATION



A winning team will first and foremost have an invincible spirit. Such spirit thrives on keen competition, adapts well to changes, tackles foreboding scenarios with confidence and woos targeted customers with persistence. It is only with a spirit that is willed to win that our Public Bank team can courageously surge ahead with excellence. When there is a will, there will be a winner.

- Teh Hong Piow



AWARDS AND ACCOLADES

Over the years, Public Bank has carved a name for itself in the national and international arena by having been repeatedly honoured by many national and international institutions and by the most reputable financial and banking publications. These recognitions and accolades speak volumes of the high standards of performance and banking excellence that Public Bank displays. These include honours for best bank in Malaysia and Asia as well as best in corporate governance.

Public Bank also continues to be voted as the most admired company in Malaysia and for its best return in investor relations and best CSR initiatives. This tidal wave of awards and accolades is fervent acknowledgement of the Bank's continuous pursuit of excellence in every aspect of our delivery channels and business operations.

PUBLIC BANK 50TH ANNIVERSARY Still Surging Ahead Since 1966

HIGH PERFORMANCE CULTURE

"The Public Bank Group has a pool of diverse and talented staff, who co-exist within the organisation and work together as a functional whole, to continually sustain a balanced and successful system."

- Teh Hong Piow





SERVICE EXCELLENCE

Behind Public Bank's continued success lies its extraordinary team of over 18,500 strong and their commitment towards a service culture of excellence, that is not only able, but ever willing to provide the best in banking services and products to meet customers' increasing demands. Their shared values and strong commitment to productivity and work ethics also ensure consistent financial performance and steadfast service. Serving the Bank with dedication, they are true ambassadors for the PB brand and crucial contributors towards achieving the Bank's goals and mission. Today, Public Bank is among the most recognised and respected brands in Malaysia, with a relentless commitment to quality and customer satisfaction.

PUBLIC BANK 50TH ANNIVERSARY Still Surging Ahead Since 1966

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REPORT

- 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 302
- The financial statements are available in the Financial Statements book of the 2016 Annual Report

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SUSTAINABILITY STATEMENT

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CORPORATE MISSION

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

Public Bank Cares ...

FOR ITS CUSTOMERS

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

FOR ITS EMPLOYEES

- By promoting the well-being of its staff through attractive remuneration and fringe benefits
- By promoting good staff morale through proper staff training and development and provision of opportunities for career advancement

FOR ITS SHAREHOLDERS

- By forging ahead and consolidating its position as a stable and progressive financial institution
- By generating profits and a fair return on their investment

FOR THE COMMUNITY IT SERVES

- By assuming its role as a socially responsible corporate citizen in a tangible manner
- By adhering closely to national policies and objectives thereby contributing towards the progress of the nation

... With Integrity

CORPORATE PHILOSOPHY

NOTICE OF ANNUAL GENERAL MEETING

51st

NOTICE IS HEREBY GIVEN THAT the 51st 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, 27 March 2017 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 2016 and the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note)**

2. To re-elect the following Directors who retire by rotation pursuant to Article 111 of the Company's Articles of Association:

Ordinary Resolution 1 i. Tan Sri Dato' Sri Dr. Teh Hong Piow

Ordinary Resolution 2 ii. Tan Sri Dato' Sri Tay Ah Lek

Ordinary Resolution 3 3. To approve the payment of Directors' fees of RM2,152,080 for the financial year ended 31 December 2016.

Ordinary Resolution 4 4. To re-appoint Messrs Ernst & Young as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix the Auditors' remuneration.

By Order of the Board

DATO' CHIA LEE KEE
MAICSA 7008270
Company Secretary

Kuala Lumpur
2 March 2017

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 20 March 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 51st Annual General Meeting (AGM).

2. A Member entitled to attend, speak and vote at this 51st 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 51st 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 51st AGM or no later than 25 March 2017 at 11.00 a.m.

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

Explanatory Note:

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


PUBLIC BANK

FINANCIAL CALENDAR

FINANCIAL YEAR 2016

20 APRIL 2016 (WEDNESDAY)
Unaudited results for 1st quarter ended 31 March 2016

28 JULY 2016 (THURSDAY)
Unaudited results for 2nd quarter and half-year ended 30 June 2016

20 OCTOBER 2016 (THURSDAY)
Unaudited results for 3rd quarter ended 30 September 2016

2 FEBRUARY 2017 (THURSDAY)
Audited results for 4th quarter and financial year ended 31 December 2016

ANNOUNCEMENT OF CONSOLIDATED RESULTS

ANNUAL GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

2 March 2017

(THURSDAY)

51ST ANNUAL GENERAL MEETING

27 March 2017

(MONDAY)

DIVIDENDS

1ST INTERIM DIVIDEND OF 26%

Notice	:	28 July 2016 (Thursday)
Entitlement	:	12 August 2016 (Friday)
Payment	:	22 August 2016 (Monday)

2ND INTERIM DIVIDEND OF 32%

Notice	:	2 February 2017 (Thursday)
Entitlement	:	20 February 2017 (Monday)
Payment	:	28 February 2017 (Tuesday)

FINANCIAL HIGHLIGHTS

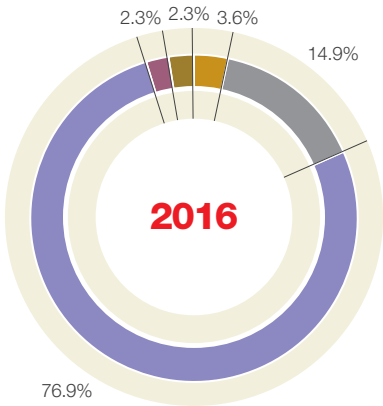
	GROUP		BANK	
	2016	**2015**	**2016**	**2015**
PROFITABILITY (RM'Million)				
Operating revenue	**20,103**	19,182	**14,834**	13,942
Operating profit	**6,745**	6,631	**5,105**	4,986
Profit before tax expense and zakat	**6,554**	6,491	**5,079**	5,000
Net profit attributable to equity holders of the Bank	**5,207**	5,062	**4,024**	3,989
KEY BALANCE SHEET DATA (RM'Million)				
Total assets	**380,053**	363,758	**303,810**	292,272
Loans, advances and financing	**292,429**	271,814	**232,795**	219,872
Deposits from customers	**309,974**	301,157	**241,957**	236,460
Shareholders' equity	**34,213**	31,231	**29,774**	27,945
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest bearing assets	**2.2**	2.2	**2.0**	2.0
Net return on equity[1]	**16.5**	17.8	**14.6**	15.5
Return on average assets	**1.8**	1.8	**1.7**	1.7
Return on average risk-weighted assets	**2.7**	2.8	**2.6**	2.7
Capital Adequacy Ratios				
Common Equity Tier I capital ratio	**11.9**	11.4	**11.7**	12.2
Tier I capital ratio	**12.7**	12.6	**12.8**	13.6
Total capital ratio	**16.0**	15.9	**15.2**	15.9
Asset Quality Ratio				
Gross impaired loans ratio	**0.5**	0.5	**0.4**	0.5

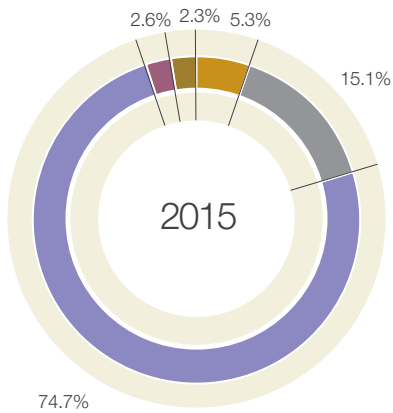
[1] *Based on average equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.*

SIMPLIFIED GROUP BALANCE SHEET

ASSETS

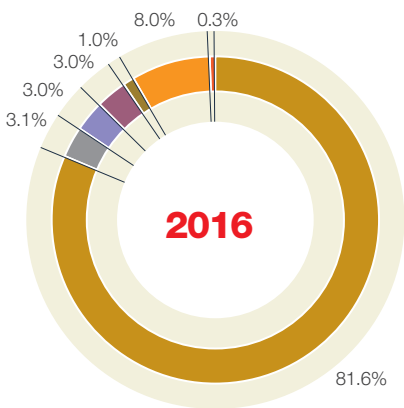
- Cash and balances with banks and reverse repurchase agreements
- Portfolio of financial investments
- Loans, advances and financing
- Statutory deposits with Central Banks
- Other assets (including intangible assets)

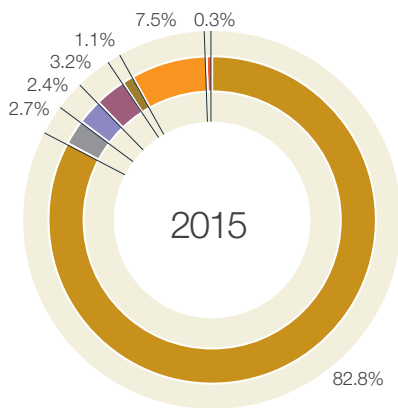




LIABILITIES & EQUITY

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





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)

DATO' SRI LEE KONG LAM

Non-Independent Non-Executive Deputy Chairman
SSAP, DIMP
CA (M'sia); FCPA (Aust); FCIB (UK)

TANG WING CHEW

Independent Non-Executive Director
BA (Hons)

LAI WAN

Independent Non-Executive Director
BA (Econs Hons); Associate, AICB

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

GROUP CORPORATE STRUCTURE

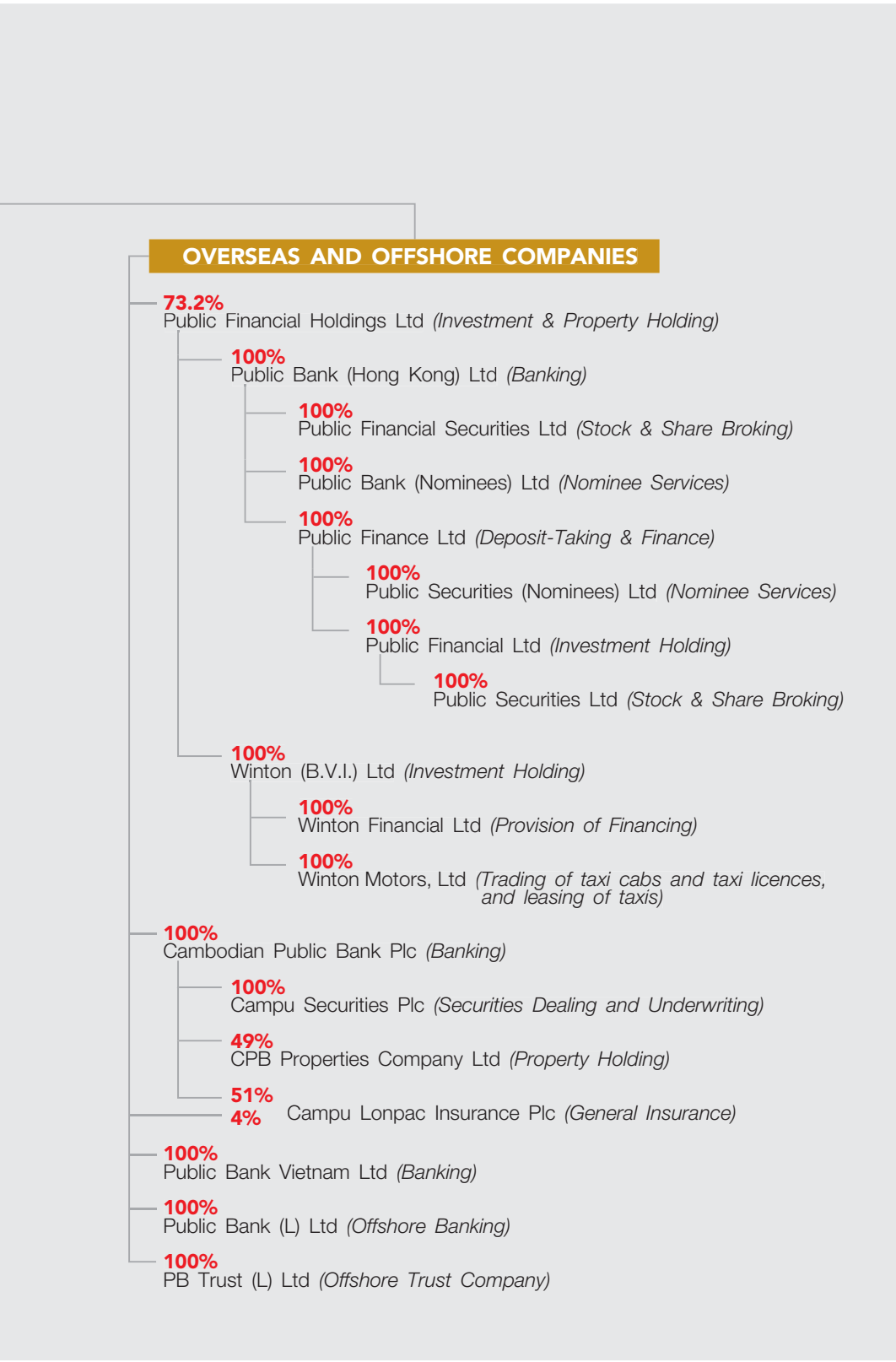
AS AT 27 JANUARY 2017

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



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 103 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

CONCEPTUALISED AS A "BANK FOR THE PEOPLE" BY ITS FOUNDER AND CHAIRMAN, TAN SRI DATO' SRI DR. TEH HONG PIOW, PUBLIC BANK BEGAN ITS JOURNEY IN 1966 AND HAS SINCE THEN GROWN INTO A PREMIER BANKING GROUP IN MALAYSIA. THIS YEAR, PUBLIC BANK CELEBRATES ITS HISTORIC 50TH ANNIVERSARY WITH STRONG MARKET POSITIONS AND SOLID BANKING FUNDAMENTALS.

ONE OF THE LARGEST PREMIER BANKS IN MALAYSIA

TOTAL ASSETS

RM380.05 Billion

- 3RD LARGEST BANK

MARKET CAPITALISATION

RM76.56 Billion

- 3RD LARGEST COMPANY ON BURSA MALAYSIA BY MARKET CAPITALISATION

NET PROFIT

RM5.21 Billion

- 50 YEARS OF UNBROKEN PROFITABILITY TRACK RECORD

THE BEST IN MALAYSIAN BANKING INDUSTRY

HIGHEST NET RETURN ON EQUITY

16.5%

LOWEST COST TO INCOME RATIO

32.3%

LOWEST GROSS IMPAIRED LOANS RATIO

0.5%

LEADING MARKET SHARES

RESIDENTIAL PROPERTY FINANCING

19.4%

PASSENGER VEHICLE FINANCING

29.6%

COMMERCIAL PROPERTY FINANCING

34.7%

PRIVATE UNIT TRUST BUSINESS FOR THE RETAIL FUNDS SECTOR

46.8%

CORPORATE PROFILE

OVER **18,500 EMPLOYEES** SERVING ABOUT **10 MILLION CUSTOMERS** ACROSS THE REGION.

One of the Largest Premier Banks in Malaysia

Conceptualised as a "bank for the people" by its Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow, Public Bank began its journey in 1966 and has since grown into a premier banking group in Malaysia. This year, Public Bank celebrates its historic 50th anniversary with strong market positions and solid banking fundamentals.

The Best in Malaysian Banking Industry

The Group continues to be acknowledged for its performance in achieving the highest net return on equity, lowest cost to income ratio and best asset quality amongst the domestic banking groups.

Regional Player

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 82 branches in Hong Kong, 4 branches in China, 30 branches in Cambodia, 7 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 small and medium enterprises ("SMEs") as well as private unit trust business.

Diverse Range of Products and Services

The Public Bank 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.

The Group's strategy remains focused on organic growth in the retail banking business, particularly on retail consumers and SMEs.

Award-winning Bank

Throughout its 50-year journey, Public Bank has earned recognition for its sustainable financial strength and superior management. The Bank has been officially acclaimed as the "Most Award-Winning Bank in Malaysia" by the Malaysian Book of Records. In 2016, the Group was accorded with numerous best bank and excellence in corporate governance awards by national and international publications. The Group will not be complacent but will continue to strive for greater performance excellence.

Strong Credit Ratings

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

Standard & Poor's

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

Moody's Investors Service

Long-term deposit rating of A3
Short-term deposit 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

Corporate Social Responsibility

As one of the largest financial services providers in Malaysia, the Public Bank Group continues to conscientiously give back to the community. The Group believes that the fulfilment of its corporate social responsibilities will further enhance its corporate image, reputation, goodwill and the PB Brand. Through its Corporate Social Responsibility initiatives, the Group continues to focus on nation building, enhancement of the market place, promotion of the work place and environment conservation. These initiatives are implemented through the Group's participation in programmes involving education, graduate employment, professional development, healthcare as well as support of the underprivileged. The Group will continue to seek ways to create a better community and corporate environment for all its stakeholders.

CORPORATE MILESTONES FROM 1966

Our Incredible Journey

2016

PUBLIC BANK 50TH ANNIVERSARY
Still Surging Ahead
Since 1966



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.



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.

CORPORATE MILESTONES FROM 1966



2007

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

2006

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

2006

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.



2001

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

CORPORATE MILESTONES FROM 1966

1996



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.



1990

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

CORPORATE MILESTONES FROM 1966





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.

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.

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 50 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 2016.

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.

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.

CORPORATE MILESTONES FROM 1966

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.

MEDIA HIGHLIGHTS 2016

Public Bank's profit up despite headwinds

Lender experiences continued growth in retail earnings



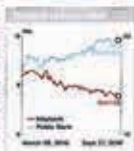
PBB gets Vietnam's foreign-owned licence

Public Bank allowed to buy out JV lender and granted 99-year term



Public Bank's market value overtakes Maybank's

The former's share price has risen steadily from Sept 28 last year



大众银行10万捐6机构



Untung suku pertama Public Bank RM1.23b

» Pertumbuhan kukuh segmen pinjaman, deposit pacu prestasi positif



"Meskipun persekitaran operasi adalah mencabar, kumpulan terus maju dan berupaya mencatatkan keputusan lewangan baik dengan mencatatkan pulangan ekuiti lebih 16.1 peratus"

Tan Hong Piow
Pengerusi dan Pengarah Public Bank

Public Bank lancar PB Visa Direct



Public Bank dapat lesen bank asing di Vietnam

» Public Bank Vietnam diberi tempoh 99 tahun beroperasi



"Kemasukan Public Bank Vietnam sebagai anak syarikat milik penuh Public Bank dapat membantu kumpulan memaksimumkan sinergi dalam Indo-China dan memanfaatkan kekuatan jenama Public Bank"

Teh Hong Piow
Pengerusi dan Pengarah Public Bank Group

大衆銀行亞航 簽署財務流程交換協議



MEDIA HIGHLIGHTS 2016



FIVE-YEAR GROUP FINANCIAL SUMMARY

YEAR ENDED 31 DECEMBER	2016	2015	2014	2013	2012
OPERATING RESULTS (RM'Million)					
Operating profit	**6,745**	6,631	6,067	5,655	5,329
Profit before tax expense and zakat	**6,554**	6,491	5,814	5,310	5,047
Net profit attributable to equity holders of the Bank	**5,207**	5,062	4,519	4,065	3,827
KEY BALANCE SHEET DATA (RM'Million)					
Total assets	**380,053**	363,758	345,722	305,725	274,824
Loans, advances and financing	**292,429**	271,814	243,222	219,416	196,052
Total liabilities	**344,689**	331,450	316,847	284,528	256,106
Deposits from customers	**309,974**	301,157	276,540	250,873	225,042
Core customer deposits	**258,155**	245,171	216,707	201,258	177,035
Paid-up capital	**3,882**	3,882	3,882	3,532	3,532
Shareholders' equity	**34,213**	31,231	28,025	20,424	18,018
Commitments and contingencies	**105,592**	107,533	95,813	87,986	79,458
SHARE INFORMATION AND VALUATION					
Share Information					
Per share (sen)					
Basic/Diluted earnings	**134.8**	131.1	123.7	116.1	109.3
Net dividend	**58.0**	56.0	54.0	52.0	50.0
Net assets	**886.0**	808.8	725.7	583.2	514.5
Share price as at 31 December (RM)	**19.72**	18.52	18.30	19.40	16.28
Market capitalisation (RM'Million)	**76,556**	71,897	71,043	68,668	57,521
Valuations					
Net dividend yield (%)	**2.9**	3.0	3.0	2.7	3.1
Dividend payout ratio (%)	**43.0**	42.7	46.1	44.8	45.3
Price to earnings multiple (times)	**14.6**	14.1	14.8	16.7	14.9
Price to book multiple (times)	**2.2**	2.3	2.5	3.3	3.2

RM6.55 billion
PROFIT BEFORE TAX

0.5%
GROSS IMPAIRED LOANS RATIO

FIVE-YEAR GROUP FINANCIAL SUMMARY

YEAR ENDED 31 DECEMBER	2016	2015	2014	2013	2012
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest bearing assets	**2.2**	2.2	2.2	2.4	2.5
Net return on equity[1]	**16.5**	17.8	19.9[#]	22.4	24.1
Return on average assets	**1.8**	1.8	1.8	1.8	1.9
Return on average risk-weighted assets	**2.7**	2.8	2.8	2.8	2.9
Cost/income ratio	**32.3**	30.5	30.0	30.7	31.2
Asset Quality Ratios					
Net loan to deposit ratio	**94.3**	90.3	88.0	87.5	87.1
Gross impaired loans ratio	**0.5**	0.5	0.6	0.7	0.7
Loan loss coverage					
– Exclude regulatory reserve	**120.7**	120.8	122.4	118.5	126.0
– Include regulatory reserve	**248.5**	258.6	218.6	127.1	135.3
Capital Adequacy Ratios					
Common Equity Tier I ("CET I") capital ratio	**11.9**	11.4	11.3	9.3	N/A
Tier I capital ratio	**12.7**	12.6	12.8	11.1	11.4
Total capital ratio	**16.0**	15.9	16.4	14.3	14.7
CET I capital (RM'Million)	**29,856**	27,329	24,775	18,527	N/A
Tier I capital (RM'Million)	**32,007**	30,118	27,942	22,079	20,512
Tier II capital (RM'Million)	**8,198**	8,092	7,891	6,458	5,861
Total capital (RM'Million)	**40,205**	38,210	35,833	28,537	26,373
PRODUCTIVITY RATIOS					
No. of employees	**18,651**	18,373	18,198	17,924	17,625
Gross loans per employee (RM'000)	**15,761**	14,883	13,465	12,340	11,222
Deposits per employee (RM'000)	**16,620**	16,391	15,196	13,996	12,768
Profit before tax per employee (RM'000)	**351**	353	320	296	286
MARKET SHARE (%)					
Domestic market share					
Loans, advances & financing	**17.7**	17.4	17.1	16.9	16.7
Deposits from customers	**16.7**	16.6	15.9	15.7	15.2
Core customer deposits	**17.5**	16.8	16.6	17.5	16.6

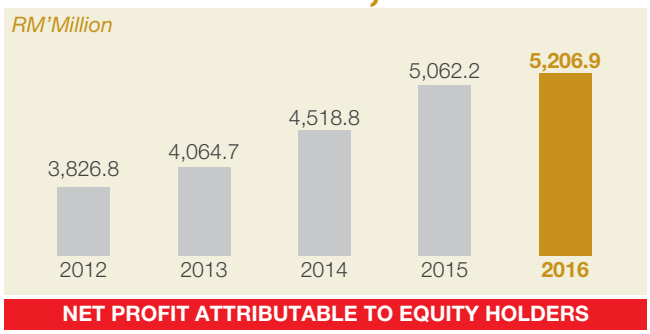
[1] *Based on average equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.*
[#] *Average equity is adjusted with weighted average of net proceeds from rights issue.*
N/A Not applicable

↑ 2.9%
CUSTOMER DEPOSITS

↑ 7.5%
GROSS LOANS

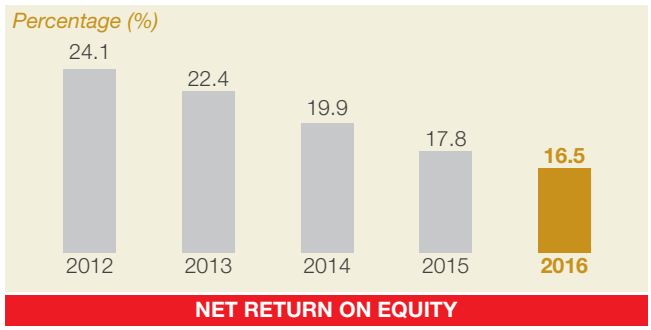
SUMMARY OF FIVE-YEAR GROUP GROWTH

RM5,206.9 million



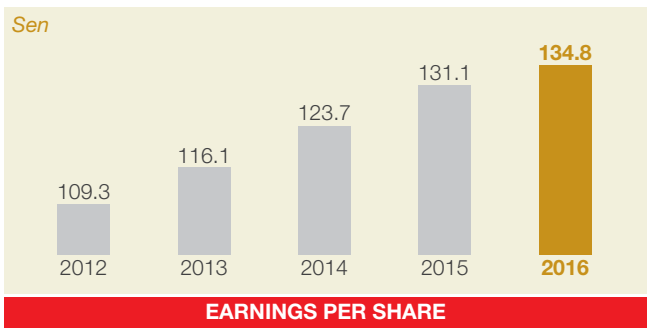
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS

16.5%



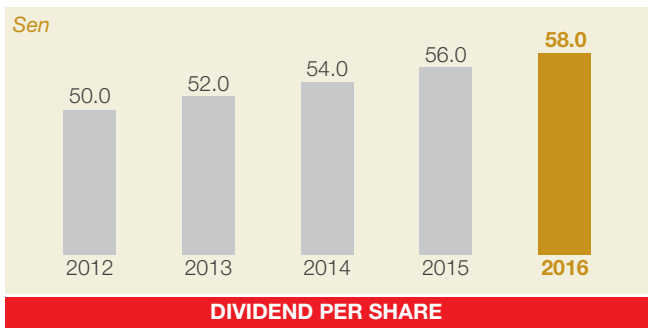
NET RETURN ON EQUITY

134.8 sen



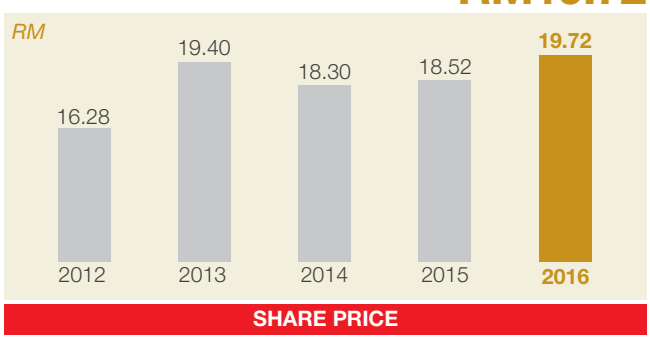
EARNINGS PER SHARE

58.0 sen



DIVIDEND PER SHARE

RM19.72



SHARE PRICE

RM76.56 billion



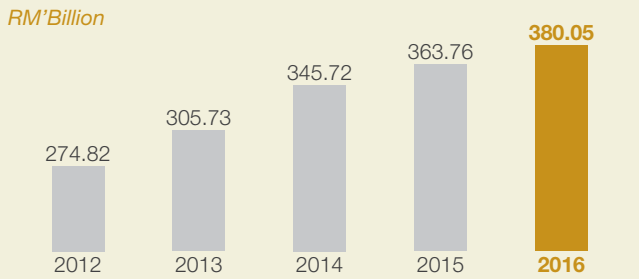
MARKET CAPITALISATION

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

Year	2012	2013	2014	2015	2016
Ranking	2nd	2nd	3rd	3rd	**3rd**

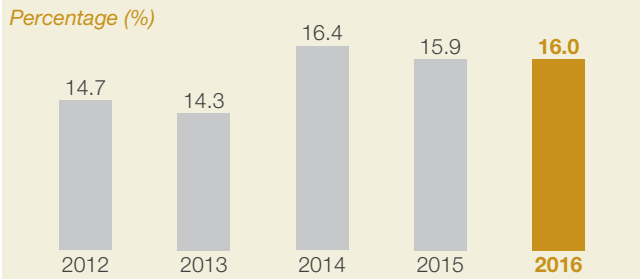
SUMMARY OF FIVE-YEAR GROUP GROWTH

RM380.05 billion



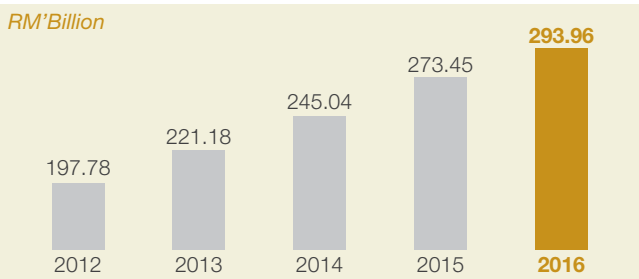
TOTAL ASSETS

16.0%



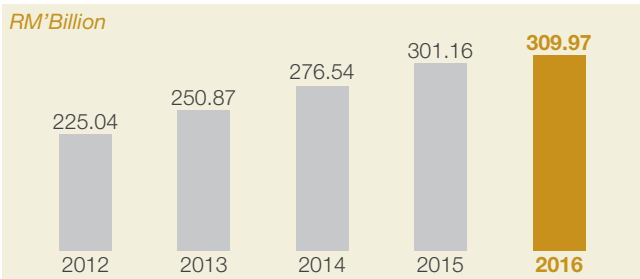
TOTAL CAPITAL RATIO

RM293.96 billion



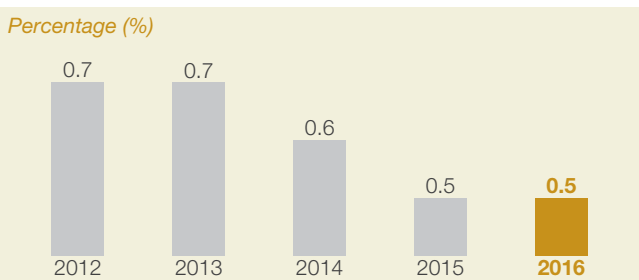
GROSS LOANS, ADVANCES AND FINANCING

RM309.97 billion



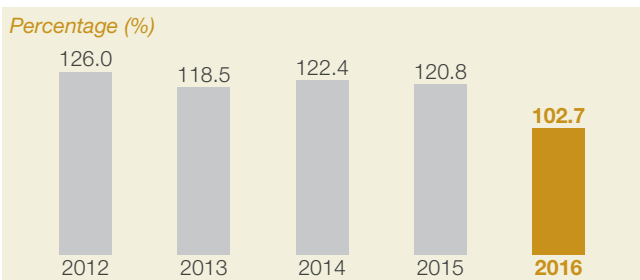
CUSTOMER DEPOSITS

0.5%



GROSS IMPAIRED LOANS RATIO

102.7%



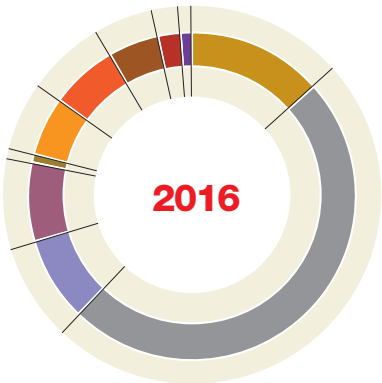
LOAN LOSS COVERAGE

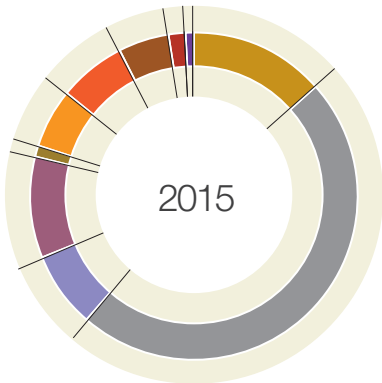
KEY INTEREST BEARING ASSETS & LIABILITIES

	2016			2015		
	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	**273,938**	**5.33**	**14,601**	250,609	5.39	13,508
Balances with banks	**17,947**	**2.63**	**472**	17,901	2.68	480
Financial investments	**53,294**	**3.66**	**1,951**	53,001	3.54	1,876
Total	**345,179**	**4.93**	**17,024**	321,511	4.93	15,864
Interest Bearing Liabilities						
Deposits from customers	**267,852**	**3.10**	**8,303**	249,664	3.12	7,790
Deposits from banks	**11,823**	**1.52**	**180**	16,968	1.28	217
Recourse obligations on loans and financing sold to Cagamas	**1,922**	**3.93**	**76**	1,922	3.93	76
Debt securities issued and other borrowed funds	**12,348**	**4.45**	**549**	11,494	4.52	520
Total	**293,945**	**3.10**	**9,108**	280,048	3.07	8,603

SEGMENTAL ANALYSIS

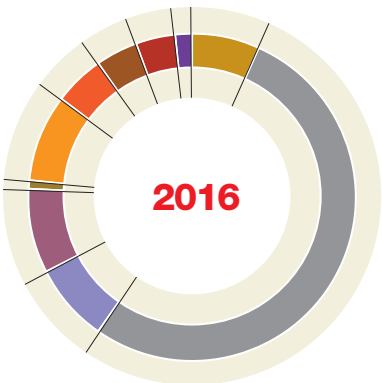
OPERATING REVENUE

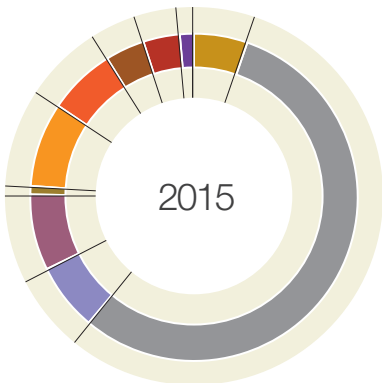




	2016 %	2015 %
Domestic		
Hire purchase	**13.4**	13.5
Retail operations	**49.0**	47.9
Corporate lending	**8.3**	7.7
Treasury and capital market operations	**7.9**	9.9
Investment banking	**0.8**	1.1
Fund management	**5.8**	6.0
Others	**6.6**	6.4
Overseas		
Hong Kong SAR	**5.0**	5.0
Cambodia	**2.1**	1.9
Other countries	**1.1**	0.6

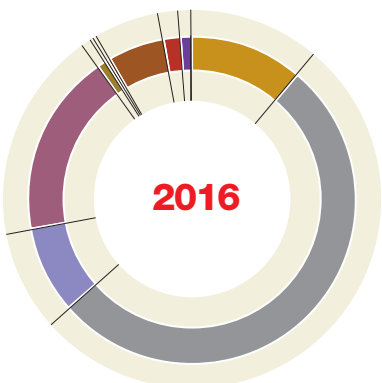
PROFIT BEFORE TAX

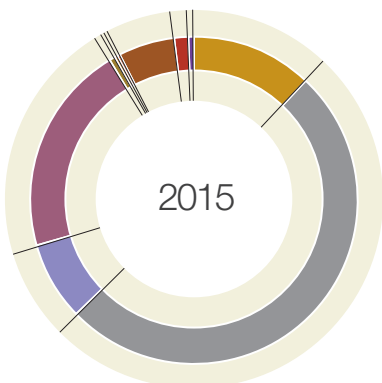




	2016 %	2015 %
Domestic		
Hire purchase	**6.9**	5.4
Retail operations	**52.9**	55.8
Corporate lending	**7.7**	6.6
Treasury and capital market operations	**8.5**	7.6
Investment banking	**0.7**	0.9
Fund management	**8.7**	8.3
Others	**5.1**	6.6
Overseas		
Hong Kong SAR	**4.1**	3.9
Cambodia	**3.9**	3.6
Other countries	**1.5**	1.3

TOTAL ASSETS





	2016 %	2015 %
Domestic		
Hire purchase	**11.4**	12.1
Retail operations	**52.6**	51.0
Corporate lending	**8.6**	7.8
Treasury and capital market operations	**18.2**	20.7
Investment banking	**0.6**	0.7
Fund management	**0.1**	0.1
Others	**0.2**	0.2
Overseas		
Hong Kong SAR	**5.6**	5.5
Cambodia	**1.7**	1.5
Other countries	**1.0**	0.4

GROUP QUARTERLY PERFORMANCE

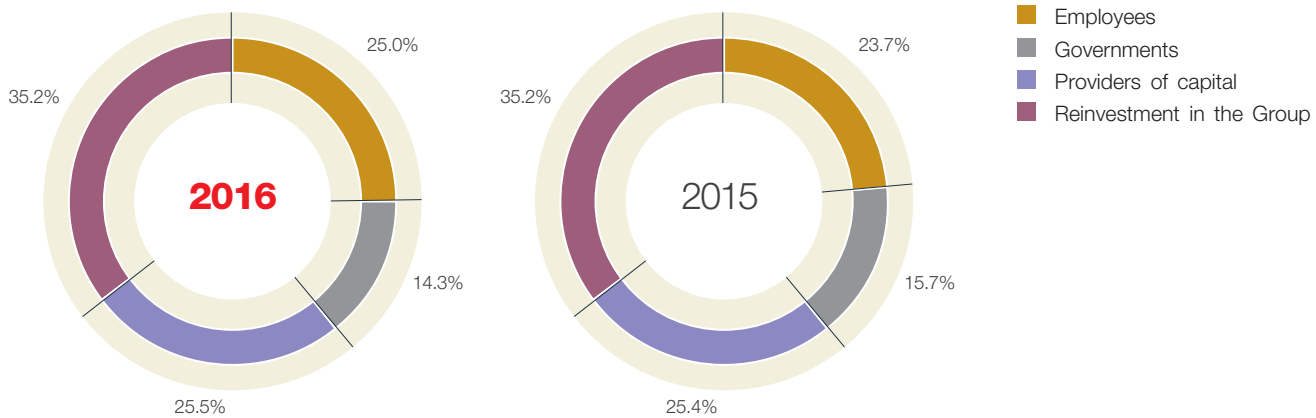
	2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2016
FINANCIAL PERFORMANCE (RM'Million)					
Operating revenue	**5,007.3**	**4,980.2**	**5,031.1**	**5,084.1**	**20,102.7**
Net interest income and income from Islamic banking business	**1,912.2**	**1,932.7**	**1,985.3**	**2,031.8**	**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**
Net dividend per share (sen)	**–**	**26.0**	**–**	**32.0**	**58.0**

	2015				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year 2015
FINANCIAL PERFORMANCE (RM'Million)					
Operating revenue	4,600.3	4,737.7	4,914.5	4,929.1	19,181.6
Net interest income and income from Islamic banking business	1,738.6	1,768.5	1,839.8	1,858.8	7,205.7
Operating profit	1,562.3	1,590.9	1,729.7	1,747.7	6,630.6
Profit before tax expense and zakat	1,488.7	1,531.1	1,613.8	1,857.8	6,491.4
Profit attributable to equity holders of the Bank	1,171.6	1,196.8	1,201.4	1,492.4	5,062.2
Earnings per share (sen)	30.4	31.0	31.1	38.6	131.1
Net dividend per share (sen)	–	24.0	–	32.0	56.0

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.

	2016 RM'000	2015 RM'000
VALUE ADDED		
Net interest income	**6,920,407**	6,377,023
Net income from Islamic banking business	**941,638**	828,638
Other operating income	**2,094,406**	2,340,121
Other operating expenses excluding staff costs and depreciation	**(757,481)**	(656,085)
Allowance for impairment on loans, advances and financing	**(192,740)**	(146,231)
Writeback of impairment/(impairment) on other assets	**430**	(556)
Share of results of equity accounted associated companies	**1,361**	7,557
Value added available for distribution	**9,008,021**	8,750,467
DISTRIBUTION OF VALUE ADDED		
To employees:		
Personnel costs	**2,250,994**	2,077,956
To the Governments:		
Taxation	**1,286,597**	1,370,156
To providers of capital:		
Dividends paid to shareholders	**2,239,667**	2,162,437
Non-controlling interests	**60,560**	59,087
To reinvest in the Group:		
Depreciation	**202,995**	181,116
Retained profits	**2,967,208**	2,899,715
Total distributed	**9,008,021**	8,750,467



2016 AWARDS & ACHIEVEMENTS

1 ALPHA SOUTHEAST ASIA

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

2 ASIAMONEY

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

3 ASIA PACIFIC BRANDS FOUNDATION

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

b. The BrandLaureate Industry Champion Brand Icon Leadership Award for Banking 2016

4 ASIAN BANKING & FINANCE

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



2016 AWARDS & ACHIEVEMENTS

5 ASSOCIATION OF ACCREDITED ADVERTISING AGENTS MALAYSIA

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

6 BANK OF NEW YORK MELLON

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

7 CHARLTON EASTCOLES

Charlton EastColes Corporate Performance Awards:

a. Malaysia Company of the Year 2016 – Gold

b. Malaysia Bank of the Year 2016

8 CORPORATE GOVERNANCE ASIA

a. 6th Asian Excellence Recognition Awards 2016:

i. Best Corporate Social Responsibility for Malaysia
2016, 2015, 2014, 2013, 2012, 2011

ii. Best Investor Relations Company for Malaysia
2016, 2015, 2014, 2013, 2012, 2011

iii. Best Environmental Responsibility for Malaysia
2016, 2015

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



2016 AWARDS & ACHIEVEMENTS

9 DEUTSCHE BANK

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

10 EUROMONEY

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

11 FINANCEASIA

a. 50 Years of Asian Banking Excellence Award

b. FinanceAsia's Best Managed Company Poll 2016:

   i. Ranked No. 1 in the 'Best Managed Company' category
   2016, 2011, 2010, 2009, 2008, 2007

   ii. Ranked No. 2 in the 'Most Committed to Corporate Governance' category
   2016

   iii. Ranked No. 1 in the 'Best CEO (Tan Sri Dato' Sri Tay Ah Lek)' category
   2016

c. FinanceAsia's Platinum Awards – 20 Years of Excellence:

   i. Best Domestic Bank in Malaysia

   ii. Best Company in Malaysia



2016 AWARDS & ACHIEVEMENTS

12 FROST & SULLIVAN

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

13 J.P. MORGAN CHASE BANK

J.P. Morgan Quality Recognition Award 2015 for achieving best-in-class straight through processing rates in payment transfer operations:

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

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

14 MINORITY SHAREHOLDER WATCHDOG GROUP

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



2016 AWARDS & ACHIEVEMENTS

15 MYCLEAR

Malaysian e-Payments Excellence Awards 2016:

a. Best IBG Bank

b. Best DirectDebit Bank

c. Malaysian Chip Card Specifications Pioneer Bank

d. JomPAY National Biller Acquisition (Mid-Sized Acquirer)

16 READER'S DIGEST

Reader's Digest Trusted Brands 2016:

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

17 THE ASIAN BANKER

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

b. Strongest Bank by Balance Sheet in Malaysia 2016
2016, 2015, 2012

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



2016 AWARDS & ACHIEVEMENTS

18 a



18 THE ASSET

a. The Asset Platinum Award 2016 for Excellence in Governance, CSR and Investor Relations
2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009

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

19 THE BANKER

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

20 THE EDGE BILLION RINGGIT CLUB

The Edge Billion Ringgit Club Corporate Awards 2016:

Highest Growth in Profit Before Tax Over Three Years Award for Super Big Cap Companies – Companies With More Than RM40 Billion Market Capitalisation

21 CHAIRMAN'S AWARDS 2016

a. Royal Order of Monisaraphon, Commander by The Royal Government of The Kingdom of Cambodia

b. Asia's Best CEO (Investor Relations) for Malaysia by Corporate Governance Asia
2016, 2015, 2014, 2013, 2012, 2011

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

21 a

21 b

20

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

- 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 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

PAST AWARDS

ASIAN INSTITUTE OF MANAGEMENT

- Management Awards of Asia for Financial Management Category
  1996

ASSOCIATION OF ACCREDITED ADVERTISING AGENTS MALAYSIA

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

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

CORPORATE GOVERNANCE ASIA

- Asian Excellence Recognition Awards:
  - Best Corporate Communications Team for Malaysia
    2015, 2014

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 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

- 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 Best Customer Experience in Banking Award
  2014

GLOBAL FINANCE

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

PAST AWARDS

MALAYSIA DESIGN TECHNOLOGY CENTRE

- National Creative & Innovation Award
  2004

MALAYSIAN INSTITUTE OF MANAGEMENT

- 'Partenaire de Valeuris' (Valued Partner) Award
  2006

MALAYSIAN INVESTOR RELATIONS ASSOCIATION

- Malaysian 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

MINISTRY OF INTERNATIONAL TRADE & INDUSTRY

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

MINORITY SHAREHOLDER WATCHDOG GROUP

- 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

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

PAST AWARDS

- 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

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 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 EDGE BILLION RINGGIT CLUB CORPORATE AWARDS

- 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

PAST AWARDS

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

- 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 AND CHAIRMAN'S STATEMENT



TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

FOUNDER AND CHAIRMAN'S STATEMENT

The Public Bank Group has once again demonstrated its resilience during trying times and delivered a set of favourable financial results for the year 2016.

In 2016, Public Bank turned 50 amid the backdrop of a challenging operating environment. The Public Bank Group has once again demonstrated its resilience during trying times and delivered a set of favourable financial results for the year 2016. The Group achieved another profit milestone with pre-tax profit of RM6.55 billion for 2016. Net profit attributable to shareholders increased by 2.9% to RM5.21 billion, resulting in earnings per share of 134.8 sen. In view of the Group's favourable performance for 2016, the Board of Directors had declared a total dividend of 58 sen per share, amounting to RM2.24 billion to its shareholders, which represented a total payout of 43.0% of the Group's net profit for 2016.

With the continued market confidence in the Group's performance in an increasingly challenging operating environment, the Group's market capitalisation recorded an increase of 6.5% or RM4.66 billion during the year to RM76.56 billion as at the end of 2016. This had outperformed the movements in the FBM KLCI which declined 3.0% in 2016, and Bursa Malaysia Finance indices which only increased by 1.6%.

Public Bank was founded 50 years ago in 1966 with the vision of growing Public Bank to be a bank serving the banking needs of the public at large. This vision has shaped the Group's business model in retail banking. The Group's corporate mission – "To sustain the position of being the most efficient, profitable and respected premier financial institution in Malaysia", has been deeply embedded in the corporate culture of the Group. Over the years, this mission continued to be diligently embraced within the Group's operations and formed the fundamental building blocks for the Group.

The strong fundamentals of prudent banking practices, efficient customer service, high operational productivity, professional management, strong corporate governance and upholding the values of integrity and trust have enabled the Group to grow and progress, and have also anchored the Group through many challenging business cycles.

The Group's journey over the past 50 years has seen many accomplishments as the Group developed its business franchise and presence. From its first branch in Kuala Lumpur in 1966, the Group has expanded to its present network of 259 bank branches nationwide in Malaysia, as well as 130 overseas branches across Hong Kong, China, Cambodia, Vietnam, Laos and Sri Lanka serving the banking and financial needs of about 10 million customers, whilst contributing to the development of the economies in which the Group operates.

Today, the Group is widely recognised for its performance in sustaining the best asset quality, most efficient cost to income ratio and highest return on equity among the domestic banking groups. The Group takes pride in its track record of 50 years of unbroken profitability even in times of market adversity.

As the Public Bank Group commemorated its 50 years of banking excellence in 2016, we recognise that the achievements of the Group's journey of growth could not have been possible without the continuous strong contribution and solid support from its stakeholders. We would like to sincerely thank all our customers for their support in banking with the Group; all our employees for their commitment, dedication and loyalty; all our shareholders for their confidence and trust; and Bank Negara Malaysia and other relevant authorities for their invaluable advice and guidance.

Going forward, the Public Bank Group will continue to pursue its strategy of organic growth in its retail banking business and target to sustain its performance in the key performance measures. The Group will stay vigilant, agile and adaptive in the market place and adjust its operating approach in line with market developments and technological changes amid the macro uncertainties. Stepping into the new era after 50 years of banking excellence, the Group is committed to further build on its strong foundation, continue to strive harder to strengthen the Group's position as a premier banking group, and pursue excellence in delivering enhanced value to its stakeholders.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Founder and Chairman
2 February 2017

BOARD OF DIRECTORS



BOARD OF DIRECTORS



Seated:

Tan Sri Dato' Sri Dr. Teh Hong Piow

Standing from left:

Lai Wai Keen, Tan Sri Dato' Sri Tay Ah Lek, Lai Wan, Dato' Sri Lee Kong Lam, 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



BOARD OF DIRECTORS' PROFILE

Tan Sri Dato' Sri Dr. Teh Hong Piow, aged 86, male, began his banking career in 1950 and has 67 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

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.

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

Tan Sri Teh attended all the 20 Board meetings which were held in the financial year ended 31 December 2016.

BOARD OF DIRECTORS' PROFILE

TAN SRI DATO' SRI TAY AH LEK

Managing Director/
Chief Executive Officer



Tan Sri Dato' Sri Tay Ah Lek, aged 74, male, has 56 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, ASEAN Finance Corporation Ltd and Ombudsman for Financial Services (formerly known as Financial Mediation Bureau).

Tan Sri Tay attended all the 20 Board meetings which were held in the financial year ended 31 December 2016.

BOARD OF DIRECTORS' PROFILE

DATO' SRI LEE KONG LAM

Non-Independent
Non-Executive Deputy Chairman



Dato' Sri Lee Kong Lam, aged 75, male, has 49 years' experience in the banking and finance industry. He joined Public Bank in November 1996 as General Manager and was subsequently appointed Senior General Manager in 1997 and Executive Vice-President in 1998. He was appointed as an Executive Director of Public Bank on 28 November 2001 and was re-designated as Executive Director/Deputy Chief Executive Officer with effect from 1 October 2013. He was re-designated from Executive Director/Deputy Chief Executive Officer to Non-Independent Non-Executive Director of Public Bank with effect from 28 November 2013, following his retirement as Executive Director/Deputy Chief Executive Officer of Public Bank with effect from 28 November 2013. He was appointed as Non-Independent Non-Executive Deputy Chairman of Public Bank with effect from 1 September 2015. He is the Chairman of the Credit Risk Management Committee, and is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee, the Risk Management Committee and the Compliance Committee.

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

He is a Fellow of CPA Australia and the Chartered Institute of Bankers, United Kingdom; and a Chartered Accountant of the Malaysian Institute of Accountants.

His directorships in other public companies in the Public Bank Group are as Director of Public Mutual Bhd, Public Bank (L) Ltd, Cambodian Public Bank Plc, Campu Lonpac Insurance Plc and Campu Securities Plc.

Dato' Sri Lee attended all the 20 Board meetings which were held in the financial year ended 31 December 2016.

BOARD OF DIRECTORS' PROFILE

TANG WING CHEW

Independent Non-Executive Director



Tang Wing Chew, aged 72, 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 50 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 Deputy Chairman of Public Investment Bank Bhd and as Director of Public Bank (L) Ltd, Public Financial Holdings Ltd and Public Bank (Hong Kong) Ltd. His directorship in other public company is in Cagamas Bhd.

Mr Tang attended all the 20 Board meetings which were held in the financial year ended 31 December 2016.

BOARD OF DIRECTORS' PROFILE

LAI WAN
Independent Non-Executive Director



Lai Wan, aged 73, male, was appointed as a Director of Public Bank on 26 April 2012. He serves as the Chairman of the Nomination Committee and the Remuneration 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 43 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 20 Board meetings which were held in the financial year ended 31 December 2016.

BOARD OF DIRECTORS' PROFILE

LAI WAI KEEN

Independent Non-Executive Director



Lai Wai Keen, aged 62, 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 20 Board meetings which were held in the financial year ended 31 December 2016.

BOARD OF DIRECTORS' PROFILE

CHEAH KIM LING

Independent Non-Executive Director



Cheah Kim Ling, aged 59, 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 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 19 Board meetings which were held in the financial year ended 31 December 2016.

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.

LETTER TO STAKEHOLDERS

"In 2016, Public Bank entered into its 50th year of operations in Malaysia amid a tougher operating environment. Anchored on its resilient business model and effective corporate culture, the Public Bank Group persevered in its performance and achieved a favourable pre-tax profit of RM6.55 billion for 2016.

The Group continued to serve and fulfil its commitments towards its stakeholders – shareholders, customers, employees and the community, as entrenched in its corporate philosophy.

Underpinned by the solid foundation of 50 years of banking excellence, the Public Bank Group will continue to sustain the position of being the most efficient, profitable and respected premier financial institution."

Tan Sri Dato' Sri Dr. Teh Hong Piow
Chairman



LETTER TO STAKEHOLDERS



1966 TO 2016: 50 YEARS OF BANKING EXCELLENCE

50 years ago in 1966, Tan Sri Dato' Sri Dr. Teh Hong Piow founded Public Bank with the vision of growing Public Bank to be "bank for the people" serving the banking needs of the people. For 50 years, this vision has been steering Public Bank's successful growth path and shaping its resilient business model, and today, the Public Bank Group is a respected premier retail banking group.

Public Bank has undergone a 50-year epic journey of banking excellence characterised by remarkable accomplishments which the Group prides itself on. The achievements and attributes of the Public Bank Group which are widely recognised and acknowledged include achieving and sustaining:

- the position as the third largest banking group by asset size in Malaysia and third largest company by market capitalisation on Bursa Malaysia;
- 50 straight years of unbroken profit track record since the first year of operations despite having gone through a few economic recessions or financial crisis;
- the highest return on equity among the domestic banking groups;
- the best asset quality as reflected in the lowest impaired loans ratio among banks in Malaysia;
- the best cost efficiency with lowest cost to income ratio not just among the banking groups in Malaysia but also against many major banking groups in the region;
- leading market share positions in its core lending business of financing for purchases of residential properties, commercial properties and passenger vehicles, as well as in the retail unit trust business;
- prudent banking practices, most efficient customer service, strong corporate governance, professional management, effective corporate culture; and
- a household name in the communities we serve and well respected in the financial services industry.

As at the end of 2016, the Group has total group assets of RM380.05 billion with shareholders' funds amounting to RM34.21 billion. The Group's market capitalisation stood at RM76.56 billion.

The Public Bank Group always recognises the strong contribution and solid support rendered by its stakeholders in the Group's journey of growth. Caring for its stakeholders has long been entrenched in the Group's corporate philosophy. To date, the Group continues to serve and create value for its stakeholders comprising about 10 million customers in Malaysia and overseas; over 18,500 dedicated and loyal staff within the Group; over 70,000 institutional and individual shareholders; and finally the communities that the Group serves. The contribution and support of all stakeholders have enabled the Group to grow from strength to strength to its present status and the accomplishments it has today.

2016 OPERATING ENVIRONMENT

In 2016, the global economy continued to experience moderate growth, with modest economic activity in the advanced economies. In Asia, domestic demand remained an important support for growth amid persistent weakness in external demand. Several important policy issues in major economies, capital market volatility, continued weak inflation and sluggish productivity continued to pose uncertainties and risks to global growth outlook.

For Malaysia, the economy continued to face a challenging external environment including slower growth in the advanced economies, prolonged low oil prices, volatile international financial markets and weakened ringgit

exchange rate. As an open economy, Malaysia is not immune to these external challenges which pose downside risks on domestic growth. Nevertheless, for the first nine months of 2016, the Malaysian economy expanded at a moderated pace of 4.2% (2015: 5.0%).

In 2016, consumer sentiment continued to stay below the level of optimism and businesses remained cautious in capacity expansion. Banks had increasingly exercised more stringent lending practices reflecting the standards of responsible financing and enhanced affordability assessments of customers. Combining the effects of the broad-base sentiments in the market place and tighter lending decisions, the operating conditions of the banking sector in Malaysia had become more challenging with moderated performance.

In 2016, growth in the banking system's loans and financing had moderated considerably to 5.3% (2015: 7.9%), while growth in the banking system's deposits was marginal at 1.5% (2015: 1.8%). However, the Malaysian financial system had remained resilient throughout 2016. Asset quality of the banking system, as measured by impairment of loans and financing, as well as delinquencies, had been broadly manageable, although pockets of stress confined to certain sectors were observed. Backed by strong capital and liquidity positions, the financial system continued to perform its intermediation function in an effective and efficient manner to support ongoing economic activities and growth.

2016 ACHIEVEMENTS OF KEY PERFORMANCE TARGETS: AN OVERVIEW

In 2016, the Public Bank Group had largely performed favourably across the key performance measures and delivered a set of stable financial results for the year ended 2016. This demonstrated the defensive characteristic of the Group in weathering difficulty and adversity in the operating environment.

As an overview, the Group's achievements against the targets set for 2016 in the key performance measures and a corresponding comparison with the performance of the banking industry are summarised below.

Key Performance Measures	2016 Public Bank Group Targets	2016 Public Bank Group Achievements	2016 Industry Performance*
Net return on equity	>15%	16.5%	n.a.
Total capital ratio	>13%	15.5%	16.5%
Gross impaired loans ratio	<1%	0.5%	1.6%
Cost to income ratio	<33%	32.3%	48.8%
Gross loans growth	8% to 9%	7.5%	5.3%
Customer deposits growth	7% to 8%	2.9%	1.5%

n.a. = Not applicable
** Based on latest available information*

TO OUR SHAREHOLDERS

2016 FINANCIAL PERFORMANCE

Achieved Favourable Profits In a Challenging Operating Environment

Despite facing a challenging operating environment in 2016, the Public Bank Group had remained resilient in its business performance and sustained its ability to generate steady profitability.

For the year 2016, the Group achieved pre-tax profit of RM6.55 billion, which sustained at a stable level as compared to the previous year. Net profit attributable to shareholders for 2016 grew by 2.9% to RM5.21 billion. This resulted in earnings per share of 134.8 sen, and translated to a net return on equity ("ROE") of 16.5% for 2016.

With this set of favourable financial results, the Group achieved 50 years of unbroken profitability since it commenced operations in 1966. This track record is a testament of the Group's consistent focus on its retail banking business, and its steadfast commitment in pursuing prudence in growing its business and in delivering steady profits and returns to its shareholders.

LETTER TO STAKEHOLDERS

With the increasingly challenging market conditions, competitive banking landscape and evolving complexity in banking standards and rules, banks are facing continuous margin compression and higher operating and compliance costs. This is further aggravated, particularly in 2016, by pockets of stress in asset quality arising from the more challenging operating environment. These have added pressure on profitability growth for banks. Coupled with the more stringent capital rules and requirements, banks are experiencing declining trend of ROE.

In coping with the effects of these macro trends, the Group had adopted a vigilant approach in growing its business, managing its operating overheads, preserving its strong asset quality, and most importantly its profitability. With the Group's net ROE of 16.5% for 2016, the Group continued to sustain its position of achieving the highest net ROE among the domestic banking groups in Malaysia.

Sustained Income Generating Capacity Contributed to Stable Profits

The Public Bank Group's focused and consistently executed strategy in the retail banking business has built a solid foundation for the income generating capacity of the Group.

In 2016, total net income of the Group grew by 4.3% to RM9.96 billion (2015: RM9.55 billion), supported by continued growth in net interest income, net income from Islamic banking and net fee and commission income.

Net interest income for 2016 grew by 8.5% to RM6.92 billion (2015: RM6.38 billion) backed by a strong base and ongoing healthy growth in loans and financing as well as customer deposits in 2016. However, net interest income growth was pressured by margin compression as a result of intense market competition for loans and financing, as well as deposits. In addition, the revision downward of the Overnight Policy Rate from 3.25% to 3.00% in July 2016 had added further pressure to the margin compression. The effects of margin compression on net interest income were mitigated by volume growth in loans and financing, and proactive efforts in asset and liability management particularly in respect of the higher-cost deposits.

Net income from Islamic banking grew strongly by 13.6% to RM941.6 million (2015: RM828.6 million), supported by higher net financing income arising from healthy growth in financing and higher investment income.

Against the background of a more subdued sentiment, net fee and commission income registered a stable growth of 0.8% to RM1.56 billion in 2016 (2015: RM1.55 billion), supported by income from unit trust business, bancassurance business and banking fee and commission income. This was the result of the Group's consistent effort in strengthening its fee income-generating business units and dedicating more marketing focus in the more challenging business environment.

Higher Than Industry Loans and Deposits Growth

Despite the considerable slow-down of lending growth in the domestic banking industry in 2016 to 5.3%, total loans and financing of the Public Bank Group grew at a healthy pace of 7.5% or RM20.51 billion to RM293.96 billion as at the end of 2016. Total domestic loans and financing expanded at 7.2% or RM18.11 billion to RM269.92 billion. The Group's above-industry rate of lending growth was attributable to the Group's focused marketing effort and efficient customer service delivery.

During the year, the Group's lending growth continued to be supported by financing for purchase of residential properties, commercial lending to small and medium enterprises ("SMEs") for the purchase of commercial properties and working capital, and corporate lending. The higher than industry loans and financing growth led to an increase in the Group's domestic market share in loans and financing to 17.7%. The Group maintained its leading market share positions in the domestic financing for purchases of residential properties, commercial properties and passenger vehicles, with the respective market share at 19.4%, 34.7% and 29.6%.

On the deposit-taking business, the Group's customer deposits grew at a moderated pace of 2.9% or RM8.82 billion to RM309.97 billion as at the end of 2016. The Group's moderated growth compared favourably with the significantly slower growth in the domestic banking industry's customer deposits of 1.5%, with banks competing intensely for the much smaller industry growth. However, with the resilient and loyal depositor base, the Group was able to grow its domestic customer deposits at a higher rate of 1.8% or RM5.02 billion to RM282.97 billion as at the end of 2016. This had resulted in the increase in the Group's market share in domestic customer deposits to 16.7%.

Superior Asset Quality

In pursuit of growth in its loans and financing portfolio, the Public Bank Group always ensures that its superior asset quality position is not at all compromised. The Group had always maintained its prudent lending practices and proactively enhanced its credit origination and recovery processes in ensuring strong quality of its lending portfolio. As at the end of 2016, the Group's gross impaired loans ratio remained at 0.5%, and continued to be significantly lower than the domestic banking industry's ratio of 1.6%.

The Group's loan loss coverage ratio stood at 102.7% as at the end of 2016, reflecting its prudent provisioning practices. This was higher than the domestic banking industry's ratio of 90.2% as at the end of 2016. In addition, the Group has set aside a total of RM2.17 billion from its retained earnings to regulatory reserves, in line with BNM's requirement. Including the regulatory reserves, the loan loss coverage ratio of the Group would be 248.5%.

