

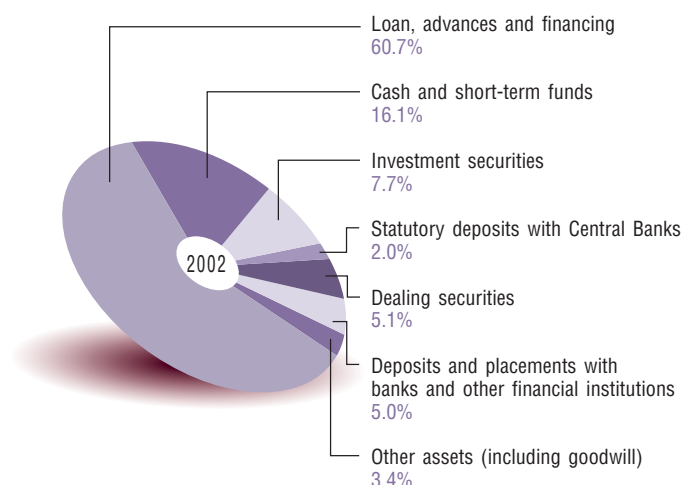
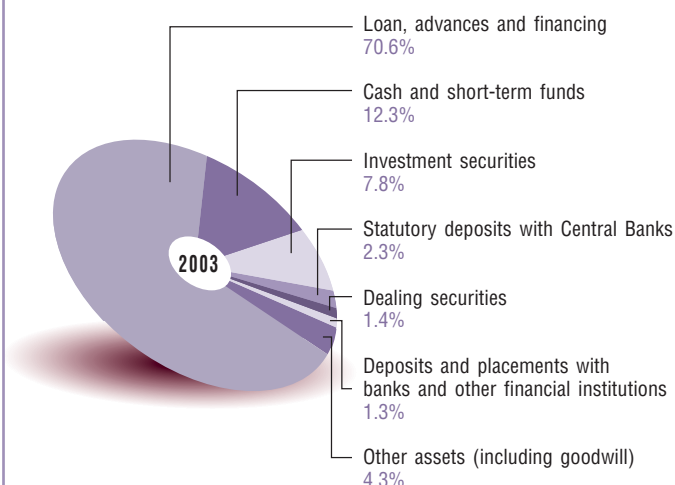
FINANCIAL HIGHLIGHTS

	Group		Bank	
	2003	2002	2003	2002
PROFITABILITY (RM'Million)				
Operating revenue	4,323	4,046	2,560	2,249
Operating profit	1,855	1,588	1,502	870
Profit before tax expense	1,455	1,241	1,409	832
Profit after tax expense and minority interests	1,003	769	1,050	610
KEY BALANCE SHEET DATA (RM'Million)				
Total assets	64,640	61,866	58,010	46,498
Dealing and investment securities	5,980	7,944	7,351	8,116
Loans, advances and financing	45,620	37,575	27,328	22,541
Total liabilities	55,387	53,542	50,483	40,695
Deposits from customers	50,217	47,986	41,121	35,071
Commitments and contingencies	14,246	12,316	13,249	11,337
Paid-up capital	3,207	2,315	3,207	2,315
Shareholders' funds	8,676	6,990	7,527	5,803
SHARE INFORMATION				
Per share (sen)				
Basic earnings	16.5	13.3	17.2	10.6
Diluted earnings	16.1	13.2	16.8	10.5
Gross dividend	11.0	9.0	11.0	9.0
Net tangible assets	123.7	140.7	113.2	117.6
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin	3.8	3.8	2.2	2.4
Net interest on average risk-weighted assets	5.6	6.0	4.2	4.4
Internal rate of capital generation	16.9	17.4	14.9	12.1
Net return on average shareholders' funds ¹	13.5	12.0	16.8	11.5
Net return on average net tangible assets ¹	14.8	12.9	17.8	12.4
Return on average assets	2.3	2.2	2.7	1.9
Return on average risk-weighted assets	3.4	3.4	5.1	3.6
Capital Adequacy Ratios				
Core capital ratio	17.6	19.5	15.2	15.8
Risk-weighted capital ratio	19.4	21.3	15.2	15.8
Asset Quality Ratios				
Net non-performing loans ratio (6-month classification)	2.0	2.4	1.9	2.4
Loan loss coverage	92.0	87.6	88.0	81.3
Gross loan to deposit ratio	93.5	81.3	68.1	66.6
Deposits to shareholders' funds (times)	5.8	6.9	5.5	6.0
Valuations on Local Share				
Gross dividend yield (%)	3.9	4.0	—	—
Dividend payout ratio (%)	50.1	39.0	47.9	49.2
Price to earnings multiple (times)	17.2	13.7	—	—
Price to book multiple (times)	2.3	1.6	—	—