Efficient Cost to Income Ratio

The Public Bank Group is recognised as the most cost-efficient bank among its peer banking groups. While taking pride in this achievement, the Group faces intense pressure on its cost to income ratio, as a result of rising costs of doing business arising from additional spending in resources and infrastructure to cope with heightened banking and compliance standards, as well as the increasing complexity in running the banking business.

In 2016, the Group's cost to income ratio stood at 32.3%. Although this ratio was higher compared to 30.5% in 2015, the Group had the lowest cost to income ratio among its peers in the domestic banking industry and well below the industry's average of 48.8%.

Despite facing cost pressures while managing cost efficiency in all aspects of its operations, the Group had been consistently striving for higher productivity. In 2016, the Group improved further in its performance in the key productivity measures and continued to achieve higher ratios in these measures. The productivity ratios of the Group and the industry are set out in the table below.

Productivity Measures	2016 Public Bank Group Achievement	Industry Average*
Gross loans per employee (RM'mil)	15.8	12.1
Deposits per employee (RM'mil)	16.6	14.0
Pre-tax profit per employee (RM'000)	351	244

** Based on latest available information*

STRATEGIC BUSINESS DIRECTION AHEAD

In driving sustainability of business and profitability, the Public Bank Group will continue to pursue its strategy of organic growth in its retail banking business, a strategy that has shaped the Group's resilient business model. As evidenced by the Group's performance track record, this strategy and business model has enabled the Group to withstand volatilities and uncertainties emanating from the operating environment and achieve favourable performance. While the broad strategic direction remains, the Group is always mindful to adjust the approach of its operations to respond to changes in the market place.

Pursuing Organic Growth in Lending Business

The Public Bank Group will continue to pursue organic growth in its core lending business, with key focus on lending to retail consumers and SMEs. These customer segments accounted for 85% of the total Group loans and financing portfolio as at the end of 2016. Lending to these customer segments will continue to be driven by purchases of residential properties, commercial properties and transport vehicles, as well as working capital for SMEs. In addition, the Group will supplement its lending business by sustaining the growth of quality corporate loans and financing.

The Group is mindful of the competitive and moderating growth outlook of the domestic lending business going forward. However, the Group continues to see growth opportunities for credits by retail consumers and businesses, supported by steady expansion in economic activities and relatively stable macroeconomic conditions.

LETTER TO STAKEHOLDERS

In order to tap the growth opportunities, the Group will leverage on its strong market presence, efficient service delivery process and competitive pricing to grow its core lending business. The Group will continue to be supportive of the Government's efforts to further develop the SMEs and businesses, by meeting their financing needs for business expansion, investment and working capital.

Sustaining Strong Credit Standards and Superior Asset Quality

The Public Bank Group will continue to expand its loans and financing portfolio without sacrificing credit standards with the overriding commitment to sustain the Group's superior asset quality, in order to ensure that the strength of the Group's balance sheet and profitability are not weakened.

In sustaining its superior asset quality, the Group consistently implements a combination of proactive and preventive measures across the lending process, from the origination of loans and financing, to credit assessment and approval, and thereafter the collection process, which include the early detection of potential stress in the repayments of loans and financing by its customers. These measures are deeply rooted in the credit culture and practices of the Group's lending business.

During the origination, credit assessment and approval process, the Group has put in place stringent credit policy, standards and practices to manage the credit risk upfront. These policies and measures are continuously being reviewed and modified for enhanced effectiveness. The Group has, during the year, developed the statistical-based credit assessment scorecard to enhance the credit assessment of housing loan and hire purchase financing applications. Going forward, the Group is looking into extending this statistical assessment approach to commercial loans.

The Group takes active pre-emptive actions to address loans and financing that show early signs of distress which could potentially become impaired. The Group takes proactive steps to engage with such customers to advise, restructure, reschedule and rehabilitate these distressed loans and financing. Such efforts have contributed to the Group's low impaired loans ratio.

Maintaining a Healthy Funding and Liquidity Position

As the Public Bank Group expands its loans and financing through organic business growth, the Group continues to ensure that its funding base remains stable and healthy to support its asset growth. In this respect, the Group seeks to build and maintain a long term customer deposits base focusing on retail core customer deposits. This translates to a strategy of organic growth for its customer deposits, in line with the growth strategy of its lending business.

The Group was still able to grow its deposits base at a higher pace than the industry growth in an environment of lower industry deposit growth. The Group expects that conditions going forward will continue to remain challenging, and the Group will stay closely in touch with the market and its resilient and loyal group of deposit customers to ensure a continuous stable expansion of its deposit base.

In addition to customer deposits, the Group will ensure that its funding base will be complemented by other sources of stable funding such as senior funding. This will contribute towards the Group complying with the BNM's prudential standard on Liquidity Coverage Ratio ("LCR"). As at the end of 2016, the Group's LCR was at a level well in excess of the 70% transitional requirement by BNM.

Driving Fee-based Revenue

Amid the ongoing margin compression from its lending and deposit businesses, growing fee-based revenue remains a key strategic focus of the Group to drive profitability growth and enhance its net ROE. The Group will continue to strengthen its fee-based business and intensify activities to grow higher fee revenue. This also directly promotes greater efficiency in the utilisation of regulatory capital in optimising return for the Group.

The Group's unit trust sales and management business, undertaken by its wholly-owned subsidiary, Public Mutual Berhad ("Public Mutual"), will continue to be a significant source of the Group's fee-based revenue.

In 2016, Public Mutual further expanded its portfolio of funds under management by launching 11 new funds, bringing the total number of funds under its management to 133. Although the market condition was more volatile in 2016, Public Mutual had demonstrated its sales and fund management capability in managing its portfolio of funds, with total net asset value of its fund increased further to RM70.29 billion as at the end of 2016. Public Mutual maintained its market leader position as the largest unit trust company and private retirement scheme provider in Malaysia with market share of 46.8% in terms of net asset value in retail funds as at the end of 2016.

With its strong sales and distribution network and capability, wide choice of funds and steady performance track record, Public Mutual will continue to contribute positively to the fee-based revenue of the Group.

The Group's strategic bancassurance partnership with AIA Group Ltd ("AIA") to distribute life, health and investment-linked insurance products to its customer pool in Malaysia and Hong Kong continued to perform favourably. In 2016, the Group improved its sales performance and achieved RM239.2 million in annualised new premium which enabled the Group to earn commission income and contributed to the Group's fee revenue. The Group will continue to work closely with AIA to further roll out new and enhanced products and to intensify cross-selling of the bancassurance products to its customers.

The Group's organic business growth strategy will continue to drive the earnings of fee-based revenue from its banking activities and operational foreign exchange income. In this respect, the Group will continue to enhance its marketing efforts and cross-selling activities to expand the fee-based revenue contribution to the Group.

Sustaining Cost Efficiency

In the current challenging operating environment, banks are not only facing margin compression, but also upward pressure in operating costs. Although the Public Bank Group is not spared from the pressure of increasing operating costs, the Group is committed to sustain its cost efficiency as a key strategy of the Group to maintain profitability and enhance shareholder value.

The Group has been achieving the most efficient cost structure among the banking groups in Malaysia. The Group will continue with its disciplined and prudent approach in managing its operating costs. This is achieved by continuing with its culture of driving higher operational efficiency and productivity in the running of the Group's operations, whilst seeking to address cost pressures.

Towards this objective, the Group will continuously undertake various cost optimisation initiatives which include deploying the right people to do the right job, training and upskilling staff competency and productivity, enhancing business processes, investing and leveraging on appropriate infrastructure and technology.

SHAREHOLDER VALUE

The Public Bank Group is committed to delivering consistent return to its shareholders and enhancing the long term value of its shareholders' investment in the Group. The sustainable business model of the Group and its achievement of an unbroken profit track record over the last five decades had enabled the Group to fulfil its commitment to the shareholders. This will remain a strategic thrust for the Group going forward.

Managing Capital

Capital management is part of the key ongoing effort of the Public Bank Group to deliver enhanced shareholder value. The Group plans and monitors its capital positions and requirements closely in order to ensure usage of capital is efficient to generate a commensurate level of return to its shareholders. This is achieved by ensuring the Group has an adequate and efficient level of capital base that commensurates with the Group's risk profile, risk appetite and the complexity of the Group's business, to support business growth while meeting the more stringent regulatory capital as required under the Basel III capital framework.

As at the end of 2016, the Group's common equity Tier I capital ratio, Tier I capital ratio and total capital ratio stood at 11.4%, 12.2% and 15.5% respectively, after deducting the second interim dividend for 2016.

Maintaining Consistent Dividend Payout

The Group had consistently paid dividends to its shareholders since 1970. The Group's ability to deliver consistent returns to its shareholders, even during challenging times, clearly demonstrates the defensive quality of the investment made in Public Bank.

For the financial year 2016, Public Bank paid a first interim dividend of 26 sen in August 2016. In conjunction with the announcement of the Group's full year financial results for 2016, the Board of Directors of Public Bank had declared a second interim dividend of 32 sen per share. There was no proposal for the payment of any final dividend.

For 2016, the shareholders of Public Bank would receive a total net dividend of 58 sen per share. The total dividends paid and to be paid to shareholders would amount to RM2.24 billion, representing 43.0% of the Group's net profit attributable to shareholders for 2016. This translated into a net dividend yield of 2.9% based on the share price of RM19.72 per Public Bank share as at the end of 2016.

LETTER TO STAKEHOLDERS

Taking a five-year medium term period, a shareholder of Public Bank who purchased 1,000 Public Bank shares at a price of RM13.38 per Public Bank share at the end of 2011 with an initial investment outlay of RM13,380, and together with the rights subscription of RM13.80 per share for the 1 for 10 rights issue in August 2014, the shareholder would have invested a total of RM14,760.

As at the end of 2016, he would have also received gross dividends totaling RM2,868 and have 1,100 Public Bank shares worth RM21,692 based on the closing share price of RM19.72 per share. Based on the total dividends received and the value of the Public Bank shares, this investment would have given the shareholder a compounded annual rate of return on investment of 11.1% for the five-year period.

If a shareholder of Public Bank had bought 1,000 shares in Public Bank when it was listed in 1967, and assuming the shareholder had subscribed for all the rights issues to date and had not sold any of the Public Bank shares, he would had invested a total capital outlay of RM235,612.

At the end of 2016, he would be holding 148,938 Public Bank shares worth RM2,937,057 based on the share price of Public Bank shares of RM19.72 at the end of 2016. In addition, he would have received a total gross dividends of RM1.2 million. The dividends received and the appreciation in share value translate to a remarkable compounded annual rate of return of 19.0% for each of the 49 years that this shareholder has held the shares in Public Bank since it was listed in 1967.

TO OUR CUSTOMERS

With the increasingly competitive market in the banking industry in Malaysia, banks are competing more intensely for customers to sustain their business growth, more so in 2016 when the operating environment had turned more challenging. As customers become increasingly well-informed and products and services become highly commoditised, the customer decision on which bank to use, more often than not, is less influenced by products and services being offered, but rather rests more on the experience of customer service and the meeting of customer expectation.

Meeting Customer Needs

The Public Bank Group, in serving its base of about 10 million customers, offers a suite of products and services that pay close attention to customer needs, catering to their needs at different stages of life and providing a wide range of products and services tailored for a diverse base of customers.

Anchoring on the Group's customer-oriented and service-based business model, the Group has continued to be the preferred choice of customers, as reflected by its pole position in market share in domestic financing for residential properties, commercial properties and passenger vehicles. The Group also gained increased market share in domestic customer deposits, despite lower growth in the banking industry customer deposits and stiff competition. In its unit trust business, Public Mutual, a wholly-owned subsidiary of Public Bank, has remained the market leader in the domestic private unit trust business serving over 3 million customers.

In its lending business, the Group offers a wide range of loans and financing products to fulfil the needs of businesses and retail consumers. For domestic business customers, in particular the SMEs sector which is the main driver of economic growth, the Group has been actively providing credit facilities, including the various loans and financing schemes initiated by the Government, to support SMEs in the areas of asset acquisition, working capital and trade financing.

The strong commitment of the Group towards the activities and development of SMEs in the country is evidenced in the Group's loans and financing support to SMEs. In 2016, the Group granted a total of RM16.66 billion of new loans and financing to over 44,000 SMEs to support their business needs and expansion. This amount represents 31.1% of the total new domestic loans and financing approved by the Group during the year. As at the end of 2016, total loans and financing to SMEs of the Group increased by 11.4% to RM71.29 billion, representing 24.3% of the Group's total lending portfolio.

The Group continued to support the national agenda of chanelling financing support to priority economic sectors in line with the BNM's policy of Lending/Financing to Priority Sector, which comprises SMEs including Bumiputera SMEs, and the purchasers of affordable houses below RM250,000. The Group has consistently exceeded the targets set by BNM under this initiative. In respect of the targets set for lending to SMEs for 2015 to 2016, the Group granted a total of RM35.76 billion against the target of RM10.50 billion, which was more than two-fold of its target.

LETTER TO STAKEHOLDERS

In the domestic retail consumer segment, the Group continues to fulfil its commitment to meet the needs of purchasers for homes and motor vehicles. In 2016, the Group granted RM15.62 billion and RM13.65 billion of new loans and financing for the purchase of homes and motor vehicles respectively. These amounts represent 29.1% and 25.4% respectively of the total new domestic loans and financing approved by the Group during the year and translates to the Group helping over 46,000 home purchasers and over 200,000 car buyers in their quest to own their homes and cars. In the home financing commitment for 2016, more than 9,000 housing loans and financing was in respect of low cost homes for the lower income group.

Given its established household name and reputation as a strong financial institution, the Public Bank Group continues to provide its customers with a safe and sound repository of their savings. The Group offers a wide range of savings and wealth management products to help customers manage their savings and achieve their financial goals. As at the end of 2016, the Group had over 7 million accounts in core customer deposits, with over 90% of the accounts being individual depositors. In addition, the Group, through its wholly-owned subsidiary, Public Mutual, manages 133 unit trust funds with various investment strategies and catering to different levels of risk appetite of investors in order for them to manage and achieve their medium to long term financial goals. As at the end of 2016, the Group has over 3 million unit trust accountholders who invested their funds in the various unit trust funds with total net asset value of RM70.29 billion.

Strong Customer Service Culture – the Competitive Edge

The Public Bank Group has always been committed to maintain a customer-focused approach and uphold service excellence in all dealings with customers. This commitment has been embedded in the Group's customer care culture.

The Group places great importance on interaction with its customers, especially personalised face-to-face interaction at branches. These personalised attention, support and services with customers help to establish lasting bonds and build brand value. To serve this purpose, the domestic operations of the Group has over 600 Customer Service Representatives acting as Public Bank's "Service Ambassadors", and more than 1,300 Sales and Marketing Executives, Financial Executives, Share Investment Executives, Merchant Sales Executives and Red Carpet Banking Executives across its 259 branches nationwide to meet and provide a wide range of services to existing and new customers.

The Group's standardised process and quantitative benchmark of customer service under the "Provision of Customer Service at Front Office" and "Provision of Customer Service in Loan Delivery" are the cornerstones in ensuring the delivery of consistent high quality services to its customers. These two processes were respectively first certified by SIRIM under the ISO 9001:2008 in year 2000 and 2002, and Public Bank was the first bank in Malaysia to have put in place such certifications. Since then, the Group has been diligently implementing and continuously enhancing the customer service delivery processes and benchmarks resulting in continuous certification by SIRIM until today.

Included in the "Provision of Customer Service at Front Office" is the quantitative benchmark of a 2-minute standard waiting time at branch counters, which is the hallmark of Public Bank's service promise to its customers. In 2016, approximately 70% of customers were served within the 2-minute standard waiting time.

Public Bank continues to implement the Customer Service Focus Group programme at all branches nationwide to obtain feedbacks and suggestions in order to address the needs and expectations of customers. Through the programme, the Bank fosters deeper communication with customers in terms of service level feedback and this translates to continuous enhancements to the Bank's service delivery processes to meet customers' expectation.

As a caring bank, Public Bank provides special care counters at all its branches for customers with special needs and ensure that this group of customers are accorded priority service. These special care counters enable customers who are physically disabled, senior citizens and expectant mothers to have the priority to be served regardless of the queue length, time of arrival and the nature of the transactions needed.

In handling customer's complaint, the Bank has put in place an efficient customer complaint resolution process to ensure customer complaints are addressed promptly and efficiently within the internally set standard of 10 days.

LETTER TO STAKEHOLDERS

Enhancing Our Service Infrastructure Using Technology

To make banking more accessible and convenient to customers, the Public Bank Group has been enhancing its service delivery channel and banking infrastructure. In terms of physical channel, Public Bank operates a network of 259 strategically located branches nationwide. Through these physical touch points, Public Bank is able to provide customers with personalised interaction, hence fostering deeper customer engagement and loyalty. The Bank also has five Red Carpet Banking Centres catering to the needs of high net worth customers.

To provide customers with the flexibility of performing banking transactions at their convenience and with less time, Public Bank continuously enhance its network of self service terminals and has put in place 2,059 self service terminals across the country, comprising automated teller machines, cash deposit terminals, cash recycling machines, cheque deposit machines and coin collection machines.

Rapid advancement in technology and evolving customer behaviour in adoption of technology have resulted in changes in the way customers perform banking transactions. Public Bank's internet banking platform, PBe, provides comprehensive functions and features for easy access and fast handling of banking transactions. PBe is accessible anytime around the clock via multiple devices with internet browsers, iOS and Android operating systems. In 2016, PBe was ranked one of the top five of the "Top 20 Local Web Domains from Desktop Computers in Malaysia" by the Malaysian Digital Association's custom-defined ranking based on the data from comScore Inc. Public Bank's PBe internet banking usage continued to grow. In 2016, the number of registered active users grew by 23.4% for both retail and corporate users, while transactions performed via the PBe internet banking platform increased by 48.3%.

To enable customers on-the-go to perform banking transactions, many of the internet banking functions and features are replicated onto mobile devices. PB engage, the mobile banking platform of the Bank, is available in Bahasa Malaysia, English and Simplified Chinese for customers on-the-go. In 2016, the number of individual and corporate mobile banking customer base expanded by 85.9% and 66.3% respectively.

Going forward, the Public Bank Group will remain agile to meet evolving customers' needs. Customer centricity will remain on top of the agenda. As the popularity of electronic payments and FinTech will continue to grow, the Group will continue to build its digital and FinTech capabilities with enhanced security features to meet the demand.

TO OUR STAFF

The success of the Public Bank Group in its 50 years of banking excellence could not have been achieved without a committed, dedicated and competent team of employees, who consistently embrace a culture of high performance towards a common goal of achieving performance excellence. Recognising that the staff force of over 18,500 today is the most valuable asset of the Group in its pursuit of greater achievements, the Group is committed to proactively nurture an effective, integrated and focused staff force.

Nurturing the Right Talent Pool

For the Public Bank Group to meet its commitment to serve its customers and drive its business growth, the Group needs the right people with the right knowledge, competency, skill sets and attitude in the right place. Therefore, the Group has always placed great importance in nurturing its human capital and talent pool.

The Group continues to invest significant management and financial resources in nurturing its talents by providing ample opportunities for their professional and personal development. In nurturing the talent pool, the Group has in place a suite of comprehensive training programmes to groom and train staff from all levels, as well as to prepare staff for career progression within the Group.

All staff can access a broad range of learning opportunities delivered in-house or via external classroom training, seminars, workshops and talks encompassing a wide range of subjects related to financial products, services, leadership, as well as changes in the business landscape. Where applicable, staff are strongly encouraged to pursue professional certifications to further enhance their competency and professional development. In 2016, a total of RM44.1 million of training expenditure was incurred, representing 3.1% of the total gross salary, which was higher than the minimum standard of 2.5%.

In addition to classroom training, equal emphasis is given for on-the-job training, effective coaching and work place experience which enable the staff to develop relevant skills of the job tasks and build up the credentials for their career development.

The Group views graduate recruitment and development as an important human capital development strategy. New recruits are on-boarded through programmes where they are inducted into the values and beliefs of the Group, which cover business ethics, work place behaviour and organisational expectations, in addition to working knowledge in banking operations, so that they can be smoothly assimilated into the performance culture of the Group.

Succession Planning for Key Management Roles

Effective succession planning is fundamental to an organisation's leadership continuity and business sustainability. The Public Bank Group has put in place a structured and comprehensive succession framework designed in alignment with the Group's business strategies and vision. The framework involves the identification of key leadership roles across the Group, defining the competency profiles of these roles, selecting talents and developing them to bridge the competency gap, monitoring and assessing talents' progress, and reviewing the development plan as appropriate to fulfil the leadership needs.

As the Group emphasises on providing rewarding career progression for its staff, qualified internal talents will first be sourced to fill the pool of potential successors for those leadership roles. Selection of talents will be based on merit, competencies and career interest. Qualified talents will then be nurtured with individualised development plans.

The succession planning strategy of the Group is under the oversight of the Board of Directors, assisted by the Nomination Committee. The strategy and plans are collectively implemented by the senior management, Human Capital Management Division, Knowledge and Learning Centre, the identified talents as well as their immediate supervisors. All stakeholders collaborate to ensure that the succession planning is systematically executed. This has facilitated the smooth leadership transition and provided stability to the Group over the years.

A Rewarding Career Based on Performance

The Public Bank Group has long been practising a performance-based remuneration system that is based on achievement of relevant key performance indicators which are aligned to the Group's business and performance targets.

The performance-based compensation system, that is competitive, equitable and transparent, provides a strong motivational incentive to staff to perform to the peak of their capabilities, achieve maximum productivity and exhibit effective teamwork. This enables the Group to attract and retain high quality talent, which in turn promotes the long term superior performance of the Group. In 2016, the Group continued to pay out substantial rewards to staff who were able to achieve the pre-set key performance indicators. Branches were also awarded cash rewards for outstanding performance.



LETTER TO STAKEHOLDERS

The Group advocates a meritocracy driven career progression system. In promoting a staff to higher position, or to assume added responsibility, or filling a vacancy, the Group always provides priority to existing staff who is qualified, has the requisite experience and demonstrated high performance. This practice provides more opportunities to staff seeking advancements in their career within the Group. A rewarding career with good prospect has resulted in the Group's low staff attrition rate of 6.5% in 2016.

TO OUR COMMUNITY

The Public Bank Group's commitment to its stakeholders extends to encompass the community that the Group serves and where it operates its business activities. While the Group plays an important role in facilitating economic growth through its financial intermediary function, the Group also depends on the economy for its business growth. Therefore, it is imperative for the Group to operate with accountability, responsibility and integrity for the benefit of the community, and continually give back to the community.

Contributing to the Country's Development

The Public Bank Group has been playing a significant role in contributing to the development and growth of Malaysia's financial system. The Group places great emphasis on operating its business in a sustainable manner for the development of the economy through efficient credit creation and mobilisation of customer deposits.

Anchored by the Group's prudent credit culture and lending policies, the Group continues to uphold its commitment to exercise responsible lending practices which takes into account the aggregate debt obligations and the financial health of borrowers to avoid over-gearing of borrowers and its consequential effects.

In 2016, Public Bank, through its lending business, continued to support home ownership of the nation. By providing banking and credit facilities to businesses and SMEs for their operations and expansion, which in turn benefit the community through generating economic growth and employment opportunities, the Group helps to put savings into productive use for nation building.

While the Public Bank Group proactively promotes its banking business, the Group is mindful about the importance of ethical business conduct and compliance with banking regulations, in order to contribute to the integrity and soundness of the country's financial system.

With the sustained performance in profitability, the Group continued to be a major contributor to the fiscal revenue of the country in 2016 with total tax payment of RM1.29 billion. Over the past five years, the Group had contributed total tax payments of RM6.18 billion. The Group will continue to give its commitment as a responsible corporate citizen, and will continue to strive for business growth for the development of the nation.

Giving Back To Our Communities

The Public Bank Group's commitment to the community also includes giving back to the community through its various corporate social responsibility activities.

On education, the UTAR-Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund and TARC-Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund continued to benefit the students of University Tunku Abdul Rahman and Tunku Abdul Rahman College in their pursuit of higher education. The Group was also involved in the promotion of healthy living among students through a RM10,000 sponsorship to TARCIAN Run 2016 organised by Tunku Abdul Rahman College.

The Group hosted several educational visits for undergraduates from various universities to the Bank. These field trips enabled the students to acquire knowledge of a bank's operations, explore the concepts of banking, and also provided them with some hands-on learning experience.

In the area of community healthcare, the Group has been actively involved in the National Blood Bank for the last 28 years. During the year, the Group continued to arrange blood donation activities held at its premises. These activities have heightened the awareness among the Group's employees and customers about this noble act and encouraged them to participate in the activities. Additionally, the Public Bank Group also donated RM200,000 to Persatuan Dialisis Kurnia Petaling Jaya to assist in the management of its dialysis centre.

The Group's initiatives towards the community are also aimed at improving the livelihood of the underprivileged. In 2016, the Group contributed over RM100,000 to seven welfare homes to support the sustenance of these homes.

LETTER TO STAKEHOLDERS

The Group has since 2015, worked with a non-profit welfare organisation in providing financial assistance to flood victims and school-going children. The Group leverages on its branch network nationwide to facilitate efficient and extensive distribution of financial aid under the welfare organisation's social programmes such as "Financial Relief for East Coast Flood Victims" and the "Back to School" financial aid programmes. To date, the Group has helped distribute financial support of approximately RM8 million to 11,000 recipients nationwide under the "Financial Relief for East Coast Flood Victims" and the "Back to School" programmes.

In preserving the environment, the Group is proactive in adopting environmentally-sustainable practices in its day-to-day operations. The key initiatives that the Group continuously and progressively undertake and improve include adopting automation of operational processes to reduce the usage of papers, encouraging recycling of waste papers, replacing lighting with energy-efficient LED lights and running air-conditioning on environmentally friendly system.

The newly completed 40-storey building located at Jalan Raja Chulan, Kuala Lumpur reflects the strong commitment by the Group in its "going green" initiative. Based on the building's green building designs and features, the US Green Building Council under the Leadership in Energy and Environmental Design ("LEED") Green Building Confederation under the Green Building Index ("GBI") certification system have awarded the pre-certification "Gold" rating to the building.

RECOGNITION OF BANKING EXCELLENCE

In 2016, the Public Bank Group and its management continued to garner international and national awards in recognition of its banking excellence by reputable domestic and international publications, and independent organisations. These include the following:

- Best Domestic Bank in Malaysia 2016 by FinanceAsia;
- 50 Years of Asian Banking Excellence Award by FinanceAsia;
- Best Bank in Malaysia 2016 by Alpha Southeast Asia;
- Best Bank in Malaysia 2016 by Euromoney;
- Best Retail Bank in Malaysia 2016 by The Asian Banker;
- Strongest Bank in Malaysia 2016 by The Asian Banker;
- Best Domestic Bank in Malaysia 2016 by Asiamoney;
- Best Domestic Bank in Malaysia 2016 by The Asset;
- Domestic Retail Bank of the Year – Malaysia 2016 by Asian Banking & Finance;
- Bank of the Year in Malaysia 2016 – The Banker;
- Malaysia Automotive Finance Company of the Year 2016 by Frost & Sullivan;
- The BrandLaureate Best Choice Brand Award in Leadership in Banking 2015 – 2016 by Asia Pacific Brands Foundation;
- The BrandLaureate Industry Champion Brand Icon Leadership Award for Banking 2016 by Asia Pacific Brands Foundation;
- Platinum Award 2016 for Excellence in Governance, Corporate Social Responsibility, and Investor Relations by The Asset;
- Corporate Governance Asia Recognition Award 2016 for Malaysia (Icon on Corporate Governance) by Corporate Governance Asia; and
- The Edge Billion Ringgit Club Corporate Awards 2016 by The Edge Billion Ringgit Club: Highest Growth in Profit Before Tax Over Three Years Award for Super Big Cap Companies – Companies With More Than RM40 billion Market Capitalisation.

The Public Bank Group is also delighted and honoured that Tan Sri Dato' Sri Dr. Teh Hong Piow, the Founder and Chairman of Public Bank, was again recognised for his sterling achievements and contributions during the year. He was accorded the following awards and accolades:

- Royal Order of Monisaraphon, Commander by The Royal Government of The Kingdom of Cambodia;
- Asia's Best CEO (Investor Relations) 2016 for Malaysia by Corporate Governance Asia; and
- Asian Corporate Director Recognition Award 2016 for Malaysia by Corporate Governance Asia 2016.

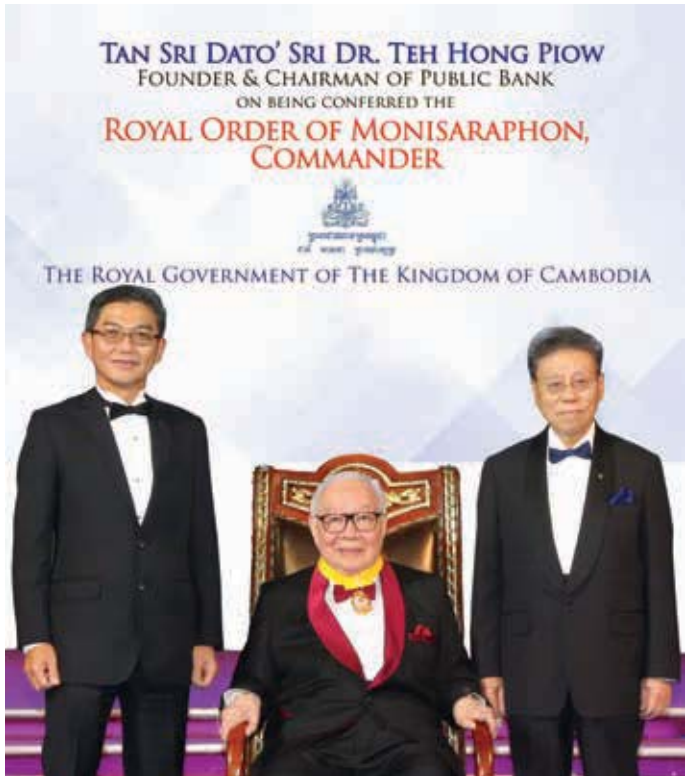
LETTER TO STAKEHOLDERS

OUTLOOK

Global economies are likely to remain cautious during most of 2017, owing particularly to uncertainties in terms of policy decisions in the US and the forthcoming negotiations for Brexit. However, the Malaysian economy is expected to remain on a stable growth path, supported by its domestic-driven platform and economic diversity. With GDP growth estimate of between 4.5% to 5.0% for 2017, the economic landscape stays supportive of key segments of the economy including the banking sector. Notwithstanding the increasing challenges in the macro environment, the Malaysian banking system maintains sound fundamentals.

Against this backdrop, the Public Bank Group seeks to grow prudently and position itself to ride on its strengths to further develop its business. The Group will build on its strong foundation of outstanding financial performance and solid balance sheet amid organic growth strategies, strong PB brand name and superior customer relationship. Above all, the Group stays highly committed in terms of strong corporate governance and sound risk management practices.

With signals suggesting a challenging year ahead, the Group remains focused in meeting its commitments to its stakeholders. The Group will continue to stay focused on its growth direction through various sustainability initiatives to enhance value creation, in particular the pursuit of operational excellence and innovation which will further enhance the prospects of the Public Bank Group.



TARGETS FOR 2017

For 2017, the Public Bank Group's key performance targets are set as follows:

Key Performance Measures	2017 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	6% to 7%
Customer deposits growth	5% to 6%

The setting of the Public Bank Group's key performance targets for 2017 has taken into account the Group's achievements in 2016, together with the risk appetite of the Group, the prevailing economic outlook and the continued challenging operating environment.

LETTER TO STAKEHOLDERS

OUR APPRECIATION

As the Group celebrated its 50th anniversary in 2016, the Group acknowledges that the remarkable achievements could not have been possible without the support of all stakeholders.

To our shareholders, we express our most sincere appreciation for your strong confidence and trust that you have placed in the performance of the Public Bank Group.

To our valued customers, our utmost gratitude for your unwavering support in continuing to choose the Public Bank Group as your preferred financial services provider.

To the management and staff of the Public Bank Group, we are most grateful and deeply appreciate your relentless commitment, dedication and loyalty in contributing to the continuing success of the Group.

The Board and management would like to sincerely thank Bank Negara Malaysia and all other relevant authorities for their continuous invaluable support, advice and guidance.

We take pride in our achievement of 50 years of banking excellence. We commit to further build on this strong foundation and continue to strive harder to pursue excellence in delivering value to our stakeholders.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

TAN SRI DATO' SRI TAY AH LEK
Managing Director

DATO' SRI LEE KONG LAM
Deputy Chairman

MR. TANG WING CHEW
Director

MR. LAI WAN
Director

MS. LAI WAI KEEN
Director

MS. CHEAH KIM LING
Director

2 February 2017

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors and Management of Public Bank uphold the highest standards of corporate governance to ensure sustainable growth for Public Bank and to remain aligned with the long-term interest of all stakeholders.

As a banking institution licensed under the Financial Services Act 2013 (FSA) and as a public company listed on Bursa Malaysia Securities Berhad (Bursa Malaysia), Public Bank complies with the corporate governance standards and practices set out in the Bank Negara Malaysia (BNM) Policy Document on Corporate Governance; the requirements relating to corporate governance issued by Bursa Malaysia, as well as the principles of corporate governance and recommendations of the Malaysian Code on Corporate Governance 2012 (MCCG 2012).

Public Bank has continued to receive awards and accolades in 2016 for its sound corporate governance and for being rated the best bank in Malaysia, the significant awards of which include the following:

- The Asset Platinum Award 2016 for Excellence in Governance, CSR and Investor Relations presented by The Asset.
- Corporate Governance Asia Recognition Award 2016 for Malaysia (Icon on Corporate Governance) presented by Corporate Governance Asia.
- 50 Years of Asian Banking Excellence Award presented by FinanceAsia.
- Best Domestic Bank in Malaysia 2016 presented by FinanceAsia.
- Malaysia's Best Bank 2016 presented by Euromoney.
- Best Bank in Malaysia 2016 presented by Alpha Southeast Asia.
- Domestic Retail Bank of the Year – Malaysia 2016 presented by Asian Banking & Finance.
- Best Domestic Bank in Malaysia 2016 presented by Asiamoney.
- Strongest Bank by Balance Sheet in Malaysia 2016 presented by The Asian Banker.
- Best Retail Bank in Malaysia 2016 presented by The Asian Banker.
- Malaysia Bank of the Year 2016 presented by Charlton East Coles.
- Bank of the Year in Malaysia 2016 presented by The Banker.
- Best Domestic Bank in Malaysia 2016 presented by The Asset.

The full lists of the awards and accolades received by the Public Bank Group in 2016 and to-date are on pages 44 to 57 of this annual report.

STATEMENT ON CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Board Size and Composition

The Board currently comprises 7 Members. The Board size is conducive to decision making and is appropriate given the size of the Public Bank Group's operations. The 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 7 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 fulfil the fit and proper criteria as specified in the FSA and the BNM Policy Document on Fit and Proper Criteria.

Tan Sri Dato' Sri Dr. Teh Hong Piow, Founder and Chairman of Public Bank, is widely acclaimed both domestically and internationally as a banking grandmaster. He has received numerous awards for his par excellence achievements as a banker, Chief Executive Officer and transformational leader. Tan Sri Dato' Sri Dr. Teh Hong Piow has received countless prestigious awards in recognition of his significant contributions to the banking and finance industries, and for his socio-economic development initiatives, both locally and abroad.

Tan Sri Dato' Sri Tay Ah Lek, the Managing Director/Chief Executive Officer, is a pioneer staff of Public Bank; his wide experience and knowledge of the financial industry is recognised by his appointment as the Chairman of the Association of Hire Purchase Companies Malaysia, and his appointment as a Member/Director of several organisations/companies of the banking industry.

Dato' Sri Lee Kong Lam, Deputy Chairman, had served BNM for 29 years prior to joining the Bank in 1996; he had held several senior management positions while he was in BNM. He had acquired extensive experience and depth of knowledge relating to the banking and finance industry while serving BNM and when he was an Executive Director of Public Bank from 2001 until his retirement as Executive Director in 2013.

Tang Wing Chew has extensive skills and competency in banking and finance related industries, from his long service with BNM and from his tenure as a previous Chief Executive Officer of a finance company and as a previous Chief Executive Officer of an insurance company.

Lai Wan gained wide experience in the banking and finance related industries from his long service with BNM and finance companies, and from his tenure as a previous President/Chief Executive Officer of a Malaysian bank.

Lai Wai Keen possesses vast experience in banking regulations, corporate communications, deposit insurance systems and protection scheme for insurance policy holders, having served BNM for over 20 years and Perbadanan Insurans Deposit Malaysia (PIDM) for more than 6 years.

Cheah Kim Ling has 32 years of working experience in BNM during which she was involved in all aspects of banking regulation from formulation of policies/regulations/guidelines to the administration of different legislations governing financial institutions.

The appointment of the 2 female members to the Board ie. Lai Wai Keen and Cheah Kim Ling provides the Board with gender diversity that serves to bring value to Board discussions from the different perspectives and approaches of the female Directors.

The profile of each of the Member of the Board is as presented on pages 62 to 69 of this annual report.

Board Balance and Independence

The Board comprises only one Executive Director and a strong presence of 6 Non-Executive Directors, whereby 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.

STATEMENT ON CORPORATE GOVERNANCE

The 4 Independent Non-Executive Directors are not employees and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Non-Executive Directors' judgement. They bring an external perspective, constructively challenge and help develop proposals on strategy, scrutinise the performance of Management in meeting approved goals and objectives, and monitor the risk profile of the Bank's business and the reporting of monthly business performances.

Board Duties and Responsibilities

The Board delegates the day-to-day management of Public Bank's business to the Board Executive Committee, but reserves for its consideration significant matters such as the following:

- Approval of financial results.
- Declaration of dividends.
- Risk appetite setting.
- Short-term and medium-term business plans.
- Annual budget.
- Governance structure for implementation of Internal Capital Adequacy Assessment Process (ICAAP) and Public Bank Group ICAAP Framework.
- Capital management plan.
- Credit policy.
- Appointment of key responsible persons.

The Board delegates and confers some of the Board's authorities and discretion on the Managing Director as well as on properly constituted Board Committees comprising Non-Executive Directors.

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 as follows:

- Approving the Bank's risk appetite, annual business plans, and the medium-term and long-term strategic plans.
- Approving the Bank's annual budget and carrying out periodic review of the achievements by the various operating divisions against their respective business targets.
- Prescribing the minimum standards and establishing policies on the management of credit risks and other key areas of the Bank's operations.
- Overseeing the Bank's business operations and financial performance.
- Overseeing the implementation of the Bank's governance framework and ensuring that the operating infrastructure, systems of control, systems for risk identification and management, financial and operational controls, are in place and properly implemented.
- Overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer, control function Heads and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Bank.
- Promoting, together with Senior Management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour.
- Promoting sustainability through appropriate environment, social and governance considerations in the Bank's business strategies.
- Overseeing and approving the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress.
- Promote timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank.
- Undertaking various functions and responsibilities as specified in the policy documents and directives issued by BNM from time to time.

STATEMENT ON CORPORATE GOVERNANCE

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. This segregation between the duties of the Non-Executive Chairman and the Managing Director/Chief Executive Officer ensures an appropriate balance of role, responsibility and accountability at Board level.

The Non-Executive Chairman 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/Chief Executive Officer is primarily responsible for the day-to-day management of the Bank. He is responsible for developing the business direction and strategies 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 Board has defined the roles and responsibilities of Non-Executive Directors, which include the following:

- Providing independent and objective views (in the case of Non-Executive Directors who are Independent Non-Executive Directors), assessment and suggestions in deliberations of the Board.
- Ensuring effective check and balance in the proceedings of the Board.
- Mitigating any possible conflict of interest between the policy-making process and day-to-day management of the Bank.
- Constructively challenging and contributing to the development of the business strategies and direction of the Bank.
- Ensuring that there are adequate systems and controls to safeguard the interests of the Bank and all stakeholders.
- Ensuring that the culture of accountability; transparency; integrity; professionalism and responsible conduct is consistently adhered to in the Bank.

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.

Board Charter

The Board Charter sets out the roles, responsibilities and functions of the Board in accordance with the standards, practices and principles of good corporate governance stated in the policy documents and guidelines issued by BNM and relevant regulatory authorities. The Board Charter is available on Public Bank's corporate website at www.publicbankgroup.com.

The Board Charter covers the following key areas:

- Board Composition and Maximum Tenure for Directors.
- Annual Review of Directors.
- New Appointment/Re-appointment/ Re-election of Directors.
- Key Responsibilities of the Board.
- Roles of Non-Executive Chairman.
- Roles of Managing Director/Chief Executive Officer.
- Roles of Non-Executive Directors.
- Procedures of Board.
- Board Committees.

STATEMENT ON CORPORATE GOVERNANCE

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 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. This is to allow time for the Directors to review the Board papers and to facilitate full discussion at the Board meeting. There is a process in place for Non-Executive Directors to seek clarifications or obtain details concerning the Board agenda papers from the Management or the Company Secretary or if they deem necessary to take independent professional advice at the Company's expenses. Confidential papers or urgent proposals are presented and tabled at the Board meetings under supplemental agenda.

The Board meeting papers are prepared and presented in a concise and comprehensive manner so that the Directors have a proper and relevant depiction of the issues at hand, in order that the Board deliberations and decision-making are performed systematically and in a well-informed manner. The Board meeting papers contain information in a form and of a quality appropriate to enable the Board to discharge its duties effectively.

Meeting papers tabled to the Board include progress reports on business operations; detailed information on business propositions and corporate proposals including where relevant, supporting documents such as risk evaluations and professional advice from solicitors or advisors. In order to maintain confidentiality, meeting papers on issues or corporate proposals which are deemed highly confidential and top secret, would only be distributed to Directors at the Board meeting itself.

The Board Members come well prepared for Board meetings and engage in robust discussions on key matters in the agenda. The Managing Director/Chief Executive Officer 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.

STATEMENT ON CORPORATE GOVERNANCE

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 Directors may request for clarification or raise comments before the minutes are tabled for confirmation and upon receiving confirmation from all the Members at the Board meetings, the minutes will be signed by the Chairman of the meeting as a correct record of the proceedings of the meeting.

The Directors have direct access to the Senior Management and have unrestricted and immediate access to any information relating to the Bank's business and affairs in the discharge of their duties. The Directors may request to be furnished with additional information or clarification from the Management in order to make informed and timely decisions. The Deputy Chief Executive Officer 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.

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, as follows:

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

The Board is satisfied that each Director has committed sufficient time to the Bank as evident from the Directors' record of attendance at Board meetings held in the financial year ended 31 December 2016, as reflected below:

Name of Director	Number of Board Meetings Attended
Non-Independent	
Tan Sri Dato' Sri Dr. Teh Hong Piow Non-Executive Chairman	20/20
Tan Sri Dato' Sri Tay Ah Lek Managing Director/Chief Executive Officer	20/20
Dato' Sri Lee Kong Lam Non-Executive Deputy Chairman	20/20
Independent	
Tang Wing Chew Non-Executive Director	20/20
Lai Wan Non-Executive Director	20/20
Lai Wai Keen Non-Executive Director	20/20
Cheah Kim Ling Non-Executive Director	19/20

All Directors have thus well complied with the BNM Policy Document on Corporate Governance which specifies that each Director must attend at least 75% of the Board meetings held in each financial year, and the Bursa Malaysia Main Market Listing Requirements which states that the office of a Director will become vacant if the Director is absent from more than 50% of total Board meetings held during a financial year.

STATEMENT ON CORPORATE GOVERNANCE

Company Secretary

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Board is regularly updated and apprised 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. The Company Secretary briefs the Board on proposed contents and timing of material announcements to be made to Bursa Malaysia. The Company Secretary also serves notices to the Directors and Principal Officers on the closed periods for trading in Public Bank shares, in accordance with the black-out periods for dealing in the Company's securities pursuant to Chapter 14 of the Bursa Malaysia Main Market Listing Requirements.

The Company Secretary attends all Board meetings and ensures that accurate and proper records of the proceedings and resolutions passed are maintained in the statutory records at the registered office of the Company. The Company Secretary also facilitates timely communication of decisions made and policies set by the Board at Board meetings, to the Senior Management for action. The Company Secretary works closely with the Management to ensure that there are timely and appropriate information flows within and to the Board and Board Committees, and between the Non-Executive Directors and Management. The appointment and removal of the Company Secretary must be approved by the Board. An annual assessment of meeting the fit and proper criteria for appointment must be conducted by the Nomination Committee on the Company Secretary.

Directors' Training

During financial year 2016, 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 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 Chief Executive Officer, 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 allows the new Directors to meet with the Chief Executive Officer/Senior Management staff and be accustomed with the Company's governance framework, financial management and business operations.
  - Financial Institutions Directors' Education (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.

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The Company Secretary, 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 2016 included the following:

Corporate Governance

- FIDE Forum 2nd Distinguished Board Leadership Series – Avoiding Financial Myopia.
- FIDE Forum: Dialogue with Deputy Governor on Corporate Governance Concept Paper.
- FIDE Forum: Briefing Session for Directors – Directors' Remuneration Report 2015.
- MSWG-Institutional Investor Council Corporate Governance Week 2016: Stewardship Matters – For Long Term Sustainability.
- FIDE Forum: Briefing on Directors Register – Identify the Right Board Talent.
- Lead and Deliver: An Executive Communication Workshop.

Risk/Compliance/Regulatory

- Securities Commission Capital Market Director Programme.
- Talk on the New Companies Bill 2015.
- Talk on Proper Use of Analytics.
- Talk on Updates on Anti-Money Laundering/Counter Financing of Terrorism.
- Malaysian Financial Reporting Standards and Regulatory Requirements.

Banking, Finance & Economy

- Future Finance Conference.
- FIDE Forum: Dialogue on The New and Revised Auditor Reporting Standards: Implications to Financial Institutions.
- Talk on Economics Development and the Middle Income Trap.
- Talk on New Banking Model – The Concept of Value Creation in Banking and the Growth Imperative.
- Talk on Cybersecurity and Combating Cybercrime.
- Cybersecurity Workshop.
- Lecture on Cyber Security Risk Management.

FinTech and Technology Based Innovations

- Talk on FinTech and the Future of Banking.
- FIDE Forum: FinTech – Business Opportunity or Disruptor?
- FIDE Forum: Technology-based Innovation that Counts.
- FIDE Forum: Strategy to Leverage Technology for Business Solutions.

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.

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Re-Election of Directors

The Articles of Association of Public Bank provide that at every annual general meeting of Public Bank, one-third of Directors for the time being 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.

Tenure of Independent Directors

The maximum tenure of an Independent Non-Executive Director shall be upon reaching 9 years from the date of first appointment as Director or upon expiry of the prevailing term of appointment as Director as approved by BNM, whichever is the later date.

Upon reaching such maximum tenure, the Independent Non-Executive Director shall, subject to the approval of BNM for his/her re-appointment as Director, remain as a Director but shall be re-designated as Non-Independent Non-Executive Director.

Directors' 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 the Directors' fee structure of comparable banks.

The Directors are paid an attendance allowance of RM1,200 for each Board meeting that they attend for the financial year 2016.

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

The proposed Directors' fees for the financial year ended 31 December 2016 are subject to shareholders' approval.

Details of the Directors' remuneration (including benefits-in-kind) of each Director during the financial year 2016 are as follows:

	Remuneration Received from the Bank						Remuneration Received from Subsidiary Companies		
2016	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	4,500	287	13,890	4,010	25	22,712	433	296	23,441
Non-Executive Directors									
Tan Sri Dato' Sri Dr. Teh Hong Piow	–	388	–	40,875	29	41,292	796	60	42,148
Dato' Sri Lee Kong Lam	–	331	–	305	–	636	469	178	1,283
Tang Wing Chew	–	287	–	279	–	566	212	77	855
Lai Wan	–	287	–	251	–	538	223	95	856
Lai Wai Keen	–	287	–	247	–	534	53	54	641
Cheah Kim Ling	–	287	–	282	–	569	–	–	569
	–	1,867	–	42,239	29	44,135	1,753	464	46,352
Total Directors' remuneration	4,500	2,154	13,890	46,249	54	66,847	2,186	760	69,793

COMMITTEES ESTABLISHED BY THE BOARD

The Board has established a number of Board Committees whose compositions and terms of reference are in accordance with the BNM Policy Document on Corporate Governance and the Bursa Malaysia Main Market Listing Requirements, and consistent with the recommendations of the MCCG 2012.

Common memberships in Board Committees such as the Audit Committee; Risk Management Committee and Compliance 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, Management Committee and Management Working 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.

Board Committees

Audit Committee

Public Bank's Audit Committee comprises exclusively of Non-Executive Directors, the majority of whom are Independent Directors. The Audit Committee is chaired by Mr Tang Wing Chew, an Independent Non-Executive Director.

The roles and responsibilities of the Audit Committee are set out under the Audit Committee Report on pages 133 and 134 of this annual report.

The Audit Committee meets at least once a month.

The attendance of Members at the Audit Committee meetings held in 2016 is as reflected below:

Name of Committee Members	Number of Audit Committee Meetings Attended
Tang Wing Chew (Chairman) Independent Non-Executive	17/17
Dato' Sri Lee Kong Lam Non-Independent Non-Executive	17/17
Lai Wan Independent Non-Executive	17/17
Lai Wai Keen Independent Non-Executive	17/17
Cheah Kim Ling Independent Non-Executive	16/17

Nomination Committee

Public Bank's Nomination Committee comprises exclusively of Non-Executive Directors, the majority of whom are Independent Directors. The Nomination Committee is chaired by Mr Lai Wan, an Independent Non-Executive Director.

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

- To establish the minimum requirements on the skills, knowledge, expertise, experience, qualifications and other core competencies of a Director and of the Chief Executive Officer (CEO) and Deputy CEO.
- To assess and recommend to the Board the nominees for appointment as Directors, Board Committee Members as well as CEO and Deputy CEO.
- In the case of persons for the position of Independent Non-Executive Director, to evaluate the persons' ability to discharge such responsibilities/ functions as expected from Independent Non-Executive Directors.
- To assess and recommend to the Board, the re-appointment of Directors/ CEO upon the expiry of their respective terms of appointment as approved by BNM.
- To oversee the overall composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies, and adequacy of balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review.

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- To determine annually whether a Director is independent as may be defined in the guidelines issued by BNM and in the Bursa Malaysia Main Market Listing Requirements.
- To establish the mechanisms for the formal assessment on the effectiveness of the Board as a whole; the effectiveness of each Director; and the performance of the CEO and Deputy CEO. The annual assessment to be conducted would be based on objective performance criteria as approved by the Board.
- To assess, on an annual basis, that the Directors/CEO/Deputy CEO and key Senior Management Officers are not disqualified under Section 59 of the FSA and that the Directors/CEO/Deputy CEO continue to comply with the fit and proper criteria as approved by the Board.
- To ensure that all Directors receive appropriate continuous training programmes in order to broaden their perspectives and to keep abreast with developments in the market place and with changes in new statutory and regulatory requirements.
- To recommend to the Board the removal of a Director/CEO/Deputy CEO if he/she is ineffective, errant or negligent in discharging his/her responsibilities.
- To oversee the appointment, succession planning and performance evaluation of the key Senior Management Officers.
- To recommend to the Board the removal of key Senior Management Officers if they are ineffective, errant or negligent in discharging their responsibilities.
- To assess and recommend to the Board, the terms of reference of Board Committees and to review the adequacy of committee structure of Board Committees.
- To carry out such other responsibilities as may be specified by BNM or delegated by the Board from time to time.

Evaluation of Board and Board Committees Performance

The Board has established an annual performance evaluation process to assess the performance and effectiveness of the Board and Board Committees, as well as the performance of each Director and each Audit Committee Member.

The Nomination Committee also assesses the independence of Directors annually based on the criteria specified in the BNM Policy Document on Corporate Governance and the Bursa Malaysia Main Market Listing Requirements. A Director is considered independent if he/she:

- is not and has not been an executive of Public Bank in the last 2 years.
- is not a substantial shareholder of Public Bank or any of its affiliates.
- does not have significant business or contractual relationship with Public Bank or any of its affiliates within the last 2 years.
- is not an Executive Director of Public Bank or any related corporations of Public Bank.
- is not a family member of any Executive Director, officer or major shareholder of Public Bank.
- is not acting as a nominee or representative of any Executive Director or major shareholder of Public Bank.
- has not been engaged as an adviser by Public Bank under such circumstances as prescribed by Bursa Malaysia or is not presently a partner, Director (except as an Independent Director) or major shareholder, as the case may be, of a firm or corporation which provides professional advisory services to Public Bank under such circumstances as prescribed by Bursa Malaysia.
- has not engaged in any transaction with Public Bank under such circumstances as prescribed by Bursa Malaysia or is not presently a partner, Director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of Public Bank) which has engaged in any transaction with Public Bank under such circumstances as prescribed by Bursa Malaysia.

STATEMENT ON CORPORATE GOVERNANCE

Each Director evaluates the performance of the Board and conducts a peer assessment of the other Directors. Each Board Committee Member evaluates their respective Board Committees, while each Audit Committee Member conducts a peer assessment of the other Audit Committee Members. These assessments are made against evaluation factors pre-established by the Board.

Each Director and Board Committee Member completes the evaluation form and submits it on a confidential basis to the Secretary of the Nomination Committee who collates the responses and produces a report for tabling to the Nomination Committee. The Nomination Committee reviews the report and submits its findings and the report to the Board for assessment of the performance and effectiveness of the Board and Board Committees; the performance of each Non-Executive Director and each Audit Committee Member, and the independence of Independent Non-Executive Directors.

The main activities of the Nomination Committee in 2016 included the following:

- Annual review of size and composition of Board, Board balance and independence of Directors and skills of Directors.
- Annual assessment of effectiveness of the Board as a whole and annual assessment of effectiveness of each individual Director.
- Annual review of composition, functions and terms of reference of Board Committees.
- 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.

The Nomination Committee meets as and when required, and at least once a year.

The attendance of Members at the Nomination Committee meetings held in 2016 is as reflected below:

Name of Committee Members	Number of Nomination Committee Meetings Attended
Lai Wan (Chairman) Independent Non-Executive	6/6
Dato' Sri Lee Kong Lam Non-Independent Non-Executive	6/6
Tang Wing Chew Independent Non-Executive	6/6
Lai Wai Keen Independent Non-Executive	6/6
Cheah Kim Ling Independent Non-Executive	6/6

STATEMENT ON CORPORATE GOVERNANCE

Remuneration Committee

The Remuneration Committee is made up exclusively of Non-Executive Directors and is chaired by Mr Lai Wan, an Independent Non-Executive Director.

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

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

The Remuneration Committee meets as and when required, and at least once a year.

The attendance of Members at the Remuneration Committee meetings held in 2016 is as reflected below:

Name of Committee Members	Number of Remuneration Committee Meetings Attended
Lai Wan (Chairman) Independent Non-Executive	3/3
Dato' Sri Lee Kong Lam Non-Independent Non-Executive	3/3
Tang Wing Chew Independent Non-Executive	3/3
Lai Wai Keen Independent Non-Executive	3/3

Risk Management Committee

The Risk Management Committee is made up exclusively of Non-Executive Directors and is chaired by Ms Lai Wai Keen, an Independent Non-Executive Director.

The roles and responsibilities of the Risk Management Committee are as follows:

- Supports the Board in meeting the expectations on risk management in the following areas:
  - Ensures Public Bank corporate objectives are supported by a sound risk strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of its activities.
  - Provides effective oversight of Senior Management's actions to ensure consistency with the risk strategy and policies approved by the Board of Directors including risk appetite.

- Ensures the risk management framework enables the identification, measurement and continuous monitoring of all relevant and material risks on a group and firm-wide basis, supported by robust management information systems that facilitate the timely and reliable reporting of risks and the integration of information across the institution.
- Ensures risk management is well-integrated throughout the organisation and embedded into the culture and business operations of Public Bank.
- Ensures the effective implementation of the risk management framework is reinforced with an effective compliance function and subjected to an independent internal audit review.
- Ensures Public Bank have the appropriate mechanisms in place for communicating risks across the organisation and for reporting risk developments to the Board of Directors and Senior Management.
- Understands Public Bank's operational and organisational structure and the risks it poses and is satisfied that it is not overly complex or opaque such that it hampers effective risk management.
- Exercises oversight over the Public Bank's subsidiaries risk management and ensures that appropriate processes are established to monitor the subsidiaries' compliance with the Group's risk management policies.

- Supports the Board of Directors in its implementation of a sound remuneration system by examining whether the incentives provided by the remuneration system takes into consideration risks, capital, liquidity and the likelihood of earnings without prejudice to the tasks of the Remuneration Committee.
- Coordinates with Audit and Compliance Committees to understand how the internal audit work plan and compliance work plan are aligned with the risks that have been identified so as to obtain assurance that the identified risks are managed in an integrated manner.
- Reviews and approves the appointment, replacement and dismissal of the Chief Risk Officer.
- Evaluates and approves the performance and remuneration of the Chief Risk Officer and Senior Management staff of Risk Management Division.

The Risk Management Committee holds monthly meetings.

The attendance of Members at the Risk Management Committee meetings held in 2016 is as reflected below:

Name of Committee Members	Number of Risk Management Committee Meetings Attended
Lai Wai Keen (Chairman) Independent Non-Executive	12/12
Dato' Sri Lee Kong Lam Non-Independent Non-Executive	12/12
Tang Wing Chew Independent Non-Executive	12/12
Lai Wan Independent Non-Executive	12/12
Cheah Kim Ling Independent Non-Executive	11/12

STATEMENT ON CORPORATE GOVERNANCE

Compliance Committee

The Compliance Committee is made up exclusively of Non-Executive Directors and is chaired by Ms Cheah Kim Ling, an Independent Non-Executive Director.

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

- Approves policies and methodologies in assessing the compliance profile and evaluates the effectiveness of overall management of compliance risks.
- Reviews and concurs with the revisions of Public Bank Group's compliance policy and oversees its implementation.
- Reviews and approves Public Bank's compliance plan.
- Assesses and reviews compliance risk profile to ensure that the overall compliance risk is effectively managed.
- Ensures appropriate infrastructure, resources, processes and systems are in place for compliance assessment and supports initiatives that are directed at improving and contributing to the effectiveness of the compliance function. This includes ensuring that the staff of the Compliance Division have access to any records or files for the purpose of discharging their responsibilities.
- Ensures adequate oversight is provided on the compliance function of Public Bank's subsidiaries.
- Reviews the periodic reports presented on the assessment of compliance status of the Bank and the Group, and updates on regulatory trends and requirements.
- Deliberates compliance issues to ensure that the issues are resolved effectively and expeditiously.
- Ensures appropriate lines of reporting have been established for timely escalation of compliance issues to the Operational Risk Management Committee, Compliance Committee and the Board of Directors.
- Ensures training is provided to compliance staff to upgrade their knowledge and to keep abreast with the laws and regulations, standards and guidelines on compliance-related issues.
- Assesses and approves, prior to the appointment and on an annual basis, the suitability of the Chief Compliance Officer, being a key responsible person, in accordance with the fit and proper criteria as approved by the Board of Directors.
- Evaluates and approves the appointment, replacement, dismissal, performance and remuneration of the Chief Compliance Officer and escalate to the Board of Directors for noting.
- Evaluates and approves the performance and remuneration of the Senior Management staff of the Compliance Division.

The Compliance Committee holds monthly meetings.

The attendance of Members at the Compliance Committee meetings held in 2016 is as reflected below:

Name of Committee Members	Number of Compliance Committee Meetings Attended
Cheah Kim Ling (Chairman) Independent Non-Executive	9/10
Dato' Sri Lee Kong Lam Non-Independent Non-Executive	10/10
Tang Wing Chew Independent Non-Executive	10/10
Lai Wan Independent Non-Executive	10/10
Lai Wai Keen Independent Non-Executive	10/10

Credit Risk Management Committee

The Credit Risk Management Committee is made up exclusively of Non-Executive Directors and is chaired by Dato' Sri Lee Kong Lam, a Non-Independent Non-Executive Director.

The roles and responsibilities of the Credit Risk Management Committee are as follows:

- Assists the Board of Directors in its supervisory role on the management of credit risk.
- Evaluates and assesses the adequacy of strategies to manage the overall credit risk associated with the Bank's activities.
- Oversees the development of credit policies, encompassing all products and businesses including the development of policy manual and procedures.
- Monitors, assesses and advises the credit risk portfolio composition.
- Evaluates risks under stress scenarios and the capacity of the Bank's capital to sustain such risk.
- Assesses the risk-return trade-off of credit products.
- Ensures processes and procedures are in place to meet the regulatory requirements on credit risk management.
- Reviews reports of the credit review process, asset quality and ensure that corrective action is taken.
- Reviews and evaluates the various credit products engaged by the Bank to ensure that it is conducted within the standards and policies set by the Board of Directors.
- Exercises oversight over Public Bank's subsidiaries credit risk management and ensure that appropriate processes are established to monitor their credit risk profiles and implementation of credit risk management framework, policies and guidelines that are appropriate to the nature, scale and complexity of its activities.

The Credit Risk Management Committee holds monthly meetings.

The attendance of Members at the Credit Risk Management Committee meetings held in 2016 is as reflected below:

Name of Committee Members	Number of Credit Risk Management Committee Meetings Attended
Dato' Sri Lee Kong Lam (Chairman) Non-Independent Non-Executive	12/12
Cheah Kim Ling Independent Non-Executive	12/12

Board Executive Committee

The Board has established the Board Executive Committee to assist it in the running of the Bank.

The salient terms of reference of the Board Executive Committee are as follows:

- Manages the Bank in all aspects of its business.
- Implements strategic business plans and policies as approved by the Board of Directors.
- Identifies, formulates and prioritises strategic issues and charts strategic directions for action by the Management and staff.

The Board Executive Committee holds weekly meetings with the Chief Operating Officers.

Management Committee and Management Working Committees

The Management Committee and Management Working Committees and their salient terms of reference and frequency of meetings are as set out below:

Management Committee

- Strategises the business operations of the Bank.
- Proposes strategic business plans and policies to the Board Executive Committee for consideration to recommend to the Board.
- Monitors the business operations of the Bank.

STATEMENT ON CORPORATE GOVERNANCE

- Responds to issues through the establishment of action-oriented task force/working groups and keeps in tandem with changes in the banking environment, both external and domestic, through recommendation and proposals.
- The Management Committee holds meetings twice a week.