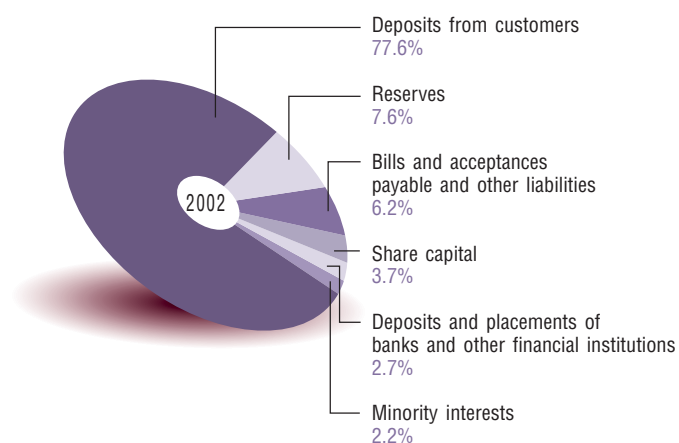
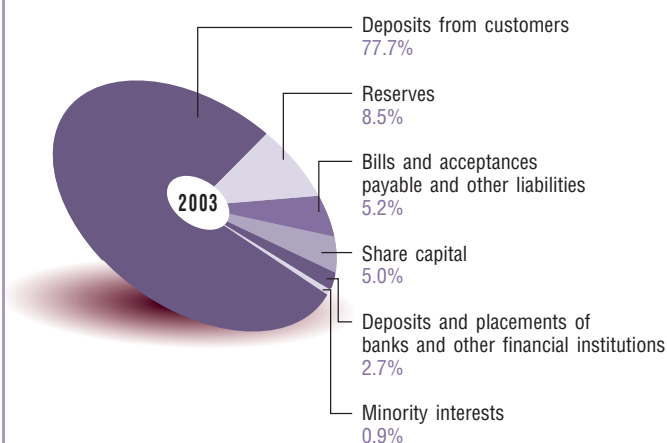
¹ Adjusted for the proposed final dividend

SIMPLIFIED GROUP BALANCE SHEET

ASSETS



LIABILITIES & SHAREHOLDERS' FUNDS



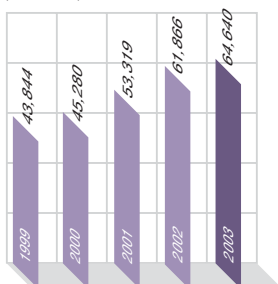
FIVE YEAR GROUP FINANCIAL SUMMARY

Year ended 31 December	2003	2002	2001	2000	1999
OPERATING RESULTS (RM'Million)					
Profit before tax expense	1,455	1,241	1,243	1,249	830
Profit after tax expense and minority interests	1,003	769	720	724	622
KEY BALANCE SHEET DATA (RM'Million)					
Total assets	64,640	61,866	53,319	45,280	43,844
Loans, advances and financing	45,620	37,575	30,713	24,394	22,167
Total liabilities	55,387	53,542	45,528	39,534	38,813
Deposits from customers	50,217	47,986	39,782	33,877	33,044
Commitments and contingencies	14,246	12,316	12,147	9,762	10,874
Paid-up capital	3,207	2,315	1,834	1,195	1,183
Shareholders' funds	8,676	6,990	6,402	4,509	3,927
SHARE INFORMATION					
Per share (sen)					
Basic earnings	16.5	13.3	13.1	15.1	13.0
Diluted earnings	16.1	13.2	13.0	14.9	12.9
Gross dividend	11.0	9.0	9.0	7.5	4.0
Net tangible assets	123.7	140.7	163.2	185.9	165.8
Share price as at 31 December (RM)					
– Local ¹	2.83	1.82	1.60	1.45	1.63
– Foreign ¹	3.10	2.08	1.70	1.46	1.93
Market capitalisation (RM'Million)	18,669	10,966	9,356	7,041	8,296
FINANCIAL RATIOS (%)					
Profitability Ratios/Market Share					
Net interest margin	3.8	3.8	4.0	3.9	3.4
Net interest on average risk-weighted assets	5.6	6.0	6.8	6.9	5.9
Internal rate of capital generation	16.9	17.4	18.6	24.2	26.6
Net return on average shareholders' funds ²	13.5	12.0	13.6	17.2	17.2
Net return on average net tangible assets ²	14.8	12.9	14.2	17.3	17.2
Return on average assets	2.3	2.2	2.5	2.8	1.9
Return on average risk-weighted assets	3.4	3.4	4.2	4.9	3.3
Cost income ratio	38.7	41.8	38.6	36.4	35.8
Gross loan to deposit ratio	93.5	81.3	81.0	76.1	71.3
Net non-performing loans ratio (6-month classification)	2.0	2.4	3.8	2.1	2.3
Domestic market share in:					
Loans, advances and financing	9.6	8.2	6.4	5.2	4.9
Deposits from customers	8.9	9.3	8.2	7.0	7.1
Capital Adequacy Ratios					
Core capital ratio	17.6	19.5	22.1	21.6	19.7
Risk-weighted capital ratio	19.4	21.3	23.8	23.5	21.5
Valuations on Local Share					
Gross dividend yield (%)	3.9	4.0	3.6	2.6	1.2
Dividend payout ratio (%) (Bank level)	47.9	49.2	70.9	38.8	18.2
Price to earnings multiple (times)	17.2	13.7	12.2	9.6	12.5

¹ Adjusted for bonus issue² Adjusted for the proposed final dividend

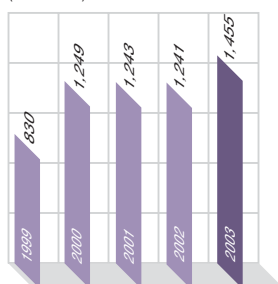
SUMMARY OF FIVE YEAR GROUP GROWTH

(RM'Million)



Total Assets

(RM'Million)



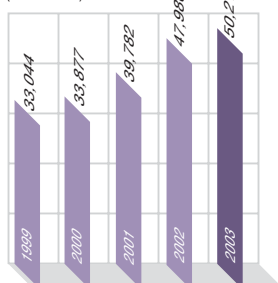
Profit Before Tax Expense

(RM'Million)



Loans, Advances and Financing

(RM'Million)



Deposits from Customers

(RM'Million)



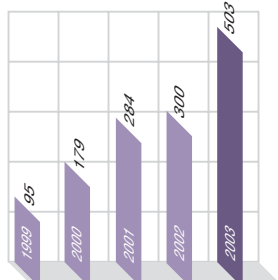
Profit Attributable to Shareholders

(RM'Million)



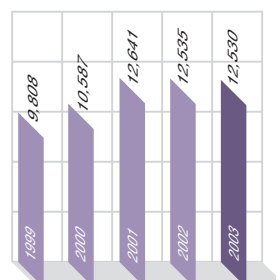
Shareholders' Funds

(RM'Million)



Dividends

(Number)