Management Working Committees

Group Human Resource Committee

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

Credit Committee

- Approves loan and credit applications which are beyond the individual discretionary powers of senior officers.
- Review/comment/recommends the Bank's credit policy for the Board's endorsement.
- The Credit Committee holds meetings twice every week.

Operational Risk Management Committee

- Ensures the effective implementation of the operational risk management framework at the enterprise-wide level.
- Ensures the effective management of operational risk in the day-to-day business operations and monitor the Bank's operational risk exposures to ensure consistency with the risk strategy and policies approved by the Board including the risk appetite.
- Monitors the compliance risk exposures and ensures the effective implementation of the compliance risk management framework and processes at enterprise-wide level on adherence with legal and regulatory requirements as well as internal policies, guidelines and procedures.
- Oversees the development of operational risk management policies, guidelines, processes, procedures and limits to ensure operational risk is identified and managed within the risk appetite.
- Evaluates and assesses the adequacy of controls to manage the operational risk and compliance risk for all material products, activities, processes and systems taking into consideration the changes to the operating environment.
- The Operational Risk Management Committee holds monthly meetings.

Assets & Liabilities Management Committee

- Ensures the effective implementation of framework and processes that is appropriate to the nature, scale and complexity of Public Bank's activities in the following areas:
  - Balance Sheet Structure
  - Interest Rate Risk Management
  - Liquidity & Funding Risk Management
  - Capital Structure and Planning
  - Interest Rate Revenue Management

  (Herein collectively referred to as "the ALM related risks")
- Oversees the development and implementation of ALM related risk framework, policies, internal methodologies, guidelines, processes, procedures and limits to ensure ALM related risks are identified and managed within the risk appetite.
- Ensures the effective management of the assets and liabilities in the day-to-day business operations and monitor Public Bank's ALM related risk exposures to ensure consistency with the risk strategy and policies approved by the Board including the risk appetite.

STATEMENT ON CORPORATE GOVERNANCE

- Ensures an effective mechanism is in place for communicating risks across the organisation and for reporting risk developments to the Risk Management Committee and/or Board of Directors.
- The Assets & Liabilities Management Committee holds monthly meetings.

Share Investment Committee

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

IT Steering Committee

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

Business Continuity Management Committee

- Manages the overall formulation, implementation and maintenance of the Bank's business continuity plan.
- Compiles the overall schedule for carrying out the Bank's business continuity plan from all Head Office divisions (including branches and IT systems) and plans for its testing at least once a year or as and when appropriate.
- The Business Continuity Management Committee holds meetings twice a year.

Indemnification of Directors and Officers

Directors and Officers are indemnified under a Directors' and Officers' Liability Insurance against any liability incurred by them in the discharge of their duties while holding office as Directors and Officers of the Company. The Directors and Officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

Senior Management

The CEO in discharging his day-to-day management of the Bank, is assisted by a team of Senior Management staff, each having an accountable and well-defined role to carry out the various business and risk strategies, compensation and other policies in accordance to the directions as set out by the Board. The clear segregation of responsibilities amongst the Senior Management team provides a check and balance system for its day-to-day operations.

To preserve the quality and independence of the control functions, the relevant heads of control functions report to the various Board Committees, namely Audit Committee, Risk Management Committee and Compliance Committee and are assessed independently from the business units that they oversee.

To ensure that integrity and ethical practices are deeply entrenched in the Bank's corporate culture, various initiatives and measures have been put in place to nurture, maintain and continuously enhance a thriving ethical culture. This includes implementing relevant policies, guidelines, codes of ethics as well as provision of related training and education as elaborated under Ethics, Integrity and Trust on pages 123 to 125 of this annual report.

Compliance with regulatory requirements and internal policies are continuously monitored via Compliance Division and Internal Audit Division to ensure any breaches are dealt with in accordance with a stringent disciplinary procedure which spells out specific and appropriate consequences.

Currently any member of the Senior Management to be appointed as Key Responsible Person (KRP) has to undergo stringent assessment process as provided under the Bank's Fit and Proper Policy and the FSA.

Pursuant to BNM Policy Document on Corporate Governance, a substantial shareholder of Public Bank must not hold a Senior Management position. In accordance with this, the Bank's Fit and Proper Policy requires persons proposed to be appointed as Senior Management staff to declare whether they hold an aggregate interest of 5% or more in the shares of Public Bank.

None of the present Senior Management staff of Public Bank holds an aggregate interest of 5% or more in the shares of Public Bank.

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Senior Management Appointment and Removal

The Bank has a succession planning process in place to ensure the continuity of leadership and long term business sustainability. In compliance with BNM Policy Document on Corporate Governance, further enhancement will be undertaken to incorporate more robust features in the succession planning strategy.

The Bank's Fit and Proper Policy has established processes for appointment and removal of the relevant KRP as well as the assessment of candidates against the minimum requirement.

All Senior Management staff are assessed on a yearly basis. They are also required to immediately disclose to the Board any circumstances that may affect their ability to meet the minimum requirement.

Remuneration Policy & Practice

The PBB 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.

For consistency, the Senior Officers are identified as:-

- Key Responsible Persons who are defined under BNM's Fit and Proper Policy Document as those who have primary and significant responsibility for the management and performance of significant business activities of the Group.
- Other Senior Management staff performing group-wide management responsibilities.

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 (i.e. Internal Audit, Risk Management and Compliance) 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.

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 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.

To ensure the financial matrix is appropriately adjusted for risk, the framework also allows for downward adjustment to the pool if the Bank's risk taking threshold e.g. level of impaired loan, treasury loans, liquidity shortfalls and capital control are compromised or exceeded.

The awarding of the variable remuneration to individual staff is determined by the performance and contribution of individual staff and the business units or departments in terms of business achievement.

Other considerations include the non-financial matrix which captures the achievement on qualitative performance such as compliance with risk management policies, adherence to legal, regulatory and ethical standard, customer service and effectiveness and efficiency of supporting operations.

Poor achievement in the financial and non-financial matrices will result in reduction or forfeiture of the variable remuneration.

As part of the risk control measures, the variable remuneration is subject to a deferment of up to 8 months to align the reward with the time horizon of risk. This deferral timeframe is based on the non-complexity of the Bank's business model as well as the nature of the Bank's retail focused business where the risk is better diversified and requires shorter timeframe for results validation.

Up to 100% of the deferred remuneration shall be subject to malus arrangement which may result in a full or partial forfeiture of the amount vested. Events that may lead to the operations of malus include material violation of risk limits, material loss due to negligence, misstatement, misconduct or fraud. The mechanism also allows for the suspension of bonus if staff is under investigation arising from regulatory or disciplinary circumstances especially those related to fraud.

The Remuneration Policy is subject to annual review to ensure it remains applicable and in compliance with relevant corporate governance provision.

The following depicts the total value of cash based remuneration paid out to Senior Management staff of Public Bank for financial year 2016:

Remuneration	No. of Senior Management Staff	Non-Deferred	Deferred
Fixed	23	RM14,348,648	–
Variable		RM2,270,900	RM9,947,000

Code of Ethics

The PBB Code of Ethics for Directors, Officers and Employees is in place to guide all employees based on the following key principles:

- Avoid conflict of interest.
- Avoid misuse of position.
- Prevent misuse of information.
- Ensure integrity and completeness of records
- Ensure confidentiality of communication and transactions with customers.
- Fair and equitable treatment of customers.

A review is underway to fine-tune the code to be in line with the Financial Services Professional Board (FSPB)'s Code of Ethics accordingly.

Whistleblowing

To enhance its check and balance system, a Whistleblowing Policy and Procedures has been put in place for employees to raise concerns about illegal, unethical or questionable practices in confidence and without the risk of reprisal.

The Whistleblowing Policy and Procedures set out the internal channel/procedures for all employees of the Bank to disclose any irregularities and the protection accorded to employees who disclose such allegations in good faith.

In compliance with BNM Policy Document on Corporate Governance, the Whistleblowing Policy will be expanded to cover third parties (such as consultants, contractors, vendors, suppliers, interns and/or customers) to facilitate their disclosures of any irregularities. In addition, a Board member will be appointed as the designated non-executive director responsible for the effective implementation of the Policy.

In addition to the Whistleblowing Policy and Procedures, Public Bank has also put in place an Anti-Fraud Policy.

The Anti-Fraud Policy sets out the responsibility of employees of Public Bank for preventing and detecting defalcations, misappropriations and other irregularities, the specific roles of employees in prevention and detection of fraud and fraud discovery reporting as well as the steps the Bank will take in respect of employees involved in fraudulent acts. The strict enforcement of the Anti-Fraud Policy reduces the risk to the Bank's reputation from fraudulent acts.

Further details of the Anti-Fraud Policy are as set out on page 124 of this annual report.

STATEMENT ON CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

The Board is also committed to provide transparent and up-to-date disclosures of the performance of Public Bank and the Public Bank Group via timely release of announcements on quarterly, half-yearly and annual financial statements.

The Board, assisted by the Audit Committee, oversees the financial reporting process and the reliability of the financial reporting of Public Bank and the Public Bank Group. The Audit Committee 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. The Audit Committee reviews and discusses with the external auditor on their observations of the annual and interim financial results of Public Bank and the Public Bank Group including the appropriateness of the accounting policies applied, its changes and the significant judgements and assumptions made by Management affecting the financial statements as well as compliance with approved accounting standards and regulatory requirements.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of Public Bank and the Public Bank Group is set out on page 11 in the Financial Statements section of this annual report.

Internal Control

The Board has the overall responsibility for maintaining a system of internal controls which provides reasonable assurance on the effectiveness and efficiency of the operations that ensure compliance with the applicable laws and regulations, as well as with internal procedures and guidelines.

In view of the size and complexity of the operations of Public Bank and the Public Bank Group that will involve a wide variety of risks, it is the Board's responsibility to ensure that these risks are properly managed. Depending on the nature of the risks, certain events may occur which would give rise to unanticipated or unavoidable losses. Public Bank's and the Public Bank Group's system of internal controls are designed to provide reasonable and not absolute assurance against the risk of material errors, frauds or losses from occurring.

The Audit Committee, supported by the Internal Audit function reviews the adequacy and effectiveness of the system of internal controls of Public Bank and the Public Bank Group, covering risk management, operational and compliance controls as well as the process for the identification, evaluation and management of the significant risks faced by Public Bank and the Public Bank Group. The scope of reviews also covers the internal controls over the financial reporting process and compliance with relevant accounting standards and regulations.

Internal Audit function assesses the operating effectiveness of the risk management, governance and internal control system and checks for compliance with statutory/regulatory requirements, internal policies and procedures as well as review the work processes/procedures for efficiency and effectiveness during its course of audits. The internal audit reports are tabled to the Audit Committee for their review and deliberations during its periodic meetings and the Board is informed of any significant audit matters reported to the Audit Committee.

The Statement on Risk Management and Internal Control, which provides an overview of the state of internal control within Public Bank and the Public Bank Group, is set out on pages 126 to 131 of this annual report.

Related Party Transactions

The Internal Audit function conducts review of the related party transactions and submits to the Audit Committee for review quarterly reports on the outcome of the review of related party transactions.

Details of these transactions are set out under Note 42 to the Financial Statements on pages 146 to 153 in the Financial Statements section of this annual report.

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Audit Committee

The Audit Committee's duties and responsibilities are set out under its terms of reference approved by the Board. The Audit Committee assists the Board by providing an objective non-executive review of the effectiveness and efficiency of the internal controls, risk management and governance systems of Public Bank and the Public Bank Group.

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

The activities carried out by the Audit Committee during the year are set out under the Audit Committee Report on pages 134 to 137 of this annual report.

Relationship With External Auditor

It is the policy of the Audit Committee to meet with the external auditor to discuss its audit plan, audit findings and its views in respect of the true and fair view of Public Bank's and the Public Bank Group's financial statements. At least two of these meetings are held without the presence of the Management and Internal Audit staff. The Audit Committee also meets with the external auditor whenever it deems necessary to discuss on key changes to regulatory requirements and latest developments in the accounting and auditing standards.

The external auditor is invited to attend the annual general meeting of Public Bank and is available to answer shareholders' questions on the conduct of the statutory audit and the preparation and contents of Independent Auditor's report.

The Audit Committee is responsible for the review and assessment on the appointment or re-appointment of external auditor for statutory audit, recurring audit-related and non-audit related services. Recurring audit-related and non-audit related services comprise regulatory reviews and reporting, interim reviews, tax advisory and compliance services. The review and assessment for the appointment/re-appointment of external auditor is carried out annually via an assessment checklist in accordance with the assessment criteria covering regulatory requirements, performance and independence and objectivity as 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 to ensure that the independence and objectivity of the external auditor as statutory auditor is not compromised. In addition, the Audit Committee reviews the terms of engagement for services provided by the external auditors prior to submission to the Board for approval.

The Board, upon concurrence with the outcome of the assessment, approved the appointment or re-appointment of the external auditor based on the Audit Committee's recommendation subject to the approval by Bank Negara Malaysia and shareholders at the annual general meeting.

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The details of the statutory audit, audit-related and non-audit fees paid/payable in 2016 to the external auditor are set out below:

	Bank RM'000	Group RM'000
Fees paid/payable to Ernst & Young		
• Audit	1,377	3,879
• Regulatory Related	326	731
– Validation of Perbadanan Insurans Deposit Malaysia Returns	153	209
– Half-year Limited Review	158	280
– Statement of Risk Management and Internal Control	15	48
– Review of Banking Return	–	149
– Audit Review of Deposit Protection Scheme	–	45
• Non-Audit	133	434
– Independent Valuation for Bancassurance Channel	133	133
– Independent Compliance Assessment on Disaster Recovery Data Centre Relocation Project	–	236
– Tax	–	65
	1,836	**5,044**
Fees paid/payable to other auditors		
• Audit	26	242
• Regulatory Related	17	36
– Statement of Internal Control	10	29
– Corporate Governance	7	7
• Non-Audit	17	85
– Tax	17	17
– Audit for Public Bank Vietnam Ltd Financial Statement from 1 January to 31 March 2016	–	49
– Audit for China's Operation Capital Injection Report	–	13
– Audit for Public Bank Vietnam Ltd Statement of Changes in Chartered Capital	–	6
	60	**363**
Grand Total	**1,896**	**5,407**

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EFFECTIVE COMMUNICATION WITH SHAREHOLDERS

Public Bank attaches great importance to effective communication with shareholders in order to strengthen the mutual relationship with its shareholders and investors. In accordance with the Bursa Malaysia Main Market Listing Requirements pertaining to continuing disclosure and the best practices as recommended in the MCCG 2012 with regard to strengthening engagement and communication with shareholders, the Bank continuously discloses and disseminates relevant and comprehensive information in a timely manner to its shareholders and the general investing public.

Public Bank believes that effective and timely communication will enhance shareholders' understanding and appreciation of the Public Bank Group's business strategies, performance and challenges. Moreover, enhanced engagement also facilitates the ability of the shareholders in making informed investment decisions and in exercising their rights as shareholders. A range of communication channels are used to build a more constructive relationship between the Bank and its stakeholders.

Annual Report

Public Bank's annual report provides comprehensive information on the financial results, business performance and operations of the Public Bank Group. It provides full disclosure and is in compliance with the Bursa Malaysia Main Market Listing Requirements and BNM Policy on Financial Reporting for Financial Institutions. Where applicable, the Bank also provides disclosures of information over and above the regulatory requirements on a voluntary basis.

Public Bank disseminates its annual report, together with an executive summary, to its shareholders either in hard copy or in CD ROM media. The executive summary provides highlights of the Public Bank Group's key financial and corporate information, in order to facilitate shareholders' access to such key information. The annual report is also made available for viewing and download on the corporate website of Public Bank as soon as it is announced or published.

Annual General Meeting

The annual general meeting of Public Bank provides a useful forum for shareholders to engage directly with the Bank's Directors and Senior Management. At the annual general meeting of Public Bank, the Chairman of the meeting presents a comprehensive and concise review of the Public Bank Group's financial performance and value created for shareholders. This review is supported by visual and graphical presentation of key points and key financial figures. During the general meeting, shareholders are at liberty to raise questions or seek clarification on the agenda items of the general meeting from the Bank's Directors and Senior Management Officers. The turnout of shareholders at the general meetings of Public Bank has always been high and this is a clear indication of the extensive engagement with shareholders. A summary of the proceedings of the annual general meetings is also made available at the corporate website of Public Bank.

Quarterly Announcement & Media Coverage

Public Bank makes quarterly announcements of financial results and other announcements to Bursa Malaysia to provide stakeholders with key information regarding the Public Bank Group. Public Bank also issues press releases to the media on the quarterly results and significant corporate developments and business initiatives to keep the investment community and shareholders informed of the progress and strategic development of the business of the Group.

Analysts Briefing

Public Bank conducts briefings in conjunction with the release of its half-year and annual results. These briefings provide opportunity for dialogue between fund managers and research analysts with the Bank's Senior Management Officers. The briefings are also intended to provide timely dissemination of the financial results of the Public Bank Group and to facilitate the research analysts to produce their analyses and reports so that these may be made available to investors and the media in a timely manner. Public Bank acknowledges the importance of the need to treat all shareholders fairly, thus, the presentation slides for the research analyst briefings and the press releases are also made available to the public via the Bank's corporate website.

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Corporate Website

Public Bank's corporate website (www.publicbankgroup.com) provides convenient access to the annual reports, press releases, analyst briefings presentation slides and also archives all other corporate and financial information that had been made public, such as the quarterly announcement of the financial results of the Public Bank Group, announcements and disclosures made pursuant to the disclosure requirements of Bursa Malaysia Main Market Listing Requirements and other corporate information on Public Bank.

Timely Disclosure

Public Bank continues to ensure the accurate and timely dissemination of information to shareholders and investors. The Bank is of the view that all shareholders and investors must have equal and timely access to material information that may affect their investment decisions. The releases of Public Bank's annual report and the Public Bank Group's quarterly financial results are generally the earliest amongst the large listed corporations and financial institutions in Malaysia, and are always well ahead of the announcement deadlines specified in the Bursa Malaysia Main Market Listing Requirements. Public Bank has consistently been able to achieve early issuance of annual reports and releases of quarterly financial results, even though BNM's approval is needed prior to the issuance of these reports.

Release of Annual Report and Quarterly Financial Results

	Date of Issue/ Release	Number of Days after end of Year/ Quarter	Bursa Malaysia Deadline
Annual Report 2016	2 March 2017	61	30 April 2017
Annual Report 2015	3 March 2016	63	30 April 2016
2016 Quarterly Results			
1st Quarter	20 April 2016	20	31 May 2016
2nd Quarter	28 July 2016	28	31 August 2016
3rd Quarter	20 October 2016	20	30 November 2016
4th Quarter	2 February 2017	33	28 February 2017

INVESTOR RELATIONS

Public Bank's investor relations unit, which is part of the Bank's Corporate Planning & Strategy Department, is tasked to promote effective channels of communication with the broad investment community, both in Malaysia and internationally.

The investor relations team is committed at all times to engage with the investment community and research analysts through active dialogue on longer-term strategic development as well as the recent financial performance and current business initiatives. The investor relations activities also include communications with the fixed-income securities investors. Information on credit ratings, securitisation programmes and securities documentation are also made available on the Public Bank's corporate website.

The Senior Management Officers have built credibility and trust with the analysts and investors through conducting meeting on a one-on-one/group basis as well as hosting teleconferences. In 2016, 68 meetings were held with a total of 178 investors, fund managers and research analysts, both local and foreign, and 14 teleconference calls involving 21 foreign investors and fund managers were conducted.

In addition, Public Bank participated in five regional and local investors' conferences and forums, where the designated Senior Management Officers conducted meetings with 122 investors and fund managers.

STATEMENT ON CORPORATE GOVERNANCE

Investor Conferences Attended

Date	Event	Location	Organiser
12-13 April 2016	Invest Malaysia 2016	Kuala Lumpur	Bursa Malaysia & Maybank Investment Bank
23-27 May 2016	7th Annual DB Access Asia Conference 2016	Singapore	Deutsche Bank
19-20 August 2016	Spotlight on Malaysia 2016	Singapore	Bursa Malaysia & Phillip Securities
22-24 August 2016	Macquarie ASEAN Conference	Singapore	Macquarie
19-23 September 2016	23rd CLSA Investors' Forum	Hong Kong	CLSA

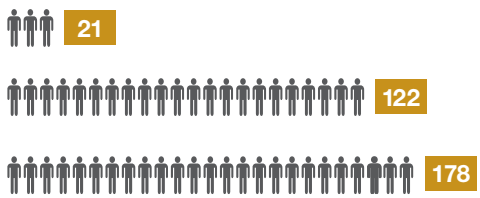
Summary of Investor Relations Activities in 2016

14 Teleconferences

5 Investor Conferences/ Forums/Roadshows

68 One-on-One/Group Meetings

Number of Investors Met



Public Bank's continuous effort in cementing effective and transparent communication with the investment community has been well recognised through various Investor Relations awards received over the years. The extensive investor relations activities of Public Bank and the high level of investors interest in the Bank have led to a wide coverage of the Public Bank Group by stock brokerage and equity research firms. As at the end of December 2016, Public Bank was covered by 26 research houses, reflecting the Bank as one of the core coverage for the investment community on Bursa Malaysia.

Public Bank's corporate website http://www.publicbankgroup.com/Investor-Relations provides comprehensive information on the Public Bank Group, such as share price information, financial reports and presentations, press releases as well as the contact details of the investor relations team. Shareholders and investors can make inquiries about investor relations matters via any of the means shown below:

INVESTOR RELATIONS TEAM

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This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 13 January 2017.

RISK MANAGEMENT

"An effective risk management system is vital for the Public Bank Group to create 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 towards the effective management of enterprise-wide risks."

INTRODUCTION

In 2016, a confluence of events have occurred and created some shifts in the economic, financial and risk landscape. The global economic climate has become uncertain due to geopolitics and macroeconomic concerns, and the conditions in the commodity and financial markets continued to show volatility. With these economic headwinds coupled with the rapid advances in technological innovation and capacity, and heightened supervisory and customers' expectations, there is a growing need for the Public Bank Group ("the Group") to ensure its risk management system is further strengthened to achieve continued profitability and sustainable growth in shareholder value.

As the ever evolving risk landscape becomes more challenging, the Public Bank Group continues to embrace risk management as a foundation of its business operations and strives for continual improvement in risk management practices. The Group believes that an effective and robust risk management system is vital to create value to its shareholders, customers, counterparties, employees, investors and the community it serves at large. The Group employs a risk management framework which defines sound risk management principles and strategies established to drive strong risk culture and standard risk management practices across the Group.

During the year, the risk management policies, systems and processes were reviewed, enriched and refined to proactively manage risks to ensure the Group's risk profile remains conservative and aligned to its risk appetite. Several risk initiatives were undertaken to enhance the Group's vigilance and resilience to the risks faced by the Group. Accordingly, the Group is able to sustain its profitability without compromising on its asset quality.

Risk Management Framework

The key elements of the Risk Management Framework of the Public Bank Group are as follows:

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

RISK MANAGEMENT

RISK GOVERNANCE

The Public Bank Group's risk governance sets out the respective parties' roles and responsibilities for the Group's risk management and system of internal control based on the following seven fundamental principles which outline the principal risk management and control responsibilities:

ESTABLISH RISK APPETITE & POLICIES	**Board of Directors**	**COMPLIANCE COMMITTEE**	**AUDIT COMMITTEE**
	Risk Management Committee		
ENSURE IMPLEMENTATION OF RISK POLICIES AND COMPLIANCE	**Dedicated Risk Committees**		
	Assets & Liabilities Management Committee		
	Credit Risk Management Committee		
	Operational Risk Management Committee		
	Shariah Committee		
	Independent Risk Management and Control Units		
	Banking Operations		
	Credit Control, Administration and Supervision		
	Risk Management		
	Compliance		
IMPLEMENT AND COMPLY WITH RISK POLICIES	**Business Units**		
	Corporate Lending		
	Investment Banking		
	Islamic Banking		
	Retail Banking and Financing Operations		
	Share Broking and Fund Management		
	Treasury and Capital Market Operations		

Board of Directors

The Board of Directors ("Board") has overall responsibility for the Public Bank Group's risk management and internal control system and for reviewing its adequacy and effectiveness. The Board, through the Risk Management Committee ("RMC"), maintains overall responsibility for risk oversight within the Public Bank Group.

Risk Management Committee

The RMC is to assist the Board to oversee the management of all identified material risks including inter-alia reviewing risk management policies and frameworks, reviewing and approving risk management limits, reviewing risk exposures and portfolio composition, and ensuring that infrastructure, resources and systems are put in place for effective risk management oversight. The RMC assists the Board in overseeing the effectiveness of the Public Bank Group's Internal Capital Adequacy Assessment Process ("ICAAP") and reviewing the risk policies and frameworks relating to ICAAP.

RISK MANAGEMENT

In discharging its responsibilities, the RMC will ensure the corporate objectives are supported by sound risk management strategy and an effective risk management framework that is appropriate to the nature, scale and complexity of the PBB Group's activities and to provide effective oversight to ensure business activities are aligned to the risk strategy, risk appetite and policies approved by the Board of Directors. In addition, the RMC exercises oversight over the PBB subsidiaries' risk management and ensure that appropriate processes are established to monitor the subsidiaries' compliance with the group's risk management policies.

Dedicated Risk Committees

The dedicated risk committees established to assist the RMC in the management of all identified material risks are the Assets & Liabilities Management Committee, the Credit Risk Management Committee and the Operational Risk Management Committee respectively. These committees are responsible for overseeing the development and assessing the effectiveness of risk management policies, reviewing risk exposures and portfolio composition, and ensuring that infrastructure, resources and systems are put in place to manage and control the Public Bank Group's risk taking activities. The key responsibilities of the dedicated risk committees are as follows:

- Ensuring all relevant and material risks associated with the PBB Group have been identified and assessed and are operating within the Group's risk appetite
- Designing, implementing 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 or emerging risks and taking the appropriate actions followed by the prompt escalation of the identified risks and actions to the Board

Shariah Committee

The key responsibilities of the Shariah Committee are to advise the Board on Shariah related matters on the Islamic operations and to deliberate and endorse Shariah related matters. The Shariah Committee is supported by the Shariah compliance and research functions.

Independent Risk Management and Control Units

The independent risk management and control units provide crucial support to the dedicated risk committees. These units have the right to obtain information necessary to carry out their responsibilities and to ensure the approved risk policies are effectively implemented and complied with. They are also responsible for the identification, measurement, monitoring and reporting of risk exposures.

Business Units

The business units, being the first line of defence against risk, are responsible for identifying, mitigating and managing risk within their lines of business. These units ensure that their day-to-day business activities are carried out within the established risk policies, procedures and limits.

Compliance Committee

The Compliance Committee is responsible for the overall oversight on compliance related matters and is supported by the Compliance Division. 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 remedial actions taken to address issues identified, and evaluate the adequacy and effectiveness of the risk management and internal control systems. The Audit Committee also reviews the internal audit functions with particular emphasis on the audit scope, the frequency of audits and the adequacy and knowledge of the resources.

RISK APPETITE

The Public Bank 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 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 scoresheets to ensure their relevance • Strong credit controls and close monitoring are in place to identify potential distressed and impaired loans followed by prompt 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
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 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

RISK MANAGEMENT

Principal Risks	Definition	Risk Management Processes
Liquidity and Funding Risk	Liquidity risk is the risk that the Public Bank 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 • As a policy, subsidiaries are required to attain self-funding position • Liquidity and funding risk policies and limits are periodically reviewed to ensure applicability • Contingency funding plan is in place to enable the management to act effectively and efficiently during period of stress
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, 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

RISK MANAGEMENT

Principal Risks	Definition	Risk Management Processes
Capital Adequacy Risk	Capital Adequacy Risk is the risk of insufficient capital to meet the capital required to carry out the Group's 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
Reputation Risk	Reputation risk is the risk that negative perception about the Public Bank Group's business practices, whether genuine or not, 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 Group's 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

RISK MANAGEMENT

Principal Risks	Definition	Risk Management Processes
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 • Periodic review of the potential risks and issues relating to the Islamic concepts 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
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 specific collateral/guarantee to meet minimal operational 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
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 Division identifies key compliance risk areas, provides ongoing compliance checks and reports on compliance issues and compliance status of the business and control units to the Compliance Committee • 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

RISK MANAGEMENT

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 155 to 210 of the Annual Report 2016)

ii. Pillar 3 Disclosure (pages 261 to 313 of the Annual Report 2016)

RISK CULTURE

The inculcation of a risk awareness culture is a key aspect of an effective enterprise-wide risk management framework. The key factors of the Group's risk culture are as follows:

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

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. Subsequently, comprehensive risk assessments are undertaken to ascertain the risk exposures and its impact on business activities and strategies. The assessments serve to identify the appropriate risk mitigating initiatives to manage the emerging risks.

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:

Credit Risk

The macroeconomic developments in major economies and the outcome of the US election have created headwinds in the global markets and Malaysia being an export oriented economy is not spared. During the year, Malaysia continued to rely on its domestic demand as a growth driver. High household debts and depreciating ringgit continues to pose downside pressure on consumer spending. Although a lower ringgit has benefited certain export sectors, subdued external demand and lower prices for the Malaysia's major commodities continue to pose challenges to the economy.

The Public Bank Group continuously monitors the operating environment and increased its vigilance in identifying areas of emerging risk that could adversely impact its credit portfolios. Comprehensive assessments are conducted to gauge the impact of economic and market factors such as slowdown in the domestic property market on the credit portfolios and the assessments revealed that there is minimal impact on the Group's credit exposures in view of the Group's prudent lending practices that have always been in place.

Retail lending continues to be the key focus of the Public Bank Group. Financing are granted on secured basis and a well-diversified credit portfolio is maintained with no specific concentration in any business sector, type of customers or geographic location.

Under the challenging operating environment, prudent and responsible lending is vital to preserve the Public Bank Group's strong asset quality. To this end, credit policies and guidelines are reviewed regularly to ensure they remain relevant and effective in managing credit risks. The granting of credit is after comprehensive credit assessment of the borrower's credit worthiness and its ability to repay. 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 Group closely monitors the key credit risk indicators and reviews regularly the performance of the credit portfolios to detect any early signs of stress. Identified risk are analysed for its underlying causes to facilitate targeted remedial actions to prevent further deterioration. In addition, the Group took extensive and exhaustive recovery efforts to control the delinquency and impaired loans ratios. Despite the more challenging operating environment, the Group recorded gross impaired loans ratio of 0.5% as at end of 2016 which is approximately one-third of the banking industry's gross impaired loans ratio of 1.6%.

RISK MANAGEMENT

Arising from the portfolio profiling analyses, certain on-boarding practices were refined during the year. The lending criteria to the high risk segments identified within the hire purchase and mortgage portfolios, as well as the valuation criteria applied in granting additional loans to existing customers against existing collateral were tightened to safeguard the asset quality. For the high risk segments, the loan-to-value ratios ("LTV") were tightened taking into account the slowdown in property market as empirical data demonstrate defaults are correlated to high LTV.

Banks in China have been affected by upticks in impaired loans following the continuing slowdown in their economy whilst banks in the Eurozone were affected by various factors such as weak profitability, high rates of impaired loans and significant penalties by US authorities. The Group's counterparty and country exposures are monitored for any rating downgrades or adverse market news which may affect their credit standing. Reviews of the Group's counterparty limits are conducted to manage these credit exposures.

Stress testing is 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 stress scenarios.

Funding Risk

Amidst the challenging global and domestic operating environment which has weighed down the banking system deposit growth, the Public Bank Group continued to achieve above industry deposit growth amid challenges encountered in the deposit market. During the year, the Group's total customer deposits grew by 2.9% compared to the domestic banking industry's deposit growth of 1.5%.

Deposits campaigns continued in 2016 as banks strive to garner stable retail deposits and to improve deposit mix. To meet the competitive pricing of the retail deposits in the market place, 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 position. During the year, the Group continued to improve on its deposit product features to provide value added services to its customers instead of competing solely through competitive rates. The Group made inroads and as at end of 2016, its cash management customers grew by 70%.

In September 2016, BNM had introduced a special programme to encourage banks to offer retail-exclusive Ringgit-denominated Negotiable Instrument of Deposit ("R-NID") Programme to the market. This provides an avenue for the Public Bank Group to diversify its funding sources and tenure while continue to offer fixed deposits as a conventional option for shorter term deposits.

The Liquidity Coverage Ratio ("LCR") of the entities which are subject to the regulatory Basel III Liquidity Standards continued to be at satisfactory level and above the regulatory limit of 70% as at the end of 2016. This was attributed to the Public Bank Group's strong retail deposit franchise and its retail focus lending which fit into the essence of LCR. The Group is also well prepared to meet the next Basel III Liquidity Standards, i.e. Net Stable Funding Ratio ("NSFR") which is anticipated to be effective on 1 January 2018. Notwithstanding the strength of the Group's funding position, the Group remained vigilant to the developments in both the global and domestic market place and continually identified occurrences that may pose challenges to the Group's funding positions or may provide opportunities to tap the alternative sources of stable funds.

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 subsidiary companies and overseas branches. 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.

Operational Risk

Cyber Threats and Unauthorised Access to Systems

With the move into the digital age, the evolving proliferation of new technologies and the increasing use of the Internet and mobile devices to conduct financial transactions have escalated the frequency and complexity of cyber-attacks in the financial services industry. The number of financial crime including cyber-attack incidents is surging worldwide, as are the financial costs associated with these events. Accordingly, management of cyber risks is coming under increased regulatory scrutiny.

To this end, the Public Bank Group is not spared from cyber-security threats. As at the end of 2016, the Group did not have any significant operational losses arising from cyber-security threats. The security and resiliency of the Group's information and technology infrastructure is crucial for maintaining its banking applications and processes, meeting its customers' and other stakeholders' expectations and protecting the PB brand. The Group recognised the importance of ensuring "cyber resiliency" and had implemented a range of controls to identify and mitigate risks to customers and businesses. The key measures taken 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 Public Bank Group's business operations, to ensure the resilience of its IT infrastructure and technology
- 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 to educate customers on online banking security and strengthen employment agreement and 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 Group continued to strengthen its risk management systems and practices to address the evolving threat of online fraud on financial transactions. This included enhancements to fraud prevention and deterrent measures such as deployment of automated fraud detection systems with behavioural analytics to identify suspicious fraudulent activities and implementation of stronger two-factor authentication measures for high risk transactions. In addition, the Bank also continued 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 conduct matters relating to fair treatment to customers and the conduct of financial service providers' businesses in an orderly and transparent manner. These include attention to sales processes and incentives, product and investment suitability, product governance, employee activities and accountabilities and more general conduct of business concerns to ensure due consideration is given with regard to the interest of the consumers in developing, marketing and selling of products. The operationalisation of the Financial Ombudsman Scheme by BNM on 1 October 2016 will further strengthen the financial consumer protection framework in an environment of increasing diversity with competitive offerings of financial products and services.

RISK MANAGEMENT

Taking heed of the growing concern in these areas, Public Bank Group continues to review and enhance its policies and procedures governing the conduct of business including the policies on the Group's 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 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 is critical.

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 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.

ETHICS, INTEGRITY AND TRUST

"Success is not measured merely by results but also by how it is accomplished"

This familiar adage for corporate sustainability has been a guiding principle in how the Public Bank Group conducts its business over the past five decades i.e with courtesy, efficiency and most importantly ETHICALLY and with INTEGRITY.

ETHICAL LEADERSHIP

A thriving culture of professionalism and ethics within any organisation begins from the top. For the Public Bank Group, instilling and developing a culture with unequivocal commitment to professionalism and ethical conduct has always been the Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow's key thrust in steering the Group to achieve banking excellence.

To ensure ethics and integrity are ubiquitous throughout the Public Bank Group's ecosystem, the Group continues to commit significant resources to guide all its employees to understand, apply and conduct themselves in accordance with a comprehensive set of policies and framework as follows:

FIT AND PROPER POLICY FOR KEY RESPONSIBLE PERSONS

The Fit and Proper Policy for Key Responsible Persons has been implemented in accordance with guidelines set out by Bank Negara Malaysia ("BNM") to ensure key positions in the Public Bank Group are filled by 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 the Bank, the Fit & Proper Policy has been revised for all Senior Management staff to declare whether they hold an aggregate interest of 5% or more in the share of the Bank during their initial Fit & 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 review and draw up appropriate policies, systems and controls to comply with the Capital Market and Service Act 2007 as follows:

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

PBB CODE OF ETHICS

The PBB Code of Ethics for Directors, Officers and Employees has been drawn up to serve as an effective core reference for all parties to conduct themselves in accordance with the following key principles:

- Avoid conflict of interest.
- Avoid misuse of position.
- Prevent misuse of information.
- Ensure integrity and completeness of records.
- Ensure confidentiality of communication and transactions with customers.
- Fair and equitable treatment of customers.

ETHICS, INTEGRITY AND TRUST

ANTI-FRAUD POLICY

The Anti-Fraud Policy is established to set out the following core objectives:

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

The Public Bank Group strongly supports the Government's and BNM's initiatives in preventing the use of the banking system for illicit and money laundering activities as well as the financing of terrorists. To date, the Group has put in place an extensive infrastructure and processes to support such efforts with an Anti-Money Laundering Policy which features the following:

- Expectations of employees in implementing the anti-money laundering policy.
- 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

To ensure there is check and balance in the system, the Public Bank Group has put in place a Whistleblowing Policy and Procedure. This is to facilitate the disclosure of potential and actual compliance and ethical risk for management's timely attention.

The objectives of the policy are:

- To provide an avenue and designated channels of escalation for employees to direct their disclosures, on any irregularities or suspected irregularities within Public Bank.
- To set out the protection accorded to whistleblowers to enable them to disclose such irregularities in confidence without the risk of reprisal.

In compliance with BNM's policy document on corporate governance, the whistleblowing policy will be expanded to cover third parties (such as consultants, contractors, vendors, suppliers, interns, and/or customers) to facilitate their disclosures of any irregularities. In addition, a Board member will be appointed as the designated non-executive director responsible for the effective implementation of the policy.

SOCIAL MEDIA POLICY

To minimise possible ethical risk committed by employees in the course of engaging in social media, the Public Bank Group has implemented the Social Media Policy which sets out the following:

- The guidelines on the responsible and ethical usage of social media by all employees of Public Bank.
- The possible consequences of policy violation by employees.

INFORMATION SECURITY POLICY

In tandem with the authorities' increasing emphasis on banking secrecy and confidentiality of information, the Public Bank Group has implemented the Information Security Policy to spell out the parameters for employees to access and process information in the course of discharging their duties.

The objectives of this policy are:

- Protect Public Bank's information from possible threats whether internal or external, deliberate or accidental.
- Enable secure 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.

ETHICS, INTEGRITY AND TRUST

- Protect Public Bank 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 PUBLIC BANK GROUP CORPORATE CULTURE

To inculcate integrity amongst its employees, the Public Bank Group has crafted a robust framework to engage its employees to continuously practice, internalise and adhere to the various policies, guidelines and codes of conducts. 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 their induction programme.
- Reminders via employee circulars from time to time.
- Comprehensive training on the standards of conduct expected of employees in the Public Bank Group with emphasis on:
  - Enhancing employee knowledge on regulatory requirements.
  - Enabling employee to understand and realise 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 conduct.
- Extensive supervisory control and procedures in the Public Bank 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 awards in the event of fraud and misconduct.

PRUDENTIAL FRAMEWORK AGAINST UNETHICAL PRACTICES

To safeguard against ethical hazards and reputational risk, the Public Bank Group has put in place a stringent disciplinary procedure which spells out specific and appropriate consequences on unethical practices and impropriety. This is to ensure its employees do not cross the line between material interest and ethical values.

SUSTAINING THE PB BRAND FRANCHISE

The success of the Public Bank Group has been built on its core values of strong work ethics and corporate governance. While the Group's product offerings and service lines will continue to change in line with a rapidly changing business environment, the Group's time-tested ethical business practices will remain entrenched in the Group's corporate culture. This is to ensure the right balance between profits and ethics continues to transcend its business agendas as the Group surges ahead to raise the PB Brand to greater heights.

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 its Company Annual Report a statement about the state of its 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 overall 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. The Board continually reviews the system to ensure that the risk management and internal control system provides a reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the 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.

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 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 the prompt escalation of the identified risks and actions to the Board

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The key 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 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is assisted by the Risk Management Committee ("RMC") to oversee the management of all identified risks. 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 Operational Risk Management Committee, the Shariah Committee and the Internal Capital Adequacy Assessment Process Working Group.

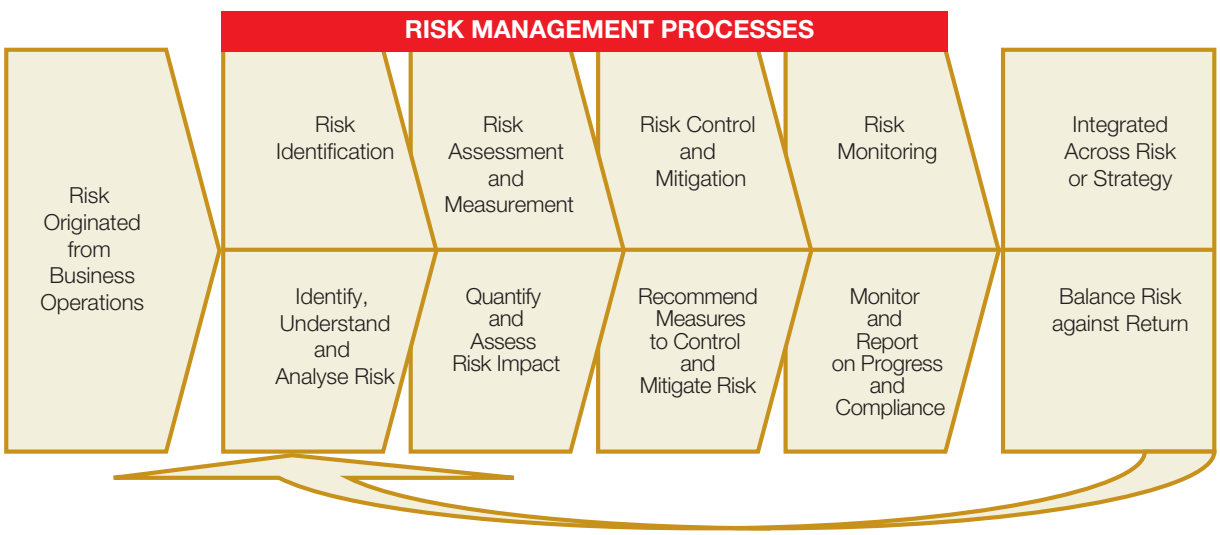
Risk Management Division of Public Bank ("the Bank") provides main support to the RMC and to the other risk management committees in meeting their responsibilities and is responsible to develop and maintain risk management policies and procedures that are responsive to changes in or expansion of business 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 and risk limits. All entities within the Group are required to develop risk indicators and risk limits that have considered 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:



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

– **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 and training
- Commitment to compliance with laws, regulations and internal controls
- Integrity in fiduciary responsibilities
- Clear policies, procedures and guidelines

• Compliance Function

The Compliance Function monitors the Group's compliance with the applicable laws, regulations, internal policies, procedures, and limits. The overall responsibilities of Compliance Function include the identification and assessment of compliance risk at the group-wide level, monitoring the compliance level of the group entities, and reporting the assessment results as well as the action plans to manage compliance risk. The Group's Compliance Policy sets out the Group's compliance expectations covering the following key areas for adoption and implementation by the entities within the Group:

– Compliance principles

– Compliance structure and governance

– Compliance risk management approaches and activities

The Board is assisted by the Compliance Committee to oversee compliance matters including the implementation of the Group's Compliance Policy. The compliance plan is established and reviewed at least on an annual basis to drive the ongoing compliance reviews in assessing the compliance level and to promote compliance risk awareness among all staff. The reports on compliance matters covering compliance findings and updates on the developments in legal and regulatory requirements are submitted to the Compliance Committee for review at their monthly meetings.

• Shariah Compliance Function

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 business transactions are executed 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 are escalated to the Shariah Committee for deliberations.

• 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. 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **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 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. Further information on the Board Committees is included in the Statement on Corporate Governance.

  – **Management Committees and Main Working Committees**

  Management Committees and the main 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.

  The main working committees include the Group Human Resource Committee, the Credit Committee, the Share Investment Committee, the Business Continuity Management Committee and the IT Steering 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 disposal of assets. Policies and procedures are formulated in support of the Group's internal control framework including PBB Group's Risk Appetite Framework, PBB Group's Compliance Policy, PBB Group's Guidelines on Outsourcing Activities and Public Bank Group's 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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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.

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. Half yearly 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 and Risk Management Division of the Bank.

– **Human Capital Management**

The Group recognises that human capital forms the backbone of an effective risk management and internal control system. Hence, proper human resource planning and implementation process, covering aspects relating to policy setting, recruitment and capacity development are constantly enhanced to ensure that the Group always has the right people with the right calibre, knowledge, attitude and value in discharging their duties.

The Group has in place a suite of training programmes to groom and nurture staff from all levels. All staff are provided with a range of learning opportunities delivered in-house or external classroom training, seminars, workshops and talks encompassing a wide range of subjects related to financial products, services, leadership and regulatory requirements such as anti-money laundering and counter financing of terrorism laws and regulations as well as addressing the changes in the business operating environment.

There are guidelines within the Group for hiring and termination of staff and annual performance appraisals to enhance the level of human capital development and talent management for sustainable growth.

– **Code of Ethics and Conduct**

The Bank and its major operating subsidiaries have established principles and standards of behaviour that are expected of employees with reference to the relevant codes of conduct and guidelines issued by the regulators and professional bodies. The principles covered in the code of ethics and conduct include professional integrity, confidentiality, conflicts of interest and fair dealing with customers.

The established code of ethics and conduct are communicated to all staff for their awareness and adherence through various measures which include:

- 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 their induction programme
- Reminders via employee circulars from time to time
- Training on the standards of conduct expected of employees in the Group

– **Whistleblowing**

Whistleblowing policy and procedures are developed to provide a platform for employees to report on actual or suspected malpractice, misconduct or violation of the applicable laws and regulations and the Group's policies in a safe and confidential manner.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **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 adopted 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 2016, 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.

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...*



from left:

LAI WAI KEEN

(Member/Independent Non-Executive Director)

TANG WING CHEW

(Chairman/Independent Non-Executive Director)

DATO' SRI LEE KONG LAM

(Member/Non-Independent Non-Executive Deputy Chairman)

LAI WAN

(Member/Independent Non-Executive Director)

CHEAH KIM LING

(Member/Independent Non-Executive Director)

AUDIT COMMITTEE REPORT

1. COMPOSITION

The Audit Committee ("AC") is established by the Board of Directors ("Board") and comprises five (5) members, majority of whom are independent non-executive directors. The Chairman of AC is appointed by the Board and is an independent non-executive director and not the Chairman of the Board. The AC members have the relevant accounting or related expertise and experience in banking and financial service industry.

2. ATTENDANCE OF MEETINGS

The AC met 17 times in 2016. The details of attendance of each AC member are shown in the table below.

Name of Audit Committee Members	Attendance at Audit Committee Meetings
Tang Wing Chew Chairman/Independent Non-Executive Director	17/17
Dato' Sri Lee Kong Lam Member/Non-Independent Non-Executive Deputy Chairman	17/17
Lai Wan Member/Independent Non-Executive Director	17/17
Lai Wai Keen Member/Independent Non-Executive Director	17/17
Cheah Kim Ling Member/Independent Non-Executive Director	16/17

3. ROLES AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The Board of Directors ("Board") approved the terms of reference including the roles and responsibilities of the AC, 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 and the Bursa Malaysia Securities Berhad's Main Market Listing Requirements. The parent bank's AC is supported by the AC established at the respective subsidiaries as the case may be.

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

- Reviews the adequacy and effectiveness of risk management, internal control and governance systems implemented in Public Bank Berhad ("Bank") and Public Bank Group ("Group"). The AC is supported by the independent Internal Audit ("IA") function, which performs ongoing periodic review and assessment on the risk management, internal control and governance systems put in place and to report the outcome of such assessment directly to the AC in its monthly meetings.
- Oversees the performance and effectiveness of the IA function based on the approved key performance indicators. The AC reviews and approves the annual audit plan, internal audit methodology and scope, and assesses the competency and experience of the IA staff as well as the adequacy of resources in order for the IA function to carry out its work effectively. The AC also ensures that IA has the authority to carry out its work independently. The AC evaluates the performance and decides on the appointment, replacement/dismissal and remuneration of the Group Chief Internal Auditor ("GCIA") and the Senior Management staff of the IA Division on an annual basis. Annually, the AC assesses the suitability of the GCIA to continue assuming his position based on the fit and proper criteria.

AUDIT COMMITTEE REPORT

The AC reviews the internal audit reports to ensure that appropriate and adequate remedial actions are taken by Management to address and resolve the key issues/significant lapses in controls and procedures that are identified. The AC also notes any significant disagreements between the GCIA and the Management, 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.

The AC is also responsible to review the audit report on the related party transactions on a quarterly basis to ensure that these transactions are conducted at arm's length and to inform the Board of any irregularities noted.

- On its role with regard to financial reporting, the AC is entrusted to review the quarterly and annual financial statements of the Bank and the Group prior to its recommendation to the Board for approval. The AC, through the IA, ensures that the financial reporting process is reliable and transparent within the Bank and the 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 and recommendations to the Board for approval on their appointment/re-appointment or removal. In making such assessment, the AC 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 (PBB Group Policies and Procedures). The AC has to be satisfied 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 the Bank/Group. The AC also reviews key audit issues raised by the external auditor including Management's actions taken to address and resolve such issues.

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

4. SUMMARY OF ACTIVITIES

For the financial year ended 31 December 2016, the AC had carried out the following activities in the discharge of its roles and responsibilities:

4.1 Financial Reporting

The AC had reviewed the unaudited quarterly and half-yearly financial results as well as the annual audited financial statements of the Bank and the Group. The review, covers among others, an assessment on the appropriateness of the accounting policies applied. The AC had sought explanations and additional information from the Senior Management including the Chief Financial Officer ("CFO") on the reasons for the variances/ fluctuations in the financial performance of the Bank and Group, including the key income and operating expenses.

In reviewing the quarterly and annual financial results, the AC 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 ratio; and
- Significant issues relating to adoption of accounting policies and fiscal reporting.

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

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

The AC had also discussed with the GCIA on the audit coverage in relation to the Bank's financial reporting processes, focusing on the consistency in the methodology used 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 AC 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 2016.

4.2 External Audit

The AC reviewed and evaluated EY's audit plan for the financial year ended 31 December 2016. EY's audit plan covered its engagement team, concept of materiality, independence and objectivity, and the areas of audit emphasis. The AC also reviewed key audit issues raised by EY from its annual audit in its management letter including Management's responses/actions taken on the resolution of such issues.

In 2016, the AC met 4 times with the 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 AC, the AC 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 AC had met the EY's engagement partner 3 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 AC had also:

- Reviewed, discussed and where necessary sought explanations from EY on the results of their audits;
- Discussed the issues raised in EY's management letter and enquired on the adequacy and effectiveness of remedial actions taken by Management in resolving these issues;
- Discussed the latest changes to the accounting standards and issues impacting the financial statements and sought further clarification on the new and revised auditor reporting standards;
- Enquired on the discharge of the IA function by the Bank's Internal Auditors; and
- Sought explanations on the regulatory requirements and their impact on the directors' roles and responsibilities arising from the new Companies Act 2016 and the draft Malaysian Code of Corporate Governance 2016.

The AC had assessed the independence and objectivity of EY prior to the appointment of EY for non-audit services. Based on the assessment, the AC is satisfied that there is no conflict of interest situation. In addition, the accumulated fees quoted for non-audit services are within the allowable threshold set.

The AC had assessed and is satisfied with the performance and effectiveness of EY based on the criteria set out in the PBB Group Policies and Procedures, and recommended to the Board to approve the re-appointment of EY as the external auditor for the Bank for the financial year 2017 and the proposed remuneration for its services.

4.3 Internal Audit

In its oversight over the IA function, the AC approved the internal audit framework and the annual audit plan to ensure adequate scope and comprehensive coverage over the activities of Bank and the Group and ensured that all high risk areas are audited at least annually. During the year, the AC reviewed and deliberated on the revisions made to the Internal Audit Charter and recommended the same to the Board for approval. The AC reviews and monitors the IA's performance, progress of achievement of approved annual audit plan and adequacy of audit coverage on a quarterly basis. The AC also reviewed and approved the action plans to address the competency gaps and audit methodology of the IA function.

AUDIT COMMITTEE REPORT

The IA reports were tabled to the AC in their meetings for their review, deliberations and noting/approval. Senior Management officers were invited to attend the meetings as and when necessary to brief the AC on matters relating to their areas of responsibility. Where appropriate, the AC had directed Management to rectify and improve control procedures based on the internal auditors' recommendations. The AC 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.

The IA 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 IA also reviewed the related party transactions entered into by the Bank and the Group on a quarterly basis to ensure that these transactions are undertaken on an arm's length basis. The quarterly review and annual assessment reports were reviewed by the AC in its meetings.

In 2016, the Chairman of the AC had met 6 times with the GCIA and Management staff of IA function to provide insights, guidance and directives to further improve the effectiveness of IA in discharging their roles and responsibilities as well as to discuss the work undertaken by IA, key audit findings and any other significant matters arising from the Bank and the Group's operations. The significant matters discussed include the following:

- Establishment of Key Performance Indicators for IA function and action plans to enhance the competency of IA staff;
- Audit planning and allocation of audit resources;
- Achievement of audits planned and scope of audit coverage; and
- Work collaboration between IA Division, Compliance Division ("CD") and Risk Management Division ("RMD").

The AC had also held half-yearly dialogues with the Managing Director/Chief Executive Officer and Management of the Bank to discuss and exchange views on the actions plans to address and resolve the key control lapses, collaboration between the three (3) lines of defence with the objective to further enhance the governance practices, risk management and internal control systems, the challenges and concerns of the governance practices and sustainability within the Bank and the Group.

For the financial year under review, the AC noted that there was no significant disagreement between the GCIA and Management.

With regard to the inspection and examination reports issued on IA function by Bank Negara Malaysia and other regulatory authorities, the AC had reviewed these reports and is satisfied with the progress of the remedial actions taken by IA function to address the issues raised by the regulators.

4.4 Malaysian Financial Reporting Standard 9 Project

The AC, as part of its oversight role over the 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 AC also reviewed and endorsed the methodologies to be applied. In exercising its oversight role over the Bank's preparation for the implementation of the MFRS 9, the AC 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; and
- Issues/difficulties encountered in the implementation of the MFRS 9 as well as the action plan to address and resolve the issues.

The AC also provided advice/direction to the Management on the approaches to be adopted for loan/financing portfolio, the need to ensure that sufficient in-house talents are trained 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.

5. INTERNAL AUDIT FUNCTION

The AC is supported by the IA function in the discharge of its duties and responsibilities. IA function, as the third line of defence, checks for compliance with statutory/regulatory requirements, internal policies and procedures and reviews the internal control and governance procedures for adequacy and effectiveness.

IA Division is staffed by almost 200 individuals with relevant experience and qualifications, and comprised 9 sections specialising in various business areas. The GCIA reports directly to the AC. The IA function has unfettered access to the Board, AC and Senior Management, as well as the authority to seek information and explanations, for the purpose of conducting its audit.

IA provides independent assurance to the AC and Senior Management by reporting on the adequacy and effectiveness of the internal control environment after every audit is completed. IA'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. IA adopts a risk-based approach to prioritise the audit work and to scope the audits on high risk auditable areas. IA's assurance provides a comprehensive review on the established controls to determine if they are appropriate, effectively applied and consistent with the Bank and the 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.

IA also carries out the following:

- investigative audits where there are improper, illegal and dishonest acts reported;
- audits on the information systems of the Bank and the 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; and
- review of 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, IA is not involved in the system selection or implementation process in order to maintain its objectivity and independence.

IA works collaboratively with CD and RMD to review and assess the risk governance framework and risk management processes of the Bank and the Group in respect of their adequacy and effectiveness in managing the key risks facing the Bank/Group.

In end 2015, IA had engaged an external consultant, Ernst & Young Advisory Services Sdn. Bhd. ("EY Advisory") to conduct a Quality Assurance Review ("QAR") to assess its effectiveness. Based on the QAR report issued by EY Advisory, IA had implemented the enhancement initiatives to further elevate the effectiveness and quality of audit services.

The total costs incurred for the internal audit function of the Bank and the PBB Group for 2016 are as follows:

	RM'000
Bank	25,762
Group	37,908

Further details of the activities of IA 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 86, is a respected banking entrepreneur with a banking career spanning more than 65 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 74, is a veteran in the financial services industry with 56 years experience. He holds a Master's degree in Business Administration. 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 62, 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


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GROUP MANAGEMENT PROFILE

1 CHANG SIEW YEN

Chief Operating Officer,
Public Bank Berhad

Ms Chang, aged 48, is a qualified accountant and member of the Malaysian Institute of Accountants (MIA) and Malaysian Association of Certified Public Accountants (MACPA). She has more than 22 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, 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.

2 DATO' SULAIMAN BIN ABD MANAP

Chief Operating Officer,
Public Bank Berhad

Dato' Sulaiman, aged 59, 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 and Process Innovation & Transformation.

3 FONG LOONG SENG

Chief Executive Officer,
Public Investment Bank Berhad

Mr Fong, aged 55, holds a Master's degree in Business Administration (Finance). He started his banking career in 1984 and has more than 32 years experience in the financial services and capital markets sector of which 27 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.

4 ABU HASSAN ASSARI BIN IBRAHIM

Chief Executive Officer,
Public Islamic Bank Berhad

En. Abu Hassan, aged 63, holds a Bachelor of Arts degree. He has more than 36 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


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GROUP MANAGEMENT PROFILE

5 YEOH KIM HONG

Chief Executive Officer,
Public Mutual Berhad

Ms Yeoh, aged 55, is a qualified accountant, member of the Malaysian Institute of Accountants (MIA) and certified financial planner. She has more than 21 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, Governance 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.

6 TAN YOKE KONG

Executive Director & Chief Executive,
Public Bank (Hong Kong) Limited

Mr Tan, aged 64, is a qualified accountant and has over 35 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.

7 LEE HUAT OON

General Manager/Chief Executive,
Public Finance Limited

Mr Lee, aged 54, is a qualified accountant and member of the Malaysian Institute of Accountants (MIA) with more than 29 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.

8 PHAN YING TONG

Regional Head,
Indo-China Operations

Mr Phan, aged 54, holds a Master's degree in Business Administration and has a total of 35 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


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HEADS OF DIVISION

1 DATO' AB. RAZAK BIN MD DALI

Senior General Manager, Public Affairs

Dato' Ab. Razak, aged 62, 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 58, 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 63, 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 63, 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.

5 LIM THEN FUI

Group Chief Internal Auditor

Mr Lim, aged 61, is a qualified accountant and member of the Malaysian Institute of Accountants (MIA) and Malaysian Association of Certified Public Accountants (MACPA). He has a total of 37 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 YIK SOOK LING

Chief Financial Officer

Ms Yik, aged 47, is a qualified accountant and member of the Malaysian Institute of Accountants (MIA), Malaysian Association of Certified Public Accountants (MACPA) and 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.

HEADS OF DIVISION


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HEADS OF DIVISION

7 CHAN CHIEW PENG
General Manager, Retail Financial Services

Ms Chan, aged 53, 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.

8 EDDIE CHAN KOK KWAI
General Manager, Credit Administration & Supervision

Mr Chan, aged 59, 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.

9 FAM YOKE FONG
General Manager, Information Technology

Ms Fam, aged 47, holds a Bachelor of Computer Science degree. Joined Public Bank in 1994 and has more than 22 years experience in the IT field. Appointed Head of Division in January 2017.

10 MARLENE GOH
General Manager, Human Capital Management

Ms Goh, aged 58, holds a Bachelor of Social Science degree and has been in the HR field for the past 34 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 General Manager in July 2012.

11 LIM LYE PING
General Manager, Treasury

Ms Lim, aged 47, holds a Bachelor of Economics degree. Joined Public Bank in 1994 and has more than 22 years experience in Treasury operations. Appointed Head of Treasury in May 2012. Promoted to General Manager in January 2016.

12 PATRICK LIM YOONG LENG
Chief Compliance Officer

Mr Lim, aged 58, holds a Diploma in Management. Has a total of 36 years experience in Auditing, Banking Systems and Processes and Compliance. Appointed Head of Banking Operations in 2010 and Head of Compliance in October 2013. He was redesignated to Chief Compliance Officer with effect from March 2016.

HEADS OF DIVISION


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HEADS OF DIVISION

13 JASMINE LOH SOOK LING
Chief Risk Officer

Ms Loh, aged 45, is a qualified accountant and member of the Malaysian Association of Certified Public Accountants (MACPA). She has a total of 26 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 NG SEIW KUAN
General Manager, Corporate Planning & Strategy

Mr Ng, aged 48, is a qualified accountant and member 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.

15 TUAN HAJI A WAHAB BIN A RAMAN
Director, Security

Tuan Haji A Wahab, aged 58, 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.

16 CARENE KHOO GEOK KHENG
Director, Wealth Management & Transaction Banking

Ms Khoo, aged 50, 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.

17 LEE KOK KEONG
Director, Credit Operations

Mr Lee, aged 48, 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.

18 SIM GOAY CHYE
Director, Property

Mr Sim, aged 63, holds a Master's degree in Business Management. Joined the Public Bank Group in 1983. Held several managerial portfolios at Head Office before his appointment as Head of Property in 2004.

HEADS OF DIVISION


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HEADS OF DIVISION

19 SAMUEL SOH BOON LEONG
Director, Corporate Banking

Mr Soh, aged 43, holds a Bachelor of Economics degree. Joined Public Bank in 1996 and has more than 20 years experience in managing corporate loans. Appointed Head of Corporate Banking in 2016.

20 TEE CHUI CHEE
Director, PB Card Services & Support

Mr Tee, aged 54, holds a Bachelor of Science (Computer Science) degree. Joined Public Bank in 1991 and has more than 29 years experience in the card industry. Appointed Head of Division in January 2014.

21 WONG MAN HOE
Director, HP Operations

Mr Wong, aged 47, 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.

22 TAN SHIEN DOON
Head, Banking Operations

Mr Tan, aged 45, holds a Bachelor of Science (Business Administration) degree. Joined Public Bank in 1994 and has more than 20 years experience in Banking Operations. Appointed Head of Banking Operations in January 2017.