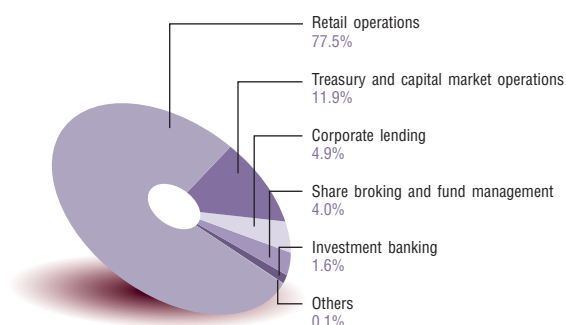
Total Staff Strength

SEGMENTAL ANALYSIS

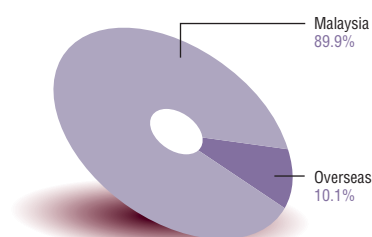
for the year ended 31 December 2003

OPERATING REVENUE

By Business Segments

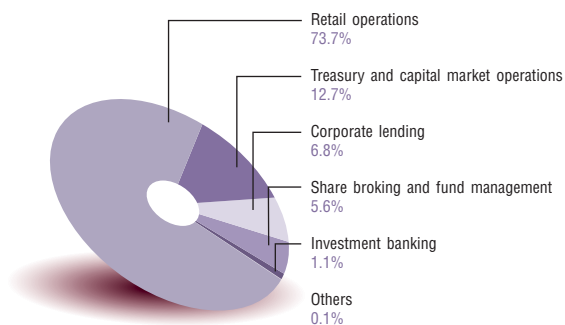


By Geographical Location

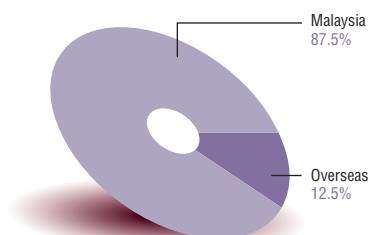


PROFIT BEFORE TAX EXPENSE

By Business Segments

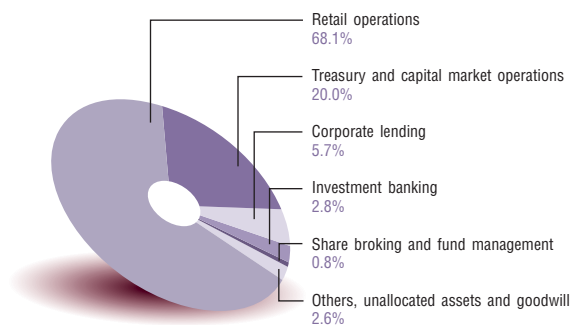


By Geographical Location

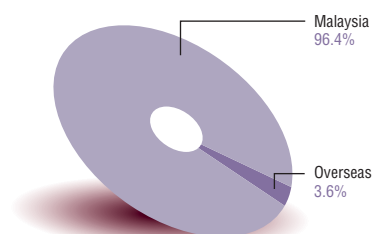


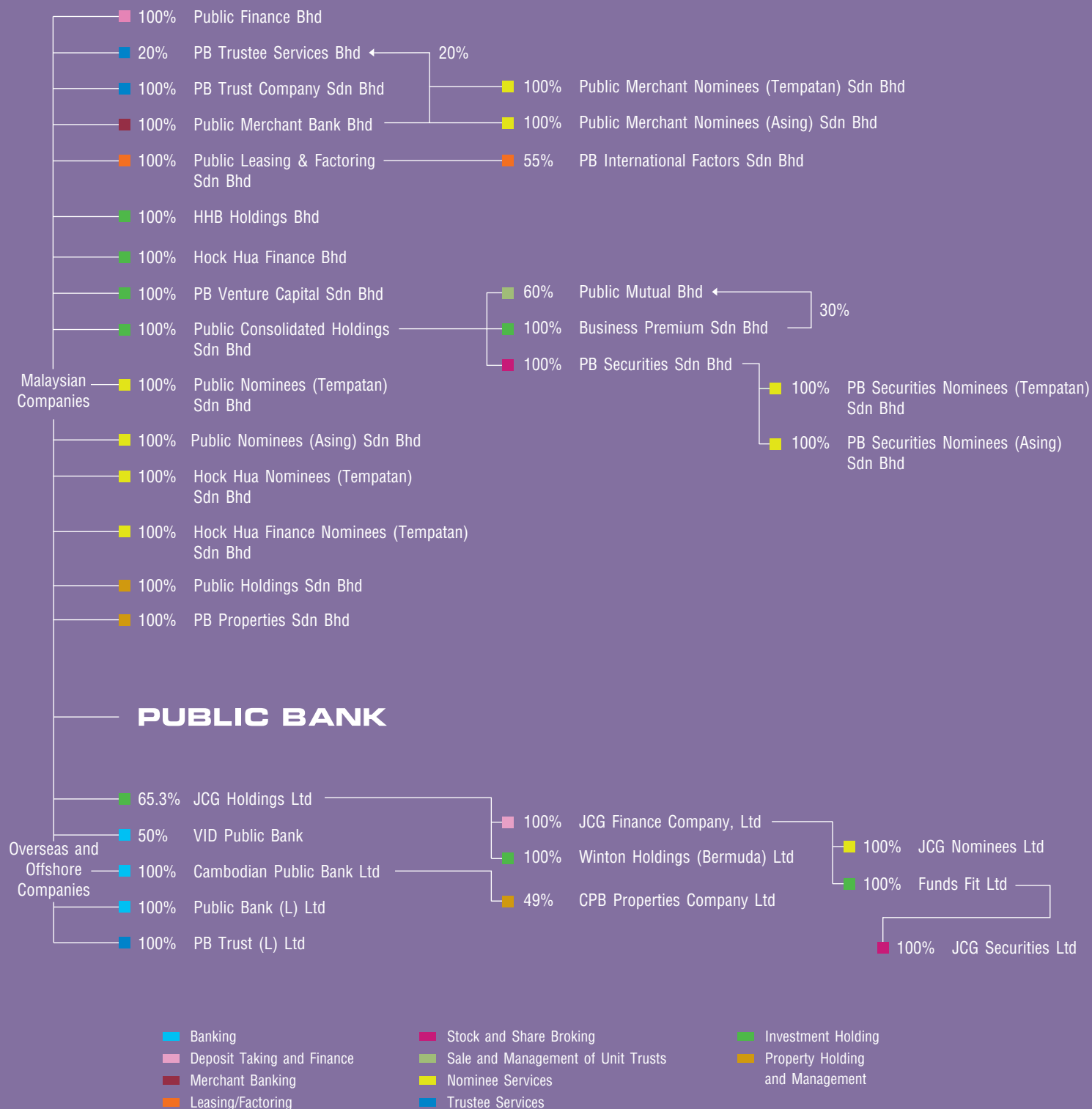
ASSETS EMPLOYED

By Business Segments



By Geographical Location





UNITED **WE** STAND, DIVIDED **WE** FALL

Man has never been individually self-sufficient.
We need each other to survive. The best
thing to hold onto in life is each other.
That's what we believe in. One belief,
one team, one focus. All just to serve you.