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.



MANAGEMENT DISCUSSION AND ANALYSIS









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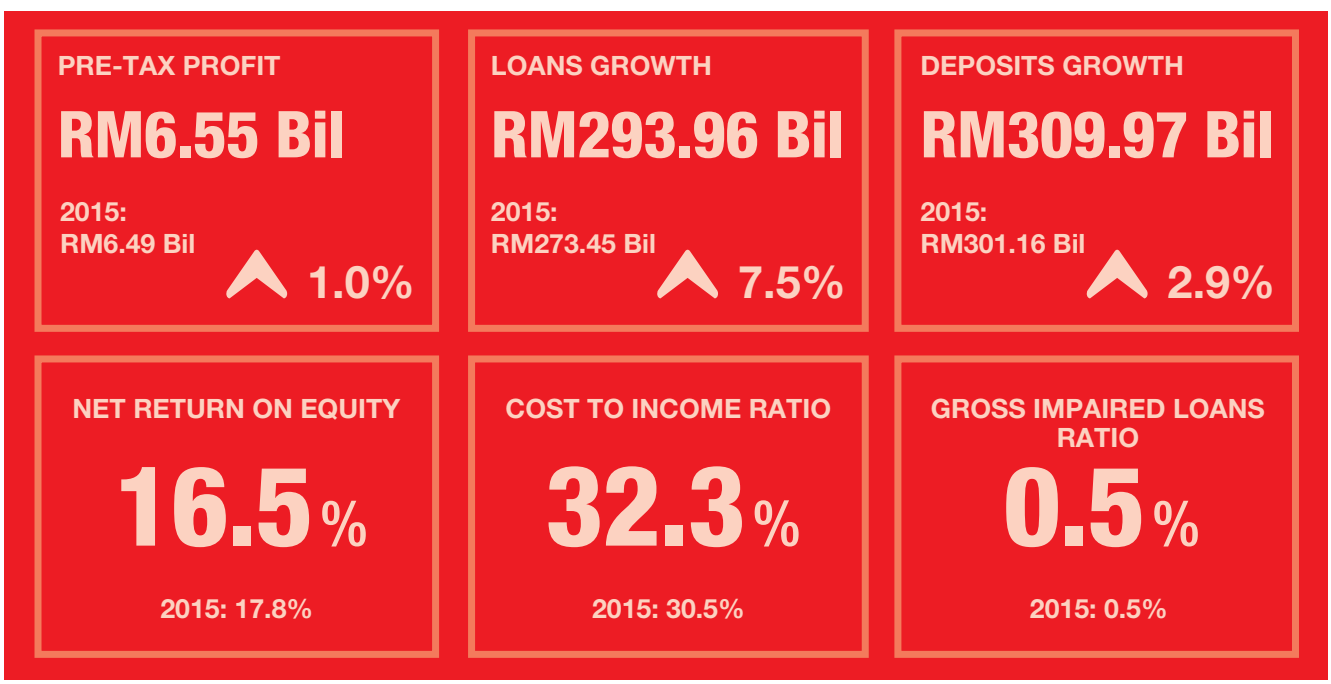
MANAGEMENT DISCUSSION AND ANALYSIS
GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE

AT A GLANCE

	2016	2015	Growth %
Profitability (RM'Million)			
Profit before tax expense and zakat	**6,554**	6,491	1.0
Net profit attributable to shareholders	**5,207**	5,062	2.9
Earnings per share (sen)	**134.8**	131.1	2.8
Balance Sheet (RM'Million)			
Total assets	**380,053**	363,758	4.5
Gross loans, advances and financing	**293,959**	273,447	7.5
Deposits from customers	**309,974**	301,157	2.9
Shareholders' equity	**34,213**	31,231	9.5
Financial Indicators			
Net return on equity	**16.5%**	17.8%	(1.3)
Cost to income ratio	**32.3%**	30.5%	1.8
Gross impaired loans ratio	**0.5%**	0.5%	–
Loan loss coverage	**102.7%**	120.8%	(18.1)
Net loan to deposit ratio	**94.3%**	90.3%	4.0
Common Equity Tier I capital ratio#	**11.4%**	10.9%	0.5
Tier I capital ratio#	**12.2%**	12.0%	0.2
Total capital ratio#	**15.5%**	15.4%	0.1

After deducting second interim dividend declared subsequent to year end



SUMMARY OF GROUP FINANCIAL PERFORMANCE

KEY HIGHLIGHTS

STABLE PROFITABILITY

- Pre-tax profit grew by 1.0% to RM6.55 billion in 2016.
- Net profit attributable to shareholders increased by 2.9% to RM5.21 billion in 2016.
- Strong earnings per share of 134.8 sen in 2016.
- Ranks No. 1 in terms of profitability with the highest net return on equity of 16.5% amongst Malaysian banking groups.
- Ranks No. 1 in the domestic banking industry in terms of cost efficiency with the lowest cost to income ratio of 32.3%.

CONSISTENT BALANCE SHEET GROWTH

- Gross loans, advances and financing grew by 7.5% to RM293.96 billion, with domestic loans growing by 7.2%.
- Customer deposits increased by 2.9% to RM309.97 billion whilst domestic customer deposits grew by 1.8%.
- Total assets expanded by 4.5% to RM380.05 billion as a result of continued expansion in loans and deposits.
- Net loan to deposit ratio stood at 94.3%.

STRONG ASSET QUALITY

- Ranks No. 1 in terms of asset quality with the lowest gross impaired loans ratio of 0.5% amongst Malaysian banking groups.
- Loan loss coverage remained high at 102.7%.
- Loan loss coverage was significantly higher at 248.5% with the inclusion of regulatory reserves and was the most prudent amongst Malaysian banking groups.

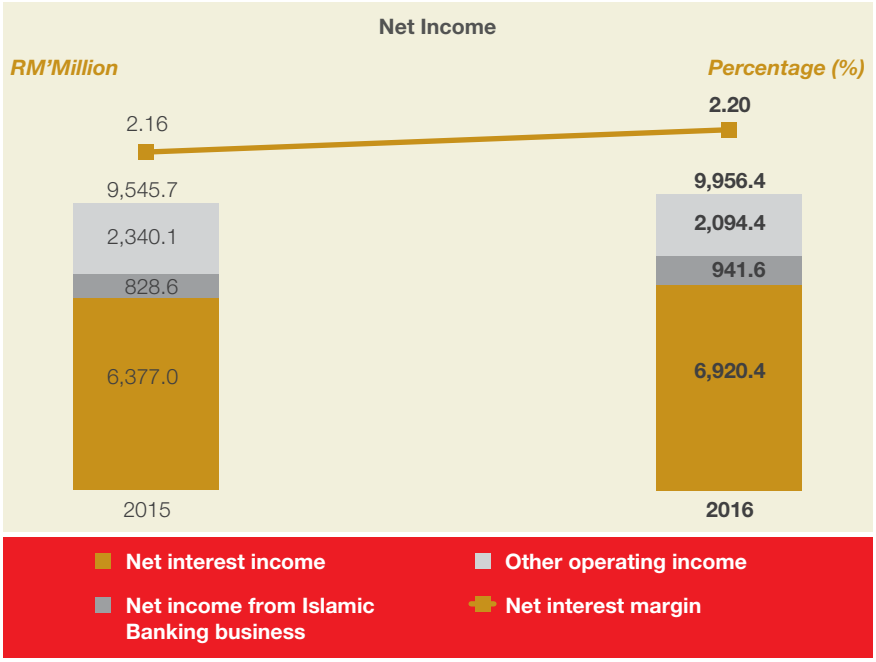
HEALTHY CAPITAL POSITIONS

- Common Equity Tier I capital ratio, Tier I capital ratio and total capital ratio were at healthy level of 11.4%, 12.2% and 15.5% respectively.

The Board of Directors declared a second interim single tier dividend of 32 sen per ordinary share. Together with the first interim single tier dividend of 26 sen, the total dividend for 2016 would amount to 58 sen per ordinary share as compared to a total dividend of 56 sen per ordinary share in 2015. The total dividend paid and payable amounted to RM2.24 billion, representing 43.0% of the Group's net profit in 2016.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

INCOME STATEMENT ANALYSIS



Net income

Despite a challenging business environment, the Public Bank Group's net income increased by 4.3% or RM410.7 million to RM9.96 billion in 2016, mainly due to increase in net interest income by 8.5% and net income from Islamic banking business by 13.6%.

Net interest income

Net interest income which contributed 69.5% to the Public Bank Group's total net income, rose 8.5% or RM543.4 million to RM6.92 billion in 2016 as a result of healthy loans growth. Consequently, net interest margin improved marginally to 2.20% in 2016 as compared to 2.16% in 2015.

Net income from Islamic banking business

Net income from Islamic banking business accounted for 9.5% of the Public Bank Group's total net income in 2016.

In 2016, net income from Islamic banking business grew by 13.6% or RM113.0 million to RM941.6 million mainly due to higher financing growth as well as higher gain on investment securities.

Other operating income

	2016 RM'000	2015 RM'000	Variance RM'000	Variance %
Net commission, service charges and fees	**717,458**	694,925	22,533	3.2
Net brokerage and commissions from stock broking activities	**75,712**	94,463	(18,751)	(19.9)
Income from fund management activities	**771,820**	763,455	8,365	1.1
Net fee and commission income	**1,564,990**	1,552,843	12,147	0.8
Net gains and losses on financial instruments	**74,022**	236,165	(162,143)	(68.7)
Foreign exchange profit	**273,621**	355,656	(82,035)	(23.1)
Others	**181,773**	195,457	(13,684)	(7.0)
Other income	**455,394**	551,113	(95,719)	(17.4)
Total other operating income	**2,094,406**	2,340,121	(245,715)	(10.5)

SUMMARY OF GROUP FINANCIAL PERFORMANCE

The Public Bank Group's total other operating income decreased by 10.5% or RM245.7 million to RM2,094.4 million in 2016 mainly due to decrease in net gains and losses on financial instruments and profit from foreign exchange business, partly offset by higher contribution from net fee and commission income.

Net fee and commission income contributed more than two-thirds of the Group's total other operating income. It rose 0.8% or RM12.1 million to RM1,565.0 million in 2016, underpinned by higher credit card, bancassurance, transactional banking and fund management fees, partially offset by lower fees from stock broking activities.

Net gains and losses on financial instruments declined by 68.7% or RM162.1 million to RM74.0 million in 2016 mainly due to the restructuring of certain investment portfolios which resulted in lower dividend income by RM154.3 million, with a corresponding increase in net interest income.

Foreign exchange profit declined by 23.1% or RM82.0 million to RM273.6 million in 2016 mainly due to certain non-operational foreign exchange gain in 2015 which were non-recurring in 2016.

Other income decreased by 7.0% or RM13.7 million to RM181.8 million in 2016.

Other operating expenses

	2016 RM'000	2015 RM'000	Variance RM'000	Variance %
Personnel costs	**2,250,994**	2,077,956	173,038	8.3
Establishment costs	**599,850**	528,096	71,754	13.6
Marketing expenses	**115,434**	116,021	(587)	(0.5)
Administration and general expenses	**245,192**	193,084	52,108	27.0
Total other operating expenses	**3,211,470**	2,915,157	296,313	10.2
Cost to income ratio	**32.3**	30.5		
Staff strength	**18,651**	18,373		

The Public Bank Group's total other operating expenses increased by 10.2% or RM296.3 million to RM3,211.5 million in 2016 in support of the Group's increased business volume, and reflects the Group's continued investment in people and technology. The Group's cost to income ratio remained low at 32.3% due to disciplined cost management across its business operations, and was the best amongst the Malaysian banking groups.

Personnel costs, which grew by 8.3% or RM173.0 million to RM2,251.0 million in 2016 accounted for 70.1% of the Group's total other operating expenses.

The Group's staff strength stood at 18,651 as at the end of 2016, an increase from 18,373 a year ago.

Establishment costs represented 18.7% of the Group's total other operating expenses in 2016. The increase in establishment costs by 13.6% from RM528.1 million in 2015 to RM599.9 million in 2016 was mainly due to higher IT-related depreciation expenses incurred during the year.

Marketing expenses decreased slightly by 0.5% or RM0.6 million to RM115.4 million in 2016.

Administration and general expenses rose 27.0% or RM52.1 million to RM245.2 million in 2016 mainly due to higher regulatory and compliance costs. Regulatory and compliance-related costs in 2016 included the cost of replacing existing 'Chip and Signature' cards to 'Chip and PIN' cards for implementation of 'Chip and PIN' verification for debit card, credit card and prepaid card transactions made at point of sale ("POS") terminals by 1 January 2017. Costs also covered upgrading the POS terminals to be PIN-enabled.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

SEGMENTAL PROFITABILITY

i. Profit Before Tax By Business Segment

	2016		2015	
	RM'Million	% of Contribution	RM'Million	% of Contribution
Domestic Operations				
Comprise of:				
Retail	**3,466**	**52.9**	3,622	55.8
Hire Purchase	**454**	**6.9**	349	5.4
Fund Management	**573**	**8.7**	541	8.3
Corporate Lending	**502**	**7.7**	426	6.6
Treasury and Capital Market	**558**	**8.5**	492	7.6
Investment Banking	**49**	**0.7**	59	0.9
Others*	**331**	**5.1**	430	6.6
Total domestic operations	**5,933**	**90.5**	5,919	91.2
Overseas Operations	**621**	**9.5**	572	8.8
Profit before taxation	**6,554**	**100.0**	6,491	100.0

* *Others comprise mainly of domestic head office, other miscellaneous domestic segment and domestic share of profit after tax of equity accounted associated companies.*

- Retail Operations contributed 52.9% to the Group's pre-tax profit in 2016, followed by Fund Management and Treasury and Capital Market Operations which contributed 8.7% and 8.5% respectively to the Group's pre-tax profits.
- Retail Operations' pre-tax profit decreased by 4.3% to RM3,466.2 million in 2016 mainly due to lower net writeback of loan impairment allowances and higher other operating expenses, partially offset by higher net interest and financing income due to loans and deposits growth as well as higher fee income.
- Hire Purchase Operations' pre-tax profit increased by 30.1% from RM348.7 million in 2015 to RM453.8 million in 2016 mainly due to lower loan impairment allowances and higher net interest income.
- Fund Management Operations' pre-tax profit rose 5.9% to RM572.9 million in 2016 mainly due to higher management fee earned on higher average net asset value of funds under management, partially offset by lower fee income from sale of trust units.
- Corporate Lending registered pre-tax profit of RM502.5 million in 2016, an increase of 18.1% from RM425.6 million in 2015 as a result of higher net interest income from a larger loan base.
- Treasury and Capital Market Operations' pre-tax profit grew by 13.5% from RM491.8 million in 2015 to RM558.2 million in 2016 due to higher net interest income on treasury gapping, funding and liquidity management activities and higher investment income from sales of fixed income assets.
- Investment Banking Operations registered pre-tax profit of RM48.9 million in 2016, a drop of 17.8% as compared to RM59.5 million in 2015 mainly due to lower brokerage income from stock broking activities and lower investment banking related fee income.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

ii. Profit Before Tax By Geographical Locations and Major Companies

	2016		2015	
	RM'Million	% of Contribution	RM'Million	% of Contribution
In Malaysia	**5,933**	**90.5**	5,919	91.2
of which:				
*Public Bank Berhad**	**4,700**	**71.7**	4,714	72.6
*Public Islamic Bank Berhad**	**529**	**8.1**	450	6.9
Public Mutual Berhad	**573**	**8.7**	541	8.3
*Public Investment Bank Berhad**	**48**	**0.7**	59	0.9
Outside Malaysia	**621**	**9.5**	572	8.8
of which:				
Hong Kong operations	**266**	**4.1**	255	3.9
*– Public Finance Limited**	**134**	**2.0**	145	2.2
*– Public Bank (Hong Kong) Limited**	**122**	**1.9**	90	1.4
Cambodian operations				
Cambodian Public Bank Plc	**250**	**3.8**	228	3.5
Profit before taxation	**6,554**	**100.0**	6,491	100.0

* *Profit excluding dividends from subsidiaries and associated companies and any other intercompany transactions which are eliminated at Group level.*

- The Public Bank Group's domestic operations accounted for 90.5% of the Group's pre-tax profit in 2016. The remaining 9.5% was contributed by overseas operations.
- Overseas operations' pre-tax profit increased by 8.5% to RM620.7 million in 2016 mainly due to higher contribution from both its Hong Kong and Cambodian operations; partly resulting from the stronger foreign currency as well as higher contribution from its Vietnam operations arising from the completion of the acquisition of Public Bank Vietnam Limited.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

LOANS, ADVANCES AND FINANCING

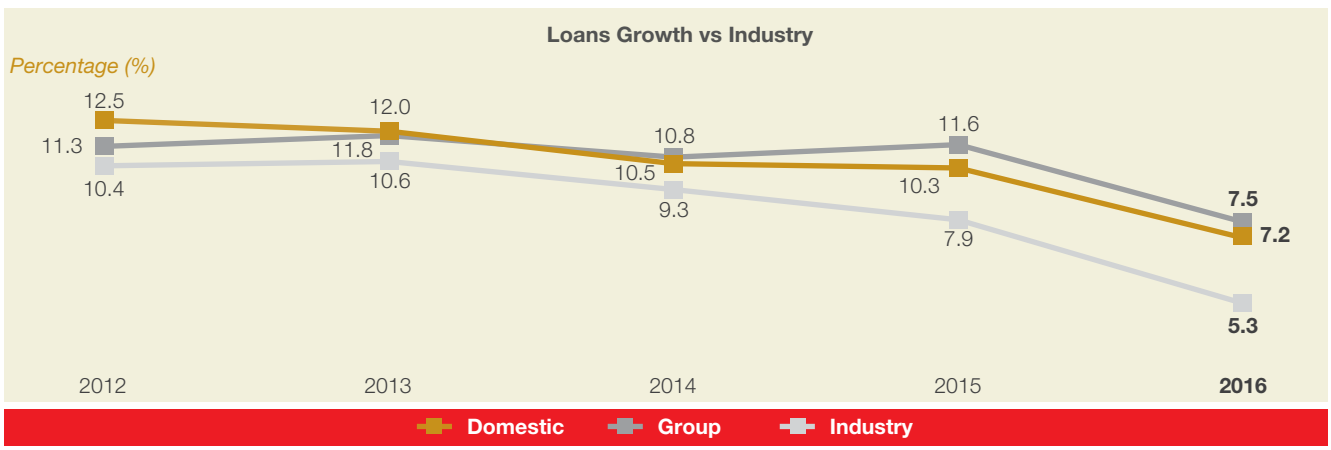
Consistently Above Industry Loans Growth

	Outstanding (Gross)		Growth Rate	
Loans, Advances and Financing	**2016**	**2015**	**2016 %**	**2015 %**
Domestic* (RM'Million)	**269,915**	251,802	**7.2**	10.3
of which:				
Public Bank Berhad (RM'Million)	**233,733**	220,909	**5.8**	8.8
Public Islamic Bank Berhad (RM'Million)	**37,537**	32,053	**17.1**	24.4
Overseas (RM'Million)	**24,044**	21,645	**11.1**	29.6
of which:				
Public Bank (Hong Kong) Limited (HKD'Million)	**23,524**	24,115	**(2.5)**	2.5
Public Finance Limited (HKD'Million)	**5,410**	5,293	**2.2**	5.4
Cambodian Public Bank Plc (USD'Million)	**1,003**	957	**4.8**	11.9
Group (RM'Million)	**293,959**	273,447	**7.5**	11.6

* *Excluding overseas branches' loans and intercompany loans*

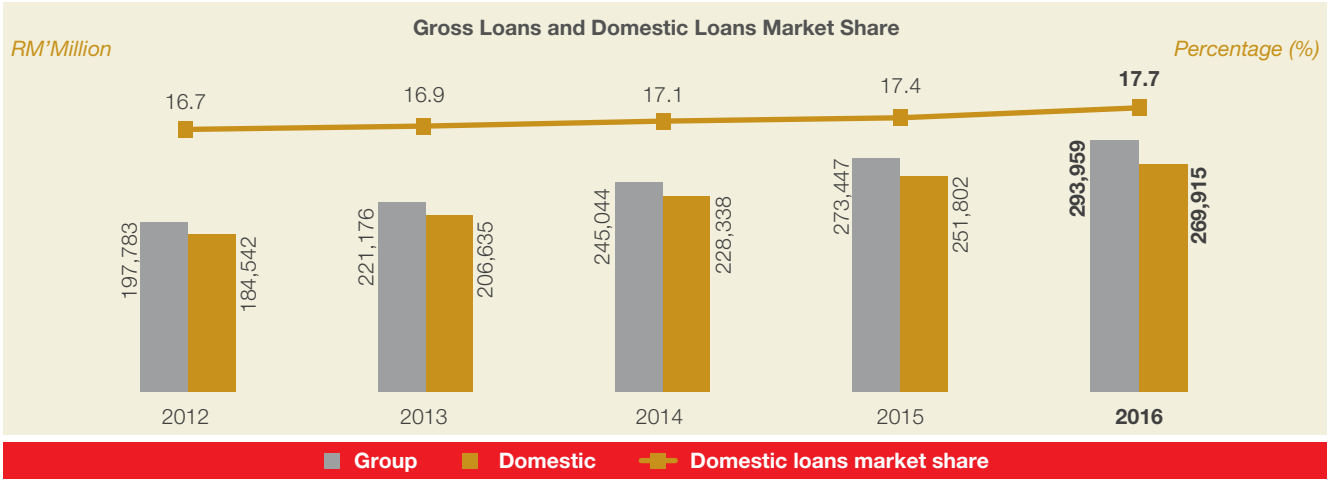
- Despite the challenging operating environment characterised by weak consumer and business sentiment, the Public Bank Group's gross loans, advances and financing grew by 7.5% or RM20.51 billion to RM293.96 billion as at the end of 2016.

- Domestic loans increased by 7.2% to RM269.92 billion as at the end of 2016, higher than the domestic banking industry's growth rate of 5.3% whilst overseas loans recorded an increase of 11.1% in 2016.



- The Group achieved above industry loans performance over the last five years.

SUMMARY OF GROUP FINANCIAL PERFORMANCE



- As a result of consistent above industry loans growth, the Public Bank Group's domestic loans market share continued to improve over the years from 16.7% as at the end of 2012 to 17.4% as at the end of 2015, which further improved to 17.7% as at the end of 2016.

Loans, Advances and Financing by Key Retail Banking Segment	Outstanding 2016 RM'Million	Outstanding 2015 RM'Million	Growth Rate 2016 %	Growth Rate 2015 %	2016 Market Share %
Residential Properties	**98,752**	89,522	**10.3**	12.8	
– *Domestic*	**92,624**	83,833	**10.5**	11.2	**19.4**
Passenger Vehicles	**52,252**	52,424	**(0.3)**	8.0	
– *Domestic*	**49,601**	50,095	**(1.0)**	8.0	**29.6**
SME	**71,293**	63,969	**11.4**	15.2	
– *Domestic*	**66,616**	60,271	**10.5**	15.0	**NA**

NA Not available

- The Public Bank Group's lending activities continued to be driven by the extension of credit mainly for the financing of residential properties and passenger vehicles as well as commercial lending to SMEs, which formed 75.6% of the Group's total gross loans, advances and financing as at the end of 2016.

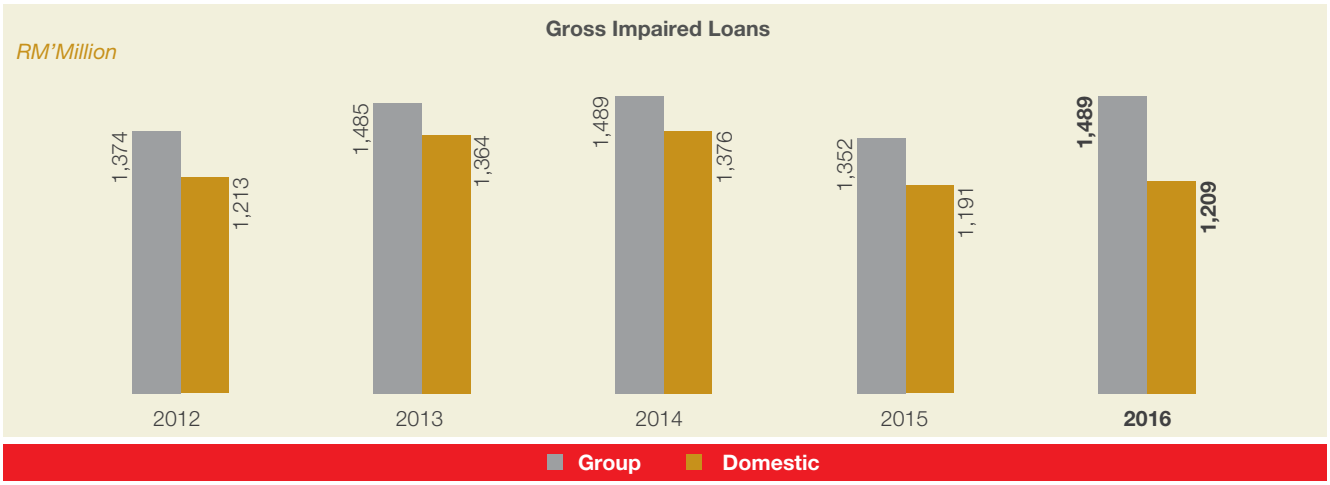
- The Group's lending to SMEs and financing of residential properties increased by 11.4% and 10.3% respectively in 2016, while financing of passenger vehicles decreased marginally by 0.3%.

- The Group sustained its leading market share positions in the domestic financing for residential properties, passenger vehicles and commercial property financing in Malaysia with market shares of 19.4%, 29.6% and 34.7% respectively as at the end of 2016.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

ASSET QUALITY

Best in Asset Quality



- The Public Bank Group's asset quality remains the best amongst Malaysian banking groups. The Group's asset quality, as measured by gross impaired loans ratio, remained low at 0.5% as at the end of 2016 despite achieving above industry loans growth.

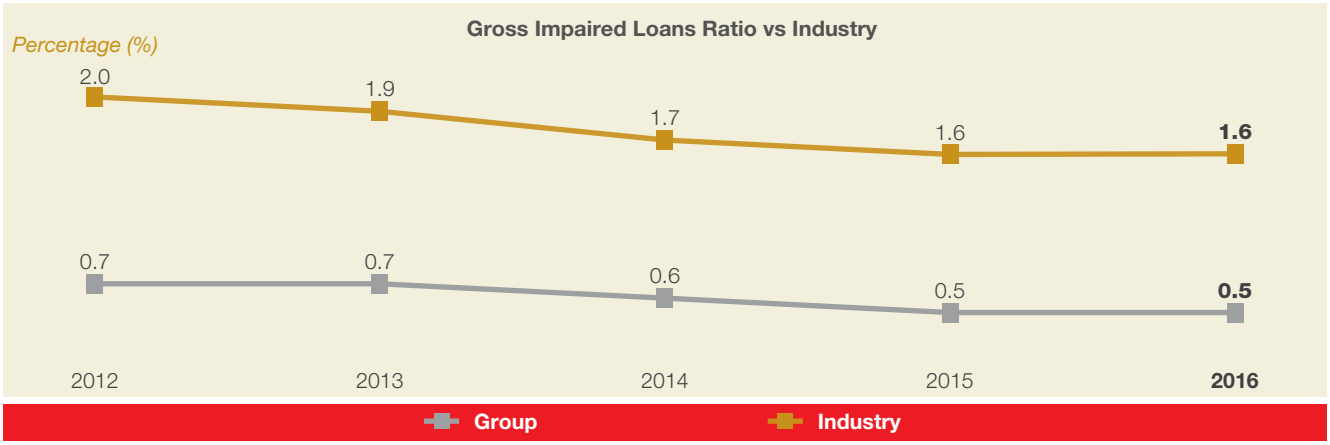
- The Group's ability to safeguard its asset quality despite years of above industry loans growth is a testimony to the success of its disciplined and prudent approach in credit risk management, from origination of new loans to recovery of impaired loans.

Gross Impaired Loans Ratio	2016 %	2015 %
Domestic	**0.4**	0.5
of which:		
Public Bank Berhad	**0.4**	0.5
Public Islamic Bank Berhad	**0.6**	0.7
Overseas	**1.2**	0.7
of which:		
Public Bank (Hong Kong) Limited	**0.5**	0.3
Public Finance Limited	**2.3**	1.9
Cambodian Public Bank Plc	**0.8**	0.7
Public Bank Vietnam Limited	**2.2**	–
Group	**0.5**	0.5

SUMMARY OF GROUP FINANCIAL PERFORMANCE

- Domestic gross impaired loans ratio further improved to 0.4% as at the end of 2016 and ranked No. 1 in terms of asset quality amongst the Malaysian banking industry.

- The gross impaired loans ratio of the Group's overseas operations however had deteriorated to 1.2% as at the end of 2016 from 0.7% a year ago. Gross impaired loans increased by RM119.4 million to RM280.6 million as at the end of 2016 as a result of higher impaired loans in its overseas operations.

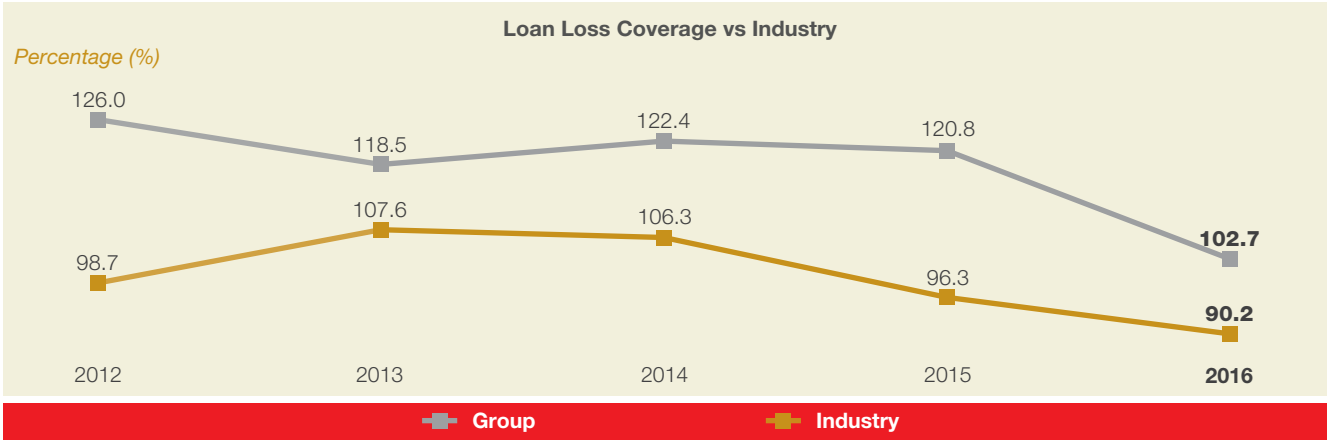


- The Group's gross impaired loans ratio has stayed at approximately one-third of the banking industry's gross impaired loans ratio over the past five years. The Group's gross impaired loans ratio continued to improve, from 0.7% as at the end of 2012 to 0.5% as at the end of 2016.

	Public Bank Group		
Gross Impaired Loans Ratio by Type	**2016 %**	**2015 %**	**Industry Average %**
Consumer			
Housing Loans	**0.6**	0.5	1.1
Hire Purchase	**0.6**	0.7	0.9

- Both the Group's gross impaired loans ratio for housing loans and hire purchase financing remained low at 0.6% as at the end of 2016, below the industry average of 1.1% and 0.9% respectively.

SUMMARY OF GROUP FINANCIAL PERFORMANCE



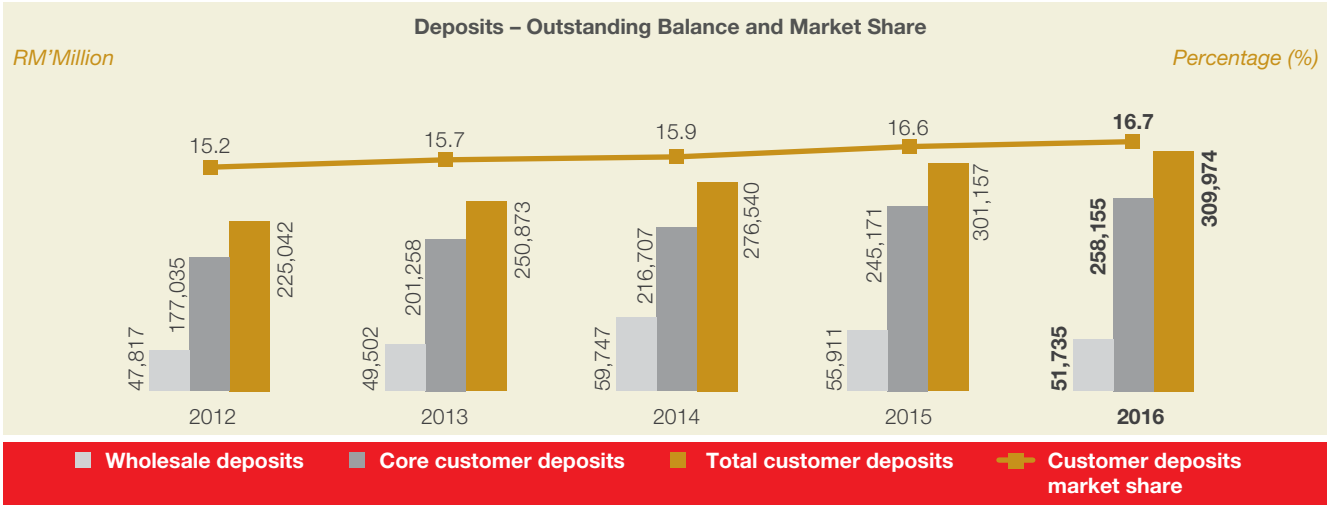
- Despite more than 90% of the Public Bank Group's impaired loans are secured, the Group's loan loss coverage ratio stood at 102.7% as at the end of 2016, which was more prudent than the banking industry's loan loss coverage ratio of 90.2%.

- Including regulatory reserves set aside as additional credit risk absorbent, loan loss coverage of the Group would be significantly higher at 248.5%.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

CUSTOMER DEPOSITS

Above Industry Customer Deposits Growth



- The Public Bank Group's customer deposits grew at a moderated pace of 2.9% or RM8.82 billion from RM301.16 billion as at the end of 2015 to RM309.97 billion as at the end of 2016, mainly impacted by the significantly slower growth in the domestic banking industry's customer deposits of 1.5%. The Group's customer deposits growth was primarily supported by expansion of core customer deposits by 5.3% to RM258.16 billion as at the end of 2016.

- The Group's strong domestic franchise and large domestic depositor base underpin the Group's customer deposits growth. Over the last five years, the steady growth in customer deposits had led to the Group's domestic customer deposits market share increasing from 15.2% as at the end of 2012 to 16.7% as at the end of 2016.

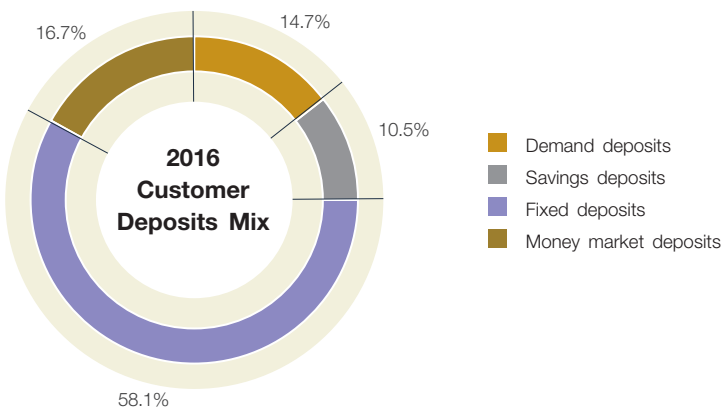
MANAGEMENT DISCUSSION AND ANALYSIS – GROUP FINANCIAL REVIEW

SUMMARY OF GROUP FINANCIAL PERFORMANCE

Total Customer Deposits by Entity	Outstanding 2016	Outstanding 2015	Growth Rate 2016 %	Growth Rate 2015 %
Domestic (RM'Million)	**282,967**	277,942	**1.8**	7.5
of which:				
Public Bank (RM'Million)	**241,957**	236,460	**2.3**	4.5
Public Islamic Bank Berhad (RM'Million)	**42,473**	39,097	**8.6**	27.2
Overseas (RM'Million)	**27,007**	23,215	**16.3**	28.5
of which:				
Public Bank (Hong Kong) Limited (HKD'Million)	**29,148**	28,586	**2.0**	8.6
Public Finance Limited (HKD'Million)	**4,975**	4,797	**3.7**	10.9
Cambodian Public Bank Plc (USD'Million)	**1,185**	1,017	**16.5**	(9.9)
Group (RM'Million)	**309,974**	301,157	**2.9**	8.9

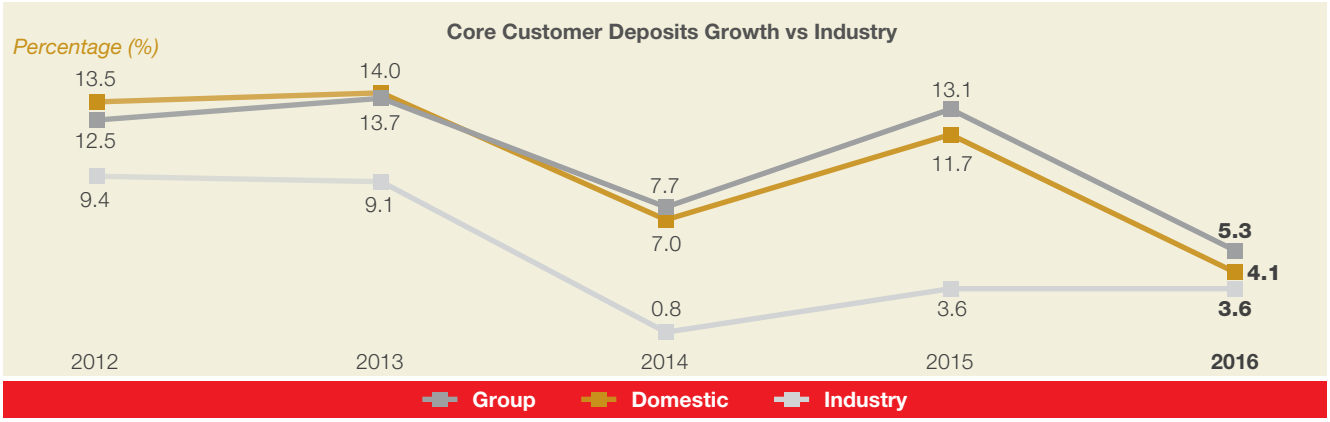
- Domestic customer deposits increased by 1.8% or RM5.02 billion to RM282.97 billion as at the end of 2016 as compared to the domestic industry's customer deposits growth rate of 1.5%.

- Total customer deposits of the Group's overseas operations grew by 16.3% or RM3.79 billion to RM27.01 billion as at the end of 2016. In particular, the customer deposits of Cambodian Public Bank Plc registered 16.5% growth in terms of USD.



- The Group's core customer deposits comprising demand deposits, savings deposits and fixed deposits, formed 83.3% of the Group's total customer deposits whilst low cost deposits comprising demand deposits and savings deposits, represented 25.2% of the Group's total customer deposits.

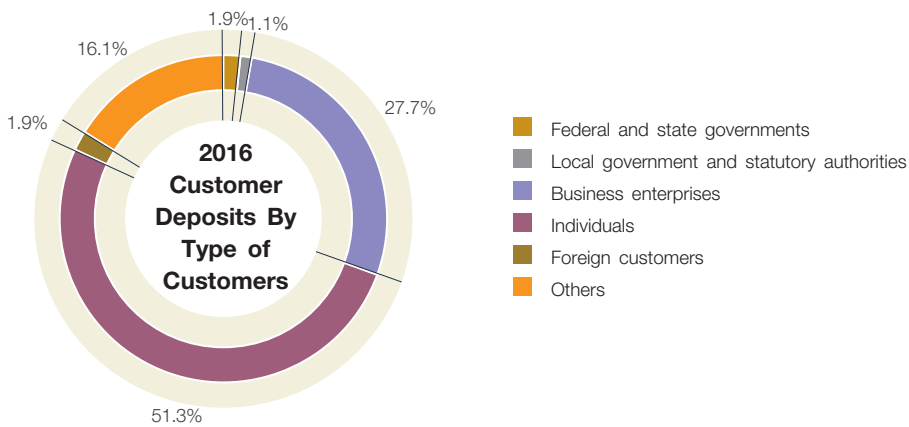
SUMMARY OF GROUP FINANCIAL PERFORMANCE



- In 2016, the Public Bank Group's core customer deposits grew by 5.3%, mainly driven by domestic core customer deposits which saw a favourable increase of 4.1% as compared to the domestic industry's core customer deposits growth rate of 3.6%.

Domestic Core Customer Deposits	Outstanding 2016 RM'Million	Outstanding 2015 RM'Million	Growth Rate %	Industry Average %
Demand deposits	**41,470**	40,012	3.6	4.1
Savings deposits	**27,524**	25,501	7.9	7.0
Fixed deposits	**162,164**	156,446	3.7	2.8
	231,158	221,959	4.1	3.6

- The domestic core customer deposits growth was mainly due to healthy growth of fixed deposits, savings and demand deposits of 3.7%, 7.9% and 3.6% respectively in 2016, as compared to the industry's fixed deposits, savings and demand deposits growth rate of 2.8%, 7.0%, and 4.1% respectively.



- Customer deposits from individual depositors accounted for 51.3% of the Group's total customer deposits.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

FUNDING AND LIQUIDITY

Stable Funding and Liquidity Position

Funding Profile	Outstanding 2016 RM'Million	2015 RM'Million	Growth Rate %	Composition %
Deposits from Customers				
Core customer deposits	**258,155**	245,171	5.3	69.3
Wholesale deposits	**51,735**	55,911	(7.5)	13.9
Other deposits	**83**	75	10.9	0.0
Other Deposits and Borrowings				
Deposits from banks	**11,811**	9,970	18.5	3.2
Obligations on securities sold under repurchase agreements	**2,470**	–	100	0.7
Bills and acceptances payable	**327**	363	(9.8)	0.1
Borrowings	**1,527**	603	>100	0.4
Recourse obligations on loans sold to Cagamas	**1,922**	1,922	–	0.5
Debt Capital				
Senior Medium Term Notes	**2,405**	1,399	71.9	0.6
Tier II Subordinated Notes/Sukuk Murabahah	**5,455**	5,452	0.1	1.5
Innovative Tier I Capital Securities	**–**	2,090	(100.0)	–
Non-innovative Tier I Stapled Securities	**2,127**	2,123	0.2	0.6
Equity Capital				
Shareholders' equity	**34,213**	31,231	9.5	9.2
	372,230	356,310	4.5	100.0

- The Public Bank Group's total funding grew by 4.5% or RM15.92 billion to RM372.23 billion as at the end of 2016. The increase was mainly due to core customer deposits which rose by 5.3% or RM12.98 billion to RM258.16 billion as at the end of 2016.

- The Group's primary sources of funding are core customer deposits and wholesale deposits which contributed 69.3% and 13.9% respectively to the Group's total funding.

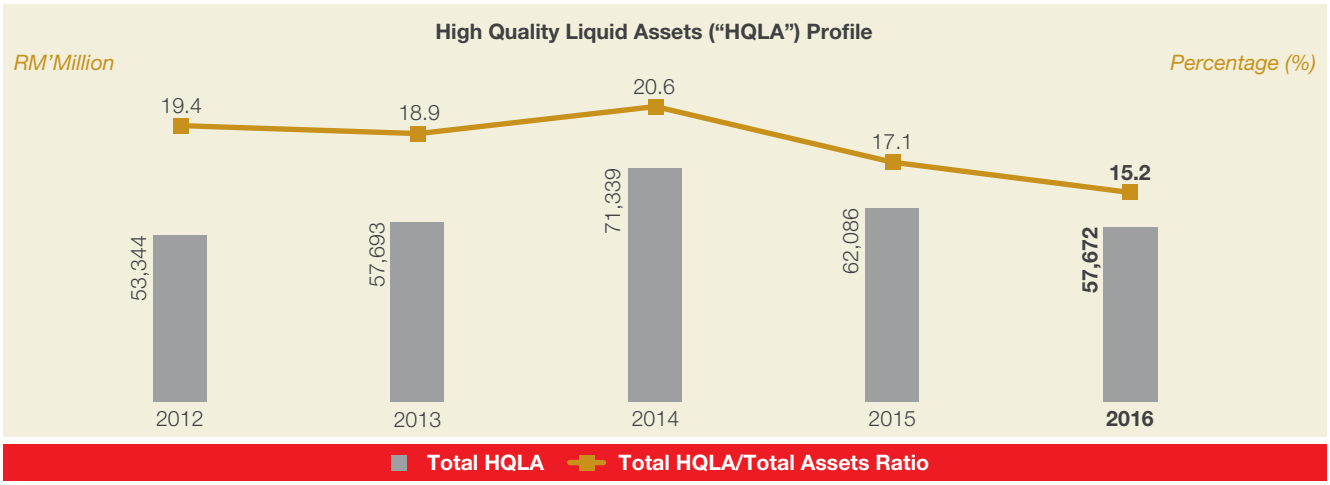
- The Group's equity capital and long term debt capital funding comprising of Senior Medium Term Notes, Subordinated Notes, Subordinated Sukuk Murabahah and Non-innovative Tier I Stapled Securities formed 11.9% of the Group's total funding.

SUMMARY OF GROUP FINANCIAL PERFORMANCE

Group Funding Profile

Year	2012 %	2013 %	2014 %	2015 %	2016 %
Core customer deposits	65.7	67.1	63.9	68.8	**69.3**
Wholesale deposits	17.8	16.5	17.6	15.7	**13.9**
Deposits from banks	4.8	5.4	6.1	2.8	**3.2**
Equity	6.7	6.8	8.3	8.8	**9.2**
Debt capital funding	3.3	3.3	3.2	3.1	**2.7**
Others	1.7	0.9	0.9	0.8	**1.7**

- The Group remains primarily funded by deposits. A significant portion of the Group's funding requirements over the last five years were from core customer deposits which contributed approximately two-thirds of the Group's total funding. These cost efficient long term sources of funds underpin 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 remained high at RM57.67 billion as at the end of 2016, representing 15.2% of the Group's total assets.

KEY PERFORMANCE INDICATORS

The table below summarises the key performance indicators of the Public Bank Group and targets for 2017 set by the Group:

Key Performance Indicators	2012	2013	2014	2015	2016	2017 Targets
Profitability (%)						
Net return on equity	24.1	22.4	19.9	17.8	**16.5**	14% – 15%
Cost to income ratio	31.2	30.7	30.0	30.5	**32.3**	33% – 34%
Asset Quality (%)						
Gross impaired loans ratio	0.7	0.7	0.6	0.5	**0.5**	< 1%
Balance Sheet (RM'Billion)						
Assets	274.8	305.7	345.7	363.8	**380.1**	–
Gross loans	197.8	221.2	245.0	273.4	**294.0**	6% – 7% growth
Deposits	225.0	250.9	276.5	301.2	**310.0**	5% – 6% growth

Despite the challenging business environment, the Public Bank Group has demonstrated the ability to generate stable profitability. The Group's resilience and sustained performance is attributed to its disciplined and measured approach in the implementation of its growth strategy guided by time-tested principles of prudence, thrift and vigilance. The Group's macro key performance objectives include maintaining strong organic business growth, sustaining superior asset quality as well as improving productivity.

PROFITABILITY

- In terms of profitability, the Public Bank Group sustained the highest net return on equity amongst Malaysian banking groups with net return on equity of 16.5% in 2016.
- The Group remained the most cost efficient bank in Malaysia with the lowest cost to income ratio of 32.3%.

ASSET QUALITY

- The Group's strong asset quality is a result of its prudent lending policies, strong credit risk management practices and extensive recovery efforts.
- The Group's gross impaired loans ratio of 0.5% ranked No. 1 amongst domestic banking groups.

BALANCE SHEET STRENGTH

- The Group has demonstrated consistently strong financial and business performance over the past five years. The Group's total assets had expanded from RM274.82 billion as at the end of 2012 to RM380.05 billion as at the end of 2016. Since the end of 2012, total loans and total deposits grew by 48.6% and 37.7% respectively to RM293.96 billion and RM309.97 billion respectively as at the end of 2016.

TARGETS FOR 2017

- For 2017, the Group targets to achieve net return on equity between 14% and 15%, cost to income ratio between 33% and 34% whilst sustaining a low gross impaired loans ratio of below 1%.
- In 2017, the Group also aims to achieve between 6% and 7% growth in gross loans and between 5% and 6% growth in deposits.

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	2016 Public Bank Group	2016 Latest Industry Average	2016 Rank	2015 Public Bank Group	2015 Latest Industry Average	2015 Rank
Profitability (%)						
Pre-tax return on average equity	**20.1**	**12.4**	**1**	22.1	12.4	1
Pre-tax return on average assets	**1.8**	**1.3**	**1**	1.8	1.3	1
Cost to income ratio	**32.3**	**48.8**	**1**	30.5	48.8	1
Productivity (RM'000)						
Pre-tax profit/employee	**351**	**244**	**1**	353	244	1
Gross loans/employee	**15,761**	**12,128**	**1**	14,883	12,128	1
Deposits/employee	**16,620**	**14,018**	**1**	16,391	14,018	1
Asset Quality (%)						
Gross impaired loans ratio	**0.5**	**1.6**	**1**	0.5	1.6	1
Loan loss coverage	**102.7**	**90.2**	**2**	120.8	96.3	2
Growth Rate (%)						
Gross loans (domestic)	**7.2**	**5.3**	**NA**	10.3	7.9	NA
Customer deposits (domestic)	**1.8**	**1.5**	**NA**	7.5	1.8	NA

NA Not available

The Public Bank Group was the third largest banking group in Malaysia with an asset size of RM380.05 billion as at the end of 2016. The Group's total assets represent 14.0% of the domestic industry's total assets whilst its domestic market share of gross loans and customer deposits stood at 17.7% and 16.7% respectively as at the end of 2016. During the year, the Group became the largest bank in Malaysia in terms of domestic lending.

PROFITABILITY

- The Public Bank Group remains top amongst 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 20.1% and 1.8% respectively were above the banking industry's average of 12.4% and 1.3% respectively.
- The Group continues to be the most efficiently managed bank in Malaysia with a cost to income ratio of 32.3%, which was well below the banking industry's average cost to income ratio of 48.8%.

PRODUCTIVITY

- The Public Bank Group continued to rank No.1 in terms of productivity amongst its domestic commercial banking peers. Gross loans per employee and deposits per employee grew by 5.9% and 1.4% respectively to RM15.8 million and RM16.6 million respectively as at the end of 2016 whilst pre-tax profit per employee stood at RM351,000 as at the end of 2016.

BENCHMARKING AGAINST BANKING INDUSTRY'S PERFORMANCE

ASSET QUALITY

- The Group's gross impaired loans ratio of 0.5% remained the best amongst Malaysian banking groups and was well below the banking industry's gross impaired loans ratio of 1.6%.

- The Group's loan loss coverage ratio stood at 102.7% which was higher and more prudent than the banking industry's loan loss coverage ratio of 90.2%.

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	16.5	32.3	0.5
Malaysia			
Malayan Banking Berhad	9.2	48.9	2.2
CIMB Group Holdings Berhad	8.5	54.6	3.2
RHB Capital Berhad	10.0	49.9	2.3
Hong Leong Bank Berhad	10.1	44.8	0.8
AMMB Holdings Berhad	8.7	56.1	1.6
Affin Holdings Berhad	6.1	63.3	2.1
Alliance Financial Group Berhad	10.9	46.5	0.9

* *The key financial indicators of the other domestic banks in Malaysia are based on their latest published results.*

The Public Bank Group ranks No. 1 in terms of profitability, asset quality and cost efficiency amongst the key domestic commercial banking groups in Malaysia, with the highest net return on equity of 16.5% and lowest cost to income ratio of 32.3% as well as lowest gross impaired loans ratio of 0.5%.

BENCHMARKING AGAINST BANKING INDUSTRY'S PERFORMANCE

COMPARISON AGAINST LEADING BANKS IN ASIA PACIFIC

Banks	Net Return on Equity %	Cost to Income Ratio %	Gross Impaired Loans Ratio %
Public Bank Group	16.5	32.3	0.5
Singapore			
DBS Group	10.7	43.0	1.3
UOB	10.5	45.4	1.6
OCBC	10.5	44.5	1.2
Hong Kong			
Hang Seng Bank	12.4	32.7	0.6
Hongkong and Shanghai Bank Corporation Limited of Hong Kong ("HSBC HK")	13.8	42.8	NA
Australia			
ANZ Bank	10.0	50.8	0.6
Commonwealth Bank of Australia	16.2	42.4	0.4
National Australia Bank	0.5	41.4	0.9

* *The key financial indicators of the other leading regional banks are based on their latest published results.*

NA - Not applicable

When benchmarked against the leading banks in the Asia Pacific region namely Singapore, Hong Kong and Australia, the Public Bank Group's net return on equity and cost to income ratio of 16.5% and 32.3% respectively ranked first. The Group's gross impaired loans ratio of 0.5% ranked second when compared to the leading regional banking groups.

CAPITAL MANAGEMENT

The Public Bank Group's Capital Management Framework articulates the Group's capital management objectives and requires the Group to proactively manage its capital in order to support its business growth and strategic investments, taking into consideration the regulatory and business environment in which the Group operates. This involves on-going review of the level and composition of the Group's capital, assessed based on the following key 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

COMPREHENSIVE RISK ASSESSMENT UNDER ICAAP

The Public Bank Group achieves these objectives 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 conducted to understand the sensitivity of the key assumptions in the capital plan to the adverse effects of plausible stress scenarios. In order to enhance stress scenarios used, actual market stresses which occurred in recent years are employed in the stress testing. The stress testing exercise facilitates the assessment of the adequacy of the Group's capital to withstand market shocks and the formulation of action plans 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 sufficient 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 taking into account regulatory requirements, business growth 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 will begin at 0.625% on 1 January 2016, and increase 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.

CAPITAL MANAGEMENT

Other capital buffer requirements which may be imposed by BNM include any other capital buffers deemed appropriate after having regard to the specific risk profile of the banking institution and additional capital loss-absorbency requirements for domestically systemically important banking institutions which will be assessed at a later stage by BNM.

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 2015 and 2016:

	Public Bank Group		Public Bank	
	2016 RM'Million	**2015 RM'Million**	**2016 RM'Million**	**2015 RM'Million**
Equity Capital	**29,856**	27,329	**23,840**	23,688
Additional Tier I Capital Instruments	**2,086**	2,730	**2,086**	2,730
Regulatory adjustments	**65**	59	**–**	–
Tier I Capital	**32,007**	30,118	**25,926**	26,418
Tier II Capital	**8,198**	8,092	**5,078**	4,532
Capital Base	**40,205**	38,210	**31,004**	30,950
Risk-weighted assets	**251,662**	239,703	**203,329**	194,414

	Public Bank Group		Public Bank	
Based on Transitional Arrangement	**2016 %**	**2015 %**	**2016 %**	**2015 %**
After Deducting Second Interim Dividends				
CET I capital ratio	**11.4**	10.9	**11.1**	11.5
Tier I capital ratio	**12.2**	12.0	**12.1**	13.0
Total capital ratio	**15.5**	15.4	**14.6**	15.3

CAPITAL MANAGEMENT

Basel III Fully-Loaded Based on final rules with effect from 1 January 2019**	Public Bank Group %	Public Bank %	Current Minimum Basel III Requirement* %
After Deducting Second Interim Dividends			
CET I capital ratio	**11.4**	**10.1**	7.0
Tier I capital ratio	**12.2**	**11.1**	8.5
Total capital ratio	**15.5**	**14.6**	10.5

* *Minimum capital requirements includes capital conservation buffer of 2.5%, which is fully effective on 1 January 2019, ie. 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 11.4%, 12.2% and 15.5% respectively and 10.1%, 11.1% and 14.6% respectively as at the end of 2016 which were well above the current minimum regulatory capital requirements.

The Public Bank Group will continue to closely monitor the latest development in the regulatory landscape and assess any potential impact to the Group's capital. This include review and assessment of the need for enhancement to the Group's capital to meet regulatory requirements and business needs.

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 its rights issue exercise amounting to RM4.8 billion which had further strengthened the Bank's equity capital to support continuous business growth and built up an adequate level of capital buffer for future regulatory requirements under the Basel III capital framework.

As at the end of 2016, the Bank has 20.6 million remaining treasury shares held, being shares bought back previously. These shares are still available for sale which can consequently enhance further the Group's and Bank's common equity capital.

The Group's achievement in the generation of stable profitability had continued to support healthy growth in its equity capital for continued business expansion.

ii. Debt Capital

In 2013, Public Bank issued its first Basel III-compliant subordinated debt issue of RM1.95 billion. To further strengthen the Public Bank Group's Tier II capital, Public Islamic Bank established a RM5 billion Basel III – Compliant Tier II Subordinated Sukuk Murabahah Programme, and has issued a total of RM500 million of Subordinated Sukuk Murabahah from this Programme.

In August and December 2016, Public Bank fully redeemed USD200 million and RM1,200 million of its Innovative Tier I Hybrid capital which were due for call.

CAPITAL MANAGEMENT

As at the end of 2016, the Public Bank Group has a total of RM7.58 billion debt capital outstanding comprising:

	RM'Billion
Non-Basel III (old-style)[1]	
Non-innovative Tier I stapled capital securities	**2.13**
Subordinated notes	**3.00**
Basel III compliant	
Subordinated notes/Sukuk Murabahah	**2.45**
	7.58

[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 43.0% in 2016 with dividend per share increasing from 56 sen in 2015 to 58 sen in 2016.

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 with 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 conducts regular communication 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	26 Apr 2016	• Financial Institution Ratings	AAA/Stable/P1	Stable
		• Up to RM5 billion Subordinated Medium Term Notes Programme	AA1	
		• Non-Cumulative Perpetual Capital Securities under the Non-Innovative Tier I Stapled Securities Programme	AA2	
		• Senior Medium Term Notes Programme	AAA	
		• Up to RM10 billion Subordinated Medium Term Notes Programme	AA1	
Moody's Investors Service	16 Aug 2016	• Bank Deposits	A3/P-2	Stable
		• Baseline Credit Assessment	a3	
		• Adjusted Baseline Credit Assessment	a3	
		• Counterparty Risk Assessment	A2(cr)/P-1(cr)	
		• Preferred Stock	Baa2 (hyb)	
Standard & Poor's	8 Nov 2016	• Counterparty Credit Rating	A-/Stable/A-2	Stable
		• ASEAN Regional Scale	axAA/--/axA-1	








RM1 MILLION
CASH BACK


LOANS DEPARTMENT

MANAGEMENT DISCUSSION AND ANALYSIS
BUSINESS OPERATIONS REVIEW

OVERVIEW

STRATEGIC FOCUS: ORGANIC

FOCUS AREAS	BRIEF OVERVIEW
CORE FOCUS	
Domestic Consumer Banking and SME Lending	• Domestic Consumer Banking offers a comprehensive suite of financial solutions to meet retail consumers' needs. This includes retail financing for the purchase of residential properties, passenger vehicles, personal consumer financing, credit cards and share margin financing as well as deposits-taking. • SME Lending involves the provision of business banking solutions which include financing for asset acquisition, working capital and trade financing to small and medium enterprises. • The two key business pillars above are complemented by Islamic banking operations undertaken by Public Islamic Bank Berhad which provides a wide range of Shariah compliant products and services in consumer and retail commercial financing.
OTHER AREAS OF FOCUS	
Wealth Management	• Wealth Management comprise fund management operations involved in the provision of multi-asset investment solutions, both conventional and Islamic, undertaken by Public Mutual Berhad. • Bancassurance business is driven by strategic bancassurance tie-up with AIA Group Ltd ("AIA") and is involved in the distribution of a wide range of insurance products.
Transactional Services	• Transactional Services offer customers cash management services designed to assist in the management of receivables and payables. Remittance services in the payment space form the other area of focus.
Capital Market Operations	• Capital Market Operations comprise treasury operations involved in proprietary trading and distribution of treasury related products and services, domestic corporate lending which caters to the funding needs of large corporate customers and investment banking operations which offer corporate finance and advisory services and stock broking services.
International Operations	• International operations represent the Group's overseas business operations in Hong Kong, Cambodia, Vietnam, Laos and Sri Lanka.

SUPPORTED BY

Serving the Customer
(Page 208-209)

Provision of top-notch customer service in line with the Group's corporate tagline "Excellence Is Our Commitment".

Channel Management
(Page 210-211)

Serving customers through multi-channel network comprising branches, self service terminals and digital channels which include mobile, internet and social media platform.

GROWTH IN FOCUS AREAS

STRATEGIC APPROACH	REF.
• Consumer lending to focus on purchases 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 fund	Pg 182-190
• Offer superior services to customers and diversify product range • Develop new insurance products with AIA	Pg 191-198
• Promote e-payment • Maintain effective collaboration with its banking and non-banking partners	Pg 199
• 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	Pg 200-203
• Increase contribution from overseas operations in Hong Kong/China and Indo-China	Pg 204-207

Information and Communication Technology
(Page 212-215)

Harnessing information technology to support the Group's business needs and improve customer experience.

DOMESTIC CONSUMER BANKING AND SME LENDING

AT A GLANCE

	2016	2015	Growth %
Domestic consumer banking and SME lending profit (RM'Million)	**3,920.0**	3,970.4	(1.3)
Retail operations	**3,466.2**	3,621.7	(4.3)
Hire purchase	**453.8**	348.7	30.1
Gross loans, advances and financing (RM'Billion)	**231.98**	219.01	5.9
Retail operations	**182.38**	168.92	8.0
of which:			
– *Residential properties*	**92.62**	83.83	10.5
– *SME*	**66.62**	60.27	10.5
– *Personal loans*	**8.71**	7.84	11.1
Hire purchase	**49.60**	50.09	(1.0)
Loans approval (RM'Billion)	**45.11**	52.25	(13.7)
Retail operations	**31.46**	34.99	(10.1)
Hire purchase	**13.65**	17.26	(20.9)
Gross impaired loans ratio (%)	**0.5**	0.5	–
Retail operations	**0.5**	0.5	–
of which:			
– *Residential properties*	**0.6**	0.5	0.1
– *SME*	**0.3**	0.4	(0.1)
Hire purchase	**0.6**	0.7	(0.1)
Customer deposits (RM'Billion)	**282.97**	277.94	1.8
Core customer deposits	**231.16**	221.96	4.1

2016 HIGHLIGHTS

- Pre-tax profit of retail and hire purchase operations collectively contributed 66.1% to the Group's total domestic operations' profit and remain the largest profit contributor to the Public Bank Group.
- Both residential property financing and lending to SMEs expanded by 10.5%. Passenger vehicle hire purchase financing dropped marginally by 1.0%.
- Market leader in residential property financing, commercial property financing and passenger vehicle hire purchase financing with market shares of 19.4%, 34.7% and 29.6% respectively.
- The gross impaired loans ratio of SME lending and passenger vehicle hire purchase financing further improved to 0.3% and 0.6% respectively. The gross impaired loans ratio of residential properties continued to be low at 0.6%.