PUBLIC BANK

CORPORATE GOVERNANCE

Statement on Corporate Governance



The Board of Directors, Management and staff are very proud and extremely delighted that Public Bank received the KLSE Corporate Excellence Award 2003 for the Main Board, thereby retaining this prestigious annual Award from the Kuala Lumpur Stock Exchange Berhad after having received the inaugural KLSE Corporate Excellence Award 2000; the KLSE Corporate Excellence Award 2001 and the KLSE Corporate Excellence Award 2002, for the Main Board.

The fact that Public Bank received the KLSE Corporate Excellence Award for four consecutive years not only reflects but strongly re-affirms that Public Bank has never wavered in its excellent standards of corporate conduct.

Public Bank also received the inaugural KLSE Best Corporate Disclosure in Annual Report Award 2003 for the Main Board, in recognition of the highest level of disclosure and transparency in the Public Bank 2002 Annual Report.

BOARD OF DIRECTORS

Excellent Standards and Best Practices in Corporate Governance

The Board of Directors has been unfailing and remains fully resolved to ensuring that the interest of depositors and customers; shareholders; employees, as well as other stakeholders, are properly safeguarded.

Towards achieving this, the Board not only observes the Principles of Corporate Governance and the Best Practices on Corporate Governance as set out in the Malaysian Code on Corporate Governance, but has also put in place stringent parameters for adherence by the Management.

Composition of Board of Directors

The Board of Directors comprises nine (9) Members, of whom two (2) are of Executive capacity. Six (6) out of the seven (7) Non-Executive Directors are independent as defined under the Listing Requirements of the Malaysia Securities Exchange Berhad ("MSEB").

There is thus optimum board balance, with four-fifths of the Board being Non-Executive and two-thirds of the Non-Executive Directors being independent.

The Independent Directors fulfil their role by the exercise of independent judgment and objective participation in the proceedings and decision-making process of the Board.

Tan Sri Dato' Sri Dr. Teh Hong Piow, together with Datuk Tay Ah Lek and Dato' Lee Kong Lam, are true veterans and professionals in the finance sector, having been in the banking and finance industry since the beginning of their respective careers. These three (3) Directors bring to Public Bank an aggregate of 134 years of expertise and wealth of experience in banking and related businesses.

The six (6) Independent Non-Executive Directors, with their academic background in economics, accounting, law, banking and business management, and together with their wide experiences in both the public and private sectors, provide ideas and suggestions as well as indepth knowledge in support of the effective functioning of the Board.

Main Duties and Responsibilities of the Board

The Board reviews and updates the Bank's medium-term and long-term strategic plans on an annual basis, so that the Bank's business direction is constantly in tandem with the prevailing market environment. The Board approves the annual budget for the Bank, and conducts periodic review of achievements against the annual budget, as well as reviews the Management's business action plans.

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

The Board's other main duties include regular oversight of the Bank's business operations and performance, and ensuring that the infrastructure, internal controls, and risk management processes that are already in place to assess and manage business risks inter-alia operational, credit, market and liquidity risks, are properly implemented. The Board carries out the duties and responsibilities specified by Bank Negara Malaysia ("BNM") in relation to credit products introduced by the Bank.

The roles of the Chairman and the Managing Director are distinct and separate.

The Board has set up the Board Executive Committee to manage Public Bank in all aspects of its business.

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

Board Meetings and Supply of Information to the Board

Board meetings are held very regularly, once each month, whereby reports on the progress of business operations and minutes of meetings of Board Committees and Management Committees are reviewed by Members of the Board. In addition, the Members of the Board deliberate proposals that require the sanction of the Board.

In addition to monthly Board meetings, special Board meetings are convened on an ad-hoc basis to review and approve Public Bank's quarterly financial statements; or to consider corporate proposals or other matters that require the Board's urgent decision.

The agenda for each Board meeting, together with detailed Management reports, proposal papers and supporting documents, are forwarded to each Director for their perusal and consideration well in advance of the Board meeting date.

Minutes of every Board meeting are circulated to each Director for their perusal prior to confirmation of the minutes at the following Board meeting.

Senior Management staff as well as advisers and professionals appointed to act for the Bank on corporate proposals to be undertaken by the Bank, may be invited to attend Board meetings to furnish the Board with their explanations and comments on the relevant agenda items tabled to the Board, and would provide clarifications on issues that may be raised by any Director.

CORPORATE GOVERNANCE

Statement on Corporate Governance

The Directors are regularly updated by the Company Secretary on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors, including policy guidelines issued by BNM that concern the Bank or the discharge of their duties as Directors of a financial institution. Every Member of the Board has ready and direct access to the advice and services of the Company Secretary, and the Directors have the liberty to seek external professional advice if so required by them.

The Members of the Board attended all the 18 Board meetings held during the financial year ended 31 December 2003, except for one Member who was not able to attend one of the Board meetings.