DOMESTIC CONSUMER BANKING AND SME LENDING

The Pubic Bank Group's domestic retail banking provides a comprehensive range of retail loans and deposits products as well as financial services, covering both conventional and Islamic, to individual customers as well as small and medium enterprises ("SME"). The two key business pillars under the Group's domestic retail banking are consumer banking and SME lending and they collectively accounted for 85.9% of the Group's total domestic lending portfolio as at the end of 2016.

DOMESTIC CONSUMER BANKING

The Public Bank Group's domestic consumer banking comprise:

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

2016 was a challenging year for the property sector in light of the lackluster economic conditions and persistently weak consumer sentiment. The property transaction volumes declined due to a mismatch in demand and supply of properties whilst the industry's loan approval for residential properties dropped by 15.3%.

Performance Review

Despite the challenging market environment, the Public Bank Group's domestic lending to the residential property sector increased by 10.5% to RM92.62 billion as at the end of 2016, accounting for 34.3% of the Group's total domestic loan portfolio. The Group remained the largest residential property financier in Malaysia with market share of 19.4% as at the end of 2016.

The Public Bank Group continues to focus on the lower risk mass market segment with majority of its residential property loans granted for the financing of residential properties costing between RM100,000 and RM500,000. Properties in this price range makes up 65.4% of the total residential property loans approved in 2016.

The gross impaired loans ratio of the Public Bank Group's domestic residential property loans remained low at 0.6% as at the end of 2016 as compared to the industry's gross impaired loans ratio of 1.1%. The ability to sustain strong asset quality in residential property loans is due to the Group's prudent credit culture and stringent underwriting standards.

Products and Marketing Initiatives

The Public Bank Group's flagship loan products in the residential property segment are the 5HOME ("Home Ownership Made Easy") Plan and MORE ("Mortgage Refinancing") Plan. These loan products accounted for more than 96% of all loans approved for residential property financing in 2016. As a strong supporter of BNM's priority sector lending to provide financing for affordable homes, the Group has extended financing amounting to RM2.32 billion as at the end of 2016 to this segment.

The Public Bank Group has successfully sustained its position as the leading financier of residential properties in Malaysia. This was achieved through close support and relationship with reputable property developers, solicitors, property valuers and real estate agents. To sustain its growth momentum, the Group will continue to improve the productivity of its sales force and maintain efficient loan service delivery leveraging on its wide branch network and strong branding.

Anticipated Risks

The property market is expected to grow at a moderate pace on account of the lacklustre economic environment. The incoming supply of new properties over the next two years will further dampen the weak consumer sentiment as buyers continue to adopt a wait and see approach in anticipation of lower selling price. The Government's measure to increase stamp duties for properties above RM1 million from 3% to 4% effective 1 January 2018 may further contribute to the subdued market environment. Meanwhile, banks will face further margin compression resulting from the lower benchmarked interest rates, hence posing further downside pressure on earnings.

Prospect

The Government is placing greater emphasis on building more affordable homes. Initiatives planned and allocations made under Budget 2017 for various schemes such as Perbadanan Perumahan Rakyat 1Malaysia, People Housing Programme, and My Beautiful New Home is expected to improve the demand for properties by first time home buyers. Potential house buyers will also benefit from the 100%

DOMESTIC CONSUMER BANKING AND SME LENDING

exemption of stamp duty for houses valued up to RM300,000 for purchases between 1 January 2017 to 31 December 2018. With these measures in place, the growth prospects of the residential property market, particularly the affordable home segment, is expected to be favourable.

The Public Bank Group will sustain its growth in the residential property financing segment by focusing on the broader base mass market and home mortgages for owner occupation. The Group will remain disciplined and prudent in its credit underwriting, continue to be vigilant and proactive in its recovery of impaired loans whilst pursuing growth opportunities. The Group is confident that it is well-placed to capitalise on opportunities and address challenges which may arise in 2017 from a position of strength.

Passenger Vehicle Hire Purchase Financing

The domestic automotive industry hit a number of speed bumps in 2016 on the back of volume decline due to weakened consumer sentiment amid a tepid economic environment. As a result, total industry volume and hire purchase loans declined 13.0% and 1.2% respectively during the year.

Performance Review

As one of the core retail lending business of the Public Bank Group, passenger vehicle hire purchase financing accounts for 18.4% of the Group's total domestic loan portfolio.

In line with the contraction in the automotive industry, the Public Bank Group's domestic vehicle hire purchase financing decreased marginally by 1.0% or RM493.8 million to RM49.60 billion as at the end of 2016. However, the Group continues to uphold its leading position in this business segment with an improved market share of 29.6% as at the end of 2016. This was achieved whilst maintaining a better-than-industry asset quality. The gross impaired loans ratio for the Group's domestic vehicle hire purchase financing remained low at 0.6% as at the end of 2016 as compared to the industry's gross impaired loans ratio of 0.9%.

Marketing Initiatives

The Public Bank Group drives market share and business growth through close business collaboration with auto dealers and distributors nationwide. Together with these business partners, the Group has participated in more than 700 sales promotions, car sales carnivals and roadshows nationwide as well as initiated various tie-up programmes during the year.

To support efficient loan delivery and maintain close rapport with business associates and customers, the Public Bank Group maintains a strong sales team of more than 1,500 staff located in 27 Hire Purchase Centres and 259 branches nationwide. To promote digital marketing and improve processing turnaround time, all marketing staff are now equipped with application built in mobile devices which support e-submission of loan applications, enabling them to engage customers on the go.

Anticipated Risks

The automotive industry is expected to remain challenging with sales volume continuing to come under pressure in view of the cautious consumer and business sentiment arising from the tepid economic conditions. Meanwhile, aggressive pricing strategy adopted by competitors in the banking industry will further result in thinning net interest margin.

Prospects

Despite the continued challenges in the operating environment, the Public Bank Group, leveraging on its strong market position, will continue to focus on target growth segments and enhance fee-based income. The Group will strive to increase its market presence in the financing of quality secondhand passenger and light commercial vehicles which yield higher income. The Group is confident that its proven business strategies have strengthened the Group's resilience and will set the foundation for sustainable growth in this business segment.

Personal Consumer Financing

The Bai' Ai-Inah ("BAE") Personal Financing-i product, offered by Public Islamic Bank, is the key driver for the Public Bank Group's domestic personal consumer financing business. BAE Personal Financing-i is a product 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.

As a responsible financier, the Public Bank Group supports the Government and BNM's initiatives to promote sound and sustainable household debt repayment capability. In line with the adoption of more stringent lending criteria, total financing outstanding of BAE Personal Financing-i declined 7.0% to RM1.90 billion as at the end of 2016.

DOMESTIC CONSUMER BANKING AND SME LENDING

Credit and Debit Cards

As part of the Public Bank Group's commitment to support Bank Negara Malaysia's Payment Card Reform Framework, the Group has invested significant resources to deploy Chip and Pin enabled payment cards and merchant terminals in 2016. This effort is part of the industry-wide transition to migrate from signature based cards to PIN based cards by 1 January 2017. Even as resource intensive migration initiatives were undertaken during the year, the Group continued to gain traction in its card business through effective marketing initiatives.

Performance Review

The Public Bank Group's domestic credit card base increased by 11.8% in 2016, exceeding the industry's growth rate of 6.6%. The growth was mainly attributed to new customer acquisition and cross-selling initiatives as well as effective execution of retention and loyalty programmes. Consequently, the Group's total domestic credit card sales and credit card receivables grew by 13.1% and 6.2% respectively in 2016.

In 2016, Public Bank's debit card portfolio achieved commendable performance, with debit card base and debit card sales growing by 16.4% and 23.5% respectively. On the merchant front, although the reduction in domestic interchange reimbursement fee has led to stiff competition in the industry, merchant sales and merchant terminal rental grew by 14.0% and 2.9% respectively in 2016 as a result of continued focus on new merchant acquisition programmes which offer competitive packages.

New Products and Marketing Initiatives

In March 2016, Public Bank launched the PB WORLD MasterCard Credit Card - The Ultimate Travel Companion for travellers with contactless payment feature.

During the year, various campaigns were also initiated to encourage card spending and acquire new customers. Some of the campaigns launched include "Get More with PB Cards", "Save more with PB Cards", "Get a set of complimentary 2 pieces Valentino Creations Luggage Bag" and "RM1 million Cash Back".

Public Bank will continue to partner reputable merchants and roll out attractive usage and reward campaigns to retain and reward existing cardmembers as well as acquire new customers.

Anticipated Risks

The downward revision of interchange fee ceiling by 1.3 basis points with effect from 1 January 2016 has resulted in more intense pricing competition and impacted the profitability of merchant acquiring business. A further reduction in the interchange fee is forecasted in 2017. With this reduction, more intense pricing competition in the card payment industry is expected, leading to further downward pressure on interchange fee revenue.

Prospects

Although new regulations had led to intense competition and challenges in the card business, Public Bank is optimistic of growing its card base and market share by leveraging on its good product value proposition, delivery of excellent customer service as well as the strong PB brand. The Bank will also intensify efforts to acquire new merchants and cardmembers to increase card sales and fee revenue in order to mitigate the intense pressure on interchange revenue.

Share Margin Financing

The Public Bank Group's share trading and share margin business in Malaysia, PB Sharelink, registered a decrease of RM860.0 million or 7.7% in share trading volume to RM10.27 billion in 2016 in line with the drop in total share trading volume in the industry. Consequently, the Group's total gross brokerage income declined by 13.3% from RM34.5 million in 2015 to RM29.9 million in 2016 whilst interest income from share margin business saw a marginal decrease to RM27.4 million in 2016. Correspondingly, total assets in custody dropped marginally by 0.6% to RM5.19 billion as at the end of 2016.

In an effort to enhance efficiency and service delivery, Public Bank rolled out the share trading system 3.0G Version which allows customers to place odd lots and "Good-Till-Date" orders. The Bank will also launch the mobile trading application and a new share margin financing package in the first quarter of 2017 that is expected to increase the fee based income of PB Sharelink.

MANAGEMENT DISCUSSION AND ANALYSIS – BUSINESS OPERATIONS REVIEW

DOMESTIC CONSUMER BANKING AND SME LENDING

Customer Deposits

Domestic Core Customer Deposits	2016 RM'Billion	2015 RM'Billion	Growth %	Market Share %
Demand Deposits	**41.47**	40.01	3.6	13.0
Savings Deposits	**27.53**	25.50	7.9	19.0
Fixed Deposits	**162.16**	156.45	3.7	18.9
Total Domestic Core Customer Deposits	**231.16**	**221.96**	**4.1**	**17.5**

Performance Review

Intense competition amongst banks for deposits, particularly core customer deposits continued in 2016. Despite these significant challenges, the Public Bank Group was able to achieve a respectable growth of its domestic core customer deposits, which increased by 4.1% or RM9.20 billion to RM231.16 billion as at the end of 2016, higher than the domestic banking industry's core customer deposits growth of 3.6%. The growth was mainly due to expansion of domestic fixed deposits and low cost demand and savings deposits ("CASA") of 3.7%, 3.6% and 7.9% respectively in 2016. As a result of the above industry growth, the Group's market share of domestic core customer deposits increased to 17.5% as at the end of 2016, up from 16.9% a year ago. The Group's domestic CASA stood at RM69.00 billion as at the end of 2016 and constituted 29.8% of the Group's domestic core customer deposit base.

New Products and Marketing Initiatives

In 2016, growing a larger and stable retail deposit base, especially CASA continued to be a key focus area for the Public Bank Group. To drive higher acquisition of deposits, focused initiatives via tactical campaigns were implemented. In line with the Group's effort to introduce Straight-Through-Processing options through its digital channels, the PB eFixed Deposit was launched which significantly reduced the turnaround time to open and withdraw fixed deposits.

PB eFixed Deposit Account

Public Bank introduced the paperless "PB eFixed Deposit Account" ("PB eFD") which allows account creation, placement and withdrawal to be performed online via PBe Online Banking ("PBe"). The PB eFD placements can be carried out in real time whilst monthly interest payments will be directly credited into customers' current account or savings account with automatic renewal features, hence providing a more convenient banking experience for customers. In conjunction with the introduction of the product, the Bank held the "PB eFixed Deposit" Campaign. The response was encouraging, with RM107.2 million of deposits garnered during the campaign period.

PB MySalary Savings Account

To increase payroll accounts and enhance its CASA deposits base, Public Bank launched the "PB MySalary Savings Account" ("PB MySalary SA") which offered higher multi-tiered interest rates via the Bank's PB Electronic Credit Payment ("ECP") service. PB MySalary SA is open to eligible individual customers who receive their salary via the PB ECP service whereby their employers are subscribers of the Bank's Cash Management Services. To encourage utilisation of this product, the "PB MySalary Savings Account" Campaign offers bonus interest of 1% per annum for account holders who perform a minimum of three bill payments via PBe or PB engage within a month.

Public Bank's 50th Anniversary Campaigns

In conjunction with Public Bank's 50th anniversary, the following campaigns which have successfully garnered total CASA deposits amounting to RM425.6 million were launched during the year:

- "PB 50th Anniversary Savers Reward".
- "PB 50th Anniversary Bonus Savers Reward".
- "PB 50th Anniversary Golden Savers Reward".
- "PB 50th Anniversary Grand Savers Rewards".
- "PB 50th Anniversary Bright & Young Savers Reward".

DOMESTIC CONSUMER BANKING AND SME LENDING

Tactical Campaigns

To drive higher acquisition of new deposits, various tactical campaigns were launched during the year as follows:

Joint campaigns by Public Bank and Public Islamic Bank

Campaign	Features	Deposits Raised (RM'Billion)
• PB FD Xtra	Promotional interest or profit rate for first six months of deposits placement and higher rate for subsequent rollover of six months.	38.81
• PB Step Up FD	Customers are given the flexibility to place short-term fixed deposits of three-month tenure and option to rollover another three-month twice to earn higher interest or profit rate.	2.02
• FB FD Rush	Offers higher promotional interest or profit rate for four-month deposits placement into PLUS Fixed Deposit or Term Deposits-i.	2.18
• PB Fixed Deposit and Term Deposit-i	Offers higher promotional interest or profit rate for six-month PLUS Fixed Deposit and Term Deposit-i placements.	12.61

Campaign by Public Bank

Campaign	Features	Deposits Raised (RM'Million)
• PB Golden Fortune	Customers can either place deposits in PLUS CASA or combine with investment (Unit Trust Funds or Gold Investment Account) with CASA to be entitled to receive exclusive gift(s).	69.8

Red Carpet Banking

Public Bank's Red Carpet Banking ("RCB") is dedicated to managing the wealth of the high net worth and affluent customer segment, and offers dedicated advisory as well as customised solutions that draw from the Bank's broad range of services and products to meet customers' needs. In 2016, RCB made further inroads into this market segment, growing the RCB customer base by 18.9%. Arising from this, the average product holding per RCB customer has also increased to 3.57 as at the end of 2016.

Anticipated Risks and Prospects

There are signs of slowing down of income growth as well as customer spending in line with the more subdued market conditions. Amid the low interest rate environment, demand for alternative investments as compared to traditional deposits has increased in certain customer segment as customers search for higher yield. Meanwhile, business sentiment continued to be guarded with corporations preferring to make placements in interest bearing current accounts or money market instruments which provide better returns. Against the backdrop of a cautious market sentiment and competitive pricing environment, the competition for customer deposits, particularly CASA, is expected to remain intense.

In the year ahead, Public Bank will continue to roll out low cost deposits campaigns with more attractive features to encourage more deposits placements from both new and existing customers. To further expand its customer base, the Bank will capitalise on its extensive domestic branch network to reach out to new market segments.

DOMESTIC CONSUMER BANKING AND SME LENDING

SME LENDING

Performance Review

Recognising that the small and medium enterprises ("SME") sector is a key growth engine of the Malaysian economy, SME lending continues to be a target growth segment of the Public Bank Group, accounting for 24.7% of the Group's domestic lending portfolio. The Group's SME loans recorded an increase of 10.5% to RM66.62 billion as at the end of 2016. In 2016, the Group approved RM16.66 billion loans to domestic SMEs. The Group's consistent healthy SME lending growth over the years is a testament of the Group's commitment to support the needs of SMEs by delivering straightforward banking solutions that match the needs of their businesses.

Products

SWIFT ("Shophouse, Warehouse, Industrial Factory and Trade Financing") Plan

The SWIFT Plan which is the Public Bank Group's core flagship product provides financing for the acquisition of assets, working capital and trade financing. A total of RM5.28 billion was granted under this plan in 2016.

BNM Initiated Financing Schemes

As a strong supporter of BNM initiated financing schemes which assist SMEs to access business funding, the Public Bank Group participated in the following:

- BNM's priority sector lending to SMEs. The Group has consistently achieved beyond the target set by BNM to extend financing to this sector. The Group has approved a total of RM35.76 billion to this sector which has exceeded the total target of RM10.50 billion allocated to the Group for the two-year period from 2015 to 2016.
- The Working Capital Guarantee Scheme ("WCGS") which provides working capital and capital expense financing for eligible SMEs sponsored by Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP"). This scheme has been extended until 2025.
- Other financing schemes include the Fund for Small & Medium Industries 2, New Entrepreneur Fund 2 and Micro Enterprise Fund.

Credit Guarantee Corporation ("CGC") - Guaranteed Schemes

The Public Bank Group is also an active participant in guarantee schemes offered by CGC. Under these schemes, CGC provides guarantee cover at a reasonable cost to assist SMEs that have inadequate collaterals to obtain credit facilities. The various guarantee schemes offered by CGC include Portfolio Guarantee Scheme, BizJamin and Green Technology Financing Scheme (Producer & User).

Marketing Initiatives

The Public Bank Group leverages on its wide domestic branch network to expand its market reach in the SME sector. In line with the Group's strategic focus to be the preferred financier of SMEs, the Group continues to develop and enhance its product offerings to meet the needs of SMEs and improve their accessibility to financing.

Anticipated Risks

The global and domestic economic conditions are likely to remain uncertain with continued volatility in commodity prices. Business sentiment continue to be cautious due to sluggish external demand whilst export oriented businesses should fare well in light of the more competitive Ringgit. Meanwhile, preserving interest margins will remain a challenge for banks due to intensified competition.

Prospects

Despite the more cautious business environment, the SME sector is expected to remain resilient supported by various government measures such as schemes to support start-ups, initiatives under the SME Masterplan (2012 – 2020), Economic Transformation Programme and 11th Malaysia Plan. To sustain its market leadership position in SME financing, the Public Bank Group will continue to tap on market opportunities by offering products and services to meet the needs and demands of SMEs. To minimise the impact of margin compression, the Group aims to secure more free-float SMEs' demand deposits accounts and increase fee-based income from trade financing activities.

DOMESTIC CONSUMER BANKING AND SME LENDING

ISLAMIC BANKING

At a Glance

PUBLIC ISLAMIC BANK BERHAD	2016 RM'Million	2015 RM'Million	Growth %
Profit before tax	**528.7**	450.1	17.5
Gross financing	**37,537.4**	32,052.8	17.1
Deposits from customers	**42,473.1**	39,097.4	8.6
Gross impaired financing ratio (%)	**0.6**	0.7	(0.1)
Total capital ratio (%)	**13.5**	13.5	–

Public Islamic Bank Berhad ("Public Islamic") is a wholly-owned subsidiary of Public Bank and the Islamic banking arm of the Public Bank Group. Public Islamic leverages on the Bank's infrastructure, information and communication technology platform, extensive branch network, strong PB brand as well as its stringent lending policies to offer innovative and comprehensive range of Shariah compliant products and services under the guidance of the Public Islamic Shariah Committee.

In 2016, Public Islamic recorded profit before tax of RM528.7 million, representing a growth of 17.5% from 2015, and contributed 8.1% to the Public Bank Group's pre-tax profit. The commendable growth was mainly due to higher net financing income from healthy financing and deposits growth.

Public Islamic's total gross financing expanded by 17.1% or RM5.48 billion to RM37.54 billion as at the end of 2016, accounting for 12.8% of the Public Bank Group's total loans, advances and financing. Public Islamic's financing growth was mainly driven by financing for the purchase of residential properties and commercial financing to small and medium enterprises ("SME").

As a result of various deposits campaigns launched during the year to boost the deposits base, Public Islamic's customer deposits increased by 8.6% or RM3.38 billion from RM39.10 billion as at the end of 2015 to RM42.47 billion as at the end of 2016, accounting for 13.7% of the Public Bank Group's total deposits. Public Islamic continues to maintain healthy funding and liquidity position with financing to deposits ratio standing at 87.7% as at the end of 2016.

Despite healthy financing growth, the quality of Public Islamic's asset remained superior with gross impaired financing ratio of 0.6% as at the end of 2016 which was below the Islamic banking industry ratio of 1.3%. Public Islamic remained well-capitalised with its Common Equity Tier I capital ratio, Tier I capital ratio and Total capital ratio, after deducting interim dividend, standing at 10.9%, 10.9% and 13.5% respectively as at the end of 2016.

New Products and Services

Public Islamic strongly supports the Government's measures to enhance the SME and micro enterprise market segments, and has launched the New Enterprise Fund 2 and Micro Enterprise Fund during the year aimed at providing working capital financing at reasonable cost for eligible SMEs and micro enterprises.

During the year, Public Islamic launched various tactical campaigns such as "PB Step Up Term Deposit-i" and "PB Term Deposit-i" campaigns to acquire fresh deposits. To further strengthen Public Islamic's current and savings deposits base, the PB MySalary Savings Account-i" was launched, which is a savings account product for crediting employees' salary that offers additional benefits to the account holders.

DOMESTIC CONSUMER BANKING AND SME LENDING

RAM Ratings

In April 2016, Rating Agency Malaysia reaffirmed Public Islamic's long and short-term financial institution ratings at AAA and P1 respectively. The reaffirmation of the ratings reflects Public Islamic's strategic importance as the Islamic banking arm of Public Bank.

Role and Authority of the Shariah Committee

Public Islamic's Shariah Committee ("SCOM") consists of five members appointed by the Board of Directors, who are responsible and accountable on matters related to Shariah.

Governed by Bank Negara Malaysia ("BNM")'s Shariah Governance Framework for Islamic Financial Institutions, the roles and responsibilities of the SCOM 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;
- Endorse and validate 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:

Shariah Committee members	Number of Committee Meetings	
	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 RM220,000 zakat payments in 2016 to 14 state zakat centres and five orphanage homes.

The zakat assessment is calculated using the Profit and Loss method at a zakat rate of 2.5% and is based on the percentage of estimated Muslim individual shareholders of its holding company, Public Bank Berhad.

Anticipated Risks

The Islamic financial services sector is expected to see moderating financing growth due to weaker consumer sentiment, slowing economic growth and prudential measures introduced to control household debt level. Margin compression is also expected to persist whilst increased regulatory requirements from Basel III capital and liquidity requirements as well as the Islamic Financial Services Act's Shariah compliance requirements will lead to rising funding and operational costs.

Prospects

Despite these inherent challenges, Public Islamic will continue to expand its core business of financing to retail customers and SMEs. Leveraging on Public Bank's extensive branch network and strong PB brand, Public Islamic will continue to offer innovative and competitive products and services to its customers. To mitigate the effects of margin compression on net financing income, Public Islamic will also strive to strengthen its fee-based revenue.

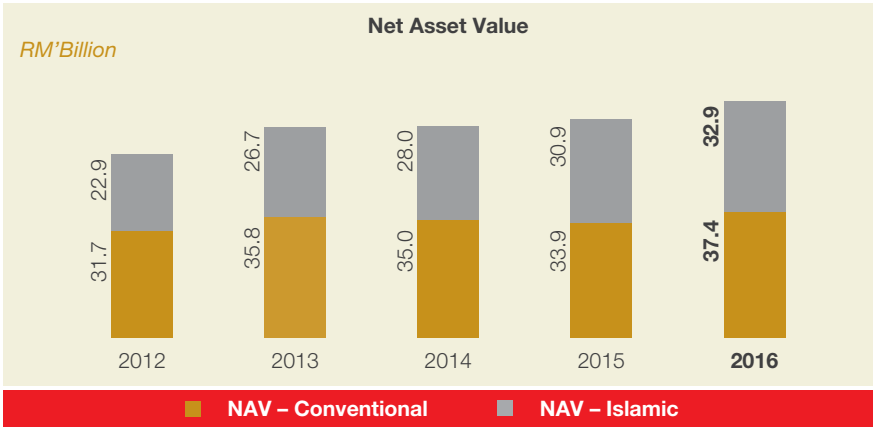
WEALTH MANAGEMENT

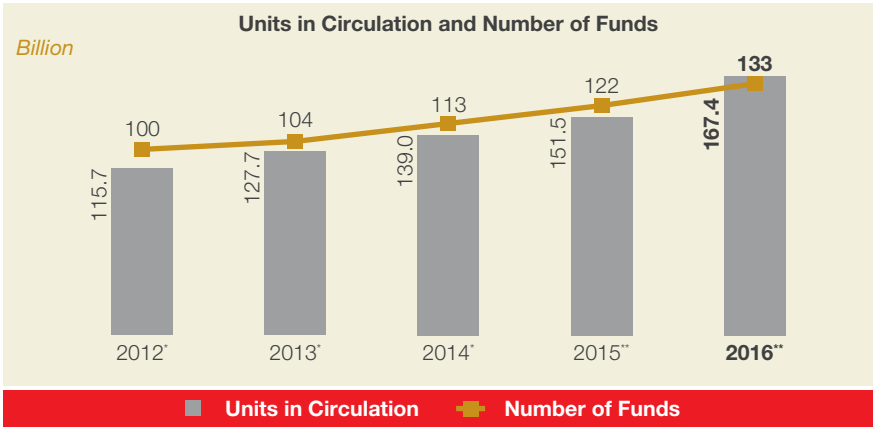
FUND MANAGEMENT

At a Glance

PUBLIC MUTUAL BERHAD	2016 RM'Million	2015 RM'Million	Growth %
Operating revenue*	**967.5**	922.1	4.9
Profit before tax	**572.9**	541.2	5.9
Total assets	**879.7**	835.1	5.3
Shareholders' funds	**184.7**	159.9	15.5

* *After offsetting direct sales commission*





* *Inclusive of six Private Retirement Scheme Funds*
** *Inclusive of nine Private Retirement Scheme Funds*

Overview

Global and regional equity markets traded on a mixed note in the first half of 2016 amid continued concerns over the outlook of the global economic growth. Following the United Kingdom's referendum to leave the European Union in late June, global and regional equity markets rebounded in the third quarter of 2016 amid expectations of more supportive monetary and fiscal policies.

Led by the United States of America ("US") market, global markets generally trended higher for the remainder of 2016 on optimism that the US economy will benefit from fiscal stimulus policies under the new US administration. However, regional markets generally traded on a mixed note amid the retracement in regional currencies against the US Dollar. The FTSE Bursa Malaysia Kuala Lumpur Composite Index closed the year at 1,642 points to register an annual decline of 3.0%. Meanwhile, domestic bond yields have broadly ended the year higher following the global bond retracement in the fourth quarter of 2016.

Performance Review

Public Mutual Berhad ("Public Mutual")'s profit before tax rose by 5.9% to RM572.9 million in 2016 from RM541.2 million in 2015 whilst total operating revenue increased by 4.9% from RM922.1 million in 2015 to RM967.5 million in 2016. Total assets under management ("AUM") increased from RM64.84 billion as at the end of 2015 to RM70.29 billion as at the end of 2016, with retail funds accounting for RM64.06 billion or 91.1% of Public Mutual's AUM.

WEALTH MANAGEMENT

Despite the volatility in the equity markets, the AUM of the Malaysian retail private unit trust industry grew at a higher pace of 9.9% in 2016 as compared to 7.1% in 2015. Public Mutual continues to be the leader in the retail private unit trust industry with AUM of RM64.06 billion and overall market share of 46.8% as at the end of 2016.

In the key retail unit trust fund sectors, Public Mutual retained its dominant position in the equity funds, Islamic funds, bond funds and foreign funds categories with market shares of 59.6%, 55.4%, 44.6% and 28.9% respectively in 2016.

Public Mutual's domestic equity funds and bond funds registered returns of up to 1.9% and 6.0% respectively in 2016. On the foreign front, regional equity funds achieved returns of up to 12.1% while country funds chalked up gains of up to 18.5% over the same period.

New Fund Launches

Public Mutual launched a total of 11 new unit trust funds during the year as shown in the table below:

Fund	Launch date
PB SmallCap Growth Fund	13 January 2016
Public Regular Savings Sequel Fund	15 January 2016
Public Wholesale Income Fund	2 February 2016
Public Islamic Wholesale Income Fund	2 February 2016
Public Emerging Opportunities Fund	30 March 2016
Public Islamic Emerging Opportunities Fund	30 March 2016
PB Mixed Asset Growth Fund	18 May 2016
Public Strategic Balanced Fund	9 June 2016
Public Optimal Equity Fund	26 July 2016
Public Islamic Optimal Equity Fund	26 July 2016
PB ASEAN Dividend Sequel Fund	18 August 2016

Including the above, there are a total of 133 funds managed by Public Mutual which comprise of 124 unit trust funds and nine Private Retirement Scheme ("PRS") funds as at the end of 2016.

Awards

Public Mutual's position as the No. 1 private unit trust company in Malaysia continued to be reinforced by the string of accolades received during the year.

The 18 awards bagged in 2016 include seven awards at The Edge I Thomson Reuters Lipper Fund Awards 2016 and two awards at The Asia Asset Management Awards 2015 for Best Retail House and Islamic Fund House of the Year, Malaysia categories.

Public Mutual was further honoured with two highly prestigious awards at the 2016 Morningstar Malaysia Awards in the Best Malaysia Large-Cap Equity (Shariah) Fund category for Public Ittikal Sequel Fund and Best Malaysia Large-Cap Equity Fund category for Public Sector Select Fund.

Public Mutual was also awarded The Asset Triple A Islamic Finance Awards 2016 for the Islamic Asset Management House of the Year, Malaysia (Retail) category for the sixth consecutive year, and the Reader's Digest Trusted Brand Platinum Award 2016 in the Investment Fund Company category for the seventh consecutive year.

Two BrandLaureate awards were bestowed upon Public Mutual this year for the Most Valuable Brand for Financial and Wealth Planning – Unit Trust category and subsequently the Industry Champion Brand ICON Leadership Award 2016 in Financial and Wealth Planning – Unit Trust.

Adding to the list, Public Mutual clinched the Thomson Reuters Lipper Global Islamic Fund Awards 2016 for Public Islamic Opportunities Fund in the Equity Malaysia Small and Mid Caps, 3 years category and Public Islamic Asia Dividend Fund in the Equity Asia Pacific Ex Japan, 5 years category. Public Mutual also won The Most Outstanding Islamic Fund Manager award of the 13th Kuala Lumpur Islamic Finance Forum ("KLIFF") Islamic Finance Awards 2016.

WEALTH MANAGEMENT

TYPE OF AWARDS		TOTAL AWARDS
FUND PERFORMANCE AWARDS		
The Edge I Thomson Reuters Lipper Fund Awards 2016		
3-Year Category	• Best Equity Greater China: Public China Select Fund • Best Equity Asia Pacific: PB China Pacific Equity Fund • Best Equity Malaysia Small and Mid Caps – Malaysia Islamic: Public Islamic Opportunities Fund	
5-Year Category	• Best Equity Asia Pacific Ex-Japan – Malaysia Islamic: Public Islamic Asia Dividend Fund • Best Equity Asia Pacific: PB China Pacific Equity Fund • Best Equity ASEAN: PB ASEAN Dividend Fund • Best Mixed Asset MYR Balanced – Global: PB Asia Real Estate Income Fund	11
2016 Morningstar Malaysia Awards		
	• Best Malaysia Large-Cap Equity (Shariah) Fund: Public Ittikal Sequel Fund • Best Malaysia Large-Cap Equity Fund: Public Sector Select Fund	
Thomson Reuters Lipper Global Islamic Fund Awards 2016		
3-Year Category	• Best Equity Malaysia Small and Mid Caps – Public Islamic Opportunities Fund	
5-Year Category	• Best Equity Asia Pacific Ex Japan – Public Islamic Asia Dividend Fund	
OTHER AWARDS		
2015 Asia Asset Management Awards		
	• Best Retail House – Malaysia • Islamic Fund House of the Year – Malaysia	2
The Asset Triple A Islamic Finance Awards 2016		
	• Islamic Asset Management House of the Year, Malaysia (Retail)	1
Reader's Digest Trusted Brand Platinum Award 2016		
	• Investment Fund Company Category in Malaysia	1
The BrandLaureate Best Brands Award 2015-2016		
	• Most Valuable Brand for Financial and Wealth Planning – Unit Trust	1
The BrandLaureate Industry Champion Brand ICON Leadership Awards 2016		
	• Financial and Wealth Planning – Unit Trust	1
13th KLIFF Islamic Finance Awards 2016		
	• The Most Outstanding Islamic Fund Manager	1

WEALTH MANAGEMENT

Marketing and Promotional Initiatives

Public Mutual's advertising and branding efforts in 2016 include:

- Extensive billboards placements nationwide.
- Advertisements in major newspapers as well as in other digital platforms.
- Nationwide roadshows, investment seminars and financial planning talks.
- Introduction of Google+ and LinkedIn pages to engage investors and the public, especially the Gen-Yers.
- Extension of Public Mutual's smart kiosks to Penang and Johor Bahru from the existing Customer Service Centre and smart kiosks at One Utama Shopping Centre to bring its products and services closer to the public.

Customer Service

The number of subscribers of Public Mutual Online service has increased to more than 264,000 as at the end of 2016. This service, introduced in January 2009, allows subscribers to execute various transactions such as initial and additional investments, switching and repurchase transactions.

Public Mutual's high net worth Mutual Gold Members which have risen to more than 103,800 members in 2016 continues to enjoy various special benefits and privileges extended to them.

Training, Branch Network and Support

Public Mutual continues to invest extensively in training and development programmes to develop the entrepreneurial skills of its unit trust consultants ("UTCs"). Public Mutual provides holistic training and equips its UTCs with the necessary tools needed to not only uphold the highest level of professionalism and ethics, but also to provide exceptional service to its investors.

Public Mutual has a network of 32 branches and customer service centres located nationwide which are well positioned to service and support its valued customers and UTCs.

During the year, the Puchong branch was expanded to accomodate training activities whilst the Ipoh branch was refurbished to better serve customers.

Anticipated Risks

The outlook for global equity markets is expected to remain challenging amid concerns over rising interest rates in the US and moderate economic growth in Europe following the United Kingdom's vote to exit the European Union. In Asia, regional equity markets are expected to be impacted by the potential weakening of regional currencies against the US Dollar and slower economic activities in China.

Prospects

Amid volatile market conditions, growth in the private retail unit trust industry is expected to be moderate with increased competition for AUM within the industry. Nevertheless, leveraging on its strong brand reputation, Public Mutual will continue to focus on offering superior financial products and services as well as continue to broaden the range of investment products available to meet the various needs of investors.



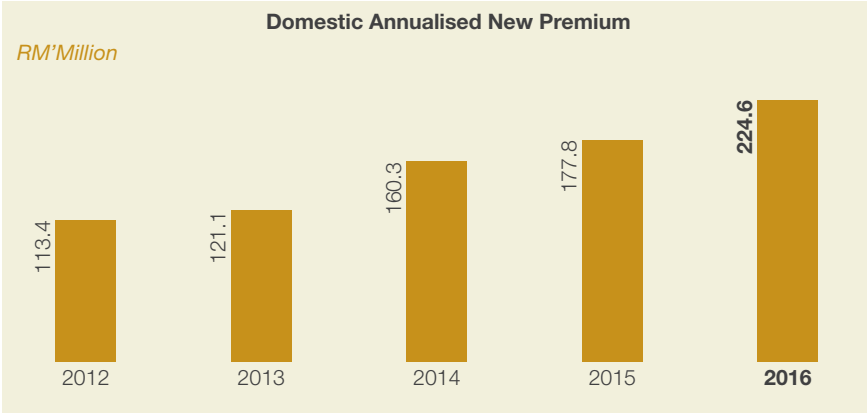
WEALTH MANAGEMENT

BANCASSURANCE

2016 marked the fourth year of the ten-year bancassurance partnership between the Public Bank Group and AIA Group Ltd. ("AIA"). The bancassurance business remains one of the Group's main fee income generator, complementing the Group's continuous effort to diversify income amid an environment of interest margin compression from its lending and deposits business.

The Public Bank Group's bancassurance distribution channel is supported by the Group's domestic branch network with approximately 500 licensed sales staff and 2,700 licensed staff for credit-related life insurance products. To strengthen the sales force, Insurance Specialists were also recruited to drive bancassurance sales and support strategic initiatives to sustain a healthy product mix. During the year, the Group launched an alternative regular premium investment-linked plan targeting high net worth customers, the PB WealthPlus, in addition to distributing its existing products which consist of regular premium investment-linked, single premium investment-linked, endowment and children education plans.

Performance Review



The domestic bancassurance business achieved RM224.6 million of annualised new premium ("ANP") in 2016, 26.3% or RM46.8 million higher than the ANP of RM177.8 million in 2015.

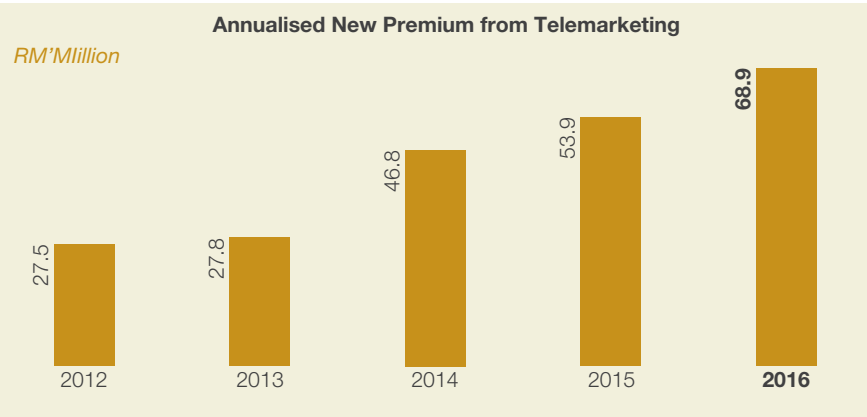
Products and New Initiatives

PB WealthPlus

In June 2016, Public Bank and AIA unveiled a regular premium investment product, PB WealthPlus ("PBWP") targeted at high net worth customers seeking high insurance protection for purposes of legacy planning, lifestyle protection for their loved ones or retirement planning. The PBWP comes with a high sum assured of RM1 million onwards and allows customers the option to choose from a range of 11 AIA investment funds to invest in based on their needs and risk appetite.

WEALTH MANAGEMENT

Telemarketing Insurance Products



The telemarketing channel for insurance products generated annualised new premium of RM68.9 million in 2016, an increase of 27.8% from RM53.9 million in 2015. The growth was mainly due to the sales of existing insurance products, PB Care PA and PB Health Care Plans.

Two new telemarketing products which provides insurance coverage for cancer, PB CI Care and PB Cancer Guard, were launched in January 2016 and July 2016 respectively. The PB CI Care provides insurance coverage for 36 critical illness, additional benefits for early stage cancer and insurance coverage reset feature upon diagnosis whilst the PB Cancer Guard is a protection plan which covers the insured from early to advanced stages of cancer as well as provides other insurance benefits.

With a wide range of products offered to meet customers' insurance protection needs as well as financial goals, the Public Bank Group's bancassurance business is well positioned to further increase penetration in the bancassurance business segment.

Marketing Initiatives

Sales Campaigns

During the year, various marketing and promotional activities were launched by Public Bank to boost productivity of sales staff promoting bancassurance products. These include the "Chinese New Year Booster for Incentive Trip Challenge 2016", "CNY 168 Prosperity Ang Pow Campaign", "2016 Q2 Regular Premium Bonanza Campaign", "PB Direct Booster Challenge", "2016 2H Regular Premium Bonanza Campaign", "PB WealthPlus Merdeka Booster Campaign", "Tottenham Hotspur's Jersey Challenge Campaign" and "PB WealthPlus Final Sprint Challenge". As in previous years, Public Bank once again rolled out the "Incentive Trip Challenge 2016" that offered foreign and local incentive trips to reward outstanding sales staff.

In conjunction with the launch of PB WealthPlus, two seminars were held for Red Carpet Banking customers in Klang Valley to promote PB WealthPlus and enhance Public Bank's relationship with existing high net worth customers.

To further spur the sales performance of PB SME Care, Public Bank also launched the "2016 Quarterly SME Challenge" which offered shopping vouchers and "2016 Incentive Trip Challenge to Bangkok".

Training Initiatives

Public Bank remains committed to build a competent work force and continuously identify suitable training programmes or courses to enhance sales staff competencies and selling skills. New recruits are provided with "First Advisor's Sales Training Achieving Curriculum" training to equip them with the appropriate selling skills and comprehensive knowledge of the Bank's products and services. The training roadmap is further enhanced to upskill the current Financial Executives via the "Sales Effectiveness Workshop", "Sales Calibration Training" and "Conversation Selling" programmes.

WEALTH MANAGEMENT

Hong Kong Operations

Public Bank (Hong Kong) Limited ("PBHK") and AIA International Limited (Hong Kong) ("AIA") entered its fourth year of the bancassurance business tie-up in 2016. The Public Bank Group's bancassurance business in Hong Kong is supported by 68 licensed Customer Service Officers stationed across the Group's network of 32 branches.

A total of HKD24.9 million in annualised new premium was generated in 2016, an increase of 22.7% from HKD20.3 million in 2015, mainly contributed by the sales of the "Simply Love Encore 2" insurance plan and "Executive Care Pro 2".

Anticipated Risks and Prospects

The economic uncertainties have resulted in a challenging operating environment for the bancassurance business as large corporations and customers have reduced their spending despite being able to obtain tax relief. With the growing range of products in the market, the bancassurance segment is expected to remain competitive.

In the face of these challenges, Public Bank aims to work closely with AIA to constantly review its bancassurance products to ensure they remain competitive and relevant to meet customers' needs. Public Bank will also conduct more sales activities and increase cross-selling initiatives whilst launching attractive incentive campaigns to boost the productivity of its sales staff.

STRUCTURED PRODUCT INVESTMENT

Headwinds arising from Brexit implications, the weakening of ringgit on the back of lower oil prices and prospects of monetary policy tightening in the United States had weighed on the risk appetite of retail customers for foreign currency investment. Public Bank continued to adopt a cautious approach in view of uncertain market conditions, focusing on the performance of the existing PB Dual Currency Investment ("DCI") rather than launching new products. The PB DCI is a short-term investment product that offers customers the opportunity to earn potentially higher returns on investment in the currency markets.

Moving forward, the PB DCI business is expected to improve given that Malaysia's retail sector will benefit from the government's fiscal measures to enhance disposable household income and spur domestic spending. Nonetheless, downside risks remains as the volatility in the foreign exchange market could result in lower return on investments for investors.

Initiatives for Product Cross-Sell

Public Bank's wealth management segment provides customers a wide range of banking and related financial products and services to meet customers' diverse needs at different stages of life. To promote cross selling and enhance customers' loyalty, the Bank leverages on technology by harnessing analytics and data to better understand customers' needs, improve customer experience and scale up its customer base in an efficient manner. These efforts are further corroborated by various product promotional events which are organised to enhance customer engagement and promote the Bank's broad range of products.

Product Promotional Event

As part of Public Bank's marketing initiatives, the Bank promotes its broad range of products at Product Promotional Events ("PPEs") held at branches on a quarterly basis.

Similar to previous years, a unique theme targeting different customer segments and special occasions was assigned to the PPE each quarter. To commemorate Public Bank's Golden Jubilee year, the "PB 50th Anniversary: Golden Prosperity" theme was used as the first quarter's PPE theme to welcome the auspicious year of the Monkey followed by the "PB 50th Anniversary: Loving Family" theme in the second quarter, which was created in conjunction with Parents Day. The "PB 50th Anniversary: Health is Wealth" theme was developed for the third quarter to emphasise the importance of health while the "PB 50th Anniversary: Festive Delights" theme was assigned to the fourth quarter to celebrate the joyous festive events during the quarter.

WEALTH MANAGEMENT

The PPEs have successfully garnered RM410.3 million of sales from various products, more than 3,000 new deposit accounts and more than 2,000 new credit and debit card holders. During these events, activities ranging from financial talks to children programmes were carried out to draw interest from the public to participate in the events. Customers were also given gifts as a token of appreciation to commemorate Public Bank's 50th Anniversary upon the purchase of the Bank's products.

Customer Relationship Management

Public Bank uses analytics tools to manage and enhance customer engagement at different touch points by integrating all relevant customer information such as demographic, account and product information in order to gain a better understanding of their behaviour. By leveraging on such insights, the Bank will be able to quickly identify and effectively address customers' primary needs and cross sell products and services that match their segment profile.

Public Bank's Analytical Customer Relationship Management ("CRM") evaluates and analyses customers' data from multiple channels to identify their distinctive behaviours in order to anticipate their needs, wants and banking preferences. The Bank also relies on these data analytics to develop innovative and personalised products as well as services that meet various customers' needs.

Public Bank continues to enhance the CRM Application ("CRMA") to enable effective management of customer data and customer interaction by sales personnel. The Bank uses CRMA extensively to channel leads to its sales distribution channel as well as improve marketing effectiveness and sales activities. In order to enhance the Bank's total product holdings and customer retention, meeting customers' needs and exceeding their expectations at every interaction is important and helps create new customer relationship and strengthens existing ones.



TRANSACTIONAL SERVICES

CASH MANAGEMENT SERVICES

Public Bank's cash management services are specifically tailored to provide comprehensive collection and payment solutions to ease routine business functions such as receivables and payables, hence relieving customers to focus on growing their business. These services are widely supported by the Bank's extensive network of branches and digital channels.

During the year, efforts were undertaken to promote higher utilisation and take up rates of Public Bank's cash management services. Besides coordinating 12 e-Payment Forums and organising more than 200 Branch Open Days, the Bank also participated in 19 e-Payment Roadshows initiated by Bank Negara Malaysia ("BNM") and Association of Banks Malaysia throughout Malaysia. As a result of these promotional activities, the number of payee and payor corporations increased by 69.9% to 3,913 as at the end of 2016.

Public Bank continues to be a strong supporter of BNM's initiatives to promote e-payment channels. In 2016, some of the notable business initiatives and achievements in Public Bank's cash management services, particularly in the FPX Payment Gateway were as follows:

- Appointment by Jabatan Penjara Malaysia as its Seller Bank for its e-commerce business of selling goods produced by inmates which are marketed under the brand name My Pride.
- Appointment as the Master Biller Bank for Koperasi Jayadiri Malaysia Berhad to facilitate repayment of loans through JomPAY.

Public Bank continues to be the Seller Bank for key business partners such as Air Asia and Private Pension Administrators Malaysia. In addition, the Bank which is already a Key Seller Bank for Lembaga Hasil Dalam Negeri, further scaled up its services offerings to include online Withholding Tax Deduction that was introduced for the first time during the year.

In recognition of Public Bank's strong cash management services offerings, the Bank was conferred with the following awards during the Malaysian e-Payments Excellence Awards 2016 event:

- Best Interbank Giro Bank
- Best Direct Debit Bank
- Malaysia Chip Card Specifications Pioneer Bank
- JomPAY National Biller Acquisition (Mid-Sized)

REMITTANCES

Public Bank's remittance services offer comprehensive money transfer services through the Public Bank Group's network of domestic branches. Despite global and domestic market uncertainties, Public Bank's total remittance transactions amounted to RM41.02 billion in 2016. This was achieved through effective collaboration with the Bank's business partners and remittance campaigns rolled out during the year.

Marketing Initiatives

PB Indonesia Money Transfer ("PBIMT") Ramadan Campaign 2016

In conjunction with the Ramadan and Hari Raya festive season, Public Bank again collaborated with Bank Central Asia to launch "PBIMT Ramadan Campaign 2016" in order to promote and drive the outward remittance services to Indonesia.

PB Overseas Education Campaign

In 2016, Public Bank continued to run the "PB Overseas Education Campaign", offering preferential forex rates for education remittances to Australia, New Zealand, United Kingdom and United States.

PB Overseas Remittance Campaign

Due to positive response and to further promote cross broader remittance service between Public Bank and its overseas subsidiaries or branches in Hong Kong, Vietnam, Laos, Cambodia and Sri Lanka, the "PB Overseas Remittance Campaign" which began in 2015 was extended to 2016. The campaign offered reduced service charges for each outward remittance transaction whilst beneficiaries enjoy reduced inward remittance service charges for remittance into their accounts maintained at Public Bank's overseas subsidiaries or branches. The campaign successfully generated more than 50,000 transactions amounting to USD1.69 billion during the campaign period.

Anticipated Risks and Prospects

The remittance business is expected to remain sluggish amidst global and domestic market uncertainties led by China's economic slowdown and headwinds emanating from Brexit. Nonetheless, Public Bank will continue to promote awareness of its remittance business and focus on diversifying and expanding its range of remittance services as well as leveraging on its digital platform to drive volume of its remittance business.

CAPITAL MARKET OPERATIONS

TREASURY

The Public Bank Group's treasury operations offer a wide range of financial services solutions in relation to foreign exchange and wholesale deposit-taking activities. These activities are performed through the treasury offices of Public Bank, Public Islamic Bank, Public Investment Bank, Public Bank (L) Limited and Public Bank (Hong Kong) Limited.

Performance Review

The Public Bank Group's treasury operations recorded 13.5% growth in pre-tax profit from RM491.8 million in 2015 to RM558.2 million in 2016. The commendable performance was primarily driven by higher net interest income and gains from sales of fixed-income assets.

Marketing Initiatives

Foreign exchange business remained the major fee-based income driver of the Public Bank Group's treasury operations. In 2016, the Group made concerted effort to widen customers' awareness of the needs for foreign currency hedging following drastic currency market fluctuations resulting from tumbling crude oil prices and the unexpected outcome of events such as the Brexit referendum, United States of America ("US") presidential elections as well as the prospects of monetary policy tightening in the US. Intense marketing to promote Public Bank's various treasury and structured investment products to targeted market segments further contributed to the pace and depth of transaction volumes.

The Public Bank Group manages its foreign currency cashflow requirements through the swap market. The high level of currency fluctuations during the year had enabled the Group to produce arbitraging returns via the currency swap and deposits markets. Secured funding and loans in the form of gold swap transactions were actively undertaken with global financial institutions to enhance income and efficiency of the treasury operations.

Sound liquidity and interest rate risks management strategies were proactively executed in accordance with policies set by the Group Asset and Liabilities Management Committee. Longer term funding and interest rate risk hedging requirements were also constantly reviewed and undertaken to reduce duration, mismatch risks and generate stable income.

On deposits-taking, the Public Bank Group continued to pursue diversification of deposits sources to reduce funds concentration from major depositors. Despite intense competition among financial institutions for deposits, the Group continued to achieve above industry deposits growth performance by leveraging on its vast branch network and close synergies with Public Islamic Bank, Public Bank (L) Limited and Public Investment Bank.

Public Bank continued to undertake the role of a Principal Dealer as appointed by Bank Negara Malaysia ("BNM") to develop the primary and secondary public debt securities markets. The debt securities trading activity complemented the Public Bank Group's active accumulation of financial assets to maintain a liquid balance sheet and to cope with any unexpected market events. In 2016, the Bank's transactions in securities specified by BNM represented 3.9% of the total volume transacted in the secondary market. In addition, the sale and purchase of public debt securities also boosted trading gains of Public Islamic Bank's and Public Investment Bank's treasury operations, which contributed to the Group's overall profitability.

Since the setup of the International Business Unit in 2014, the unit has actively engaged business partners to target specific segments of customers which include individuals, small and medium enterprises and various corporates that the Group's business partners have relationships with. Some of the products offered include trade finance, treasury, cash management, corporate and retail banking. The Group's partnerships with Resona Bank, Saitama Resona Bank and The Kinki Osaka Bank of Japan, Bank Central Asia of Indonesia and other banks have also further boosted the Group's international presence.

CAPITAL MARKET OPERATIONS

Anticipated Risks

The performance of the ringgit continued to be lacklustre throughout the year amidst the backdrop of a broadly stronger US dollar and weakness in both China's yuan and crude oil prices. Optimism over stronger economic growth and prospect of monetary policy tightening in US had fuelled a stronger demand for US dollar. Meanwhile, many Asian countries, especially those with close trade ties with China, had seen their currencies impacted by a weaker Chinese yuan which precipitated a decline in value over the year, including the ringgit.

Moving ahead, the domestic economy may continue to face increasing headwinds, given the still-fragile external environment and weak outlook of global crude oil prices. In addition, policy shifts in major economies and geopolitical issues may weigh on the performance of the ringgit. The banking industry is also likely to face increased competition for stable deposits. Nevertheless, Malaysia's retail sector is expected to benefit from the government's fiscal measures to enhance disposable household income and spur domestic spending. BNM is also expected to continue with its accommodative monetary policy stance to support the country's economic growth.

Prospects

Moving forward, the Public Bank Group will continue to focus on delivering quality customer services to secure long-term customer loyalty while identifying other areas that could help achieve greater growth and market penetration, which includes the development of new hedging and investment products to widen the existing product range. In the face of heightened market uncertainties, the Group will continue to strengthen its risk management capabilities and maintain strong liquidity positions to weather any potential market stress. The effectiveness and efficiency of the Group's business model will continue to be enhanced to create competitive advantages and cope with increasing regulatory requirements.

CAPITAL MARKET OPERATIONS

DOMESTIC CORPORATE LENDING

At a Glance

	2016 RM'Million	2015 RM'Million	Growth %
Profit before tax	**502.5**	425.6	18.1
Gross loans, advances and financing	**37,464.0**	32,323.4	15.9
Gross impaired loans ratio (%)	**0.1**	0.2	(0.1)

Notwithstanding weak market conditions, the domestic corporate lending operations of the Public Bank Group achieved resilient loans growth of 15.9% or RM5.14 billion to RM37.46 billion as at the end of 2016 from RM32.32 billion as at the end of 2015 driven by organic loans growth from existing corporate clients and new corporate loans acquired by leveraging on the Group's strong franchise. The Group's stringent credit underwriting standards and proactive recovery efforts have ensured the asset quality of the Group's domestic corporate lending operations remained formidable, as reflected by further improvement in the gross impaired loans ratio from 0.2% as at the end of 2015 to 0.1% as at the end of 2016.

Profit before tax of the Public Bank Group's domestic corporate lending operations recorded steady growth of 18.1% or RM76.9 million to RM502.5 million in 2016 from RM425.6 million in 2015 mainly attributed to higher net interest income from a larger loans base.

Moving forward, the Public Bank Group will continue to grow its existing corporate portfolio organically and acquire targeted new corporate clients whilst maintaining an appropriate balance between risk appetite and desired return on capital.

CAPITAL MARKET OPERATIONS

INVESTMENT BANKING

At a Glance

PUBLIC INVESTMENT BANK BERHAD	2016 RM'Million	2015 RM'Million	Growth %
Operating revenue	**170.4**	210.3	(19.0)
Profit before tax	**48.5**	59.3	(18.2)
Total assets	**2,824.4**	3,088.7	(8.6)
Shareholders' funds	**387.9**	374.3	3.6
Total capital ratio (%)	**41.3**	32.9	8.4

Public Investment Bank Berhad ("Public Investment Bank") provides a wide range of corporate finance and advisory services for a diverse spectrum of clientele as well as stock broking services for both its retail and institutional customers.

In 2016, Public Investment Bank successfully completed a total of 28 corporate exercises for its corporate clients comprising initial public offering, privatisation exercises, independent advisory as well as equity fund raisings. In terms of debt capital market fund raising deals, four debt funding programmes were also completed through the private debt securities or sukuk markets.

During the year, Public Investment Bank continued to grow the retail customer base of its stock broking business by leveraging on its internet share trading platform which offers greater flexibility and wider geographical reach which includes foreign internet share trading services. Through the synergistic efforts of its in-house research and institutional dealing teams, the institutional clientele base has also further expanded.

Given the challenging capital market conditions, Public Investment Bank achieved satisfactory operating revenue and pre-tax profit of RM170.4 million and RM48.5 million respectively in 2016.

Anticipated Risks and Prospects

Investment banking operations are susceptible to capital market conditions as sentiment could be adversely impacted by regulatory changes, uncertainties in interest rate directions, political instabilities and economic slowdown, amongst others. Foreign currency fluctuation risks as a result of capital outflows may also affect sentiment negatively. Investors may defer investment decisions thereby affecting equity markets while companies may hold back on fund raising or corporate exercises thereby affecting advisory and debt capital market operations.

Despite the challenging operating environment, private sector investments in domestic-oriented industries such as the oil & gas and construction sectors may see a slight pickup in activities with the expected stabilisation in crude oil prices and continued roll-out of major infrastructure projects. Equity fund raising activities may also improve, while demand for debt fund raising could remain fairly strong as companies continue to take advantage of the prevailing interest rate environment to lock-in funding at relatively low costs.

INTERNATIONAL OPERATIONS

INTERNATIONAL OPERATIONS

At a Glance

	2016 RM'Million	2015 RM'Million	Growth %
Operating revenue	**1,643.1**	1,456.7	12.8
Profit before tax	**620.7**	572.2	8.5
Gross loans, advances and financing	**24,044.2**	21,645.3	11.1
Deposits from customers	**27,006.7**	23,214.7	16.3
Gross impaired loans ratio (%)	**1.2**	0.7	0.5

Branch Network	2016	2015
Hong Kong & People's Republic of China ("PRC") Operations		
Public Bank (Hong Kong) Limited		
– Hong Kong	**32**	32
– PRC	**4**	3
Public Finance Limited	**42**	42
Winton (B.V.I.) Group	**8**	9
Indo-China Operations		
Cambodian Public Bank Plc	**30**	28
Public Bank Vietnam Limited	**7**	7
Public Bank branches		
Laos	**4**	4
Sri Lanka	**3**	3

The Public Bank Group maintains strategic regional presence across five countries, with branches in Laos and Sri Lanka as well as subsidiaries in Hong Kong, Cambodia and Vietnam.

During the year, the Public Bank Group further expanded its operations in Vietnam with the transformation of VID Public Bank from a joint venture bank to a 100% foreign-owned bank. VID Public Bank commenced operations in 1992 as a joint venture bank between Public Bank and Joint Stock Commercial Bank for Investment and Development of Vietnam. On 24 March 2016, the State Bank of Vietnam granted the 100% foreign-owned bank licence to VID Public Bank for the establishment and operation of VID Public Bank as a 100% foreign-owned bank in Vietnam with effect from 1 April 2016. With that, the acquisition of the remaining 50% equity interest in VID Public Bank was completed and VID Public Bank was renamed as Public Bank Vietnam Limited ("PBVN"). This marks a milestone achievement and augurs well for the Group to further expand its presence in Vietnam and strengthen its business presence in the region for long-term business growth.

The Public Bank Group's international operations recorded a 8.5% growth in pre-tax profit from RM572.2 million in 2015 to RM620.7 million in 2016 mainly due to higher contribution from both its Hong Kong and Cambodian operations; partly due to the stronger foreign currency as well as higher contribution from its Vietnam operations resulting from the completion of the acquisition of PBVN. The Group's international operations contributed 9.5% to the Group's pre-tax profit in 2016.

INTERNATIONAL OPERATIONS

HONG KONG

At a Glance

	2016 HKD'Million	2015 HKD'Million	Growth %
Profit before tax			
Public Financial Holdings Group	**495.7**	506.3	(2.1)
of which:			
*Public Bank (Hong Kong) Limited^*	**227.2**	178.9	27.0
Public Finance Limited	**249.9**	287.3	(13.0)
Gross loans, advances and financing			
Public Bank (Hong Kong) Limited	**23,524.0**	24,114.9	(2.5)
Public Finance Limited	**5,409.8**	5,292.5	2.2
Deposits from customers			
Public Bank (Hong Kong) Limited	**29,148.4**	28,585.5	2.0
Public Finance Limited	**4,975.0**	4,797.3	3.7
Gross impaired loans ratio (%)			
Public Bank (Hong Kong) Limited	**0.5**	0.3	0.2
Public Finance Limited	**2.3**	1.9	0.4
Total capital ratio (%)			
Public Bank (Hong Kong) Limited*	**15.5**	15.5	–
Public Finance Limited*	**25.7**	26.5	(0.8)

^ *profit excluding dividends from subsidiaries*
* *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 which are driven by Public Bank (Hong Kong) Limited and Public Finance Limited, concentrate on two core business segments:

i. Retail and commercial banking
ii. Stock broking and wealth management services

Performance Review

In 2016, Public Bank (Hong Kong) Limited recorded a commendable profit before tax of HKD227.2 million, an increase of 27.0% from HKD178.9 million in 2015 mainly due to higher net interest income. However, Public Finance Limited registered a 13.0% drop in profit before tax to HKD249.9 million in 2016 as a result of lower yield from its consumer financing portfolio.

Public Finance Limited which specialises in the personal loans business that serve the middle- to lower-income households and overseas contract workers registered a loans growth of 2.2% to HKD5.41 billion as at the end of 2016. Arising from the moderation of regional economic activities, Public Bank (Hong Kong) Limited's loans and advances recorded a drop of HKD590.9 million or 2.5% to HKD23.52 billion as at the end of 2016 from HKD24.11 billion as at the end of 2015 partly due to early settlement of some Renminbi currency loans in its China operations.

Despite the challenging economic conditions, Public Bank (Hong Kong) Limited and Public Finance Limited registered increase in customer deposits of 2.0% and 3.7% respectively to HKD29.15 billion and HKD4.98 billion respectively as at the end of 2016.

The asset quality of the Public Bank Group's Hong Kong operations continued to be sound. The gross impaired loans ratio of Public Bank (Hong Kong) Limited and Public Finance Limited remained low at 0.5% and 2.3% respectively as at the end of 2016.

In 2016, Public Bank (Hong Kong) Limited and AIA International Limited (Hong Kong) ("AIA") entered its fourth year of strategic bancassurance partnership to market insurance protection solutions through the Public Bank Group's branch network in Hong Kong. Arising from successful joint marketing campaigns held during the year, the annualised new premium increased by 22.7% from HKD20.3 million in 2015 to HKD24.9 million in 2016.

INTERNATIONAL OPERATIONS

Branch Network

During the year, a fourth branch in Shenzhen, PRC was opened. As at the end of 2016, the Public Bank Group's branch network in Hong Kong and PRC stood at 86 branches, comprising 82 branches in Hong Kong and four branches in Shenzhen.

Anticipated Risks and Prospects

The operating environment for the banking sector remained subdued in Hong Kong mainly due to the moderation of economic activities in Mainland China and thinning net interest margins. The Hong Kong Government maintained its prudential stand in managing the economy and has raised stamp duties for the purchase of residential properties to minimise the risk of a property bubble in the fourth quarter of 2016.

Against a backdrop of a subdued economic environment, the Public Bank Group's operations in Hong Kong will continue to be prudent and manage risk cautiously in order to safeguard its financial strength and asset quality. The Group will continue to grow its retail and commercial lending as well as consumer financing businesses whilst implementing business strategies to diversify income streams to fee-based income in order to mitigate interest margin compression.

CAMBODIA

At a Glance

Cambodian Public Bank Plc	2016 USD'Million	2015 USD'Million	Growth %
Profit before tax	**60.0**	58.5	2.6
Gross loans, advances and financing	**1,003.3**	957.2	4.8
Deposits from customers	**1,184.7**	1,017.2	16.5
Gross impaired loans ratio (%)	**0.8**	0.7	0.1
Total capital ratio (%)	**18.1**	20.2	(2.1)

The Public Bank Group's operations in Cambodia offers an array of financial products and services in both retail and commercial banking, general insurance and stock broking services. Cambodian Public Bank Plc ("Campu Bank") has been leading the Group's banking business in Cambodia since 1992 and is the largest foreign bank in Cambodia. The general insurance business is driven by Campu Lonpac Insurance ("CLIP") which is 55% owned by the Group whilst the securities underwriting, dealing and trading activities are undertaken by Campu Securities, a wholly owned subsidiary of Campu Bank.

Performance Review

In 2016, Campu Bank registered a profit before tax of USD60.0 million, an increase of 2.6% or USD1.5 million as compared to USD58.5 million in 2015. The improved financial performance was mainly driven by loans growth, enlarged low-cost deposits and prudent cost management.

Due to the uncertain global economic conditions, Campu Bank maintained a cautious approach in its lending business. The gross loans, advances and financing of Campu Bank grew by 4.8% from USD957.2 million as at the end of 2015 to USD1,003.3 million as at the end of 2016. Although lending was subdued, credit risk remained low with gross impaired loans ratio of Campu Bank standing at 0.8% as at the end of 2016.

Against the backdrop of a challenging economic condition, Campu Bank realigned its business focus to deposits mobilisation, targeting low-cost savings and current accounts. Customer deposits recorded a strong growth of 16.5% to USD1,184.7 million as at the end of 2016, from USD1,017.2 million a year ago.

As part of Campu Bank's continuous effort to offer innovative products, Campu Bank had in May 2016 launched its VISA Lifestyle Debit Card to offer a wider mix of card products. In line with the growing popularity of smartphones, Campu Bank also launched its own mobile banking application, the "CPB Engage" ("CPBe") in August 2016 to further improve customers' digital experience and broaden customer engagement. This new mobile banking application, a seamless

INTERNATIONAL OPERATIONS

extension of CPBe internet banking is designed to offer customers secured banking on the go.

Branch Network

Campu Bank broadened its presence in Cambodia with the opening of two new branches in 2016, expanding its branch network to 30 in Cambodia.

Subsidiaries

CLIP which commenced its business operations in 2007 remained a major player in the highly competitive general insurance business in Cambodia. In 2016, CLIP's profit before tax remained unchanged at USD1.3 million.

Campu Securities was incorporated in 2012 to carry out underwriting and trading activities in conjunction with the establishment of the Cambodia Securities Exchange ("CSX"). In May 2016, Campu Securities successfully completed the listing of its client on the CSX. Moving ahead, Campu Securities is expected to increase its trading volume and will leverage on Campu Bank's diverse network of customers to step up its underwriting and corporate advisory services.

Anticipated Risks and Prospects

Against a backdrop of global economic uncertainties, overall business environment in Cambodia remained challenging with business activities showing signs of slowing down amidst a higher cost environment as a result of increase in minimum salary for factory workers. In addition, intense competition for market share in the banking sector had also led to compression in net interest margins.

Despite market uncertainties, Campu Bank will continue to broaden its lending to the retail and commercial customers, increase its branch network and enhance service delivery to further strengthen Campu Bank's competitiveness in the market.

VIETNAM

Vietnam remains a bright spot in the Indo-China region with its robust economic growth. Riding on the favourable economic environment, PBVN reported a commendable improvement in profit before tax by 76.8% to USD9.5 million in 2016 as compared to USD5.4 million in 2015 on the back of strong loans and deposits growth of 27.3% and 23.8% respectively. PBVN continued to exercise prudence in its credit risk management as reflected by its improvement in gross impaired loans ratio to 2.2% from 2.6% a year ago.

With the 100% foreign-owned bank license obtained during the year, the Public Bank Group is committed to further expand its banking operations in Vietnam by opening new branches and offering new products to reach a wider segment of customers in Vietnam.

Prospects

The outlook of the banking environment in Vietnam remains positive on the back of the country's macroeconomic stability and resilient economic growth. Going forward, PBVN will continue its rebranding exercise as a wholly-owned subsidiary of the Public Bank Group, expand its branch network and tap on new business opportunities for growth.

LAOS OPERATIONS

Laos faced economic difficulties amidst the uncertain global economic conditions. Due to the challenging market conditions in Laos, Public Bank's Laos operations registered a drop in profit before tax from USD14.9 million in 2015 to USD8.0 million in 2016. Total loans and advances grew marginally by 0.6% to USD220.6 million as at the end of 2016. However, on the funding side, customer deposits registered strong growth of 17.4% or USD23.4 million from USD134.8 million as at the end of 2015 to USD158.2 million as at the end of 2016 as a result of business focus on deposits mobilisation.

In line with its continuous effort to offer a wider range of products to meet the growing needs of customers in Laos, Public Bank launched its first credit and debit card as well as the ACE account, an interest bearing current account in April 2016. Public Bank currently has four branches in Laos.

SRI LANKA

In line with the improvement in Sri Lanka's economy, Public Bank's Sri Lanka operations achieved a higher profit before tax of LKR271.2 million in 2016, an increase of 23.3% as compared to LKR220.0 million in 2015 on the back of commendable 41.1% growth in total loans and advances to LKR5,852.4 million as at the end of 2016. However, customer deposits remained stable at LKR1,548.9 million as at the end of 2016 as compared to LKR1,555.2 million a year ago. Public Bank currently has three branches in Sri Lanka.

SERVING THE CUSTOMER

MAINTAINING HIGH STANDARD OF CUSTOMER SERVICE

Customer Service Excellence Is Our Commitment

Public Bank's service ethos is built on its corporate tagline "Excellence Is Our Commitment" which reflects its unrelenting pursuit to deliver best-in-class customer service. This commitment has enabled the Public Bank Group to differentiate itself from its peers, keep its competitive edge and build the PB brand over the last 50 years.

While innovation in financial technology is changing how customers carry out their banking transactions, the Public Bank Group sees this development as an opportunity to develop new ways to engage customers and improve the efficiency of services delivered. The Group offers a range of options for customers to conduct their banking via its multi delivery channels – in person, through self service terminals, over the phone or online. To provide customers with an intuitive and seamless experience across different touch points, the Group conducts extensive research and testing. Customer experience is also reviewed and benchmarked against internal performance standards for continuous improvement. To deliver on the PB brand promise, various training have been designed and carried out to instill a service oriented culture amongst the staff, premised on the core belief that customer satisfaction is key to building brand loyalty and nurturing long-term relationships with customers.



SERVING THE CUSTOMER

Standard Waiting Time

One of the cornerstones of the Public Bank Group's customer service excellence is the efficiency in which services are delivered at the branch counters. A Standard Waiting Time ("SWT") for serving the customer is 2 minutes which is closely monitored via Public Bank's quality management tools. In 2016, close to 70% of frontline customers were served within the 2-minute SWT.

Service Ambassadors and Customer Remittance Executive

Service Ambassadors ("SA") and Customer Remittance Executives ("CRE") are stationed at branches to provide face-to-face service to customers. SAs and CREs are trained to assist customers on all banking matters and help customers familiarise themselves with the range of services offered over the counters and at self service terminals. The process of attending to customers' needs provides valuable insight into the customer perception of the quality of services delivered which are used to further improve the delivery of Public Bank's services and customer experience.

Uninterrupted Banking Services

To ensure the delivery of uninterrupted services, the Public Bank Group has put in place a Business Continuity Plan and Disaster Recovery Plan to ensure seamless delivery of banking services in the unlikely event of disasters occurring. These plans are reviewed and tested periodically to ensure they remain effective.

SIRIM Certification

The ISO 9001 Standard Certification for Public Bank's "Provision of Customer Service at the Front Office", and "Provision of Customer Service in Loan Delivery" were reaffirmed by SIRIM in 2016. This is a testament to the Public Bank Group's unrelenting pursuit of high levels of customer service delivery standards.

Prompt Complaint Resolution System

Public Bank always ensures that all customer complaints are responded and addressed efficiently. Strict controls are implemented and monitored so that complaints are addressed and resolved within the Bank's standard 10-day response period.

Customer Service Focus Group

Public Bank implements the Customer Service Focus Group ("CSFG") initiative at branches to collect first hand information from customer feedback through a dialogue process. Feedback obtained are reviewed and used to improve the Bank's service efficiency and service quality.

Special Care Counters for Customers

Special care counters are available at all the Public Bank Group's branches to ensure senior citizens, expectant mothers and the physically disadvantaged are provided priority and prompt services regardless of the queue length or nature of banking transactions performed.

LOAN SERVICE DELIVERY

Standard Turnaround Time

Public Bank is committed to deliver fast response time to serve customers in their loan application. The Bank's ISO 9001 Standard Certification for the "Provision of Customer Service in Loan Delivery" demonstrates the Bank's commitment to implement standard operating procedures, continuous work process improvement and compliance with standard turnaround time for processes from loan origination to loan disbursement.

Customer Feedback Survey

Public Bank continuously strives to enhance the quality and efficiency of its services, and gauges the quality of services provided by conducting regular customer feedback surveys. In 2016, more than 90% of customers surveyed were satisfied with the level of the Bank's loan delivery services. These initiatives contribute towards a deeper understanding of customers' needs and expectations, which is vital towards building brand loyalty and customer retention.

CHANNEL MANAGEMENT

The Public Bank Group reaches out to its customers through various physical and digital channels. This includes a wide distribution network of branches and a comprehensive range of complementary digital channels which include self service terminals, internet and mobile banking as well as social media.

SELF SERVICE BANKING

As at the end of 2016, the Public Bank Group has over 2,000 self service terminals which comprised of Automated Teller Machines, Cash Deposit Terminals, Cash Recycling Machines, Coin Collection Machines and Cheque Deposit Machines in various off-branch and in-branch locations throughout Malaysia. These self service terminals allow customers to perform banking transactions around the clock at their convenience.

INTERNET BANKING

Public Bank's internet banking platform, PBe, was ranked one of the top five of the "Top 20 Local Web Domains from Desktop Computers in Malaysia" by the Malaysian Digital Association's custom-defined ranking based on data from comScore Inc. in 2016.

The number of registered active users of Public Bank's PBe internet banking grew by 23.4% for both retail and corporate users whilst PBe internet banking transactions increased by 48.3% in 2016.

Promotional Campaigns

Various initiatives were introduced throughout the year to promote higher utilisation and take up rates for Public Bank's online banking services.

In conjunction with the introduction of e-Fixed Deposit, Public Bank launched the PB e-Fixed Deposit campaign, which offered interest rates as high as 3.60% per annum, and attracted a total of RM107.2 million placements during the campaign period.

Public Bank also launched the PB eGift service to encourage customers to go cashless. PB eGift service is a fund transfer service capped at RM300 per transaction for specific occasions to any bank using just the mobile phone number of the recipient without the need for PAC or SecureSign Token.

In an effort to promote e-payment, Public Bank waived the service fee and Goods & Services Tax for Interbank Giro and Instant Transfer during the Enjoy Zero Fee Campaign held during the year. As a result, transaction volume and transaction value rose by 18.9% and 14.4% respectively during the promotional period. Similarly, service fee was waived for transferring money to Visa cardholders worldwide during the PB Visa Direct Campaign in May 2016.

Public Bank also organised various promotional campaigns in collaboration with Celcom, MyClear, Interbank Giro and e-commerce giant Taobao to incentivise its loyal customers during the year.

MOBILE BANKING AND SOCIAL MEDIA

The growth in Public Bank's individual and corporate mobile banking customer base by 85.9% and 66.3% respectively in 2016 demonstrates the increasing prevalence and influence of technology and mobility in consumers' daily lives which are changing the way people bank. Seeing this as an opportunity, the Bank extended the Mobile Payment Agent service to its mobile customers during the year. Subsequently, the Bank introduced the "Remind Me" feature, the first of its kind in Malaysia, where a reminder function for future dated transactions is built into the smartphone's calendar widget. The Bank was also the first in Malaysia to introduce the PB Visa Direct remittance service via its mobile application.

Public Bank will strive to meet its customers evolving needs and preferences given the accelerating pace of mobile banking. The Bank will also continue to leverage on popular social media platforms such as LinkedIn, YouTube and WeChat to market its business, events, products and services as well as to increase customer penetration.

CHANNEL MANAGEMENT

ONLINE SECURITY

As the number of online banking and mobile banking customers as well as transaction volume increase, Public Bank is ever conscious of cyber security threats and is committed to put in place a well defined cyber security strategy and capability in order to protect its customers against cyber crimes.

Besides improving security, Public Bank provides useful information to its customers on cyber fraud and online security. The Bank keeps its customers abreast of the latest cyber threats through the Bank's website, e-mails, SMSs and social media. To mitigate the risks of unauthorised transactions, the Bank had on 17 October 2016 mandated the use of SecureSign token for retail customers who performed third party fund transfers exceeding RM10,000 in a single transaction. The Bank has also implemented a real-time heuristic risk-based fraud management system to analyse and monitor unusual online activities and transactions performed by customers whereby immediate actions will be taken if suspicious activities are detected.

PROSPECTS

Public Bank will continue to enhance its digital banking platform to improve customer experience and at the same time encourage digital banking adoption. In order to offer technological platforms, digital solutions and e-payment capabilities with more customer-centric services or features, the Bank will continue to invest in digital solutions and technologies as well as explore new FinTech collaboration initiatives. The Bank is mindful of cyber security threats and will continue to improve cyber security controls to protect its customers.



INFORMATION & COMMUNICATION TECHNOLOGY

In 2016, Information and Communication Technology ("ICT") centred on creating value for customers through new products and services, improving efficiency of existing business and operational processes, managing risks and ensuring regulatory compliance. Globally recognised subject matter experts were engaged to assist in the application of advanced analytics and enhance cyber security while infrastructure was upgraded to be more resilient and sustainable.

ICT FOCUS IN 2016



Delivering New Products and Services

- Card Products and Services
- E-Channel Services
- Cash Management Solution



Building a Resilient Infrastructure

- Improving Systems Availability
- Elastic Cloud Storage
- Critical Talent Pool Analysis



Improving Operational Efficiency

- Business Process Improvements
- New Financial Budgeting System
- Paperless Notifications



Managing Risk and Ensuring Compliance

- Advanced Credit Risk Analytics
- MFRS9 Implementation
- PIN & Pay Initiative
- Risk Assessment on Core ICT Risks



Enhancing Cyber Security

- Advanced Security Technologies
- Global Cyber Security Collaboration
- SWIFT Security Guidance
- Security Awareness Programmes



Advancing ICT for Regional Subsidiaries

- Mobile Banking for Cambodian Public Bank Plc
- Upgrading ICT Infrastructure at Public Bank Vietnam
- New Card Services for Laos Operations

INFORMATION & COMMUNICATION TECHNOLOGY

DELIVERING NEW PRODUCTS AND SERVICES

During the year, new products and services were launched to spur business growth and cater for changing customer demands.

Card Products and Services

Various ICT systems were enhanced to cater for new hybrid products and services such as PB Mastercard Lifestyle Debit Card, PB UnionPay Debit Card and Visa Direct Service. New Point-Of-Sales terminals that connect securely via the internet with faster response times were introduced to Public Bank's card merchants.

E-Channel Services

Enhancements were made to existing payment channels to provide added convenience for customers and drive greater e-channel adoption. These include the new eGift electronic gift payment service and standing instruction via Inter-Bank GIRO.

Cash Management Solution

A brand new Cash Management Solution is being developed to provide a more comprehensive range of fee-based services and products to large corporations and government-linked companies. Under the new solution, customers can expect speedy and hassle-free on-boarding, improved visibility and faster approval turnaround times for all transactions.

BUILDING A RESILIENT INFRASTRUCTURE

The ICT infrastructure was upgraded to ensure adequate capacity for growth amidst the increasing demand for self-service and on-site service delivery. The IT work force was also further strengthened to ensure appropriate and sufficient expertise is available to sustain the Public Bank Group's ICT systems.

Improving Systems Availability

New servers were purchased to handle three times more concurrent internet banking transactions. Virtualisation technology was also used to provide high availability to new servers as well as to reduce deployment lead time resulting in potential savings of up to RM20 million on physical server hardware and software.

Elastic Cloud Storage

The document archival system was replaced with the latest EMC Elastic Cloud Storage that boosted capacity fourfold. The new archival system implements data-at-rest encryption to protect data from theft and uses new energy efficient disks for lower electricity consumption.

Critical Talent Pool Analysis

To sustain a resilient ICT infrastructure, it is crucial to ensure a sufficient pool of skilled talent is available to operate and maintain the systems efficiently. A comprehensive study covering among others, age demographics, competency levels, as well as stress scenarios should critical staff become unavailable was conducted and used to facilitate talent development and succession planning.

IMPROVING OPERATIONAL EFFICIENCY

During the year, continuous efforts were made to further improve operational efficiency.

Business Process Improvements

The new MyClear Real-time Electronic Transfer of Funds and Securities System was integrated with internal systems for faster crediting of funds to customer accounts. Transactions that meet the straight-through processing criteria are processed within two minutes in place of the lengthier two-level manual authorisation procedure. Various other business processes were also improved through automation and straight-through-processing such as the processing of applications for BAE personal financing that was streamlined to shorten the turnaround time and auto-generation of advice letters to customer upon loan disbursement.

New Financial Budgeting System

A new financial budgeting system was implemented to enable faster and more efficient budgeting process. The system enables bottom up compilation of planning data from across the organisation, downward cascading of risk appetite indicators as well as tracking of budget utilisation.

Paperless Notifications

Leveraging on the widespread usage of smartphones, Public Bank has taken the initiative to reduce paper usage by notifying customers to collect their credit cards by SMS and sending card statements via encrypted email. Besides reducing costs associated with paper printers and copiers, operational efficiency has also improved.

INFORMATION & COMMUNICATION TECHNOLOGY

MANAGING RISK AND ENSURING COMPLIANCE

Substantial IT resources were dedicated towards ensuring compliance with regulatory mandates and strengthening risk management.

Advanced Credit Risk Analytics

Upon completion of phase 2 of the Credit Risk Management Solution, the system was operationalised by incorporating advanced analytics to improve the automation of application scorecards for credit risk assessments used in the housing loan and hire purchase approval process. With the help of subject matter experts, credit risk models for corporates as well as small and medium enterprises are being developed to address the specific needs of these market segments.

Efforts are underway to implement a new Assets and Liabilities Management System that employs analytics for more efficient and timely planning, monitoring and reporting of market and liquidity risk position as well as to strengthen funds transfer pricing practices.

Malaysian Financial Reporting Standards 9 ("MFRS 9") Implementation

The move to implement MFRS 9 is proceeding smoothly with a parallel run scheduled for 2017 ahead of the nationwide mandated cutover in 2018. The endeavour requires Business Units, Finance, Risk and IT collaboration to operationalise MFRS 9 requirements with the necessary enhancements to new and existing systems.

PIN & Pay Initiative

In anticipation of the introduction of Personal Identification Number ("PIN") based cards, Public Bank was the first in Malaysia to activate online PIN acceptance at its merchant Point-Of-Sales terminals in 2013. For increased protection against fraudulent use of stolen cards, signature based cards were replaced with PIN based cards as part of the national PIN and Pay initiative.

Risk Assessment on Core ICT Risks

As part of the Public Bank Group's risk management initiatives, a reputable IT consulting firm was engaged to conduct an independent assessment of IT core risks in Public Bank, Public Bank (HK) Ltd, Public Finance Ltd, and Public Mutual. The assessment covered all aspects of ICT management and operations and was benchmarked against international standards for ICT governance.

ENHANCING CYBER SECURITY

With the rise in cyber-threats targeting financial institutions, the Public Bank Group continues to strengthen its ICT security through ICT security upgrades, implementation of the latest anti-fraud measures and fostering security awareness in the work force.

Advanced Security Technologies

Additional layers of security defence were implemented to mitigate new cyber threats that target web applications and increase the resilience of the online banking system by shielding it against such attacks. A new online fraud detection system for internet banking that utilises advanced analytics to detect fraud was also implemented during the year.

Global Cyber Security Collaboration

The Public Bank Group has widened its collaboration with international security vendors with the engagement of a renowned security firm to provide updates and alerts on the latest cyber threats as well as to take down known malware sites. The new service also provides information on compromised credentials uncovered through forensics on malware sites to assist in remediation and damage limitation.

SWIFT Security Guidance

The recommendations under the SWIFT Security Guidance for Alliance were implemented in compliance with Bank Negara Malaysia guidelines.

Security Awareness Programmes

To promote a security conscious culture within the Public Bank Group, training courses were conducted in classrooms as well as through e-learning while a consulting firm was engaged to gauge the level of awareness through a cyber-threat scenario simulation.

INFORMATION & COMMUNICATION TECHNOLOGY

ADVANCING ICT FOR REGIONAL SUBSIDIARIES

The ICT infrastructure in regional subsidiaries underwent rapid development in 2016 with the launch of new regional products and major transformation in Public Bank Vietnam Limited to align with corporate standards.

Mobile Banking for Cambodian Public Bank Plc ("Campu Bank")

Mobile banking services were launched for customers of Campu Bank which is also available in the Khmer language. Initial services provided include balance enquiry, funds transfer, cheque management and foreign exchange rate display while more features will be added in future.

Upgrading ICT Infrastructure at Public Bank Vietnam Limited

A major revamp of network infrastructure was conducted at Public Bank Vietnam Limited mainly on the network and security devices as well as an increase in internet link bandwidth. The Public Bank Group's applications such as the loan origination system and email system were also deployed in Vietnam.

New Card Services for Laos Operations

The card system of Laos operations underwent a major overhaul to cater for the launch of its first credit and debit cards.

BRANCH PERFORMANCE – KPIs AND AWARDS

BRANCH KEY PERFORMANCE INDICES

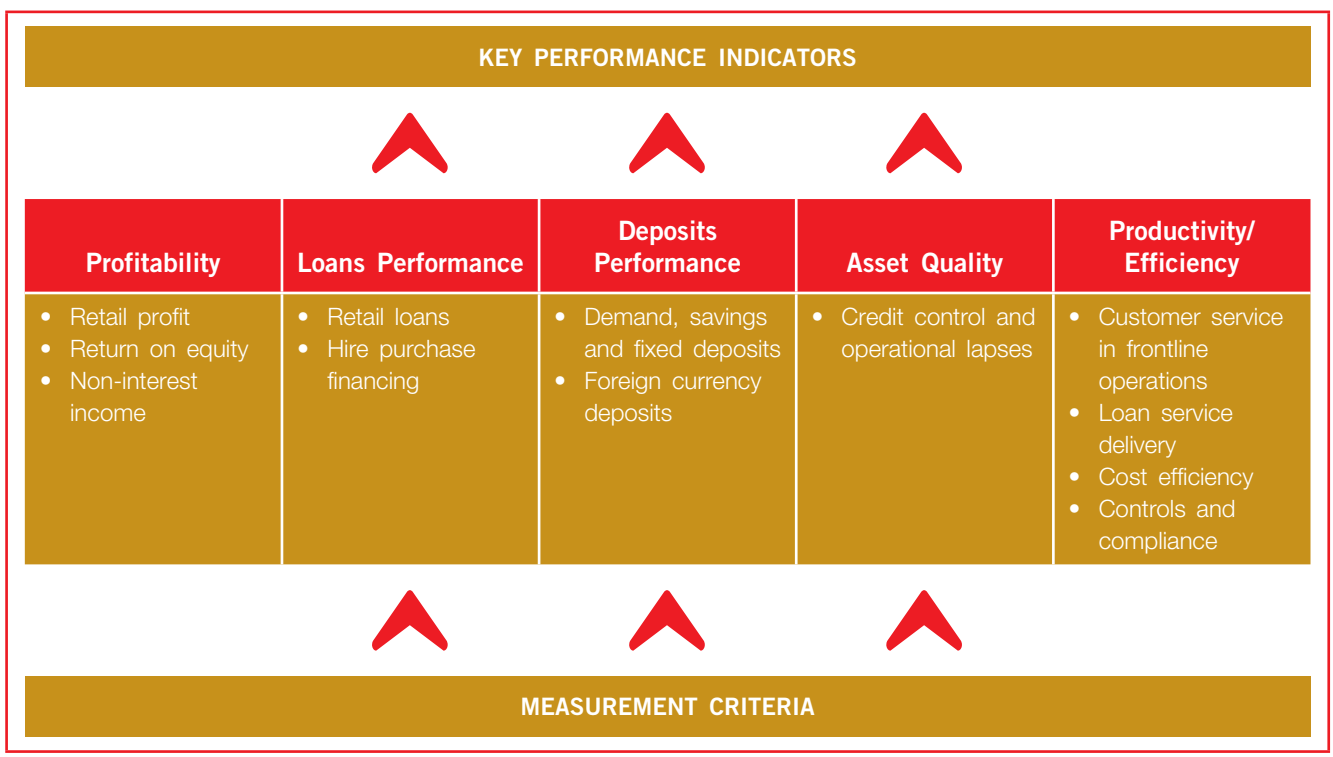
Public Bank uses Key Performance Indices ("KPIs") to evaluate the business performance and operational efficiency of its branches. These KPIs serve as a performance tool to measure the progress of branches towards meeting the Bank's operational and strategic business goals. They also provide a basis for allocation of resources and for appraising and rewarding branch managers and other supervisory staff at branches. These KPIs encompass all the key performance factors such as profitability, loans and deposits growth, asset quality, service delivery, controls and compliance as well as staff productivity and efficiency.

Public Bank's Approach

Public Bank reviews the KPIs annually and aligns them to the current operating environment, business strategies and objectives of the Bank. The Bank monitors and disseminates the business performance of the branches on a monthly basis, allowing branches to benchmark against their peers and take appropriate measures to improve their performance.

Public Bank's Measurement Criteria

The KPIs for the assessment of branches, branch managers and supervisory staff of branches are set out below:-



BRANCH PERFORMANCE – KPIs AND AWARDS

Branch Performance Awards

As part of the Public Bank Group's performance based reward structure, the Group accords recognition to both domestic and overseas branches with outstanding business performance. Every year, Branch Performance Awards with attractive cash prizes are awarded to motivate branches to strive for outstanding business performance as well as higher efficiency and productivity.

The Branch Performance Awards for 2016 comprised:

- The Founder and Chairman Award for the Overall Best Domestic Branch
- Best Branch Awards for domestic and overseas branches; and
- Special Awards covering specific areas of business performance, branch management and service delivery.

To determine the winners, branches are segregated into six groups and rated against their respective peer groups. The assessments are based on stringent criteria covering key areas of business performance, loan asset quality, risk management, cost efficiency and customer service delivery.

The Winners

A total of 109 awards with cash prizes exceeding RM1.0 million were awarded to the winners of the Branch Performance Awards for 2016.

The winners of the Best Branch Awards for 2016 were as follows:

Domestic Branches

Group 1	SS2 Branch
Group 2	Pelita Branch
Group 3	Overseas Union Garden Branch
Group 4	Stutong Branch
Group 5	Mont' Kiara Branch
Group 6	Bukit Indah Branch

Overseas Business Units

Public Bank (HK) Limited	Tai Po Branch
Public Finance Limited	Tsuen Wan Branch
Cambodian Public Bank	Mao Tse Toung Branch
VID Public Bank	Da Nang Branch
Laos Operations	Vientiane Branch
Sri Lanka Operations	Nawala Branch

Founder and Chairman Award	Pelita Branch

The Founder and Chairman's Award for 2016 was awarded to Pelita Branch. This prestigious award carries a cash prize of RM50,000 and a gold plated challenge trophy.

MANAGEMENT DISCUSSION AND ANALYSIS
OUTLOOK FOR 2017



EXPECTATIONS AND OPPORTUNITIES

In the near term, economic uncertainty in the domestic market is expected to persist with associated volatility in the financial market. Against this backdrop, businesses are likely to focus on enhancing operational efficiencies to sustain financial performance. Meanwhile, banks are anticipated to exercise prudent cost management, maintain balance sheet efficiencies and drive market share by offering competitive pricing and attractive terms as well as improving product innovations.

Amid the challenging market environment, the Malaysian real GDP is expected to grow between 4.5% and 5.0% in 2017, with domestic demand as the main growth driver underpinned by sustained private sector activities. The prevailing economic fundamentals remain stable, with manageable inflationary risk, accommodative macro policies and stable employment condition. In addition, private investments will continue to be supported by ongoing mega projects within the 11th Malaysia Plan.

The Malaysian financial system continues to be well-capitalised, sustaining resilience in both liquidity and asset quality as the banking sector continues to ride on opportunities driven by the national economic transformation plan. Hence, credit expansion will continue to be supportive of private consumption spending amid accommodative monetary policy stance. The domestic economy, which remains intact with a healthy labour market and full-rate of employment, would also contribute to continued growth in consumer spending.

MANAGEMENT DISCUSSION AND ANALYSIS
OUTLOOK FOR 2017

STRATEGIES AND DIRECTIONS

Despite the challenging operating environment, the Public Bank Group will continue to practise prudence and stay focused on delivering quality growth, while being watchful of emerging risks. The Group is fully committed to uphold responsible financing which is reflected through its prudent lending practices, rigorous data security, digital and IT infrastructure transformation as well as sustainability in its supply chain.

Technology and mobility are increasingly shaping consumer behaviour. Hence, the Public Bank Group is mindful of the increasing need for electronic banking and has been continuously extending its digital initiatives to facilitate banking convenience for customers without compromising data security. In addition, maintaining a superior standard of customer service delivery remains paramount to the Group as this will ensure the Group keeps its competitive edge.

The Public Bank Group's strategic focus remains upholding prudent cost management, stringent credit policies, strong corporate governance and sound risk management practices. The Group's initiatives to enhance value creation and its unrelenting pursuit of operational excellence will augur well for the Group's growth prospects.

The Public Bank Group aims to sustain its presence and position in the domestic retail segment, driven by sustainable loan growth for home mortgages, vehicle financing and the small and medium enterprises ("SME"). The Group sees continued growth opportunities for residential properties supported by various Government measures to increase home ownership.

The Public Bank Group will continue to provide strong support to the SME segment and sustain its market position in SME financing by providing a wide range of business financing. The Group will continue to support key Government initiatives under the national transformation programmes, 11th Malaysia Plan and SME Masterplan which will be beneficial for the SME segment.

Due to weak consumer confidence and the rising costs of living, consumers have scaled back spending on big ticket items including motor vehicles. However, the Public Bank Group remains committed in the hire purchase business and will continue to preserve the asset quality of this business segment.

As for the corporate lending business, the Public Bank Group will continue to grow existing corporate portfolio organically and acquire targeted new corporate clients.

In the face of heightened market uncertainties, the Public Bank Group's treasury and capital market operations will continue to strengthen its risk management capabilities and maintain strong liquidity positions to weather any potential market stress.

Growth in the private retail unit trust industry is expected to be moderate amid volatile market conditions. To maintain its strong branding and leading position in the private unit trust industry in Malaysia, the Public Bank Group will continue to focus on offering superior financial products and services as well as broadening the range of investment products to meet the needs of various investors.

The Public Bank Group will continue to work closely with AIA Bhd to review its bancassurance products to remain competitive and relevant to customers' needs. The Group will also expand its fee income through foreign-exchange related transactions and transactional banking services.

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 growth opportunities in its overseas operations to enhance the overall business growth of the Group.

SUSTAINABILITY STATEMENT

ABOUT THE SUSTAINABILITY STATEMENT

"The Public Bank Group is mindful that it has the responsibility to address the rights of the multitude of stakeholders and safeguard their interest. As the Group works towards sustainability, the Group will continue to improve on how it can add further value in managing the risks and opportunities related to the aspects of economic, environment and social."

The Public Bank Group recognises that investors expect corporates, in undertaking business operation for profitability, would at the same time generate economic value to its stakeholders while ensuring that their business practices preserve the environment for future generations and also add value to society. These three aspects of sustainability, namely economic, environment and social ("EES"), are not key financial drivers but over the last decade, they have become increasingly important to investors and customers alike. As such, they are now required to be reported in annual reports as part of additional information to assist key stakeholders in making financial investment decisions.

This Sustainability Statement reports on the Public Bank Group's approach in managing the EES risks and opportunities associated with the Group's everyday operation. The Statement is structured into three parts. The first part, as presented in this section, provides an overview of the Sustainability Statement and highlights the scope of this report. The second part sets out the Group's governance approach in sustainability practices including the approach used to identify and prioritise the sustainability matters' relative materiality to the Group's internal and external stakeholders. The third part reports on the Group's practices and performance in managing the sustainability matters which are material to the Group.

This is the Public Bank Group's first Sustainability Statement. As the Group moves forward, the Group expects to learn and improve on how it can add further value in managing the risks as well as opportunities related to the three aspects of sustainability.

Scope

Unless otherwise stated, the Sustainability Statement focuses on the Public Bank Group's major business footprints, covering domestic banking operations of Public Bank Berhad and Public Islamic Bank Berhad in Malaysia for the financial year 2016.

SUSTAINABILITY STATEMENT

SUSTAINABILITY GOVERNANCE AND MATERIALITY PROCESS

Sustainability Governance



The Board of Directors of Public Bank ("the Board") has the overall responsibility of the Group's sustainability matters, performance and disclosures. As the Board oversees the Group's operations, it takes into account sustainability issues in setting the strategic direction of the Group, and also ensures the integration of sustainability practices into the Group's day-to-day operations.

After considering the Public Bank Group's existing sustainability practices and to provide more focus on enhancing the current sustainability initiatives, the Board established a Sustainability Management Committee ("SMC") in June 2016, to direct and oversee sustainability practices across the Group's business. The SMC is chaired and driven by the Managing Director, with members comprising the Deputy Chief Executive Officer, the Chief Operating Officers and relevant Heads of Business and Support Divisions.

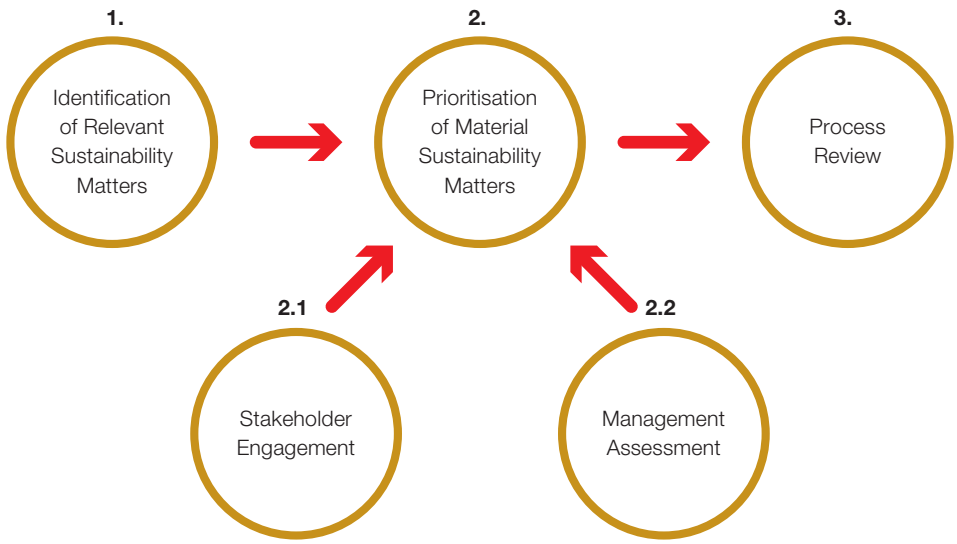
The SMC is responsible to drive the Public Bank Group's sustainability performance and guide the management and integration of sustainability matters into business operation, particularly those identified as material to the Group. The SMC works closely with all the Heads of Business and Support Divisions in the Group who are responsible in managing material sustainability matters in line with established policies and practices, implementing measures and actions, as well as monitoring relevant key performance indicators. The SMC is also responsible to review, assess and endorse decisions made in the process of the preparation of Sustainability Statement.

SUSTAINABILITY STATEMENT

Materiality Process

The Public Bank Group recognises that it has a fiduciary duty to act responsibly and ethically to contribute to a sound and stable banking system. With the exposure to a wide range of stakeholders, the Group is mindful that it has responsibility to address the rights of the multitude of stakeholders and safeguard their interests. Thus, the Group has undertaken a structured approach in the materiality process, i.e. identifying and prioritising the material sustainability matters of relevance to the Group and stakeholders.

Key Steps in Materiality Process



1. Identification of Relevant Sustainability Matters

The process started with an initial list of sustainability matters relevant to the Public Bank Group and its stakeholders. In developing the list, the Group assessed the operating environment and emerging trends affecting the financial sector, and conducted study across a broad range of references to identify the relevant sustainability matters. These references include Bursa Malaysia's Sustainability Reporting Guide and Toolkits, and international standards such as the Global Reporting Initiative Standards.

Outcome: A list of identified sustainability matters relevant to the Public Bank Group.

2. Prioritisation of Material Sustainability Matters

2.1 Stakeholder Engagement

The Public Bank Group has undertaken a stakeholder prioritisation and engagement process to engage with its stakeholders. These include ongoing efforts to engage with stakeholders in the usual course of business through the day-to-day operations, as well as specific engagements carried out to seek stakeholders' feedback and comments on sustainability matters. The outcome of these engagements was considered in the course of the Group's materiality assessment of sustainability matters.

SUSTAINABILITY STATEMENT

As part of the process in conducting the Public Bank Group's materiality assessment of sustainability matters, the Group has conducted the specific engagement process as follows:

- To determine the key stakeholders with whom the Group should engage, the Group carried out assessments to identify key stakeholders based on each stakeholder's influence and dependence on the Group.
- To gain an insight into these key stakeholders' concerns, interests and expectations, the Group conducted stakeholder engagement surveys using a set of focused questionnaire and/or discussions including on-going sessions throughout the year to gauge stakeholders' concerns pertaining to the list of sustainability matters identified.

Where applicable, the Public Bank Group also took into account feedbacks from other stakeholder groups, gathered through various channels and through the ongoing engagements during the course of conducting its business operation.

Stakeholder Group	Engagement Platforms
Employees	• Internal engagement channels • Training programmes • Public Bank's internal engagement activities, such as Making A Difference Campaign and Still Surging Ahead
Customers	• Customers feedback surveys • Face-to-face interaction through service channels • Customer Service Focus Group
Shareholders and Investors	• Investor relations channel • Investors conferences and roadshows • Annual general meeting
Regulators	• Ongoing meetings and interaction
Rating Agencies	• Meetings • Analyst briefings
Media	• Interviews • Annual general meeting
Industry Associations	• Industry discussions and meetings

Outcome: A list of prioritised sustainability matters based on the views and feedback of key stakeholders.

SUSTAINABILITY STATEMENT

2.2 Management Assessment

The Senior Management team of the Public Bank Group conducted an assessment of the sustainability matters that are significant and relevant to the Group's business. The assessment was conducted using the impact assessment methodology, as follows:

- Each sustainability matter is assessed by considering how exposed the Group is to the sustainability matter (or the likelihood of the occurrence) and the extent of the impact in the event the risk or opportunity of the sustainability matter materialises.
- In determining the extent of impact of the risk or opportunity related to each sustainability matter, factors considered include financial impact, regulatory impact, investor confidence, customer satisfaction, employee satisfaction and reputation.
- A rating approach was used to assess the exposure/likelihood and extent of impact for each sustainability matter, based on the understanding of the Group's business as a whole. Sustainability matters with higher ratings signify greater relevance, exposure and impact to the Group and thus will mean greater significance to the Group.

Outcome: A list of prioritised sustainability matters based on the views and feedback of Senior Management.

Combining the outcome of the prioritisation processes as described in paragraphs 2.1 and 2.2 above, a materiality matrix has been derived to show the different levels of materiality of the sustainability matters to the Group and the stakeholders respectively.

Please refer to page 225 for the materiality matrix.

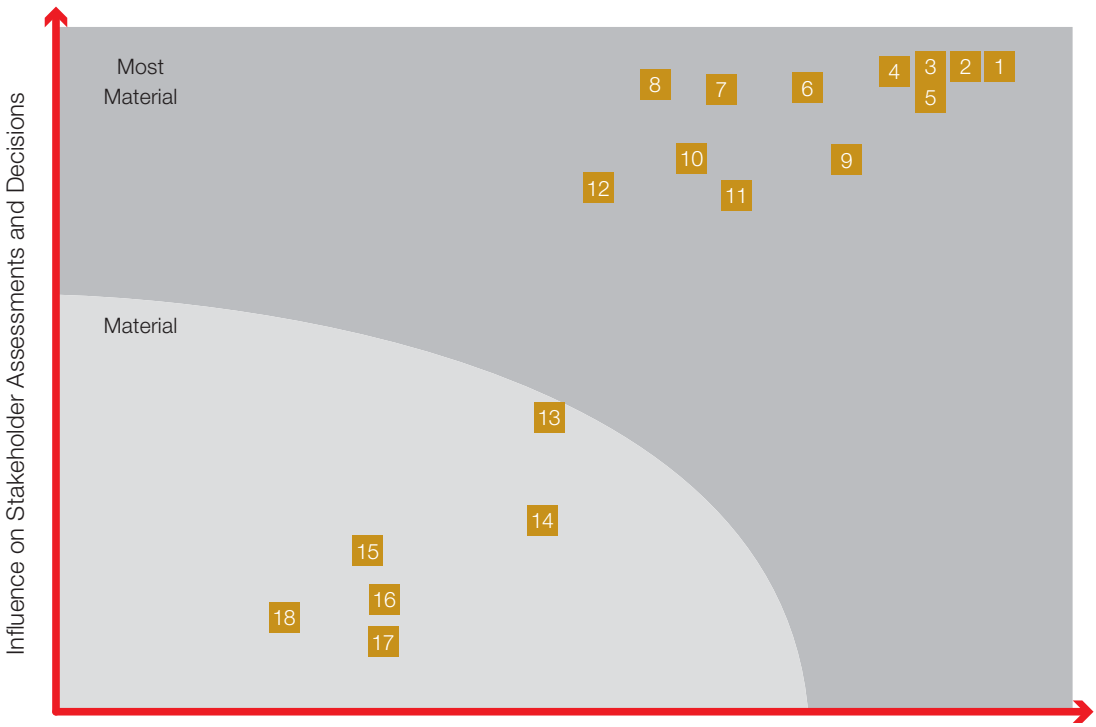
3. Process Review

The materiality process is undertaken as a key component of the Public Bank Group's journey towards identifying the material sustainability matters. The SMC has reviewed and approved the processes and outcome of the materiality process including the Group's materiality matrix which guides the Group in addressing and managing its material sustainability matters in its business operations.

SUSTAINABILITY STATEMENT

MANAGING SUSTAINABILITY MATTERS

Combining the views from stakeholders and the Public Bank Group's Management from the materiality process, the materiality matrix has been derived to show the different levels of importance of the sustainability matters. Sustainability matters falling in the upper right quadrant are considered most material and important for the Group to manage.



Most Material	Material
1 Data Security	13 Financial Inclusion and Accessibility
2 Anti-money Laundering and Counter Financing of Terrorism	14 Energy Management
3 Compliance	15 Community Contribution
4 Talent Attraction and Retention	16 Waste Management
5 Customer Satisfaction	17 Greenhouse Gas Emission
6 Responsible Lending	18 Sustainability in Supply Chain
7 Digital Transformation and IT Infrastructure	
8 Anti-fraud	
9 Employee Education and Development	
10 Employee Health and Safety, and Well-being	
11 Design and Marketing of Products and Services	
12 Employment Practices	

SUSTAINABILITY STATEMENT

Owing to rising public interest in these matters, the Group has taken on the initiative to monitor and manage both most material and material sustainability matters to create added value to the Group's growth. For ease of reference, the material sustainability matters have been categorised into five themes:

Responsible Business	Conduct and Compliance	Developing Employees	Corporate Citizenship	Managing Environmental Impact
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	Compliance Anti-money Laundering and Counter Financing of Terrorism Anti-fraud	People Enablement Framework: • *Talent Attraction and Retention* • *Employee Education and Development* • *Employment Practices* • *Employee Health, Safety and Well-being*	Community Contribution	Energy Management Greenhouse Gas Emission Waste Management

SUSTAINABILITY STATEMENT

Theme 1: Responsible Business

The Public Bank Group's long term strategy of organic growth has always focused on building trust, honesty and integrity as integral components across all areas of the Group's business operations. This strategic thrust reflects the Group's understanding and commitment to the stakeholders' expectations for the Group to place the highest priority on ethical business conduct in dealing with stakeholders. In respect of sustainability to responsible business, the Group's core values are embedded in the major areas of data security, customer satisfaction, responsible lending and digital transformation and IT infrastructure. With growing stakeholder interest, sustainability in supply chain will be included as an area that requires more attention going forward.



I. Data Security

Data security is a material matter for the Public Bank Group as it is important for a bank to safeguard customer confidential information and it is part of its business responsibilities to ensure continuity of the business operations. The Group places the highest priority on the principles of integrity and reliability to protect information security as a breach in data security could place its reputation at risk.

In the Public Bank Group, it is the responsibility of all employees to adhere strictly to information security guidelines. The Group raises awareness among all employees about the Code of Ethics, which guides them to prevent misuse of information, and ensure confidentiality of communication and transactions with customers.

In addition, the Public Bank Group also relies on Information and Communication Technology ("ICT") to help prevent confidential information from theft, misuse and loss. The Group focuses on enhancing its security posture through a policy of constant ICT security upgrades and implementation of the latest data protection measures. The Group also engages the services of Information Technology ("IT") consultants to assess IT core risks, which are benchmarked against international standards for ICT governance. This assessment covers all aspects of ICT management and operations in the Group.

Recognising the importance of training in enhancing the awareness of data security among staff, the Public Bank Group has committed resources to conduct training for its employees. Leveraging on the digital platform, the Group has widened the reach of training on information security awareness to employees, with 16,887 staff participating in e-learning programmes in 2016 compared to 586 participants in 2015. For classroom training, 2,016 staff participated in the sessions in 2016, compared to 754 in 2015.

The Public Bank Group also places emphasis on raising customer alertness of cyber security threats through various channels such as websites, advertisements, road shows, banners and brochures. Through these customer awareness programmes, customers receive useful information about the ways in which they can identify data theft and how they can protect their capital and data.

SUSTAINABILITY STATEMENT

II. Customer Satisfaction

The Public Bank Group's long term sustainable business is built on the trust and confidence from customers. Listening to customers has long been the Group's tradition. All employees are guided by Public Bank's Customer Service Charter which highlights the Group's key principles in customer services which include accountability, fairness, privacy, reliability and transparency. The Charter also outlines the standard of service that all employees should strive for when dealing with customers.

Customer Service Resolution

In ensuring the Public Bank Group's customer service deliverables, Management is constantly in touch with the ground to ensure that the Group is able to deliver the PB brand promise of service excellence at the various touch points across all the branches.

A critical initiative towards this objective is the Customer Service Clinics where the cross functional representations of heads of the Group's business and support units meet to seek solutions to resolve customer concerns and further improve service standard. These include ways to streamline banking processes and procedures and address employees' competency gaps for a more efficient and effective service delivery. The conduct of the Customer Service Clinics has yielded positive results as service delivery standard at the branches has shown significant improvement.

For the Public Bank Group to effectively engage its customers, staff must develop competencies beyond just sound professional knowledge. They must be able to exercise skills that guide effective dialogues to meet customer needs. In 2016, the Group carried out customer service related training with the involvement of 1,762 participants as compared to 1,582 in 2015.

ISO 9001 Standard Certification

In the year 2000, the Public Bank Group embarked on a quest to benchmark its customer service delivery systems against international standards. To initiate the benchmarking process, the Group established and implemented a robust Quality Management System in accordance with the ISO 9001 standards. The purpose of the Quality Management System was to set, implement and sustain the standard of delivering quality and efficient customer service in its Front Office and Loan Delivery services.

The effective execution of the Public Bank Group's Quality Management System has resulted in the Group upholding its ISO 9001 Standard Certification for both the "Provision of Customer Service at the Front Office" and "Provision of Customer Service in Loan Delivery" for 16 continuous years since 2000. The Group was also acknowledged as the first ever local bank to receive an organisation-wide ISO 9001 Standard Certification for its customer service delivery at the front office as it was hallmarked into the "Malaysia Book of Records" in 2001. This achievement of sustaining the quality standards and certification throughout the years reflects a combined discipline of strict and timely annual surveillance audits and vigorous in-depth re-assessment audits.

Queue Management System ("QMS")

The Public Bank Group has in place a QMS system which it uses to strictly monitor customer waiting time at the frontline counters. In 2016, more than 80% of customers at all its domestic branches were served within five minutes, setting a high bar for the industry's standard. Based on the Group's more stringent internally set benchmark of 2-minute Standard Waiting Time ("SWT"), the Group achieved a conformance level of close to 70%, indicating room for improvement for enhanced service delivery at the frontline counter.

To improve the QMS service level, the Public Bank Group has implemented initiatives to station Customer Service Ambassadors in banking halls to encourage and assist customers to utilise the self service machines for their banking transactions. For example, customers with cash deposit and withdrawal of RM5,000 and below are encouraged to use the self service terminals.

Complaint Management

The Public Bank Group's Complaint Unit ("CU") is responsible for managing, monitoring and ensuring customer complaints are promptly addressed. The function of the CU includes monitoring and following up on the action items for each of the respective parties within the stipulated turnaround time. In addition, the CU also acts as an intermediary between the Group's operating units and complainants.

To facilitate an efficient work process, the Public Bank Group has established a robust and effective system, namely the Complaint Tracking System ("CTS") which records all complaints received.

The system tracks each complaint through its life cycle. This ensures that the current status of the complaint is kept up-to-date, with all parties involved being kept informed. Functionally, the CTS requires each party to access the system to track, update and monitor the status of each complaint. The functionality of the CTS allows the CU to keep track of the complaint status including the resolutions, in terms of aggregate, type and frequency to allow statistical analysis of complaints to be produced as and when required.

The CTS also enables the Public Bank Group to resolve each complaint within an internally set 10-day turnaround time standard, which is more stringent than Bank Negara Malaysia's 14-day complaint resolution requirement. Any complaints which are complex in nature, and require a comprehensive investigation and additional response time are addressed in writing by the CU to the complainant.

The robust and effective Complaint Tracking System has enabled the Public Bank Group to achieve a 100% compliance rate in meeting the Group's internal turnaround time in processing complaints, which translates to full compliance with Bank Negara Malaysia's Industry Wide Benchmarking Report on Customer Service Indicators in Handling Queries and Complaints.

Customer Feedback Survey

The Public Bank Group has two surveys in place to solicit customers' satisfaction level.

a. Survey on Customer Satisfaction on Loans Delivery Services

   The Public Bank Group has conducted survey to gauge customer satisfaction on the Group's loan service delivery. Through the regular feedback from customers, the Group is able to assess the service quality and loan products from customers' perspective. The Group evaluates the result and initiates further enhancement to meet the needs of customers.

   In this regular customer feedback survey focusing on the Group's loans delivery service, the Group achieved a very encouraging service rating in 2016, as 92% of loan customers were satisfied with the Group's service, compared to 94% in 2015 and 86% in 2014.

b. Survey on Customer Satisfaction on Frontline Service Delivery

   Due to the effectiveness of its loans service delivery survey for a better understanding of customers' perception, the Group has expanded the effort to assess customer satisfaction on frontline service delivery.

   In September 2016, the Group piloted a survey gauging customers' perception on staff knowledge, skills and attitude, and customers' overall experience. Going forward, the Group will expand the survey efforts to cover a wider range of customers across branches in the country.

III. Responsible Lending

Responsible lending plays a significant part in the Public Bank Group's business sustainability strategy. The Group understands the need to lend responsibly as the consequences of not doing so could pose huge risks not only to the borrower concerned, but also to the Group and society.

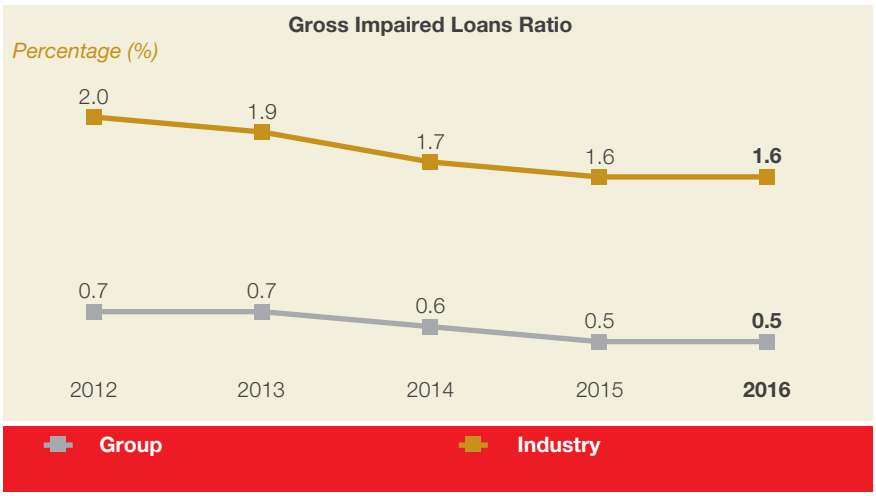
As a responsible financier, the Public Bank Group acts in the customer's best interests. The Group does not lend solely on the basis of achieving business growth, but also assess customers' ability to meet repayment and ensure that the Group conveys clear information to customers. As guided by Public Bank's Credit Policy, the Group adopts a high level of lending prudence and puts in place stringent credit appraisal system with individual accountability, reinforced with a strong centralised credit control and credit risk management systems. The Policy is formulated in line with guidelines by Bank Negara Malaysia and is subjected to annual review as and when necessary, to ensure it remains relevant.

The conduct of responsible lending by the Public Bank Group is further strengthened by its statistical-based credit scoring system in assessing customer creditworthiness. The Group ensures all branches nationwide stay vigilant and are fully compliant with these guidelines to reduce the potential credit risks to customers and the Group.

SUSTAINABILITY STATEMENT

Being supportive of customers facing financial difficulties is also part of the Public Bank Group's responsible lending initiatives. Guided by Public Bank's Policy On Rescheduling & Restructuring of Loans and Financing, the Group seeks to provide advice and various solutions to customers with financial difficulty to prevent their debts from becoming unmanageable. The Group also provides a platform for them to seek guidance from Agensi Kaunseling dan Pengurusan Kredit ("AKPK") for debt management programme. For customers affected by natural disasters, the Group grants repayment moratorium of up to six months.

The Public Bank Group's responsible approach in lending has resulted in the Group being widely recognised for its high asset quality. Underpinned by its prudent lending policies and credit origination, as well as proactive recovery process, the Group takes pride that it has continuously achieved its target of sustaining its impaired loans ratio below 1.0%. The Group's gross impaired loans ratio has also been the lowest in the domestic banking industry for many years, despite its growing loans portfolio amid the challenging operating environment.



Financial Inclusion and Accessibility

In recognition of the importance of sustainable and equitable economic growth, the Public Bank Group supports the national agenda of financial inclusion through adhering to the policy of Lending/Financing to the Priority Sector by Bank Negara Malaysia. The Policy is set out to ensure that the small and medium enterprises ("SMEs"), including Bumiputera SMEs, and the purchasers of affordable houses below RM250,000 have access to financing at reasonable cost.

In respect of this, the Public Bank Group taps on its extensive delivery channels including the wide network of 259 domestic branches, and its long term expertise in the core retail business of property and commercial financing, to enhance its financing services to these priority sectors.

To enable a more focused approach, the Public Bank Group had set targets for the two years of 2015 and 2016 in the financing of these two priority sectors, for which the Group had achieved the targets. For house financing, the Group exceeded its target by 40.3% in terms of number of affordable houses. Similarly, on SME financing, the Group exceeded its target by more than two-fold, of which the Group also exceeded the target of financing to Bumiputera SMEs by over 57.1%.

The Public Bank Group's focus on core retail banking business has also continued to meet the needs of purchasers of homes and motor vehicles. During the year, the Group provided financial assistance to over 46,000 home purchasers and more than 200,000 car buyers. In 2016, the Group granted RM15.62 billion and RM13.65 billion of new loans to customers for the purchase of homes and motor vehicles respectively, representing 29.1% and 25.4% of total new domestic loans approved by the Group.

The Public Bank Group recognises that financial inclusion is a key to growth for SMEs and micro enterprises. In supporting these businesses, the Group offers a range of products and services that meet their needs. In 2016, the Group granted RM16.66 billion of new loans to SMEs, accounting for 31.1% of total new domestic loans approved.

In addition, the Public Bank Group is a firm supporter of financing schemes initiated by the Government and Bank Negara Malaysia, and is an active participant in loan schemes leveraging on the provision of loan guarantee by Credit Guarantee Corporation Malaysia Berhad.

For more information on the Group's financial support to SMEs, please refer to page 188 of this Annual Report.

As at the end of 2016, the Group served a total of over 7 million accounts in core customer deposits, with over 90% of the accounts being individual depositors. In helping the general public to gain access to banking services at affordable cost, customers are able to open a Public Bank's Basic Savings Account and Basic Current Account with just an initial deposit of RM20 and RM500 respectively. In the range of products offered to the public, the Public Bank Group has specially designed the 50 Plus Savings Account to cater to the needs of senior citizens. The savings product provides additional savings to the senior citizens as the service charge on the current account is waived. Account holders are also offered discounts on selected products and services such as insurance products and will writing services.

As a caring corporate citizen, it has always been the policy of the Public Bank Group to provide courteous and efficient counter service for all customers at all times. For the physically disabled, senior citizens and expectant mothers, all of the Group's 259 domestic branches are equipped with a Special Care Service, where these customers will have priority to be served immediately irrespective of the queue length, time of arrival and the nature of the service needed.

To educate the public to manage their money better, the Public Bank Group actively participates in the School Adoption Programme ("SAP") launched by Bank Negara Malaysia in collaboration with the Ministry of Education. SAP is a programme in which selected Government-aided schools are adopted by financial institutions to nurture the savings habit among students. In 2016, the Group has worked with a total of 861 schools throughout the country. Upon the opening of children savings account, the Group provided Buku Wang Saku to the students as a money management tool.

Design and Marketing of Products and Services

The Public Bank Group ensures all its products and services are aligned with its corporate values and are in compliance with regulatory guidelines. To achieve this, the Group has in place a rigorous internal product approval and evaluation process for new products and existing product enhancements. It is also the Group's responsibility to explain and convey clear and concise product information to customers. The Group also ensures any important information and risks disclosures are highlighted in the marketing materials.

In marketing the more sophisticated products such as wealth management products, the Public Bank Group has set out a systematic approach for ethical selling. In the promotion of unit trust funds, the Group ensures that its Financial Executives pass the Computerised Unit Trust Examination and are registered as Unit Trust Scheme Consultant with the Federation of Investment Managers Malaysia. The Executives are required to attend training programmes to equip themselves with good knowledge on product features and benefits, as well as their roles and responsibility. The Financial Executives are to ensure that they sell ethically and promote products according to customer needs. Thus, before recommending an investment product to customers, the Executives must conduct the "Investor Risk Profiling and Customer Suitability Assessment Form" to assess the customer's risk profile and needs. It is also crucial to ensure that customers are fully briefed on the product highlight sheet and the fund prospectus.

Similarly, in selling bancassurance, the Public Bank Group ensures that its Financial Executives or Insurance Specialists are fully compliant with all applicable regulatory requirements. To protect customer interests, the Executive must complete the Customer Fact Find form to identify customers' financial goal priority and risk profile before recommending a suitable product to customers. It is also the Executives' responsibility to brief the customers on the Product Disclosure Sheet and Sales Illustration, and Bancassurance Product Sales Presentation Checklist.

On handling customer's complaint in respect of non-compliance or improper sales conduct, the Public Bank Group has a documented stepped approach in managing complaints, including punitive and preventive measures for any Financial Executive involved in non-compliance.

SUSTAINABILITY STATEMENT

IV. Digital Transformation and IT Infrastructure

Customers' interaction with banks is constantly evolving. Globally, rapid and dramatic advancement in technology is presenting new opportunities for 'next-gen' innovations to flourish within the banking system.

Technology is currently redefining business operations. Likewise, the Public Bank Group is using technology to engage with customers by investing in IT platforms to meet expectations of customers that are increasingly technology savvy. The Group's digital enablement initiatives are also aligned with Bank Negara Malaysia's agenda of promoting electronic payments for a more efficient and effective payment system.

The Public Bank Group's digital transformation strategy is driven by convenience, security, efficiency and innovation.

Convenience

As technology becomes more prevalent, convenience is among the key elements for enhanced customer experience.