Appointment of Board Members

The proposed appointment of new Member(s) of the Board, as well as the proposed re-appointment/re-election of Directors seeking re-appointment/re-election at the annual general meeting of Public Bank, are recommended by the Nomination Committee to the Board for their approval before the application on the proposed appointment(s) is submitted to BNM for prior approval.

The Nomination Committee is made up entirely of Non-Executive Directors, of whom four-fifths are independent.

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

- To recommend to the Board, the minimum requirements for the Board, ie. required mix of skills, experience, qualification and other core competencies required of a Director; and to recommend to the Board, the minimum requirements for the Chief Executive Officer ("CEO").
- To assess and recommend to the Board technically competent persons of integrity with strong sense of professionalism and who foster and practise the highest standard of banking and finance in the country for appointment as:
 - i. Directors
 - ii. CEO
 - iii. Board Committee Members



- To assess and recommend to the Board, the re-appointment of Directors and the 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 the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review.
- To recommend to the Board the removal of a Director/CEO from the Board/Management if the Director/CEO is ineffective, errant and negligent in discharging his responsibilities.
- To establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO and other key Senior Management Officers. The annual assessment to be conducted would be based on an objective performance criteria as approved by the Board.
- To ensure that all Directors receive appropriate continuous training programmes in order to keep abreast with developments in the financial industry and with changes in the relevant statutory and regulatory requirements.
- To oversee the appointment, management succession planning and performance evaluation of key Senior Management Officers.
- To recommend to the Board the removal of key Senior Management Officers if they are ineffective, errant and negligent in discharging their responsibilities.
- To assess, on an annual basis, that the Directors and key Senior Management Officers are not disqualified under Section 56 of the Banking and Financial Institutions Act, 1989.
- To assess and recommend to the Board, the terms of reference of Board Committees.
- To review the adequacy of committee structures of Board Committees.
- Such other responsibilities as may be delegated by the Board from time to time.

Meetings of the Nomination Committee are held as and when necessary, and at least once a year.

Directors' Remuneration

The Remuneration Committee carries out annual reviews whereupon recommendations are submitted to the Board on the overall remuneration policy for Directors, CEO and key Senior Management Officers, to ensure that the Bank's remuneration policy remains in support of its corporate objectives and shareholder value, and in tandem with its culture and strategy.

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

The determination of the remuneration of Non-Executive Directors is a matter for the Board as a whole.

The Directors are paid annual fees and attendance allowances for Board meetings that they attend.

The Remuneration Committee is made up entirely of Non-Executive Directors, of whom four-fifths are independent.

CORPORATE GOVERNANCE

Statement on Corporate Governance

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

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

Meetings of the Remuneration Committee are held as and when necessary, and at least once a year.

Training and Education of Directors

The Members of the Board keep abreast with developments in the banking and finance industry by their attendance at conferences and seminars organised by BNM.

Every Member of the Board had, in the calendar year 2003, attended various training programmes accredited by MSEB as specified under the guidelines on Continuing Education Programme for Directors issued by MSEB in June 2003.

Directors are encouraged to attend talks, training programmes and seminars to update themselves on new developments in the business environment.

In addition, seminars and conferences organised by the relevant Regulatory Authorities and professional bodies on, inter-alia, areas relevant to the Bank's operations; Directors' responsibilities, and corporate governance issues, as well as on changes to statutory requirements and regulatory guidelines, are informed to the Directors, for their participation at such seminars and conferences.

Re-Election of Directors

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

In accordance with the Articles of Association of Public Bank, one-third of Directors shall retire from office at

every annual general meeting and subject to approval being obtained from BNM, may offer themselves for re-election. The Articles provide that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

COMMITTEES

The Board has set up Board Committees as well as various Management Committees to assist the Board in the running of the Bank. The functions and terms of reference of the Board Committees and Management Committees, as well as authority delegated by the Board to these Committees, have been clearly defined by the Board.

The Board Committees and Management Committees in Public Bank are as follows:



CORPORATE GOVERNANCE

Statement on Corporate Governance

Board Committees: Members of the Board Committees and Their Attendance at Board Committees Meetings

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

C – Chairman M – Member

	Board Executive Committee	Audit Committee	Nomination Committee	Remuneration Committee	Risk Management Committee
Tan Sri Dato' Sri Dr. Teh Hong Piow (<i>Non-Executive Chairman</i>)	100/100		3/3	3/3	
Tan Sri Dato' Thong Yaw Hong (<i>Independent Non-Executive Co-Chairman</i>)		16/16	3/3	3/3	12/12
Datuk Tay Ah Lek (<i>Managing Director</i>)	93/100 ^{*1}				
Dato' Lee Kong Lam (<i>Executive Director</i>)	100/100				
Dato' Yeoh Chin Kee (<i>Independent Non-Executive Director</i>)		16/16	3/3	3/3	12/12
Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah (<i>Independent Non-Executive Director</i>)		15/16	3/3		5/5 ^{*2}
Haji Abdul Aziz bin Omar (<i>Independent Non-Executive Director</i>)		16/16	3/3	3/3	5/5 ^{*2}
Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff (<i>Independent Non-Executive Director</i>)		16/16			5/5 ^{*2}
Lee Chin Guan (<i>Independent Non-Executive Director</i>)		16/16		^{*3}	5/5 ^{*2}

^{*1} Did not attend 7 meetings as he had to attend official meetings relating to financial industry matters with the Authorities.