Internet banking customers are expecting enhanced simplicity in its features and functionality with up-to-date and interactive tools. In 2014, the Public Bank Group revamped its internet banking platform, PBe, to include enhanced features with secure and fuss free banking services. PBe is accessible anytime with internet browsers from computers, as well as tablets and smartphones equipped with iOS or Android operating system. The makeover has attracted increased usage of Public Bank's PBe internet banking. In 2016, the number of registered active users grew by 23.4% for both retail and corporate users, while transactions performed via the PBe internet banking platform increased by 48.3%.

As the use of smartphones and tablets increases, customers are increasingly seeing mobile banking as a faster and more convenient touch point, and it is expected to become even more widespread in the years to come. The Public Bank Group's mobile platform, PB engage, is designed to offer customers secure and convenient banking, with features such as Loan Calculator, Forex Rates Inquiry, and JomPAY readily available.

Customers' interest in PB engage is reflected in the significant increase in the number of individual users which grew by 85.9% and the increase in corporate users by 66.3% in 2016. In the near future, PB engage will have additional features such as Widget and PB eGift. A new mobile wallet that enables customer to make payment with credit card through the use of mobile phone is also in the pipeline.

Security

With the increasing shift to digital banking, the Public Bank Group has tightened online security. In this context, the Group has invested in a heuristic online fraud detection platform, which leverages on risk-based, multi-factor authentication to protect its customers when accessing PBe internet banking and PB engage mobile banking. The fraud monitoring system analyses various indicators to identify any suspicious activities performed by customers.

Likewise, the Public Bank Group's Transaction Banking digital team works closely with its Information Technology Division and cyber security vendors on any potential threats, risks and vulnerabilities detected in order to safeguard customers' interest.

Efficiency

To cope with the projected influx of e-banking customers, the Public Bank Group's PBe internet banking is set to go through a series of upgrades. In 2016, the Group has set a more stringent key performance indicator ("KPI") benchmark for systems availability, in line with higher expectations on the reliability of critical systems. To meet the new KPI, new servers were purchased to handle three times more concurrent internet banking transactions. In addition, the Group also worked on improving efficiency on time-to-market for its products and services. The Group will continue to ensure its customers, especially those who are digital novices, get to experience a smooth transition to the e-banking platforms.

SUSTAINABILITY STATEMENT

Innovation

The Public Bank Group understands innovation is the essence in digital transformation. Digital innovation drives strategic changes and helps improve products and services for enhanced customer experience. Currently, the Group is embarking on the PBe's internet banking enhancement as well as the upgrading of Online Cash Management Services.

Financial Technology companies ("FinTechs") have been progressively moving forward. The Public Bank Group has been following up on the FinTech narrative and market development in the region with great interest. The Group is also exploring opportunities to collaborate with notable FinTechs for new product offerings and enhanced services.

At times, the adoption of technologies has not garnered the anticipated response. Regardless, the Public Bank Group will continue to learn from experience and focus on carving a larger portion of market share in the digital ecosystem.

V. Sustainability in Supply Chain

Sustainability in supply chain has been increasingly recognised as an important aspect in corporate responsibility. In making responsible sourcing decisions, the Public Bank Group has started to explore putting in place an appropriate approach to consider suppliers' economic, environmental and social ("EES") credentials in the lifecycle of supply chain.

In the emplacement of new suppliers on the Public Bank Group's panel, the Group has begun to incorporate sustainability-related criteria in assessing the suppliers' business practices such as workplace relations and, occupational health and safety. For existing vendors and suppliers, the Group sent out surveys to selected suppliers for them to share and affirm their commitment towards EES.

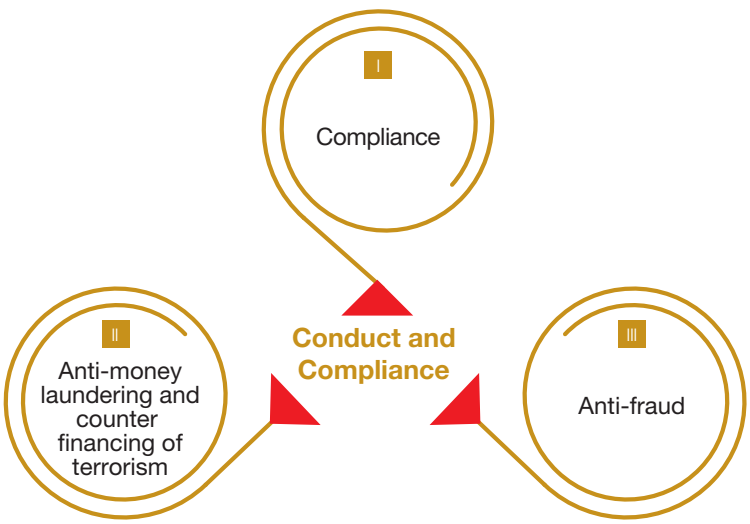
The Public Bank Group carries out yearly visit to the offices, factories and warehouses of vendors and suppliers dealing in security printing to assess the various aspects of their business practices, and EES matters will be included as part of the assessment going forward.

The Public Bank Group is cognisant that there is still much to improve on managing sustainability in supply chain, and will continue to collaborate with its suppliers and vendors to work towards enhanced sustainability practices with respect to EES matters.

SUSTAINABILITY STATEMENT

Theme 2: Conduct And Compliance

As an organisation safeguarding public funds and operating in a highly regulated industry and environment, the Public Bank Group is subject to various compliance requirements from regulators and authorities, particularly on anti-money laundering and counter financing of terrorism ("AML/CFT") and anti-fraud. The Group appreciates compliance requirements as a part that financial institutions have to play in maintaining the health and stability of the financial sector, markets and economy. The Group takes compliance matters seriously as it is crucial to both the sustainability and growth of its business and has zero tolerance towards non-compliance. The Group is fully aware that a breach of laws, regulations, rules, related self-regulatory organisation standards and codes of conduct could have significant impact on stakeholders and impair the sustainability of the Group's business. Thus, adherence to compliance standards does not only strengthen customer trust, it is also a key to long term sustainability to the Group, the customers, employees and the communities that the Group serves.



I. Compliance

Compliance risk is one of the principal risks identified via the Public Bank Group's risk management process, and it focuses on the risk of legal or regulatory sanctions, material financial loss or reputation damage that may be suffered as a result of the Group's failure to comply with applicable legal and regulatory requirements.

Compliance Policy

The Public Bank Group has in place a Compliance Policy which sets the fundamentals for the Group's compliance framework. The Compliance Policy is formulated with reference to the requirements of the Policy Document on Compliance issued by Bank Negara Malaysia. It outlines the compliance expectations for the Group and seeks to promote a corporate culture that upholds high standards of integrity and ethics.

Governance on Compliance

The Public Bank Group's Board holds the ultimate responsibility for overseeing the management of the Group's compliance risk, while the Group's Senior Management is collectively responsible for the effective management of compliance risk.

In its effort to enhance oversight of the compliance of the Public Bank Group, the Group has also gone further to establish a Compliance Board Committee in March 2016. The Compliance Board Committee is tasked to assist the Board in discharging its responsibility pertaining to the oversight of compliance matters.

The Public Bank Group's Compliance Division oversees the Group's compliance function, with the scope and coverage focusing on operational, legal and

regulatory compliance on banking operations at branches, credit operations and, operations of business and support units at Head Office. The compliance function operates independently from business lines, to provide objective assessment, reporting or assurance to those charged with governance.

While the Board, Senior Management team and Compliance Division are responsible for the management of compliance matters, the Compliance Policy sets out that compliance is the responsibility of all staff, with each business and support unit primarily responsible to own, develop and update systems, policies, processes and procedures to manage compliance risks.

In addition, full time compliance officers are deployed to branches and operations which are deemed to have high level of risk to perform daily compliance checks. In addition, a team of mobile compliance officers is responsible to conduct visits to less high risk branches.

Whistleblowing Mechanism

The Public Bank Group has in place an established whistleblowing mechanism which enables concerns of employees to be reported and addressed, with an appropriate level of protection of confidentiality to the whistleblower. The whistleblowing mechanism serves as a channel for the Group's Management to obtain feedback when employees have any concerns pertaining to non-compliance matters. The mechanism also provides the processes for investigation and escalation of matters reported. Going forward, the Group will further enhance the effectiveness of its whistleblowing mechanism to facilitate disclosures of concerns by third parties including contractors and consultants.

Detailed description of the Public Bank Group's whistleblowing mechanism is provided in page 124 of this Annual Report.

II. Anti-money Laundering and Counter Financing of Terrorism

Money laundering and terrorism financing weigh heavily on a bank's operations and reputation, and the spillover effects could pose significant threat to a country's stability. Rapid digital advancement has also created the condition for the emergence of evolving schemes related to these financial crimes. Safeguarding the financial sector from these financial crimes, therefore, is a matter of utmost importance, and regulators have kept these aspects under close scrutiny.

The Public Bank Group recognises these ongoing concerns that require high vigilance. As part of the efforts on anti-money laundering and counter terrorism of financing, the Group's Anti-Money Laundering and Counter-Financing of Terrorism ("AML/CFT") Policy had been updated in 2015.

Apart from the various controls that the Group has put in place, a useful supplement to the AML/CFT is the Group's whistleblowing mechanism, which allows a breach or occurrence of money laundering or terrorism financing to be reported.

Please refer to Anti-Money Laundering and Counter-Financing of Terrorism Policy on page 124 of this Annual Report.

On managing the risks of AML/CFT, the Public Bank Group pays particular attention to customer risk profiling and geographical coverage. In addition to the enhancement of transaction monitoring systems, the Group has continued with its training programmes for employees to increase their awareness and enrich their knowledge on the evolving risks and regulatory landscape relating to AML/CFT. In 2016, a total of 44,578 training sessions on AML/CFT were conducted. Further, number of staff involved in the Group's control functions who possess AML/CFT certification has increased during the year.

AMF/CFT Training	No. of Trained Participants 2016	2015	2014
Classroom trainings	**2,045**	1,535	2,950
E-learning	**34,859**	32,886	29,410
AML/CFT Quiz	**7,638**	7,306	7,713
Certification in AML/CFT	**36**	22	74
Total	**44,578**	41,749	40,147

SUSTAINABILITY STATEMENT

III. Anti-fraud

In fighting financial crimes, banking fraud has remained a top concern. Fraud losses does not only impose significant economic costs, it weighs heavily on consumer confidence. The evolving fraud threats have kept banks highly alert on these fraudulent acts. Having an anti-fraud strategy is therefore a key element in risk management. In the Public Bank Group, every employee is responsible to adhere to the Anti-Fraud Policy. The Group has in place internal controls which practice segregation of duties and ensure the Group's operational controls do not rely on a single individual. In addition, the Group's internal audit function includes fraud risk in its audit plan to ensure that the internal controls addresssing fraud risk are adequate and operating effectively.

Please refer to Anti-Fraud Policy on page 124 of this Annual Report.

As digital transformation can give rise to fraud cases, the Public Bank Group has taken further steps to strengthen online security for added peace of mind of its customers. The Group is the first bank in Malaysia to implement PIN-enabled Point-Of-Sales terminals to its merchants to facilitate the replacement of signature based cards with the more secure PIN based cards. The Group has also implemented a new fraud detection system for internet banking.

It has been an ongoing practice that the Public Bank Group engages with international vendors on securing cyber security. In addition, the Group continued to deploy additional security system to reinforce existing defences against cyber attacks. The Group collaborated with a renowned security firm to provide updates and alerts on the latest cyber threats as well as to take down malware sites.

Throughout the year, the Public Bank Group carried out 3,866 training programmes on anti-fraud to heighten the awareness among employees. Topics on controls and common lapses are thorougly covered in programmes pertaining to operations and credit to ensure that staff are alert to the possibility of fraud. Similarly, the Group's whistleblowing mechanism may be used for the reporting of any suspicious or fraudulent activities.

Theme 3: Developing Employees

The Public Bank Group understands that to be sustainable, a company has to be simultaneously purpose-driven, principle-led and performance–focused. The strong reputation and brand of Public Bank is founded on a business approach in which the Group works to make a positive impact on the economy, society and the environment. In setting the tone at the top, the leaders nurture the strong corporate values that are entrenched in the Group's culture, and reinforce the ethical principles on which the Group's reputation and success are founded.

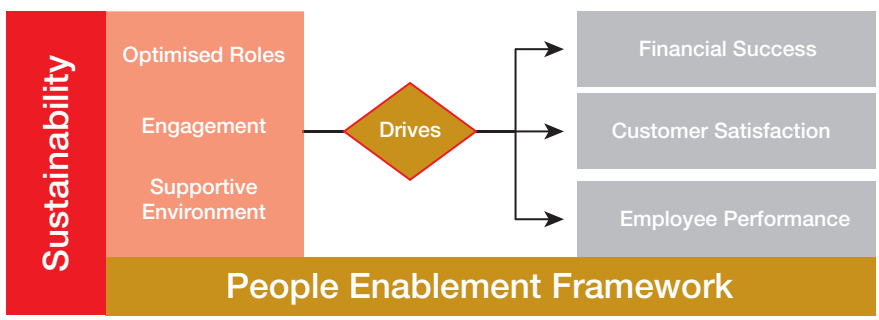
Developing Employees is always a core business value in growing the Public Bank Group. The Group takes a holistic view in harnessing employees as the Group acknowledges that skilled human capital is not only imperative for an organisation's long term development, it is also an integral component of a country's sustainable growth. The Group supports national strategies of talent development and acceleration of the country's productivity by fostering a conducive environment that supports employees' professional growth and allowing employees to add value for themselves. This is well reflected in the Group's strong staff strength of more than 18,500 across six countries and the Group's huge investment in human resources. Personnel costs accounted for 70.1% of the Group's total operating expenses, standing at RM2,251.0 million in 2016.

In this section of Developing Employees, the Group describes the targets, practices and performance covering the material matters of Talent Attraction and Retention, Employee Education and Development, Employment Practices and Employee Health, Safety and Well-being.



People Enablement Framework

The Public Bank Group has a robust People Enablement Framework that harnesses the right intellectual capital that resides in the diverse workforce across the Group. It enables the Group to design suitable pipeline programmes feeding into different levels and specialisation pools.



Getting the most from motivated employees requires the support from the organisation. Employees must not only be engaged by shared goals, but also be enabled for optimal performance such that their skills and abilities are effectively utilised. A supportive environment fuels sustainability. The Group believes that an inspired and engaged workforce needs to be nurtured with the right environment so that the Group is able to drive the right behaviour across the organisation.

SUSTAINABILITY STATEMENT

Optimised Roles

In 2016, the Public Bank Group continued its efforts to enhance support for the employees in their careers to enable them to optimise their roles. In the Group, employees are resources to be invested in, not expenses to be managed. The Group encourages all team members to be leaders - to lead themselves, lead their teams, and lead the business. The Group holds all team members accountable for their business and strives to propel them with the knowledge, skills and training for their current job performance and future advancement. Even more importantly, the Group makes efforts to ensure that each team member conducts business based on the vision and values that define the Group's culture, in order to create long term value for the stakeholders and deliver on the Public Bank brand promise.

For 2016, the Public Bank Group's total learning budget utilisation was RM44.1 million, remaining well above Bank Negara Malaysia's statutory requirement. The Group's staff training expenditure against total gross salary also exceeded Bank Negara Malaysia's minimum standard of 2.5%, standing at 3.1%. Furthermore, the Group institutes a mandatory training policy of 3 days for every staff while key drivers are provided a minimum of 8 days of training per year. This is above the Association of Talent Development's global benchmark of 3.8 days.

	No. of employee participating in training		Average training budget per employee (RM)	Total hours of training per employee	Staff training as percentage of salaries (minimum statutory requirement of 2.5%)
	Classroom	E-learning			
2016	**36,722**	**83,546**	**3,017**	**30**	**3.1**
2015	35,813	71,168	2,844	31	3.2
2014	34,075	38,592	2,579	29	3.3

Training Days of Key Drivers Over the Past 3 Years

	2016	2015	2014
Managerial Staff	**8**	8	8
Sales Staff	**8**	10	10

SUSTAINABILITY STATEMENT

Experience is an important element in broadening employees' skill-sets across the business and geographies. To enable them to take on larger roles, the Public Bank Group advocates internal mobility, job rotations, cross-functional projects and learning from the collective experience of peers and seniors at work through mutual interactions.

The Public Bank Group has a pool of certified internal coaches to effectively drive the coaching culture in the Group. From middle management to higher management, the identified employees are put through coaching programmes conducted throughout the year. To-date, we have 31 Executive Coaches and 290 middle management staff supporting the coaching culture.

To ensure the quality and added value of the training programmes, the training content is periodically assessed and reviewed to align with the ever-changing operating and business environment. In 2015, the Public Bank Group did a Skills Gap Analysis on the competencies of frontline staff for them to identify their blind spots and areas of weaknesses. The Skills Gap Analysis on frontline knowledge and skills was followed by 27 review sessions across the nation and different levels of staff. In November 2016, the Group continued with the self-discovery exercise on credit competencies and the results were presented to top management who takes a keen interest in the Group's skills inventory. The Group will continue to conduct the review sessions in 2017.

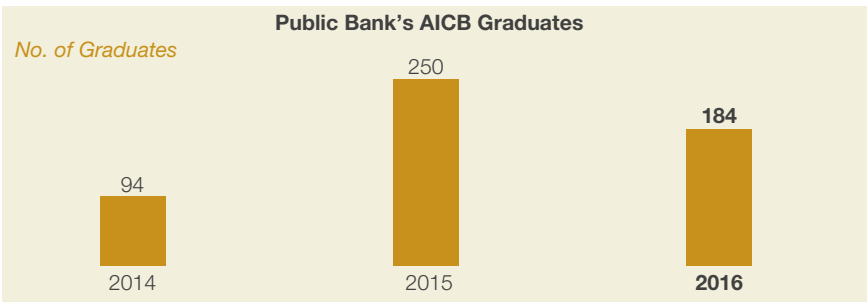
Skills Gap Analysis

Year	**2016**	**2015**
Area	**Credit Operations**	Frontline Operations
No. of Candidates	**1,967**	1,814
No. of Review Sessions Conducted	**Commencing next year**	27

To enhance staff professionalism and to provide them with a holistic and solid foundation, staff are encouraged to pursue professional certification such as:

- Chartered Banker
- Professional Credit Certification
- Certification in Anti-Money Laundering & Counter Financing of Terrorism
- Certification in Regulatory Compliance
- Certification in Bank Risk Management
- Certificate in Internal Auditing for Financial Institutions
- Certified Documentary Credit Specialist
- Certified Financial Planner
- Certification in Islamic Banking and Finance

It is noteworthy that, for two consecutive years, the Public Bank Group recorded the highest number of graduates in the Asian Institute of Chartered Banker ("AICB") Graduation ceremonies.



The Public Bank Group believes that knowledge is one of the key factors directly linked to the capability and productivity of its people. As such, at specific levels of the hierarchy, rigorous selection procedures including Mastery Tests and Executive Assessments are implemented to ensure that only those who can be scaled up are selected. In 2016, Mastery Test and Executive Assessment were conducted nationwide for 170 candidates.

SUSTAINABILITY STATEMENT

	2016		2015		2014	
	No. of Sessions	No. of Candidates	No. of Sessions	No. of Candidates	No. of Sessions	No. of Candidates
Mastery Test	**1**	**7**	2	417	5	277
Executive Assessment	**1**	**163**	2	281	-	-

The Public Bank Group keeps the approach to training current and under constant review in order to improve the quality of curricula and equip employees with strong technical and leadership skills. Given the increasing threats posed by technology, it is also necessary for the Group to future-proof its employees and inculcate a creative mindset in them. In this respect, the Group's Senior Management who are constantly exposed to evolving regulations and contemporary trends, are kept abreast of the latest developments through participating in international forums and Learning Bites.

Sustainable Engagement

For the Public Bank Group's employees, engagement starts even before they join the Group. To attract talents, the Group has initiated a series of campus engagement activities since 2015.

Campus Engagement Activities

	Number of Engagement Sessions	
Activity	**2016**	**2015**
Career Fairs/Event	**43**	30
On-campus Interviews	**8**	3
On-campus Career Talks	**4**	1
Career/Group Interview Workshops	**3**	0
Employer-student Network Sessions	**1**	0
Student Visits to Menara Public Bank	**7**	2
	66	36

Throughout 2016, the Public Bank Group participated in several employer engagement activities with UCSI University. The Group participated in two career fairs and was invited to conduct career talk for the students. Through these in-person engagements, students view Public Bank as the employer of choice. During the year, on request from the UCSI Accounting and Finance Club, the Group hosted a career tour in Menara Public Bank for 40 students. The tour enabled students to gain an insight on Public Bank's history, business operations, corporate culture, and career opportunities offered by the Group. In appreciation of the Group's collaborative recruitment activities with UCSI University, the UCSI Faculty of Business and Information Science presented the Group with "The Most Engaging Co-op Partner" Award in October 2016.

Upon joining the Public Bank Group, new recruits are on-boarded through the "Getting It Right" programme where they are exposed to the values and beliefs of their "corporate family", organisational achievements, as well as business ethics and workplace expectations. Closely monitored mentoring and buddy systems are also implemented for new recruits, promotees and for those on job rotation. These measures put them ahead of the curve on organisational set-up, learning and on jump-starting relationships.

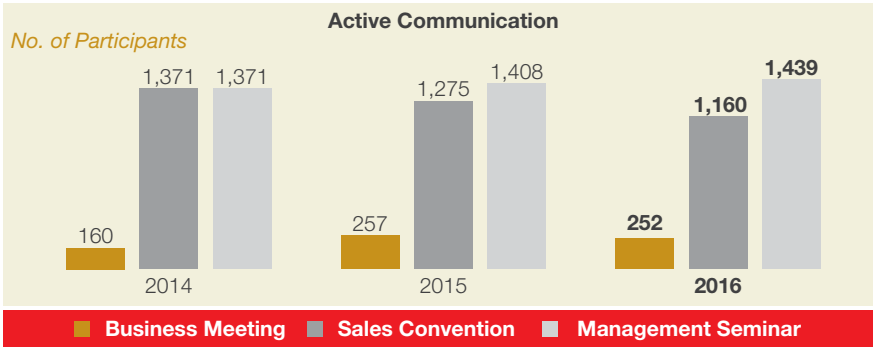
SUSTAINABILITY STATEMENT

The Public Bank Group's Management Trainees in particular are put through the on-boarding flagship programme, PB TalentMax which spans over a one-year period. Through on-branding activities and learning, the trainees are able to build multi-generational values, thus easing their assimilation into the organisational culture. While equipping them with knowledge and skills beyond their scope of responsibility, experiential learning and on-the-job attachment at Head Office divisions ensure that they take a holistic approach in their work.

To facilitate smooth assimilation and engagement of new recruits, the CEM ("Call, Engage and Mentor") line has been set up by the Public Bank Group's Human Capital Management Division for periodic contacts during the trainees' first year with the Group. The establishment of such a relationship provides a form of hand-holding in assisting the Management Trainees to transition from the study environment to working life. Such engagement also enables the Group to provide counselling as well as to assist them in resolving problems. The positive impact of this programme is reflected in the improvement in retention rate of Management Trainees from an average of 76% (prior to implementation of the CEM line) to 80% for 2016.

Career development is a shared responsibility between team members and their managers. The Public Bank Group actively engages staff throughout their career. All team members receive an annual performance review from their managers. They discuss their professional goals and create an individual plan to support their professional development. Clear career paths and development plans are also designed and made known to staff for them to chart their future.

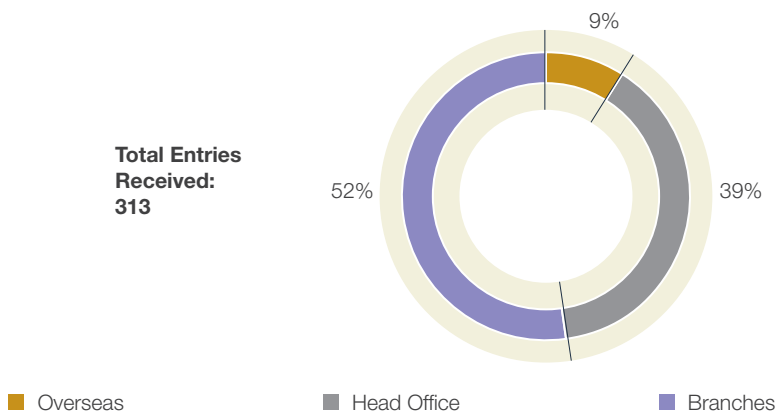
The Public Bank Group encourages open and honest communication in decision making. Employee engagement creates opportunities for employees to connect with the Management. Through events such as the Management Seminar, Sales Convention and Business Meeting Briefings, staff are able to participate in the Group's strategic business directions and align their delivery of expectations.



Over the last two years, the Public Bank Group has been actively engaging employees through campaigns such as the Making a Difference ("MAD") and Still Surging Ahead Campaigns. The MAD Campaign provided employees a platform to unleash their creative ideas on how to improve work processes and elevate service delivery. In conjunction with the celebration of the Group's 50th anniversary in 2016, the Group launched the Still Surging Ahead Campaign to invite employees' submission describing their experience with the Group and ideas of ways to improve the performance and practices of the Group.

The PB Star Campaign is aimed at rewarding staff who demonstrate the PB desired behaviour including Problem Resolution, Sense of Urgency and Timeliness, Courtesy and Respect, Teamwork and Communication. The Group spent 2016 going all out to encourage staff to consistently deliver these values.

Still Surging Ahead 2015 Campaign



SUSTAINABILITY STATEMENT

"MAD" CAMPAIGN

2,517
submitted

	No. of Idea Implemented (as at December 2016)	No. of Idea Accepted
Operations	**19**	104
Credit	**19**	90
Hire Purchase	**13**	24
Product	**10**	39
Islamic Banking	**3**	6
Human Resources	**2**	6
Misc	**1**	32

Supportive Environment

The Public Bank Group takes pride in creating an outstanding and supportive working place for employees by building an environment of respect, diversity, opportunity and inclusion. The Group holds the belief that by generating a conducive environment for employees, they will in turn make the lives of its customers and other stakeholders better.

Strong Corporate Culture

People need to know where they are heading and how they should do it. Having a strong corporate culture is like providing directional signages which guide the Public Bank Group's employees in their execution of daily function.

The approach to strengthen the Public Bank Group's culture has been multi-pronged. In addition to a clear tone from the top, the Group has actively engaged employees, anchored its values and beliefs in all people processes, and embedded the values in business processes, practices and policies.

When employees are being considered for promotion, it is now a standard for managers to assess how candidates demonstrate the values and beliefs in their daily business. Furthermore, elements of the Public Bank Group's compensation system are aligned to supporting, encouraging and rewarding the right behaviour, while penalising wrong behaviour. The Group has also improved its processes and practices, and installed clear escalation mechanisms to investigate misconduct and take disciplinary action as required.

Clear and Fair Remuneration Policy

All employees' annual performance evaluations measure the achievement of their goals (the "what") as well as whether the achieved goals are in accordance to the Public Bank Group's values (the "how") and if they place emphasis on the importance of integrity and collaboration in their daily business activities. Both goal and behaviour ratings are factored in when deciding on staff development, reward and promotion.

Diversity and Inclusion

Diversity is part of the Public Bank Group's DNA and the Group embraces the diversity of the operating environment. The Group respects different cultures, values varied perspectives and recognises diversity as a source of strength across the network of the Group's employees.

The Public Bank Group's practice of diversity and inclusion is best demonstrated in the Group's commitment to meritocracy, where advancement is based on achievement of objective criteria. The Group's employees feel safe knowing that they work in an environment where bias, discrimination and harassment on any matter, including gender, age, ethnicity, religion, sexuality and disability are not tolerated. Regardless of gender, all employees have fair and equitable employment terms and equal opportunities for career advancement based on merit.

The Public Bank Group delivers on diversity by bringing people from different businesses and geographies together, to work and learn from each other at all levels of the company. Adopting a top-down and a bottom-up approach, the Group puts people together on training, on working committees, on special projects and management committees. This is cemented through activities including sports and voluntary humanitarian efforts, management seminars and conventions.

SUSTAINABILITY STATEMENT

Stay Healthy and Safe

For the Public Bank Group, having healthy employees is about more than improving the Group's bottom line. It is about improving employees' lives and sometimes even saving lives. Healthy employees are happy employees and will have more rewarding lives both inside and outside the office.

The Public Bank Group encourages employees to balance work and family commitments, manage stress and pursue a healthy lifestyle. The Group has also incorporated flexible working arrangement in its staff schemes of service:

- Compassionate leave for unforeseen events such as floods and critical illness/death of family members
- 90 days maternity leave for all post natal mothers, extending beyond the mandatory 60 days
- 5 days paternity leave for male employees to take care of their newborn
- Sabbatical leave with duration ranging from few months to few years to enable employees to attend to family matters, to pursue further studies or for self-rejuvenation purposes. A total of 146 staff were granted such leave in the past 3 years
- 7 days examination leave for employees to sit for examination
- Child care allowance for eligible employees with young children to alleviate the cost of child care services
- Subsidy for purchase of medical insurance to cover employees' immediate family
- Option for Muslim staff to leave work early during the fasting month to enable them to break fast on time



SUSTAINABILITY STATEMENT

Number of Staff Granted Sabbatical Leave

	2016	2015	2014
Domestic Obligation	**31**	35	44
Health/Wellbeing	**8**	16	8
Further Studies	**2**	1	1
Total	**41**	52	53

The Public Bank Group's benefits are supported by extensive wellness programmes which include not only health assessment and stress management, but also cover the best practice in taking full control of one's mind, body and soul.

The Public Bank Group continues to co-ordinate with health service providers to conduct health related talks and fitness programmes for staff participation. The Group's comprehensive medical benefit scheme includes specialist treatment and hospitalisation for staff and their immediate families. In addition, staff are also eligible to attend biennial medical examinations at the Group's panel clinics for an update of their health status and to facilitate early detection and treatment of any illnesses.

Total Wellness and Managing Your Finances Workshop

	2016	2015	2014
Total Wellness	**260**	328	260
Managing Your Finances	**85**	156	92

To promote employee financial health, the Public Bank Group offers "Managing Your Finances" workshops, covering a wide range of topics including financial basics, managing credit, financing an education, owning a home, and retirement planning. The programmes help employees to make smart financial decisions and prepare for the future. Succeeding financially is not just a goal for customers – it is also a goal for all employees.

Moving forward, the Public Bank Group's robust People Enablement Framework will continue to propel employee performance, customer satisfaction and financial success. The Group's continuous effort to optimise employees' role, engage with them and create a supportive environment will ensure that the Group continues to make positive impact on society, the environment and the economy as well as to create real value for all stakeholders.

SUSTAINABILITY STATEMENT

Performance Data

HUMAN RESOURCE – MALAYSIA	2016	2015
WORKPLACE		
Supervisory (%)	**67.4**	66.7
Non-supervisory (%)	**32.6**	33.3
Female (%)	**59.9**	59.9
Male (%)	**40.1**	40.1
Age group (%)		
< 30	**31.9**	34.9
30 to < 40	**31.0**	31.6
40 to < 50	**27.0**	24.3
50 and above	**10.1**	9.2
Diversity (%)		
Malay	**37.4**	37.2
Chinese	**55.8**	56.0
Indian	**6.5**	6.5
Others	**0.3**	0.3
Service in the Group (%)		
< 1 year	**4.8**	7.3
1 to < 5 years	**18.6**	18.2
5 to < 15 years	**31.9**	31.9
15 years and above	**44.7**	42.6
Women in management (%)	**44.5**	43.1
Women in top management (%)	**45.8**	44.1
Total no. of recruitment (Headcount)		
Supervisory	**926**	1,321
Non-supervisory	**63**	180
Total no. of promotion (Headcount)		
Supervisory	**810**	597
Non-supervisory	**102**	158
EMPLOYEE TURNOVER (%)		
Supervisory	**8.5**	10.2
Non-supervisory	**2.7**	4.1
Employee turnover breakdown by supervisory age group (%)		
< 30	**81.4**	79.2
30 to < 40	**12.3**	12.7
40 to < 50	**4.1**	5.4
50 and above	**2.2**	2.7

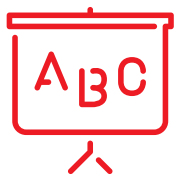
HUMAN RESOURCE – MALAYSIA	2016	2015
Employee turnover breakdown by non-supervisory age group (%)		
< 30	**66.2**	77.8
30 to < 40	**25.2**	16.2
40 to < 50	**6.5**	5.5
50 and above	**2.1**	0.5
PERFORMANCE MANAGEMENT		
Total number of employees appraised (%)	**96.9**	96.3
Total number of staff awarded bonus (%)	**96.4**	95.6
STAFF DEVELOPMENT		
Employee participation in training:		
Classroom (Headcount)	**36,722**	35,813
E-learning (Headcount)	**83,546**	71,168
Average no. of participants per training programme	**24**	26
Average training budget per employee (RM)	**3,017**	2,844
Total hours of training per employee	**30**	31
Staff training as percentage of salaries cost (minimum statutory requirement of 2.5%)	**3.11**	3.16
EMPLOYEE WELFARE		
Total amount of staff loans approved (RM'000)	**311,550**	327,053
Total outstanding amount of staff loans (RM'000)	**1,763,757**	1,618,899
Benefits paid under the Group's protection insurance policies:		
(i) Personal Accident Insurance (RM'000)	**143**	121
(ii) Group Term Life Insurance (RM'000)	**878**	2,581

SUSTAINABILITY STATEMENT

Theme 4: Corporate Citizenship

Community Contribution

EDUCATION



- RM2 million UTAR-Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund
- RM1.5 million TARC-Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund

HEALTHCARE



- Over 400 participants supporting blood donation activities held in Menara Public Bank
- RM200,000 donation to dialysis centre

COMMUNITY WELFARE



- Donation supporting community-based organisations and institutions
- Active community engagement under Public Bank's TalentMax Programme

The Public Bank Group sees its corporate citizenship's role as one of the essential aspects to contribute toward creating shared value in the community. It also helps improve the lives of people in the areas where the Group operates, thus creating a more sustainable environment.

In carrying out its duty as a corporate citizen, the Public Bank Group fulfils its responsibility as a major tax payer in contributing to the fiscal funding for national development. In 2016, the Group's total tax payments amounted to RM1.29 billion. The Group recognises the importance of this tax revenue to the nation's economic and social development which contributes to the well-being of the people. During the year, the Group also continued with its direct contribution that benefits the society at large, which focused on the areas of education, healthcare and community welfare.

Education

The Public Bank Group has been a long term strong supporter of educational development. Since 2007, the RM2.0 million "UTAR – Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund" and the RM1.5 million "TARC – Tan Sri Dato' Sri Dr. Teh Hong Piow Student Loan Fund" have benefited numerous students of Universiti Tunku Abdul Rahman and Tunku Abdul Rahman College in their pursuit of higher education. The Group was also involved in the promotion of healthy living among students through a RM10,000 sponsorship to TARCIAN Run 2016 organised by Tunku Abdul Rahman University College.

Furthermore, the Public Bank Group hosted several educational visits for undergraduates to Public Bank. These field trips enabled the students to acquire knowledge of a bank's operations, explore the concepts of banking, and also provided them with some hands-on learning experience. During the year, the Group hosted seven educational visits for undergraduates from University Teknologi MARA, UCSI University, Sunway University, Asia Pacific University, University Putra Malaysia, University of Malaya and University of Nottingham Malaysia Campus.

SUSTAINABILITY STATEMENT

Healthcare

The Public Bank Group's community investment also encompasses support actions for the improvement of community healthcare. The Group has been actively involved in the National Blood Bank for the last 28 years. During the year, the Group continued to arrange blood donation activities held at its premises. These activities have heightened the awareness among the Group's employees and customers about this noble act and encouraged them to participate in the activities.

Additionally, the Public Bank Group also donated RM200,000 to Persatuan Dialisis Kurnia Petaling Jaya to assist in the management of its Dialysis Centre.

Community Welfare

The Public Bank Group's initiatives towards the community are also aimed at improving the livelihood of the underprivileged. In 2016, the Group contributed RM10,000 each to the Ampang Welfare Committee and Rumah Victory. In conjunction with its 50th Anniversary, the Group donated a total sum of RM100,000 to the following organisations:

- Malaysian Cancer Society
- Pertiwi Soup Kitchen
- Pusat Jagaan dan Pendidikan Warga Emas Darul Insyirah
- Rumah Perlindungan Al Nasuha
- Rumah Anak Yatim Nur Qaseh

The Public Bank Group, has since 2015, worked with a non-profit welfare organisation in providing financial assistance to flood victims and school-going children. The Group leverages on its branch network nationwide to facilitate efficient and extensive distribution of financial aid under the welfare organisation's social programmes such as "Financial Relief for East Coast Flood Victims" and the "Back to School" financial aid programmes. To date, the Group has helped distribute financial support of approximately RM8 million to 11,000 recipients nationwide under the "Financial Relief for East Coast Flood Victims" and the "Back to School" programmes.

The spirit of giving is inculcated throughout the Public Bank Group's employees. This is well reflected in the active participation of the Group's graduate trainees in supporting the underprivileged. Under the Group's TalentMax Programme, its young staff are engaged in various programmes involving visits and voluntary work to orphanages and welfare homes of the underprivileged. In 2016, the trainees were also involved in community work such as carrying out clean-up services at parks and Zoo Negara.

The Public Bank Group is committed to being a responsible contributing member of the community. The Group is well aware that community investment extends well beyond charitable donation and will seek to widen its dedication to the community through other acts of giving, such as volunteerism and encouraging employees to participate in community activities that make a difference to people's lives.





SUSTAINABILITY STATEMENT

Theme 5: Managing Environmental Impact

Public concern over the impact of business activities on the environment has been gaining traction in recent years. While the Public Bank Group has started to embark on the journey of adopting environmentally-sustainable practices in its day-to-day operation, the Group recognises that additional measures are still needed and will continue to actively identify areas to improve on the Group's environmental performance pertaining to Energy Management and Greenhouse Gas Emission, and Waste Management.

I. Energy Management and Greenhouse Gas ("GHG") Emission

To monitor carbon footprint from its business activities, the Public Bank Group commenced an initiative to measure the carbon emission released from electricity consumption covering the Group's two main buildings. In 2016, electricity consumption in these two main buildings had resulted in 12,222.677 of carbon dioxide emission during the year. To minimise its carbon footprint, the Group has initiated several new sustainability initiatives to reduce environmental impact.

	Electricity Consumption (kWh)		
Location	**2016**	**2015**	**2014**
Menara Public Bank	**12,642,589**	12,647,913	12,773,556
Bangunan Public Bank	**5,200,736**	5,452,936	5,987,389
Total	**17,843,325**	18,100,849	18,760,945
Metric Tonne CO_{2e}/kWh[1]	**12,222.677**	12,399.081	12,851.247

Lighting with energy efficient LED lights

The Public Bank Group has commenced the process of replacing all the T8 fluorescent tubes and light bulbs in the Group's Corporate Head Office, i.e. Menara Public Bank in Kuala Lumpur and Information Technology & Training Centre in Bangi, with LED tubes and LED bulbs.

Considering the total number of light tubes and bulbs replaced, this initiative is projected to yield a total energy saving of about 1,650,000 kWh per year which translates into total reduction in GHG emission of about 1,130 tCo_{2e}.

For the other premises presently occupied by the Public Bank Group including the 259 branches nationwide, logistic arrangements are currently being made to replace the T8 fluorescent tubes with LED light tubes and this exercise is targeted to be completed by the second quarter of 2017.

The Public Bank Group is confident that once lighting replacement has been fully completed, sizeable energy savings will be achieved which augurs well for the overall environmental conservation efforts of the Group.

1 Calculation is based on International Energy Agency ("IEA"), emission factor related to electricity consumption for Asia (excluding China), 2014, 6.85 x 10-4 tCO_{2e}/kWh

Running on Environmentally Friendly Air-conditioning System

Air-conditioning is one of the main components in electrical energy consumption and proper and regular maintenance of the air-conditioning installations will ensure energy efficiency. Towards this end, all Public Bank's branches nationwide carry out scheduled servicing of all their air-conditioning equipment on monthly basis so as to maintain optimum operational and energy efficiency. The Public Bank Group is also in the process of replacing in stages, all its air-conditioning units which are running on ozone depleting R22 refrigerant gas with more environmentally friendly R410A refrigerant gas.

For the major buildings owned by the Public Bank Group, it has also been the Group's practice to adopt scheduled preventive maintenance for all its building installations such as the centralised air-conditioning chillers, cooling towers and vertical transportation system, so as to ensure optimal operational and energy efficiency.

Green Building

The newly completed 40-storey building located at Jalan Raja Chulan, Kuala Lumpur reflects the strong commitment by the Public Bank Group in its "going green" initiatives. The green building is named Menara Public Bank 2 and will be the new Head Office of Public Mutual, Public Bank's wholly-owned subsidiary. Based on the building's designs and features, 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 have awarded the pre-certification "Gold" rating to the building. Some of the green building designs include:

- Use of specially designed sunshades and low-emissivity double glazing glass windows and reflector to allow more light but less heat into the building;
- Orientation of the building's longer facade to face North-South and the building cores such as lifts, staircase and toilets to face East-West to reduce solar heat migration into the office space;
- Use of rainwater harvesting system to reduce dependence on potable water. A large proportion of the roof area has been designed to maximise catchment of rainwater;



- Combination of micro-sprinkler and drip irrigation for purposes of watering the landscaped area and minimise wastage of water; and
- Incorporating landscape garden on top of the tower and podium block as well as the creation of a 2-meter high green wall along the perimeter of the building to reduce ambient temperature as well as heat transmission into the building

Ongoing Effort

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.

SUSTAINABILITY STATEMENT

II. Waste Management

The Public Bank Group acknowledges that the environmental impact of paper usage is significant. The Group's approach to waste management is to avoid unnecessary paper consumption and waste generation, where possible and appropriate, in order to reduce paper pollution.

The Public Bank Group has always looked at ways to reduce paper usage, so that less waste goes into the landfill.

Paperless Notifications

The widespread availability of smartphones has made it possible for SMS and email to be used as efficient alternative modes of communication with customer. Thus, the Public Bank Group has taken the initiative of sending paperless notification as a communication channel with customers. This includes notifying customers through SMS about the collection of their credit cards and sending card statements via encrypted email. Paperless notifications have helped to reduce the use of paper and also provide savings on paper usage, as well as printing and mailing costs.

Automation of Delivery Process

The Public Bank Group supports automation of operational processes to reduce the usage of papers in its daily operation. Much investment has been made over the years in digitalising the Group's business delivery processes ranging from electronic loan delivery system, electronic loan request system, electronic disbursement tracking system to administrative processes such as human capital management system, equipment service record system, stock requisition system and electronic payment system. The effort has resulted in a significant reduction of paper usage.

Recycling

The Public Bank Group has waste management practices in place for paper collection, recycling and disposal.

For the Kuala Lumpur region, shredded waste papers are disposed through two selected waste paper collectors, which will be compressed into bales before being delivered to the paper mills for treatment and further recycling into photocopy paper, toilet rolls and carton boxes etc.

In 2016, total waste papers channelled by Head Office and nearby branches in Kuala Lumpur for recycling purposes amounted to 160,420 kg.

E-procurement

The Public Bank Group has implemented an e-Procurement system to facilitate efficient processing of requisitions/purchases to reduce paper usage. The sending of e-Purchase Orders to vendors and service providers was implemented in December 2015. In 2016, the Group transacted an average of 374 electronic purchase orders per month. The total of e-purchase orders issued represented 51% of the total of purchase orders issued by the Group in 2016.

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.

	2016	**2015**	**2014**
Total Paper Recycled (Kg)	**160,420**	161,473	137,825
Average Number of Electronic Purchase Orders via E-procurement (per month)	**374**	268*	

* *The e-Purchase Order was implemented in December 2015.*

SUSTAINABILITY STATEMENT













CALENDAR OF SIGNIFICANT EVENTS 2016

CORPORATE

18 January 1

Public Bank kicked off the year with a 50th Anniversary Commemoration Dinner to mark the start of its 50th Anniversary celebration. The dinner was officiated by Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow, at the Sunway Pyramid Convention Centre, Selangor.


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18 January 2

The National Sales Convention 2016 was held at the Sunway Resort Hotel & Spa, Selangor. More than 1,100 sales personnel from Malaysia as well as abroad attended the Sales Convention with the theme 'Still Surging Ahead'.



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12 March 3

Public Bank held its Management Seminar 2016 at Sunway Resort Hotel and Spa, Selangor which was attended by 1,500 senior management, managers and officers from local and overseas operations.

14 March

Public Bank met the Appraisal Council of the State Bank of Vietnam in Hanoi, Vietnam in relation to the issuance of the 100% foreign-owned bank licence for the transformation of the existing joint venture bank, VID Public Bank into Public Bank Vietnam Limited.

18 March

Public Financial Holdings Limited held its 25th Annual General Meeting at the Kowloon Shangri-La Hotel.

24 March

Public Bank received the 100% foreign-owned bank licence from the State Bank of Vietnam arising from its acquisition of the remaining 50% equity capital in VID Public Bank, the 50:50 joint venture bank with Joint Stock Commercial Bank for Investment and Development of Vietnam.


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CALENDAR OF SIGNIFICANT EVENTS 2016



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28 March 4

A strong crowd of 6,366 shareholders expressed their appreciation to Public Bank and Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow for another year of impressive performance at the Public Bank 50th Annual General Meeting held at Shangri-La Hotel, Kuala Lumpur.

1 April 5

VID Public Bank officially became a wholly-owned subsidiary of Public Bank and was renamed Public Bank Vietnam Limited.

17 April

Public Bank Hong Kong held a business Forum 2016 at Kowloonbay International Trade & Exhibition Centre, Hong Kong for its staff.

3 May

Cambodian Public Bank opened its 29th Branch at Krong Chbar Mon, Kampong Speu Province and its 30th Branch at Boeng Tumpun, Phnom Penh.

5 May

Public Bank Vietnam held its first business session with Public Bank's senior management. The meeting was chaired by Tan Sri Dato' Sri Tay Ah Lek, Managing Director at Sofitel Plaza Hotel, Hanoi.

14 May 6

More than 2,000 unit trust consultants congregated at the Sunway Grand Lagoon Ballroom, Sunway Resort Hotel & Spa, Selangor for Public Mutual's 27th National Sales Convention.

15 May 7

The Public Mutual Annual Awards Nite 2016 was held at the MINES International Exhibition and Convention Centre, Selangor to acknowledge the Top Performing Unit Trust Consultants for their achievements.

CALENDAR OF SIGNIFICANT EVENTS 2016

30 May

Campu Securities Plc., acting as one of the joint underwriters completed the listing of its first client, Phnom Penh SEZ Plc. on the Cambodia Securities Exchange.

6 June

Cambodian Public Bank launched its Customer Care Campaign – Phase 2 with the theme "We Listen, We Care".

13 June 8

Cambodian Public Bank became the first foreign-owned commercial bank to be appointed as a tax collection agent on behalf of the General Department of Taxation.

1 August 9

Public Bank Hong Kong opened a new sub-branch in Longhua, Shenzhen, People Republic of China ("PRC") reinforcing its business presence in PRC.

27 September 10

Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow officially launched the Public Bank 50th Anniversary Exhibition at the Grand Lobby of Menara Public Bank, Kuala Lumpur. The exhibition showcased the Bank's history, achievements and accomplishments for the past 50 years.


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CALENDAR OF SIGNIFICANT EVENTS 2016

CORPORATE SOCIAL RESPONSIBILITY



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28 January

The staff of Public Bank Sri Lanka Operations donated medical supplies and healthcare products to the National Cancer Institute's Children Ward.

29 January 1

Cambodian Public Bank donated USD1,000 to the Nokor Tep Foundation for the fourth consecutive year to assist the Foundation to build the Nokortep Women's Hospital in Phnom Penh, Cambodia.



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4 February 2

Public Bank donated RM10,000 each to the Rumah Orang Tua Ampang and Victory Elderly Home in conjunction with the Chinese New Year festival.

20 February 3

To promote the Japanese language, Cambodian Public Bank donated a sum of USD3,000 to The Embassy of Japan and The Cambodia-Japan Cooperation Centre for the joint inaugural 1st Nodojiman Grand Championship Contest and 7th Nodojiman Japanese Song Contest.

23 February

Public Bank hosted students from the Diploma in Muamalat Student Society of Universiti Teknologi MARA, Puncak Alam campus for a study tour at Menara Public Bank, Kuala Lumpur.

29 February 4

Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow presented the Bank's donation of RM200,000 to Persatuan Dialisis Kurnia Petaling Jaya.

19 March

Public Bank participated in the Earth Hour programme by turning off its non-essential lights as a symbol of the Bank's commitment to the environmental conservation of the planet.

22 March

Public Bank hosted an educational visit by students from the Universiti Tunku Abdul Rahman (Kampar Campus) at Menara Public Bank, Kuala Lumpur.

CALENDAR OF SIGNIFICANT EVENTS 2016

26 March

Cambodian Public Bank sponsored a sum of USD1,500 for the BUAYA Club Golf Tournament for the third consecutive year.

20 April 5

Public Bank sponsored RM50,000 for the Malaysian Institute of Management's 50th Royal Gala Dinner held at Shangri-La Hotel Kuala Lumpur.

18 May 6

Public Bank in collaboration with the National Blood Bank organised a blood donation drive at the Grand Lobby of Menara Public Bank.

31 May

Public Bank hosted a visit by students from the Accounting and Finance Students Association of UCSI University for a study tour at Menara Public Bank, Kuala Lumpur.



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CALENDAR OF SIGNIFICANT EVENTS 2016


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4 June 7

The staff of Public Bank Sri Lanka Operations visited an orphanage at Mattegoda, Sri Lanka which cares for Down Syndrome children.


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28 June 8

Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow presented a donation totalling RM100,000 to six beneficiary organisations at Menara Public Bank in conjunction with the Hari Raya festival. They were the National Cancer Society Malaysia (Children Home of Hope), Pertiwi Soup Kitchen, Pusat Jagaan Orang-Orang Tua Al-Ikhlas, Pusat Jagaan dan Pendidikan Warga Emas Darul Insyirah, Rumah Perlindungan Al Nasuha and Rumah Anak Yatim Nur Qaseh.

23 September 9

Public Bank hosted a visit by students from the Sunway University for a study tour at Menara Public Bank, Kuala Lumpur.

14 & 20 October 10

Staff from Southern Region II and their family members made two trips to Menara Public Bank, Kuala Lumpur to view the Public Bank 50th Anniversary Exhibition.

27 October

Public Bank hosted a group of undergraduates and Master Degree Programme students from Universiti Putra Malaysia for an educational visit at Menara Public Bank, Kuala Lumpur.

2 November 11

Staff from Northern Region II visited the Public Bank 50th Anniversary Exhibition.

18 November

Public Bank hosted an educational visit by students from the University of Nottingham, Malaysia Campus at Menara Public Bank, Kuala Lumpur.

CALENDAR OF SIGNIFICANT EVENTS 2016

STAFF RELATIONS

18 January 1

The top 15 winners of the 50th Anniversary theme writing contest entitled "Still Surging Ahead" were announced at the 50th Anniversary Commemoration Dinner which was held at the Sunway Pyramid Convention Centre, Selangor.

9 February 2

Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow hosted a Chinese New Year Open House at Sunway Resort Hotel & Spa, Selangor to usher in the Lunar Year of the 'Monkey'. It was attended by members of the Board of Directors and management staff from the Head Office, overseas offices and branches in the Klang Valley.

19 February 3

Members of the Board of Directors, senior management and branch managers attended the Learning Bite session on Economic Development and the Middle Income Trap which was held at Menara Public Bank, Kuala Lumpur.

21 February

Public Bank Group (Hong Kong) Sports Club organised a one-day trip to Repulse Bay and Lei Yue Mun in conjunction with the Lunar New Year.

12 March 4

Top performing branches were acknowledged at the Annual Branch Performance Awards Presentation. Pelita Branch emerged as the Overall Best Branch 2015 and won the coveted Founder and Chairman trophy.



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CALENDAR OF SIGNIFICANT EVENTS 2016



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14 April

The "PB Star Campaign" was launched to appreciate and acknowledge staff who display desired employee's behaviours. Each staff is given an opportunity to vote for their fellow colleagues once a month during the duration of the campaign.

28 May 5

The Public Bank Group Hong Kong held its Annual Dinner at the Kowloonbay International Trade & Exhibition Centre with 1,300 staff in attendance.

22 June

Cambodian Public Bank hosted a training course entitled "Engaging People For Peak Performance" for Public Bank Group's staff from Cambodian, Vietnam and Laos operations.

6 August

Public Bank Head Office held its 50th Anniversary Banquet with the theme 'Celebrating 50 Years of Success' at the MINES International Exhibition and Convention Centre, Selangor.

6 August 6

Announcement by Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow that 18,000 staff of the Public Bank Group would each receive an exclusive pure gold coin to commemorate Public Bank's 50th Anniversary.

15 October 7

The staff of Public Bank Wilayah Persekutuan and Selangor Regions celebrated their 50th Anniversary at the MINES International Exhibition and Convention Centre, Selangor.

20 November

The Public Bank Group Sports Club organised its annual Futsal Tournament at Sports Planet, Ampang Jaya, Selangor. A total of RM8,200 in cash prizes were awarded to the winners.

17 December

Public Bank Group Sports Club Bowling Tournament 2016 was held at Mega Lanes, Endah Parade, Seri Petaling, Kuala Lumpur.

CALENDAR OF SIGNIFICANT EVENTS 2016

PRODUCTS AND SERVICES

1 January

In conjunction with Chinese New Year, the 'PB Golden Fortune' campaign was launched. Two limited edition 24K gold-plated gifts of 'Fu Lu Shou' and 'Blissful Prosperity Peony' were offered during the campaign period from 1 January to 30 April 2016.

18 February 1

Public Bank launched its first 'Go-Green' paperless fixed deposit account, the PB eFixed Deposit Account which allows account creation, placement and withdrawal to be performed online via PBe Online Banking.

25 February

Public Bank in collaboration with MasterCard Malaysia launched the PB World MasterCard, targeting the affluent market segment with minimum income level of RM150,000 per annum.

30 March 2

Public Bank and AirAsia Berhad signed the FPX Service Agreement which gives AirAsia's travellers the convenience of purchasing tickets via AirAsia's website by debiting their bank accounts maintained with Public Bank.

30 March

Public Mutual launched two new unit trust funds – Public Emerging Opportunities Fund and Public Islamic Emerging Opportunities Fund.

27 April 3

Koperasi Jayadiri Malaysia Berhad (KOJADI) appointed Public Bank as the Master Biller Bank for JomPAY which provides KOJADI the convenience of collecting loan repayments from their customers.



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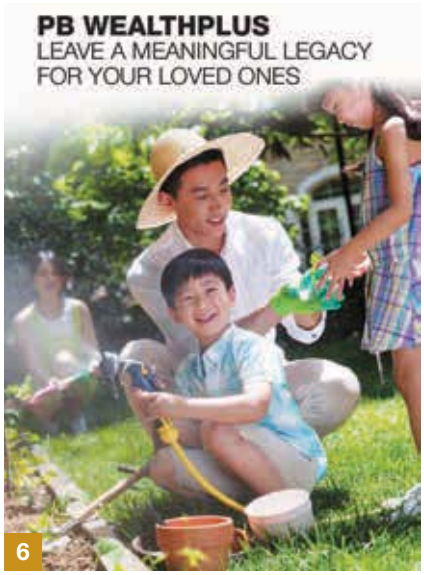
3 May 4

In conjunction with Public Bank's 50th Anniversary, a 'PB 50th Anniversary Bonus Savers Reward' campaign was launched for a period of three months until 31 July 2016. Bonus interest rates of up to 5% p.a. on selected savings account were offered during the campaign period.

10 May 5

Public Bank became the first bank in Malaysia to launch the PB Visa Direct, a new cross-border remittance service where retail customers can transfer money to overseas Visa Card through PBe Online Banking and mobile app, PB engage.

CALENDAR OF SIGNIFICANT EVENTS 2016



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8 June 6

Public Bank commenced the distribution of the PB WealthPlus, a regular premium Investment-linked Insurance plan underwritten by AIA Berhad.

9 June

Public Mutual launched the Public Strategic Balances Fund which provides capital growth over the medium-to long-term through a balanced asset allocation approach.

13 July

Public Bank Northern Region II organised an E-Payment Roadshow to create awareness of Public Bank's e-payment service, the PB ECP Service.

26 July 7

Public Bank and UnionPay International, a global payment network, inked an agreement to establish the UnionPay Debit Card Issuing Business. Public Bank is the first local bank to issue UnionPay card in Malaysia.

1 August 8

PB MySalary Savings Account, a savings account product that pays higher multi-tiered interest rates for crediting of employees' salary via the Public Bank's PB Electronic Credit Payment service was launched.

11 November 9

Public Bank signed an agreement with the Private Pension Administrator Malaysia to provide a Private Retirement Scheme (PRS) Online FPX service to PRS members via smartphones, tablets or computers.

CALENDAR OF SIGNIFICANT EVENTS 2016

AWARDS AND ACCOLADES

7 March 1

Public Mutual received seven awards at The Edge I Thomson Reuters Lipper Malaysia Fund Awards 2016 for Public China Select Fund, PB China Pacific Equity Fund, Public Islamic Opportunities Fund, PB China Pacific Equity Fund, PB ASEAN Dividend Fund, PB Asia Real Estate Income Fund and Public Islamic Asia Dividend Fund.


1

12 March 2

Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow was conferred the Royal Order of Monisaraphon, Commander, by The Royal Government of the Kingdom of Cambodia, the first Malaysian banker to receive the Royal Order.


2

15 March

Public Mutual won two awards at the 2015 Asia Asset Management Best of the Best Awards for Malaysia's Islamic Retail Fund House of the Year and Malaysia's Best Retail House.

16 March 3

The Asian Banker, a Singapore-based international publication accorded Public Bank with the Best Retail Bank in Malaysia 2016 for the 10th time.


3

17 March

Public Mutual was awarded the 2016 Morningstar Malaysia Fund Awards for Public Sector Select Fund and Public Ittikal Sequel Fund.


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CALENDAR OF SIGNIFICANT EVENTS 2016


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1 April

FinanceAsia ranked Public Bank No. 1 for Malaysia's Best Managed Company for the sixth time since 2007, No. 2 in the Public Company for Most Committed to Corporate Governance and No. 1 for Best CEO (Managing Director, Tan Sri Dato' Sri Tay Ah Lek) in their Annual Asia's Best Companies Poll 2016.

4 April 4

Public Bank and Public Mutual clinched five awards at MyClear's Inaugural Malaysian e-Payment Excellence Awards 2016. Public Bank won in the Best IBG Bank, Best Direct Debit Bank, Malaysian Chip Card Specifications Pioneer Bank and JomPAY National Biller Acquisition (Mid-Sized Acquirer) whilst Public Mutual garnered the Best Direct Debit Merchant.

8 April 5

Cambodian Public Bank won four awards at the Visa Card Client Appreciation Night for Leadership for the Highest Average Spend Visa Affluent Credit, Leadership in Payment Volume, Leadership in Credit Payment Volume and Champion Security Award – Best in Class for Cambodia.

9 April 6

Public Islamic Bank was awarded the 2016 Islamic Finance Talent Development Champion for the third consecutive time by Islamic Banking and Finance Institute of Malaysia (IBFIM) for the highest number of qualified recipients for IBFIM's programmes of Associate Qualification in Islamic Finance and Fundamental Certificate in Islamic Banking.

14 April 7

For the eighth time, Public Bank was awarded the 2016 Frost & Sullivan Malaysia Automotive Finance Company of the Year by Frost & Sullivan.

26 April

The Bank of New York Mellon presented Public Bank with the Straight-Through Processing Award 2015 for the sixth consecutive year.

27 April

Public Bank's ability to maintain an outstanding Straight Through Processing rates was again recognised with two coveted awards: MT103 and MT202 Elite J.P. Morgan Quality Recognition Awards for 2015. This is the 14th consecutive year that Public Bank received these awards.

24 May 8

Public Bank was awarded the Trusted Brands Gold Award 2016 for the Bank category in Malaysia for the 13th consecutive year by Reader's Digest. Public Mutual was also awarded the Reader's Digest Trusted Brand Platinum Award 2016 for the Investment Fund Company category in Malaysia for the seventh consecutive year.

24 May

Public Mutual was accorded The Asset Triple A Islamic Finance Awards 2016 for the Best Islamic Retail Asset Management House in Malaysia for the sixth consecutive year.

CALENDAR OF SIGNIFICANT EVENTS 2016

2 June 9

The Asia Pacific Brands Foundation presented the inaugural The BrandLaureate Best Choice Brand Award 2015-2016 – Leadership in Banking to Public Bank and The BrandLaureate BestBrands Awards 2015-2016 for Most Valuable Brand for Financial and Wealth Planning – Unit Trust Funds to Public Mutual.

13 June 10

Cambodian Public Bank was awarded the USD 2015 Straight-Through-Processing Excellence Award by Deutsche Bank, New York for the fifth consecutive year.

17 June 11

Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow was conferred Asia's Best CEO (Investor Relations) 2016 for Malaysia for the sixth consecutive year by Corporate Governance Asia in their 6th Asian Excellence Recognition Awards 2016.

17 June

For the sixth consecutive year, Public Bank was awarded the Best Corporate Social Responsibility for Malaysia and Best Investor Relations Company for Malaysia by Corporate Governance Asia in the Corporate Governance Asia's 6th Asian Excellence Recognition Awards 2016. The Bank also won the Best Environmental Responsibility for Malaysia for the second time.

20 June

For the sixth consecutive year, Public Bank was awarded the Bronze 2015 EUR Straight-Through Processing Excellence Award by Deutsche Bank AG.

14 July 12

Public Bank won the Best Bank in Malaysia Award 2016 by the Euromoney magazine for the 13th time.

20 July

Public Bank was accorded the Domestic Retail Bank of the Year – Malaysia 2016 by the Asian Banking & Finance magazine for the eighth time.

20 July

Public Bank won two awards at the Charlton EastColes Corporate Performance Awards for Malaysia Company of the Year 2016 – Gold and Malaysia Bank of the Year 2016.

6 August 13

FinanceAsia awarded Public Bank with the 50 Years of Asian Banking Excellence Award at the Bank's 50th Anniversary Banquet.