^{*2} Attended 5 meetings held since their appointment in August 2003.

^{*3} Appointed in December 2003.

Board Committees: Salient Terms of Reference and Frequency of Meetings

■ Board Executive Committee

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

■ Audit Committee

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

■ Nomination Committee

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

■ Remuneration Committee

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

■ Risk Management Committee

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

Management Committees: Salient Terms of Reference and Frequency of Meetings

■ Group Human Resource Committee

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

■ Loans Committee

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

■ Credit Risk Management Committee

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

■ Operational Risk Management Committee

- Oversees the formal development of operational risk management policies encompassing all business activities, and ensuring the development of policy manuals, processes, procedures and practices.
- Evaluates and assesses the adequacy of controls to manage the overall operational risks associated with business activities including physical/premises security.
- The Operational Risk Management Committee holds monthly meetings.

■ Assets and Liabilities Management Committee

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

■ Share Investment Committee

- Formulates policies, strategies, and other matters relating to share investment.
- Reviews the Bank's share investment portfolios and takes necessary measures to improve its value, profitability and risk.
- The Share Investment Committee holds quarterly meetings.

■ Information Technology Committee

- Establishes objectives, policies and strategies for computerisation in the Public Bank Group.
- Develops long-term strategic plans for computerisation of the Public Bank Group.
- The Information Technology Committee holds monthly meetings.

ACCOUNTABILITY AND AUDIT

Financial Reporting

It is the Board's commitment to provide a balanced, clear and meaningful assessment of the financial position and prospects of Public Bank and the Public Bank Group in all the reports to shareholders, investors and the Regulatory Authorities.

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

The Board is assisted by the Audit Committee to oversee the financial reporting processes and the quality of financial reporting of Public Bank and the Public Bank Group.

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 156.

Internal Control

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

The size and complexity of the operations of Public Bank and the Public Bank Group involve the acceptance and management of a wide variety of risks. The nature of these risks means that events may occur which would give rise to unanticipated or unavoidable losses. Public Bank's and the Public Bank Group's system of internal controls is designed to provide reasonable but not absolute assurance against the risk of material errors, frauds or losses occurring. During the year, the Board has, through the Risk Management Committee, carried out ongoing process of identifying, evaluating and management of the key operational and financial risks confronting Public Bank and the Public Bank Group.

The effectiveness of the system of internal controls of Public Bank and the Public Bank Group is reviewed periodically by the Audit Committee. The review covers the financial, operational and compliance controls as well as risk management.

The Statement on Internal Control, which provides an overview of the state of internal control within the Public Bank Group, is set out on page 73.

Audit Committee

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

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

The activities of the Audit Committee during the year are set out under the Audit Committee Report on page 68.

Relationship With External Auditors

It is the policy of the Audit Committee to meet with the external auditors at least twice a year to discuss their audit plan, audit findings and the financial statements. These meetings are held without the presence of the Executive Directors and the Management. The Audit Committee also meets with the external auditors whenever it deems necessary.

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

	2003
	RM'000
Audit fees paid/payable to KPMG	
• Malaysia	684
• Overseas	112
Non-audit fees paid/payable to KPMG	
• Malaysia	334
• Overseas	11
Audit fees paid/payable to other auditors	
• Malaysia	122
• Overseas	709
Non-audit fees paid/payable to other auditors	
• Malaysia	6
• Overseas	91
Total	2,069

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Public Bank continues to recognise the importance of transparency and accountability to its shareholders and investors. Different channels of communication, taken

either singly or in combination, are used effectively to provide shareholders and investors with information to fulfill transparency and accountability objectives.

An important channel to reach shareholders and investors is the Annual Report of Public Bank. Besides including comprehensive details of the business, financial performance and other activities of the Public Bank Group, there is also a continuous effort to enhance the contents of the Annual Report in line with developments in corporate governance practices.

An important forum for communication and dialogue with shareholders is the general meetings of the Bank, whereby shareholders are at liberty to raise questions on the agenda items of the general meetings. At the annual general meeting each year, the Chairman of Public Bank presents a comprehensive review of the Public Bank Group's financial performance, supported by visual presentation of key points and charts. Copies of the Chairman's review are also distributed to shareholders and investors upon their request.