9 August

Cambodian Public Bank received the 'Pioneer Investor in Cambodia' award from Matrade (National Trade Promotion Agency under the Ministry of International Trade and Industry Malaysia) in recognition of the Bank's pioneer position as a foreign investor in Cambodia and contributions towards promoting Malaysia-Cambodia trade relations.

12 August

For the seventh consecutive year, Public Bank won the Bronze Award in Banking, Investment and Insurance category of the Putra Brand Awards 2016 organised by the Association of Accredited Advertising Agents Malaysia.

15 August 14

Public Bank received the Highest Growth in Profit Before Tax Over Three Years Award for Super Big Cap Companies – Companies With More Than RM40 Billion Market Capitalisation in The Edge Billion Ringgit Club Corporate Awards 2016.



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CALENDAR OF SIGNIFICANT EVENTS 2016



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1 September 15

Alpha Southeast Asia awarded Public Bank with the Best Bank in Malaysia 2016 for the 10th consecutive year since 2007.

20 September

Public Mutual won two awards at the Thomson Reuters Lipper Global Islamic Fund Awards 2016 for Public Islamic Asia Dividend Fund and Public Islamic Opportunities Fund.

21 September

Public Bank was awarded the Asiamoney's Best Domestic Bank in Malaysia Award 2016 for the 10th time.

27 September

The Asian Banker accorded Public Bank with the Strongest Bank by Balance Sheet in Malaysia 2016 Award for the third time and the 14th Strongest Bank by Balance Sheet in Asia Pacific 2016 Award.

13 October

Public Bank won two Platinum Awards for Best Domestic Bank in Malaysia and Best Company in Malaysia by FinanceAsia in their FinanceAsia's Platinum Awards – 20th Anniversary celebration.

13 October 16

The Asia Pacific Brands Foundation awarded Public Bank with The BrandLaureate Industry Champion Brand Icon Award 2016 in Banking whilst Public Mutual won The BrandLaureate Industry Champion Brand Icon Award 2016 in Financial and Wealth Planning – Unit Trust Fund.

15 December

The Asset awarded Public Bank with The Asset Platinum Award 2016 for Excellence in Governance, CSR and Investor Relations for the eighth consecutive year.

15 December

The Minority Shareholder Watchdog Group ("MSWG") presented Public Bank a Merit Award for Best Conduct AGM (Overall Category) in the Malaysia – ASEAN Corporate Governance 2016 Award Presentation.

20 December

Founder and Chairman, Tan Sri Dato' Sri Dr. Teh Hong Piow was the recipient of the Asian Corporate Director Recognition Award 2016 for Malaysia for the seventh consecutive year whilst Public Bank was the recipient of the Corporate Governance Asia Recognition Award 2016 for Malaysia (Icon on Corporate Governance) for the 12th consecutive year presented by Corporate Governance Asia.

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

On 26 February 2016, Public Bank issued RM1.0 billion Senior Medium Term Notes under its RM5.0 billion Senior Medium Term Notes Programme ("Senior MTNs Programme"). On 28 September 2016, the Bank increased the programme limit of the Senior MTNs Programme from RM5.0 billion to RM20.0 billion in nominal value and changed the tenure of the Senior MTNs Programme from 20 years to 30 years. The salient features of the Senior Medium Term Notes are as disclosed in Note 24 to the financial statements. The proceeds raised from the Senior Medium Term Notes 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 2016 amounted to RM4,121,000 and RM1,403,000 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 2016 amounted to RM1,286,000 and RM493,000 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 2016 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

The global economy continued to expand at a moderate pace in 2016, with a modest economic recovery in the advanced economies and improved growth in emerging markets and developing economies. Modest economic expansion in the advanced economies was supported by steady domestic demand, improved labour market conditions, and accommodative monetary and fiscal policies.

In the United States ("US"), the economy recorded a slower growth in 2016 amid weaker external demand, a stronger currency and slower investment, especially in the energy sector.

As for the euro area, economic growth continued to progress in 2016 but at a gradual pace. Regional growth was supported by steady domestic demand especially by the private sector, improved labour market conditions and accommodative monetary policy stance. However, growth will be under pressure owing to uncertainties resulting from United Kingdom's exit from the European Union ("Brexit").

In Japan, economic growth was sustained at a marginal pace supported by ongoing government efforts to revive the economy but mitigated by the subdued consumption, weak exports and lower capital investment.

In 2016, the overall monetary policy stance in the advanced economies remained accommodative amid concerns of a lower-than-expected economic growth and subdued levels of inflation. In the US, the Federal Reserve ("Fed") lifted the Fed funds rate for the first time in December 2015 by 25 basis points, from a record low of 0% to 0.25% since December 2008. In the euro area, the European Central Bank ("ECB") lowered its main refinancing rate to 0% effective 16 March 2016. Elsewhere, the Bank of Japan ("BOJ") had adopted an unconventional policy stance of a negative interest rate of 0.10% beginning February 2016, while the government postponed the consumption tax hike to October 2019 instead of April 2017 and tax will increase from the current level of 8% to 10%.

In the Asian region, economic growth is supported by continued improvement in domestic demand which is likely to partially offset the modest recovery in the advanced economies. In China, Gross Domestic Product ("GDP") growth will probably remain steady due to the implementation of structural reforms amid continued rebalancing efforts for a consumption-driven growth and services-based economy. In 2016, most central banks in the region maintained accommodative monetary policies in order to stimulate economic growth and mitigate market volatility, with some lowering and others retaining policy rates at low levels.

II. MALAYSIAN ECONOMY: REVIEW

In 2016, the Malaysian economy continued to expand, but at a moderate pace amid challenging external conditions including slower growth in the advanced economies, low crude oil prices, and volatile global financial markets. For full-year 2016, the Government expects the economy to grow by 4.0% – 4.5% (2015: 5.0%).

The economy moderated from 4.5% in the first quarter of 2016 to 4.2% in second quarter of 2016, before it picked up to 4.3% year-on-year in the third quarter of 2016. Growth rates were supported by continued expansion in private sector spending and a rebound in net exports, which mitigated a slowdown in investment spending and government expenditure (Table 1). During the third quarter, growth in private investment slowed as businesses were cautious in capacity expansion following headwinds from the external front, which include Brexit as well as volatility in financial market and primary commodity prices. Also, moderate spending in public consumption and a decline in public investment led to slower public sector expenditure. During the third quarter of 2016, net exports reversed to record positive growth.

MALAYSIAN ECONOMY: REVIEW AND OUTLOOK

Table 1
Malaysia: GDP by Expenditure Components, 2015-2016 (at constant 2010 prices)

	% Annual Change			
	2015	2016		
		1Q	2Q	3Q
Aggregate Domestic Demand	5.1	3.6	6.3	4.7
Private Sector	6.1	4.5	6.1	6.0
Consumption	*6.0*	*5.3*	*6.3*	*6.4*
Investment	*6.4*	*2.2*	*5.6*	*4.7*
Public Sector	2.1	0.4	6.9	0.3
Consumption	*4.4*	*3.8*	*6.5*	*3.1*
Investment	*-1.0*	*-4.5*	*7.5*	*-3.8*
Net Exports	-3.8	-12.4	-7.0	5.9
Exports of Goods and Services	*0.6*	*-0.5*	*1.0*	*-1.3*
Imports of Goods and Services	*1.2*	*1.3*	*2.0*	*-2.3*
GDP	**5.0**	**4.2**	**4.0**	**4.3**

Source: Department of Statistics, Malaysia, Gross Domestic Product, Third Quarter 2016.

On the supply side, the third quarter growth was largely supported by the construction, services and manufacturing sectors, while the agriculture sector continued to contract (Table 2). Growth in construction was supported by ongoing projects under the Eleventh Malaysia Plan 2016 - 2020. Improved growth in the services sector was mainly supported by private consumption activity. Meanwhile, the sustained growth in the manufacturing sector continued to be driven mainly by the export-oriented industries.

Table 2
Malaysia: GDP by Economic Activity, 2015-2016 (at constant 2010 prices)

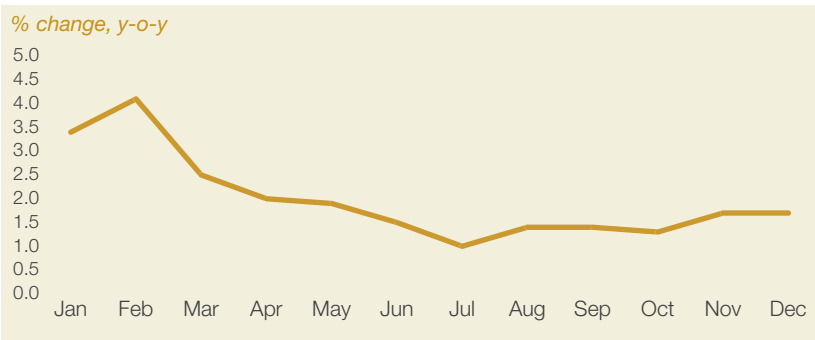
	% Annual Change			
	2015	2016		
		1Q	2Q	3Q
Agriculture	1.2	-3.8	-7.9	-5.9
Mining	4.7	0.3	2.6	3.6
Manufacturing	4.9	4.5	4.1	4.2
Construction	8.2	7.9	8.8	7.9
Services	5.1	5.1	5.7	6.1
GDP	**5.0**	**4.2**	**4.0**	**4.3**

Source: Department of Statistics, Malaysia, Gross Domestic Product, Third Quarter 2016.

Headline inflation remained manageable in 2016. During the year, inflation reached a seven-year peak in February at 4.2%, but moderated in the following months amid downward adjustments in fuel pump prices and the lapse of impact from the imposition of the Goods and Services Tax on consumer products (Graph 1). The benign inflation was also brought about by low global crude oil prices, low imported inflationary pressure amid subdued global inflation, stable Ringgit, and the extension of Price Control and Anti-Profiteering Act 2011 until end-December 2016. The labour market conditions remained sound in 2016 as full-rate of employment persisted while domestic fundamentals and growth trajectory remained intact. In the first eleven months of 2016, unemployment rate remained at low levels between the range of 3.4% and 3.5% (Graph 2).

Graph 1

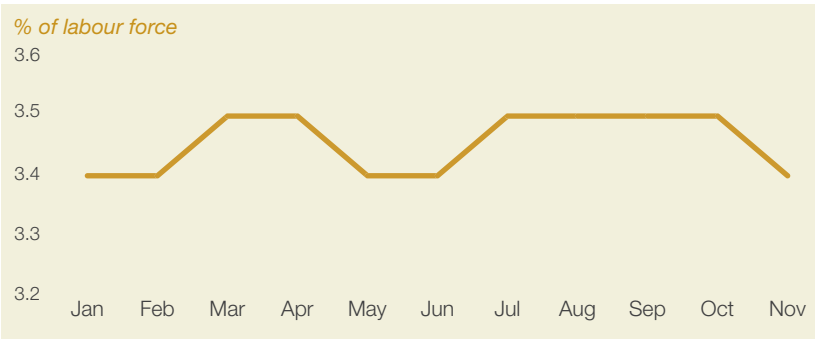
Malaysia: Headline Inflation, 2016



Source: Department of Statistics, Malaysia, Consumer Price Index, various issues.

Graph 2

Malaysia: Unemployment Rate, 2016



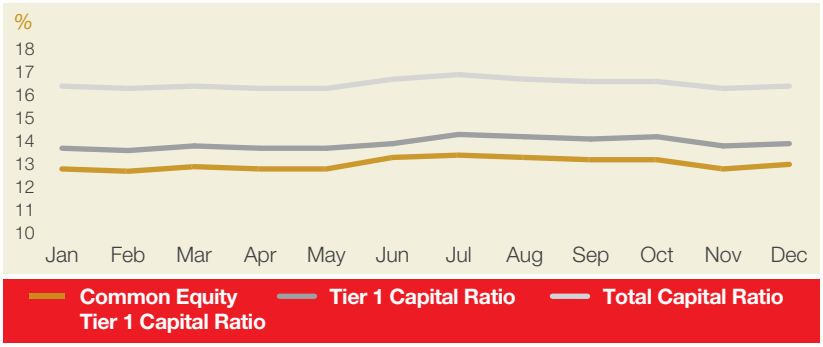
Source: Department of Statistics, Malaysia, Labour Force Statistics, various issues

Banking System

The challenging operating environment and higher cost of living for both businesses and households pose moderate impact to the banking system's earnings and asset quality. Supported by strong capital and ample liquidity positions, the banking system has the capacity to weather adverse economic and financial market developments without causing disruptions to domestic financial intermediation activities. For banks, the Common Equity Tier 1 ("CET1") Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio remained at high levels and also well above the minimum regulatory levels as at end-December 2016 at 13.1%, 14.0% and 16.5% respectively (Graph 3). Gross impaired loans ratio remained low and mostly stable at 1.6% as at end-December 2016 (Graph 4). Meanwhile, during the period, loan-to-deposit ratio stood at 89.8% (Graph 5).

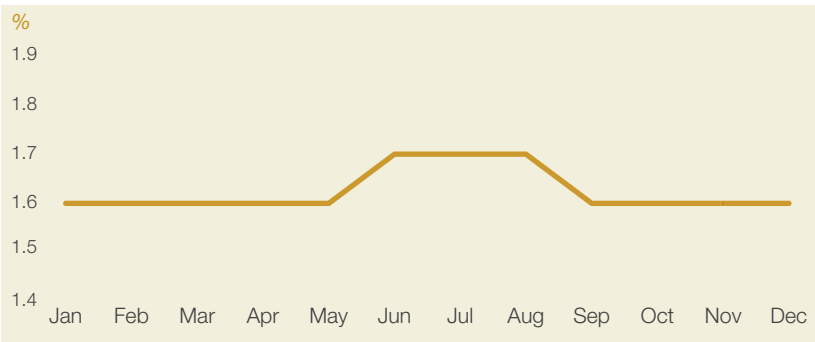
MALAYSIAN ECONOMY: REVIEW AND OUTLOOK

Graph 3
Banking System: Capital Strength, 2016



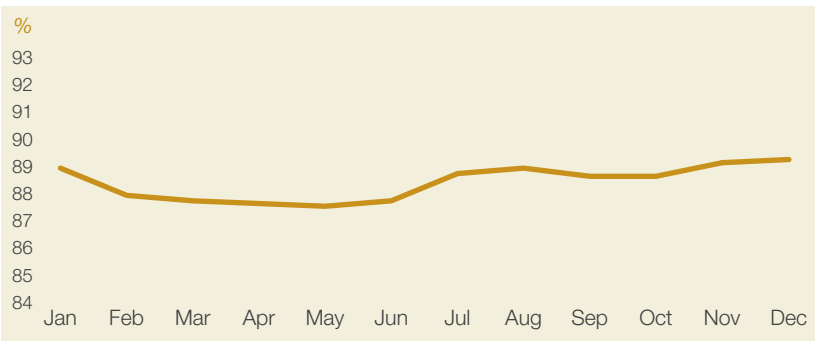
Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2016.

Graph 4
Banking System: Gross Impaired Loans Ratio, 2016



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2016.

Graph 5
Banking System: Loan-Deposit Ratio, 2016*

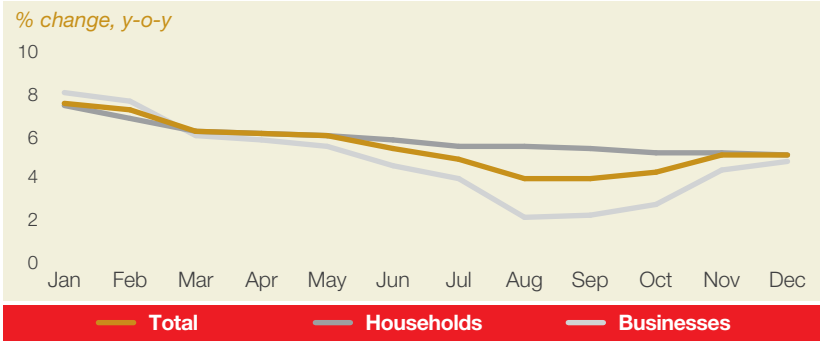


*Note: * Deposits exclude deposits accepted from banking institutions. Loans exclude loans sold to Cagamas and loans extended to banking institutions. Beginning July 2015, loans exclude financing funded by Islamic Investment accounts.*
Source: Bank Negara Malaysia, Monthly Statistical Bulletin, various issues.

Total loans growth of the banking system moderated in 2016. As at end-December 2016, outstanding loans of the banking system grew by 5.3% y-o-y. Growth in lending to businesses increased by 5.0% y-o-y, while household sector posted stable loans growth of 5.3% y-o-y (Graph 6). Meanwhile, total deposits of the banking system picked up during 2H16. As at end-December 2016, total deposits of the banking system grew by 1.5% y-o-y (Graph 7).

Graph 6

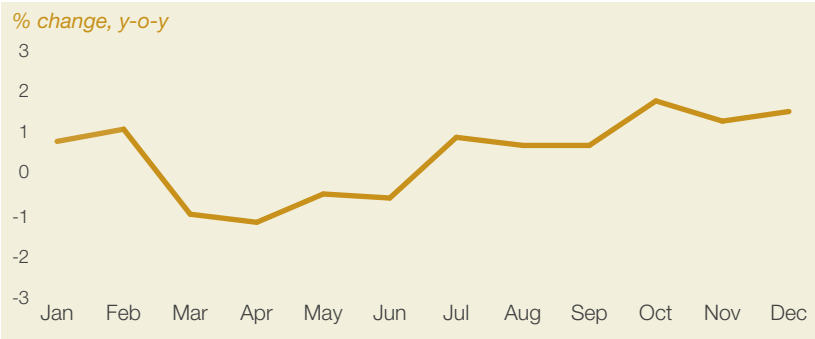
Banking System: Loans Growth, 2016



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2016.

Graph 7

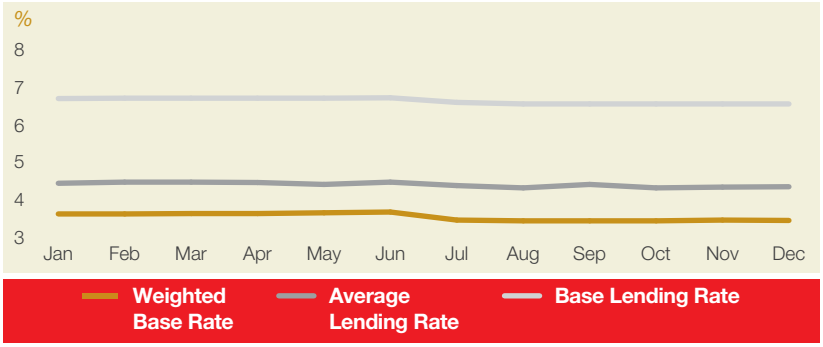
Banking System: Deposits Growth, 2016



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2016.

Graph 8

Banking System: Lending Rates of Commercial Banks, 2016



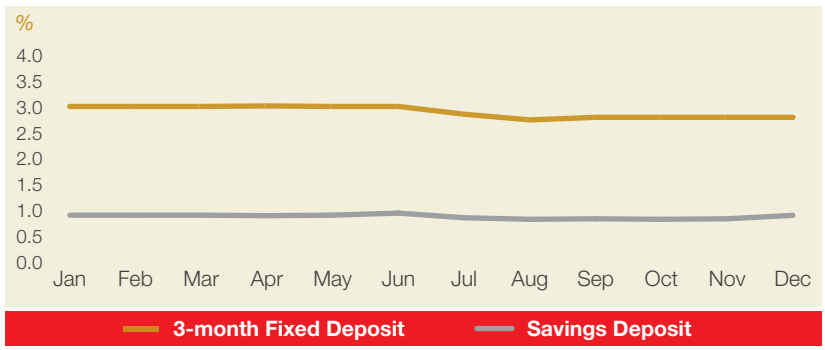
Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2016.

Monetary Policy

In 2016, monetary policy in Malaysia remained accommodative and continued to focus on achieving price stability and sustainable domestic growth. During the year, Bank Negara Malaysia ("BNM") lowered the Overnight Policy Rate ("OPR") by 25 basis points to 3.00% on 13 July 2016, the first reduction in seven years amid headwinds. In line with the OPR reduction, lending rates (Graph 8) and deposit rates (Graph 9) declined in July 2016. Separately, BNM reduced the Statutory Reserve Requirement of the banking system by 50 basis points to 3.50% effective 1 February 2016, aimed at improving the liquidity condition in the banking sector following outflows of funds in the system.

Graph 9

Banking System: Deposit Rates of Commercial Banks, 2016



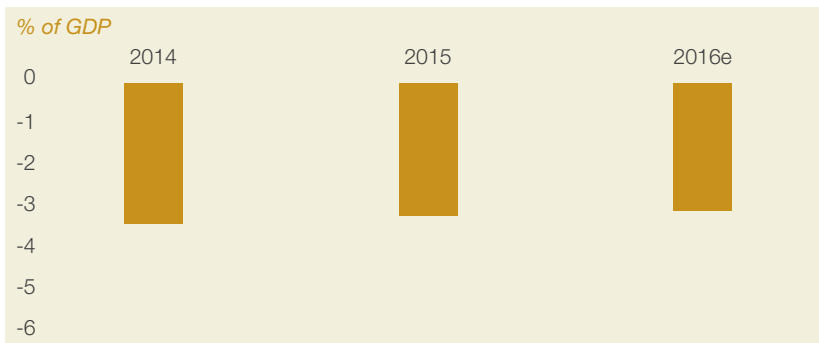
Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2016.

Fiscal Policy

The Government remained committed to ensure that its fiscal target remains on track. Early in the year, the Government recalibrated the 2016 Budget as a pre-emptive measure in response to the lower-than-expected government revenue based on the assumption for average Dated Brent crude oil price at USD30 to USD35 per barrel, instead of the initial assumption for oil price of USD48 per barrel. The 2016 Budget Recalibration was focused on optimisation and reprioritisation of operating and development expenditures as the Government maintains a sound financial position and ensures continued economic growth while preserving the welfare of the rakyat. The Government had introduced more revenue enhancement measures to generate additional income – including redistribution and bidding process of telecommunication spectrum, enhancing foreign workers levy and relaxing the income tax penalty. With these proactive and transparent measures by the Government, the Malaysian economy is on track to improve its financial position and to reduce its fiscal deficit to 3.1% of GDP in 2016 from 3.2% of GDP in 2015 (Graph 10).

Graph 10

Malaysia: Federal Government Fiscal Balance, 2014-2016



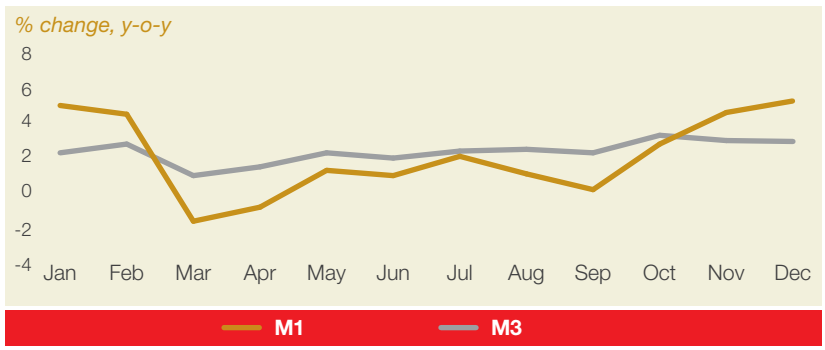
Note: e Estimate
Source: Ministry of Finance, Malaysia, Economic Report, 2016/2017.

Monetary Aggregates

The expansion in monetary aggregates during the first eleven months of 2016 was in line with the performance of domestic economic activity. In December 2016, narrow money (or M1) grew by 5.7% y-o-y and broad money (or M3) registered 3.0% y-o-y (Graph 11). The growth in M3 was driven mainly by the extension of credit to the private sector by the banking system.

Graph 11

Malaysia: Monetary Aggregates, 2016



Source: Bank Negara Malaysia, Monthly Statistical Bulletin, December 2016.

Table 3

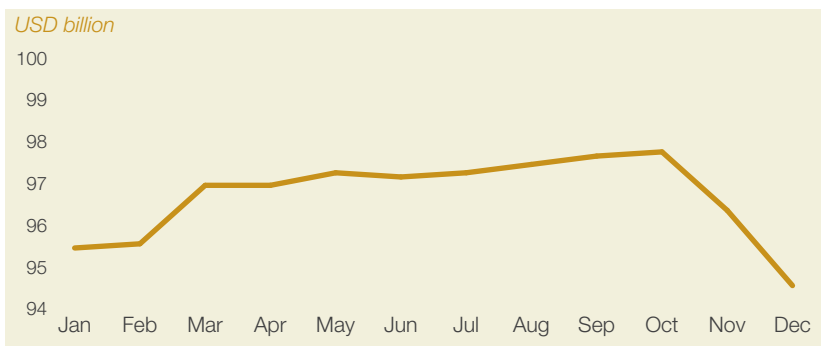
Malaysia: Current Account Balance, 2015-2016

	2015	2016		
	4Q	1Q	2Q	3Q
Current Account Balance (RM billion)	10.5	**5.0**	**1.9**	**6.0**
% of Gross National Income	3.6	**1.8**	**0.6**	**2.0**

Source: Bank Negara Malaysia, Quarterly Bulletin, Third Quarter 2016.

Graph 12

Malaysia: International Reserves, 2016



Source: Bank Negara Malaysia, Press Statements on International Reserves.

External Position

Malaysia's external position remained sound in 2016, despite uncertainties in the global environment. The current account of the balance of payment recorded a larger surplus in the third quarter of 2016 (Table 3) supported by continued surplus in the goods account. Ample international reserves at BNM enable the facilitation of international transactions. Overall reserves amounted to USD94.6 billion as at end-2016 (Graph 12). The level of reserves was sufficient to finance 8.8 months of retained imports and was 1.3 times the short-term external debt.

Also, Malaysia's total external debt remained at a manageable level of 70.2% of GDP as at end-September 2016 (end-June: 68.8% of GDP). The increase in external debt is due to valuation effects from the weakening of Ringgit against most currencies.

Ringgit Exchange Rate

In 2016, the Malaysian Ringgit depreciated against most major and regional currencies, driven primarily by external factors which resulted in rebalancing of portfolio investments globally. The Ringgit was also pressured by the highly volatile crude oil prices, as well as renewed concerns over the US Fed's policies ahead coupled with the impending uncertainty of economic policies in the US.

MALAYSIAN ECONOMY: REVIEW AND OUTLOOK

As at 30 December 2016, the Ringgit weakened against major currencies including the US dollar (-4.3% vs. end-2015), the Japanese yen (-7.3%) and the Euro (-0.7%), but strengthened against the Pound sterling (+15.4%). During the period, the Ringgit depreciated against Asian currencies including the Indonesian rupiah (-6.9%), the Thai baht (-4.7%), the Singapore dollar (-2.1%) and the Korean won (-1.9%), but appreciated against the Chinese renminbi (+2.4%) and the Philippines peso (+1.1%).

III. PROSPECTS, 2017

Global Economy: Growth Varies

In 2017, global economic growth is expected to pick up, but will vary across regions and major economies, mainly due to uncertainties in terms of policy decisions in the US and the start of Britain's negotiations for its exit from the European Union by the first quarter of 2017.

In the advanced economies, growth is expected to pick up supported by improvements in the US and Japan as well as moderate expansion in the euro area. The US economy is expected to post a higher growth amid stronger business investment and strengthening housing market. Japan's economy will likely improve at a moderate pace following the delay in its consumption tax hike and the implementation of other fiscal and monetary measures. Meanwhile, the euro area is expected to register moderate growth in 2017 as business conditions and consumer confidence are likely to be affected by Brexit. In the emerging and developing economies, growth in 2017 will be supported by resilience in China, India and the ASEAN economies. China's growth will be driven by sustained domestic consumption and continued growth in the services sector amid the government's ongoing rebalancing programmes, while that of India and ASEAN will be driven mainly by domestic demand.

Downside risks to global growth outlook remain elevated in 2017. The risks include heightened policy uncertainty, volatile commodity markets and lackluster crude oil prices, interest rate normalisation in the US, financial market volatility, potential scaling back of monetary policy stimulus in the euro area, further strengthening of the USD, and increased geopolitical tensions in the Middle East and parts of Asia that could dampen confidence.

Malaysia: Stable Growth Path

Despite slowdown in global growth and mounting volatility in global financial markets, the Malaysian economy is expected to remain on a stable growth path in 2017. During the year, GDP growth is likely to be between 4.5% - 5.0%, supported by its domestic-driven platform and economic diversity. The private sector will continue to spearhead growth, with private investment to be supported by ongoing projects such as Pan Borneo Highway, Refinery and Petrochemical Integrated Development ("RAPID") and Mass Rapid Transit ("MRT"). Meanwhile, the economy will continue to expand led by healthy private consumption, firm economic fundamentals, manageable inflationary risk, accommodative macro policies and stable employment market, in tandem with strategies and programmes put forth in the 2017 National Budget.

Uncertainties over the fate of both the Trans-Pacific Partnership ("TPP") Agreement and the Regional Comprehensive Economic Partnership ("RCEP") negotiations, which are complementary pathways for the Asia Pacific region to a free trade area, may have some impact on Malaysia and other countries which are signatories to these agreements.

In 2017, monetary policy will continue to focus on price stability and sustainability of growth. In addition, further liberalisation of the financial sector, as highlighted in the Financial Sector Blueprint 2011-2020, will enhance financing flexibility for both the banking system and capital market.

INVESTOR INFORMATION

STOCK MARKET PERFORMANCE IN 2016

- The FTSE Bursa Malaysia Composite Index ("FBM KLCI") declined at the very beginning of the year, similar to the start of 2015, though this time over a slightly prolonged 3-week period, before recovering on increased foreign institutional activity to end the first quarter 1.5% higher as compared to the previous quarter. Risk aversion in the market was a little more evident despite the FBM KLCI's gain for the quarter, reflected by a 6.9% decline in average trading value as compared to the immediate preceding quarter. The announcement of Malaysia's fourth quarter 2015 Gross Domestic Product ("GDP") growth of 4.5%, lower than the previous quarter's 4.7%, explains heightened investor wariness.

- Conditions took a turn for the worse in the second quarter of 2016, as market sentiment eroded due to renewed questions over the health of the global economy. Economic data released in Europe and China were disappointing, and investors questioned on the timing of the United States Federal Reserve's next interest rate hike and thus, resultant capital outflows particularly out of emerging markets which remained a sore point. The referendum in which the United Kingdom voted to exit the European Union sent shockwaves globally, as investors fretted on the long-term ramifications of the move. Malaysia's economic growth slowed further to 4.2% as announced for the first quarter of 2016. Consequently, the benchmark FBM KLCI ended 3.7% lower in the second quarter of 2016.

- The local stock market failed to make any headway in the third quarter of 2016, with the FBM KLCI ending just about where it started as uncertainties surrounding the US interest rate hike continued to dominate. The benchmark FBM KLCI closed 0.1% (1.53 points) lower at 1,652.55 points though touching an intraday high of 1,700.71 points in mid-August. Bank Negara Malaysia had proactively cut the Overnight Policy Rate by 25 basis points to 3.0% in a surprise move during the quarter, citing a preemptive decision to maintain the degree of monetary accommodation towards ensuring that the domestic economy continues on a steady growth path. The subsequent announcement of a weaker 4.0% GDP growth for the second quarter of 2016 reflects the necessity for such a move.

- Market volatility was raised a notch or two in the fourth quarter of the year as sentiment was skewed by twin developments in the United States ("US") – which included the Federal Reserve's on-again off-again interest rate hike plans and its Presidential Elections. The latter jolted emerging economies' markets and regional currencies due to hastening capital outflows, as promises made during the election campaign may prove damaging if turned into policies. Tiffs with China may spark unnecessary trade and currency wars, a rapid increase in US fiscal spending may stoke inflationary pressures and force the US Federal Reserve's hand in its pace of interest rate hikes and a declaration of energy independence by the US in which USD50 trillion of untapped reserves are unleashed may destabilise oil markets again, amongst others. During the quarter, the Malaysian Ringgit slumped 7.8% versus the US Dollar. Signs of stabilisation in China and its flagging economic growth momentum offer some encouragement, although challenges to our economic growth remain. The FBM KLCI fell 0.7% during the period, even as a slightly higher third quarter 2016 GDP growth of 4.3% was announced. For the year 2016, the benchmark FBM KLCI fell 50.78 points or 3.0% to end at 1,641.73 points compared to the previous year.

INVESTOR INFORMATION

PUBLIC BANK SHARE PRICE PERFORMANCE IN 2016

Highlights

SHARE PRICE

2016:
RM19.72

2015:
RM18.52

MARKET CAPITALISATION

2016:
RM76.56 Billion

2015:
RM71.90 Billion

EARNINGS PER SHARE

2016:
134.8 Sen

2015:
131.1 Sen

DIVIDEND PER SHARE

2016:
58 Sen

2015:
56 Sen

- Public Bank's share price trajectory was on a gradual rise throughout its golden jubilee year, symbolising the strength of the Group and shareholder value creation through the years. The capital gain from Public Bank's share price which rose 6.5% from 2015 and the inclusion of a cumulative 58 sen single-tier dividend paid in 2016 would see shareholders making a 9.6% gain on their investments. Despite another challenging operating environment in 2016, Public Bank's share price outperformed both the FBM KLCI which declined 3.0% for the year, and the Bursa Malaysia Finance Index which gained 1.6% in the same period.

- The first quarter of 2016 saw Public Bank's share price tracking the performance of the broader market, rising 1.4% though trailing the FBM KLCI's marginally higher 1.5% gain. The second quarter marked the difference between the Public Bank Group and its peers. Investors' flight to safety amid jittery market conditions resulted in repatriations into safe-haven investments, driving Public Bank's share price outperformance (+3.3%) against the FBM KLCI's 3.7% decline, a further testament to the Group's strength and stability in times of adversity. The announcement of the Group's first quarter 2016 net profit growth of 5.0% to RM1.23 billion amid the challenging operating conditions solidified positive sentiment surrounding the Group. Public Bank's steady share price performance in the third quarter of the year which inched another 2.2% higher was underpinned by the reporting of a cumulative first half 2016 net profit growth of 5.0% to RM2.49 billion. Market volatility was especially prevalent in the fourth quarter of the year owing to external developments, with the FBM KLCI managing to regain earlier losses to only end 0.7% lower. Public Bank's share price maintained its stability however, though falling a slight 0.5% during the period.

  While 2016 marks the 50th year of Public Bank's remarkable journey, it also represents a point where the Group is still surging ahead, outperforming its industry peers in terms of productivity, earnings stability and asset quality, and outperforming the market.

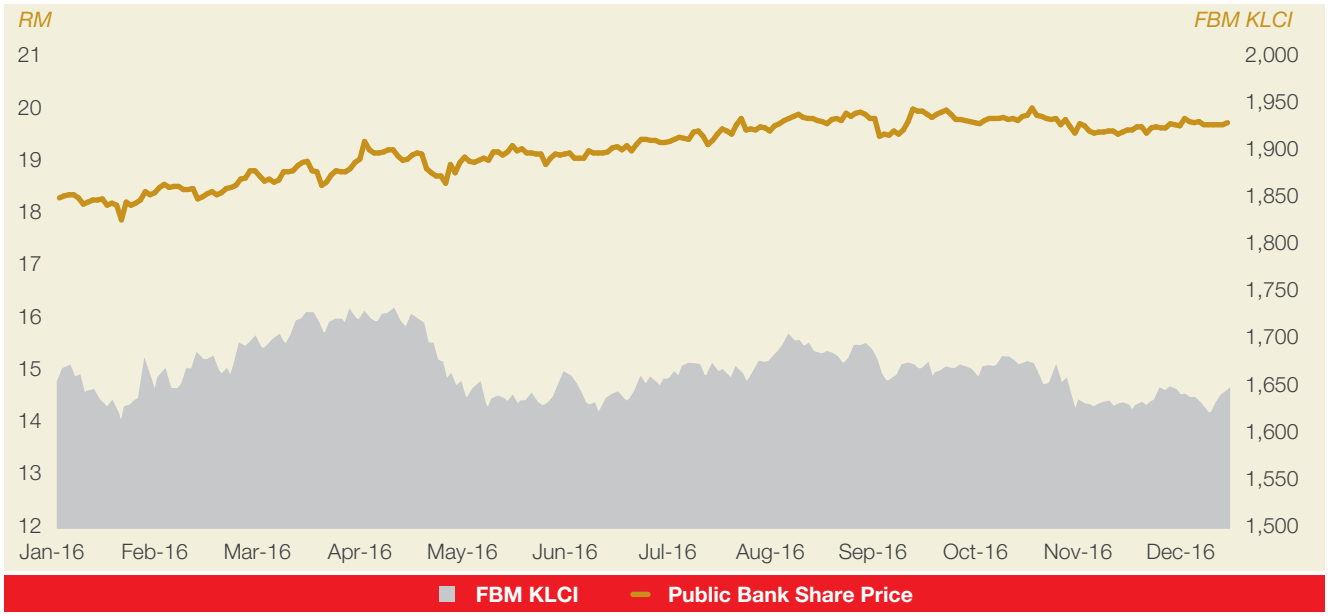
- As at the end of 2016, Public Bank share price ended at RM19.72, an increase of 6.5% from RM18.52 at the end of 2015 as compared to the FBM KLCI's 3.0% decline to 1,641.73 points in the corresponding period.

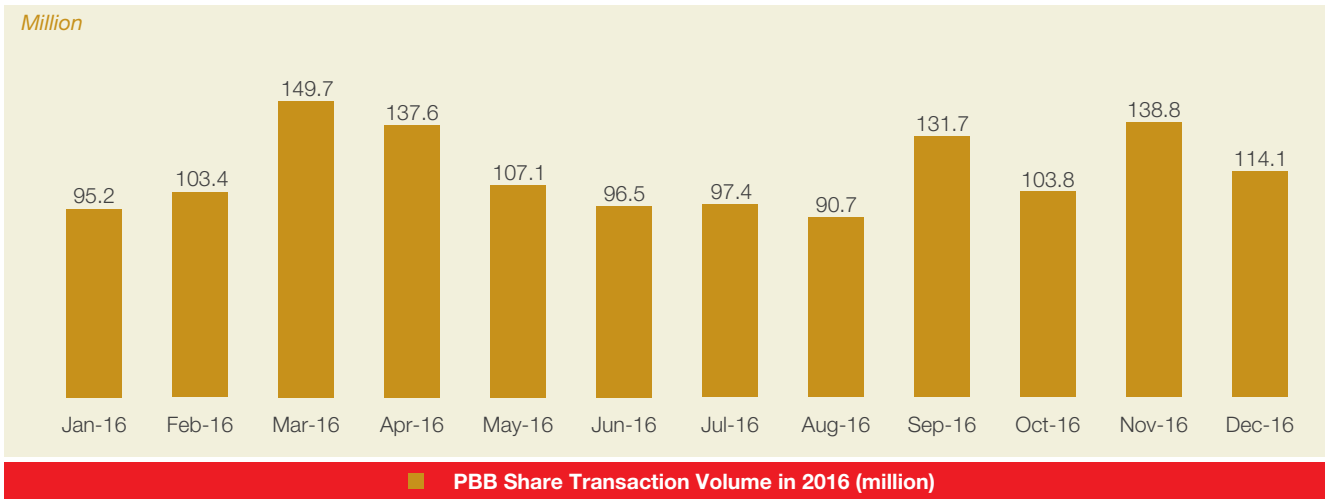
- Public Bank's market capitalisation rose to RM76.56 billion as at the end of 2016, up by RM4.66 billion or 6.5% from RM71.90 billion as at the end of 2015.

- Average daily volume and value of Public Bank shares traded in 2016 stood at 5.6 million shares (2015: 5.2 million shares) and RM106.8 million (2015: RM95.8 million) respectively.

INVESTOR INFORMATION

PUBLIC BANK SHARE PRICE AND TRANSACTIONS IN 2016





ANALYSIS OF SHAREHOLDINGS

AS AT 27 JANUARY 2017

Authorised Share Capital	:	RM10,000,000,000
Issued and Paid-up Share Capital	:	RM3,882,138,347 comprising 3,882,138,347 ordinary shares of RM1.00 each
Class of Shares	:	Ordinary shares of RM1.00 each
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	8,606	11.67	233	0.32	252,590	*1	8,174	*1
100 – 1,000	14,678	19.90	435	0.60	6,588,228	0.17	211,434	*1
1,001 – 10,000	35,298	47.86	2,346	3.18	115,519,403	3.00	10,041,081	0.26
10,001 – 100,000	8,764	11.88	1,685	2.28	225,117,738	5.83	51,698,985	1.34
100,001 – 193,074,701 (less than 5% of issued shares*2)	859	1.17	844	1.14	815,271,973	21.11	1,331,330,399	34.48
193,074,702 (5% of issued shares*2) and above	2	*1	–	–	1,305,454,038	33.81	–	–
Total	68,207	92.48	5,543	7.52	2,468,203,970	63.92	1,393,290,073	36.08
Grand Total	**73,750 (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 27 January 2017.*

ANALYSIS OF SHAREHOLDINGS

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

	Direct Interests		Deemed Interests		Total Interests	
Name	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
Dato' Sri Lee Kong Lam	418,952	0.01	78,452*3	*4	497,404	0.01
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 6A(4) of the Companies Act, 1965.*
**2 Deemed to have interests in PBB shares held by person(s) connected as defined per Section 122A of the Companies Act, 1965 and held by other corporations by virtue of Section 6A(4) of the Companies Act, 1965.*
**3 Deemed to have interests in PBB shares held by person connected as defined per Section 122A of the Companies Act, 1965.*
**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 27 January 2017.*

SHARES HELD IN SUBSIDIARY COMPANY

– Shares Held in Public Financial Holdings Limited

	Direct Interests	
Name	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 6A(4)(c) of the Companies Act, 1965, 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	493,055,563	12.77	–	–	493,055,563	12.77

Notes:
**1 Deemed to have interests in PBB shares held by other corporations by virtue of Section 6A(4) of the Companies Act, 1965.*
**2 Excluding a total of 20,644,304 PBB shares bought-back by PBB and retained as treasury shares as at 27 January 2017.*

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*	465,317,963	12.05
3.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For JPMorgan Chase Bank, National Association (U.S.A.)*	92,591,516	2.40
4.	AmanahRaya Trustees Berhad *Amanah Saham Bumiputera*	90,000,000	2.33
5.	Cartaban Nominees (Asing) Sdn Bhd *Exempt An For State Street Bank & Trust Company (West CLT OD67)*	81,878,616	2.12
6.	Cartaban Nominees (Asing) Sdn Bhd *GIC Private Limited For Government Of Singapore (C)*	50,628,328	1.31
7.	HSBC Nominees (Asing) Sdn Bhd *BBH And Co Boston For Vanguard Emerging Markets Stock Index Fund*	48,414,600	1.25
8.	AmanahRaya Trustees Berhad *Amanah Saham Wawasan 2020*	43,761,028	1.13
9.	LPI Capital Bhd	42,520,704	1.10
10.	Kumpulan Wang Persaraan (Diperbadankan)	42,341,382	1.10
11.	Cartaban Nominees (Tempatan) Sdn Bhd *PAMB For Prulink Equity Fund*	41,914,105	1.09
12.	Malaysia Nominees (Tempatan) Sendirian Berhad *Great Eastern Life Assurance (Malaysia) Berhad (Par 1)*	30,095,921	0.78
13.	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt An For UOB Kay Hian Pte Ltd (A/C Clients)*	29,584,251	0.77

ANALYSIS OF SHAREHOLDINGS

	Name	No. of Shares Held	% of Issued Shares*
14.	HSBC Nominees (Asing) Sdn Bhd *BNP Paribas Secs Svs Lux For Aberdeen Global*	25,285,525	0.65
15.	Tan Sri Dato' Sri Dr. Teh Hong Piow	24,711,282	0.64
16.	Citigroup Nominees (Tempatan) Sdn Bhd *Exempt An For AIA Bhd*	21,179,682	0.55
17.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For JPMorgan Chase Bank, National Association (JPMELAB AIF APG)*	20,335,790	0.52
18.	DB (Malaysia) Nominee (Asing) Sdn Bhd *SSBT Fund DRNA For Aberdeen Emerging Markets Fund*	19,459,200	0.50
19.	Citigroup Nominees (Tempatan) Sdn Bhd *Employees Provident Fund Board (Nomura)*	18,712,300	0.48
20.	Maybank Nominees (Tempatan) Sdn Bhd *Maybank Trustees Berhad For Public Regular Savings Fund (N14011940100)*	17,356,973	0.45
21.	Amanahraya Trustees Berhad *Amanah Saham Bumiputera 2*	16,861,000	0.44
22.	Amanahraya Trustees Berhad *Amanah Saham Malaysia*	16,550,000	0.43
23.	Cartaban Nominees (Asing) Sdn Bhd *RBC Investor Services Bank S.A. For Vontobel Fund – Emergingmarkets Equity*	14,182,700	0.37
24.	Citigroup Nominees (Asing) Sdn Bhd *Legal & General Assurance (Pensions Management) Limited (A/C 1125250001)*	14,142,998	0.37
25.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For JPMorgan Chase Bank, National Association (U.K.)*	13,912,258	0.36
26.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For The Bank Of New York Mellon (Mellon Acct)*	13,287,519	0.34
27.	HSBC Nominees (Asing) Sdn Bhd *BBH And Co Boston For Matthews Pacific Tiger Fund*	12,771,594	0.33
28.	HSBC Nominees (Asing) Sdn Bhd *HSBC Bk Plc For Abu Dhabi Investment Authority (Trang)*	12,666,655	0.33
29.	Public Invest Nominees (Tempatan) Sdn Bhd *Public Bank Group Officers' Retirement Benefits Fund*	12,580,832	0.32
30.	HSBC Nominees (Asing) Sdn Bhd *Exempt An For J.P. Morgan Bank Luxembourg S.A. (2)*	12,410,226	0.32
		2,185,591,023	56.59

Note:

* *Excluding a total of 20,644,304 PBB shares bought-back by PBB and retained as treasury shares as at 27 January 2017.*

AUTHORISED AND ISSUED SHARE CAPITAL

AS AT 27 JANUARY 2017

AUTHORISED SHARE CAPITAL

The authorised share capital as at 27 January 2017 is RM10,000,000,000 divided into 10,000,000,000 ordinary shares of RM1.00 each. The changes in the authorised share capital are as follows:

Date	Increase in Authorised Share Capital (RM)	Total Authorised Share Capital (RM)
30.12.1965	50,000,000	50,000,000
06.01.1982	250,000,000	300,000,000
30.09.1986	200,000,000	500,000,000
08.06.1987	500,000,000	1,000,000,000
17.06.1997	4,000,000,000	5,000,000,000
30.03.2005	5,000,000,000	10,000,000,000

ISSUED AND PAID-UP SHARE CAPITAL

The issued and paid-up share capital as at 27 January 2017 is RM3,882,138,347 comprising 3,882,138,347 ordinary shares of RM1.00 each. The changes in the issued and paid-up share capital are as follows:

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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

AUTHORISED AND ISSUED SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

AUTHORISED AND ISSUED SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

AUTHORISED AND ISSUED SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

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Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

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Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

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Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

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Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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

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Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

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Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

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Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

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Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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

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Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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

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Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

AUTHORISED AND ISSUED SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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
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

AUTHORISED AND ISSUED SHARE CAPITAL

Date of Allotment	No. of Shares Allotted	Consideration	Total Issued and Paid-up Share Capital (RM)
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

* *The number of shares allotted has been adjusted to reflect the consolidation of PBB shares from par value of RM0.50 to par value of RM1.00 on 2 June 2004.*

SUMMARY OF PROPERTIES OWNED BY PUBLIC BANK GROUP

AS AT 31 DECEMBER 2016

Area	No. of Properties		Net Book Value
	Freehold	Leasehold	(RM'000)
DOMESTIC			
PUBLIC BANK BERHAD			
Kuala Lumpur	2	–	232,417
Perak Darul Ridzuan	1	–	234
Sarawak	–	1	125
PUBLIC MUTUAL BERHAD			
Kuala Lumpur	1	1	8,394
Johor Darul Takzim	–	1	744
Pahang Darul Makmur	1	–	1,575
Pulau Pinang	1	–	1,703
Sarawak	–	2	2,326
Selangor Darul Ehsan	1	1	5,361
PUBLIC HOLDINGS SDN BHD			
Kuala Lumpur	5	4	709,669
Johor Darul Takzim	4	–	69,990
Kedah Darul Aman	1	–	1,417
Melaka	–	2	1,068
Pahang Darul Makmur	1	–	86
Perak Darul Ridzuan	3	1	4,663
Pulau Pinang	8	1	5,178
Sabah	–	2	2,640
Sarawak	1	3	4,316
Selangor Darul Ehsan	1	2	38,121
OVERSEAS			
CAMBODIAN PUBLIC BANK PLC			
Phnom Penh	1	–	68,097
PUBLIC FINANCIAL HOLDINGS GROUP			
Hong Kong	–	32	568,216

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 2016

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	Under development of a 40-storey office block including a 4-level commercial podium with a 6-level basement carpark	Future Public Bank's Jalan Raja Chulan branch and Public Mutual New Head Quarters	Freehold	–	–	58,865 (gross) Net lettable 42,816	5-12-2016 (R)	658,083
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	–	22 Years	46,436	2-1-1995	232,237
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	826 Years (26-6-2842)	39 Years	5,451	30-5-2006**	140,340
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	44 Years (18-2-2060)	34 Years	1,465	2-5-1994 (R)	113,576
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	–	7 Years	18,149	14-10-2009	68,097

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)
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	–	22 Years	36,222	17-11-2016 (R)	66,926
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	34 Years (27-5-2050)	29 Years	2,215	30-6-1994 (R)	60,613
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	886 Years (14-8-2902)	49 Years	1,464	11-6-1993	50,841
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	80 Years (2-9-2096)	19 Years	31,669	3-9-1997	31,556
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	843 Years (26-12-2859)	26 Years	105	16-4-2016 (R)	28,742

Notes:

(L/B) Land and building

(R) Revaluation was performed as at 31 December 2016

*** 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 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 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
03-7981 1212

Jalan Kuchai Lama
03-7980 4377
03-7980 4575

Jalan Pasar
03-2142 9073
03-2142 9110

Jalan Raja Chulan
03-2141 8255
03-2141 8366

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 4690

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

Taman Connaught
03-9101 7152
03-9102 3649

Taman Desa
03-7983 7811
03-7983 7812

GROUP CORPORATE DIRECTORY

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
07-432 0798
07-433 2460

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
07-663 4166
07-663 4167

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 4426
07-234 4608

Taman Sentosa
07-331 2266
07-331 6521

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

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

GROUP CORPORATE DIRECTORY

KELANTAN

Gua Musang
09-912 2600
09-912 2602

Kota Bharu
09-744 6944
09-744 7143

Kuala Krai
09-966 4027
09-966 4028

Tanah Merah
09-955 6139
09-955 6244

Wakaf Siku
09-746 1881
09-747 0111

MELAKA

Air Keroh
06-232 7208
06-232 7209

Batu Berendam
06-317 6200
06-319 1811

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 7528

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
06-762 5144

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

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 1722
09-312 1723

Kuantan
09-516 1217
09-516 1218

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

Chemor
05-201 1124
05-201 1125

Gunung Rapat
05-313 1646
05-313 1649

Ipoh Garden
05-548 0951
05-548 2592

GROUP CORPORATE DIRECTORY

Ipoh Main Office
05-253 0115
05-253 1034

Jalan Pasir Putih
05-321 9892
05-322 1658

Jalan Sultan Idris Shah
05-255 1068
05-255 1069

Jalan Yang Kalsom
05-253 1514
05-253 1998

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 0586
05-621 2325

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 7886

Nibong Tebal
04-593 1433
04-593 1460

Prai
04-390 1241
04-390 1246

Pulau Pinang
04-261 0060
04-261 1416

Pulau Tikus
04-227 8744
04-228 6017

Relau
04-644 3102
04-644 3112

Simpang Ampat
04-588 2436
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

GROUP CORPORATE DIRECTORY

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
088-239 612

Lahad Datu
089-884 020
089-884 021

Lido
088-217 125
088-217 669

Papar
088-912 522
088-912 523

Prima Square
089-202 288
089-202 289

Putatan
088-771 811
088-771 999

Sandakan
089-214 257
089-214 258

Tawau
089-761 311
089-761 322

SARAWAK

Batu Niah
085-737 111
085-737 112

Bintangor
084-693 511
084-693 622

Bintulu
086-331 433
086-331 434

China Street
085-417 227
085-417 228

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
082-417 922
082-417 923

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 8896

Bandar Puchong Jaya
03-5882 1888
03-5882 1889

Bandar Puteri Puchong
03-8062 7799
03-8062 7941

Bandar Sunway
03-5636 0713
03-5636 0722

Banting
03-3187 2466
03-3187 5992

Batang Kali
03-6057 1200
03-6057 2401

Bukit Beruntung
03-6028 2168
03-6028 2169

Damansara Jaya
03-7728 7353
03-7729 8588

Damansara Utama
03-7728 9376
03-7728 9406

GROUP CORPORATE DIRECTORY

Jalan Tapah
03-3341 4889
03-3341 9036

Kajang
03-8733 5752
03-8736 8891

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
03-6091 8654
03-6091 8662

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
03-7873 8541
03-7874 1944

Shah Alam
03-5510 0567
03-5510 1313

SS2
03-7874 0436
03-7874 1717

Subang Jaya
03-5633 2420
03-5633 2421

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 3150
09-859 3154

Kuala Dungun
09-848 2114
09-848 2507

Kuala Terengganu
09-622 6016
09-622 6122

GROUP CORPORATE DIRECTORY

OVERSEAS BRANCHES



Colombo Branch
#340, R A de Mel Mawatha
Colombo 00300, Sri Lanka
94-11-257 6288
(Country Head)
94-11-257 6289/90/91/92
94-11-729 0200-7
94-11-257 3958
pbbslk@publicbank.com.lk
PBBELKLX

Nawala Branch
#150, Nawala Road
Nugegoda
Sri Lanka
94-11-282 9750
(Branch Manager)
94-11-282 9751,
94-11-282 9752
(General Numbers)
94-11-282 9755

Galle Branch
#26 A & 26 B, Colombo Road
Kaluwella, Galle
Sri Lanka
94-91-223 1740
(Branch Manager)
94-91-223 1741
94-91-223 1742
(General Numbers)
94-91-223 1743



Vientiane Branch
100/1-4 Talat Sao Road
P.O. Box 6614
Vientiane, Lao P.D.R.
856-21-223 395
(Country Head)
856-21-223 394
856-21-216 614
856-21-222 743
pbbvte@publicbank.com.la
4310 PBBVTE LS
PBBELELA

Savannakhet Branch
308/3 Sisavangvong Road
Group 24 Sainutha Village
Kaisone Phoanvihan District
Savannakhet Province, Lao P.D.R.
856-41-252 131/132
856-41-252 133
pbbsvn@publicbank.com.la

Sikhai Branch
006, Luangphabang Road
Meuangwa Tha Village
Sikhottabong District
Vientiane, Lao P.D.R.
856-21-219 869/870
856-21-219 876
pbbsik@publicbank.com.la

Pakse Branch
070 No. 13
South Road, Phonesavanh Village
Pakse District Champasak
Lao P.D.R.
856-31-218 111
856-31-218 112
856-31-218 113
pbbpks@publicbank.com.la

Wattay Branch
No. 146/1 and 146/2
Souphanouvong Road
Wattay Noy Tha Village
Sikhottabong District
Vientiane Capital
Lao P.D.R
856-21-219 869/870
856-21-219 876
pbbwta@publicbank.com.la

SUBSIDIARIES

Public Islamic Bank Berhad
Head Office:
14th Floor, Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur, Malaysia
03-2176 6000
03-2162 2224
islamicbkg@publicislamicbank.com.my
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
03-2692 7269
03-2692 8749
03-2692 7188
03-2698 7699

GROUP CORPORATE DIRECTORY

Putrajaya Branch
66, Jalan Diplomatik, Presint 15
62050 Putrajaya, Malaysia

03-8888 7878

03-8881 1366

Public Nominees (Tempatan) Sdn Bhd
6th Floor, Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur, Malaysia

03-2162 6077

03-2162 6078

Public Nominees (Asing) Sdn Bhd
6th Floor, Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur, Malaysia

03-2162 6077

03-2162 6078

Public Investment Bank Berhad
Head Office:
25th Floor, Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur, Malaysia

03-2166 9382

03-2166 9362

pivb@publicinvestbank.com.my

www.publicinvestbank.com

Branch Office:
27th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur, Malaysia

03-2268 3000, 03-2031 3733

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

03-2268 3000

03-2268 3167

Public Invest Nominees (Asing) Sdn Bhd
27th Floor, Bangunan Public Bank
6, Jalan Sultan Sulaiman
50000 Kuala Lumpur, Malaysia

03-2268 3000

03-2268 3167

Public Mutual Berhad
Block B, Sri Damansara Business Park
Persiaran Industri
Bandar Sri Damansara
52200 Kuala Lumpur, Malaysia

03-6279 6800

03-6277 9800

mktg@publicmutual.com.my

www.publicmutual.com.my

(28 branches and 1 agency office nationwide)

Public Holdings Sdn Bhd
8th Floor, Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur, Malaysia

03-2176 6000, 03-2176 6666

03-2163 9903

PB Trust (L) Ltd
Level 8 (B), Main Office Tower
Financial Park Labuan, Jalan Merdeka
87000 Federal Territory of Labuan
Malaysia

6087-411 898, 6087-412 336

6087-451 193

pbtrust@pbtrust.com.my

www.pbtrust.com.my

Public Bank (L) Ltd
Level 8 (A) & (B), Main Office Tower
Financial Park Labuan, Jalan Merdeka
87000 Federal Territory of Labuan
Malaysia

6087-411 898

6087-413 220

PBLLMYKA

Public Financial Holdings Limited
2/F, Public Bank Centre
120 Des Voeux Road Central
Central, Hong Kong

852-2541 9222

852-2815 9232

investor@publicbank.com.hk

www.publicfinancial.com.hk

Public Finance Limited
Room 1105-7, Wing On House
71 Des Vouex Road Central
Central, Hong Kong

852-2525 9351

852-2845 0681

info@publicfinance.com.hk

www.publicfinance.com.hk

(42 branches in Hong Kong)

Public Financial Limited
Room 1105-7, Wing On House
71, Des Vouex Road Central
Central, Hong Kong

852-2525 9351

852-2845 0681

Public Securities Limited
Room 1101-03, Wing On House
71, Des Voeux Road Central
Central, Hong Kong

852-3929 2800

852-2845 5240

cs@publicsec.com.hk

www.publicsec.com.hk

Public Securities (Nominees) Limited
Room 1101-03, Wing On House
71, Des Voeux Road Central
Central, Hong Kong

852-3929 2850

852-2845 5240

GROUP CORPORATE DIRECTORY

Winton (B.V.I) Limited
Room 1101-1110, 11/F
Phase 1, Argye Centre
688 Nathan Road, Mongkok
Kowloon, Hong Kong

852-2391 9388

852-2391 5366

www.wintongroup.com.hk

(8 branches in Hong Kong)

Public Bank (Hong Kong) Limited
2/F, Public Bank Centre
120, Des Vouex Road Central
Central, Hong Kong

852-2541 9222

852-2541 0009

contact@publicbank.com.hk

www.publicbank.com.hk

(32 branches in Hong Kong, 4 branches in Shenzhen, China and 1 representative office each in Shanghai and Shenyang, China)

Cambodian Public Bank Plc
Campu Bank Building
No. 23, Kramuon Sar Avenue
(Street No. 114)
Sangkat Phsar Thmey II
Khan Daun Penh, Phnom Penh
Kingdom of Cambodia

855-23-222 880/
222 881/222 882
(General Lines)

855-23-222 887

hoe@campubank.com.kh

www.campubank.com.kh
www.cpbebank.com

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, Phnom Penh
Kingdom of Cambodia

855-23-999 880/998 860

855-23-999 886

campusec@campusecurities.com.kh

www.campusecurities.com.kh

Campu Lonpac Insurance Plc
7th Floor, Campu Bank Building
No. 23, Kramuon Sar Avenue
(Street No. 114)
Sangkat Phsar Thmey II
Khan Daun Penh, Phnom Penh
Kingdom of Cambodia

855-23-998 200/986 279

855-23-986 308

enquiries@campulonpac.com.kh

www.campulonpac.com.kh

Public Bank Vietnam Limited
Head Office
7th Floor, Prime Centre Building
53, Quang Trung Street
Hai Ba Trung District, Hanoi, Vietnam

844-3943 8999
844-3943 9011
844-3943 9012

844-3943 9005

pbvn@publicbank.com.vn

www.publicbank.com.vn

VIDPVNV5

(7 branches in Vietnam)

ASSOCIATED COMPANIES

PB Trustee Services Berhad
17th Floor, Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur, Malaysia

03-2176 6623/6651
03-2176 6760/7674

03-2164 3285

pbtrustee@publicbank.com.my

AIA Public Takaful Berhad
Menara AIA
99, Jalan Ampang
50450 Kuala Lumpur, Malaysia

1 300 88 8922

03-2056 3690

my.customer@aiapublic.com.my

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, Phnom Penh
Kingdom of Cambodia

855-23-222 880/222 881

855-23-222 887

hoe@campubank.com.kh

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 51st Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 27 March 2017 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 51st Annual General Meeting of the Company to be held at the Grand Ballroom, Shangri-La Hotel, Jalan Sultan Ismail, 50250 Kuala Lumpur on Monday, 27 March 2017 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 Tan Sri Dato' Sri Dr. Teh Hong Piow as Director				
2.	Re-election of Tan Sri Dato' Sri Tay Ah Lek as Director				
3.	Approval of payment of Directors' fees				
4.	Re-appointment of Messrs Ernst & Young as Auditors and authority to the Directors to fix the Auditors' remuneration				

Signed this _____ day of _____ 2017.

_____
Signature of Member/Common Seal

** Delete if inapplicable.*

Notes:

1. In respect of deposited securities, only Members whose names appear in the Record of Depositors on 20 March 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 51st Annual General Meeting (AGM).
2. A Member entitled to attend, speak and vote at this 51st 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 51st 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 51st AGM or no later than 25 March 2017 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.

Please fold here to seal

Please fold here

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

Please fold here



PAST AWARD-WINNING ANNUAL REPORTS

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

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

1987 ANNUAL REPORT

MACRA Award

- 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