The turnout of shareholders at Public Bank annual general meetings has always been very large; a total of 1,800 shareholders attended the annual general meeting held in 2002, while a total of about 2,300 shareholders attended the annual general meeting held in 2003.

Another important aspect of effective communication with shareholders and investors is the early and timeliness in the dissemination of information. All information requiring immediate release as specified by MASEB have been complied with. In its release of quarterly results, the Public Bank Group has strived to consistently release such quarterly results well before the MASEB deadlines for their release, as reflected below:

Release of Quarterly Results

2003	Date of Release	MASEB Deadline for Release
1st Quarter	5 May 2003	31 May 2003
2nd Quarter	11 August 2003	31 August 2003
3rd Quarter	27 October 2003	30 November 2003
4th Quarter	11 February 2004	29 February 2004

Such early releases of quarterly results are achieved despite the regulatory requirement that the quarterly results should be approved by BNM prior to their public release.

INVESTOR RELATIONS

A key channel of communications with shareholders, investors and the investment community, both domestic and international, is the Public Bank Group's investor relations activities. The Public Bank Group has a strong following amongst institutional investors and the stockbroking industry's research functions, and a direct communication channel to them exists in the investor relations function of the Group.

Senior Management Personnel in Investor Relations Activities

Public Bank

- Datuk Tay Ah Lek, Managing Director
- Mr. Leong Kwok Nyem, Senior General Manager, Treasury & Corporate Operations
- Mr. Wong Jee Seng, General Manager, Finance & Risk Management
- Encik Nasaruddin bin Arshad, Group Economist
- Encik Zulkifli bin Mohd Ali, Director, Corporate Structure

JCG Holdings Ltd

- Mr. Tan Yoke Kong, General Manager
- Mr. Lee Huat Oon, Deputy General Manager

Direct communication with the investment community allows the Public Bank Group's Management to directly address issues that investors may have and to explain or clarify aspects of the business or operations of the Group. At the same time, it affords an opportunity for the Group to gauge the views of the investment community of the Group and its activities.

In 2003, Public Bank held 134 meetings with equity research analysts, fund managers and institutional shareholders and investors; conducted 11 tele-conferences; participated in 3 corporate days with leading investment banks and stock brokers, and conducted presentations and meetings at 3 investor conferences or forums.

One of the result of the active investor relations activities of the Public Bank Group is the high number of stock brokerages or equity research companies which covers the listed companies in the Group. This is seen from the number of contributors to the Thomson Financial Institutions Brokers' Earnings System (I/B/E/S) Earnings Estimates:

	Public Bank	JCG Holdings Ltd
No. of contributions to I/B/E/S Earnings Estimates	27	11

This statement is made in accordance with the resolution of the Board of Directors dated 24 February 2004.

TAN SRI DATO' SRI DR. TEH HONG PIOW
Chairman

Risk Management

INTRODUCTION

The Public Bank Group recognises that effective risk management and risk-return management is critical for continued profitability of the Group and the enhancement of shareholder value as it has not only enabled the Group to weather economic and business downturns better but also to achieve appropriate return on capital invested over an extended period of time. On-going risk management initiatives have been taken to further enhance the risk management and risk-return management infrastructure and capabilities with the application of an integrated enterprise-wide risk management framework and the Group will continue to accord priority to enhance this core competency with a view to improving operational and financial performance, and optimising capital efficiency.

KEY DEVELOPMENTS IN 2003

In response to the constantly evolving business and operational conditions, the Public Bank Group had, in 2003, enhanced its risk management infrastructure, organisational capability and capacity further with the following initiatives:

Composition of Risk Management Committee (“RMC”)

The composition of the RMC was revised and now comprises six non-executive directors and chaired by an independent director. The revision is in line with Bank Negara Malaysia’s (“BNM”) “Guidelines on the Establishment of Board Committees, Minimum Qualifications and Training Requirements for Directors and Definition and Responsibilities of Independent Directors” to enhance corporate governance standards.

Operational Risk Management of Fraud

Losses arising from fraud or control lapses are extensively analysed with emphasis on identifying the sources and causes of the losses. Thorough examination of the adequacy of controls is performed, and the actions to be taken are monitored to ensure proper implementation to improve the capability to combat fraud and enhance the control processes and procedures. In addition, based on the analysis of the errors which occurred in the past, a Quick Guide of “Dos and Don’ts for Officers and Tellers”, which is a knowledge facilitator, has been developed to alert frontline officers and tellers of key operations controls to minimise incidences of fraud and control lapses.

Independent Credit Review

The Public Bank Group has established a separate credit review function within the Risk Management Division of Public Bank to perform post reviews of credits which have been approved and to provide an independent assessment of the quality of credit appraisal and the quality of the credit portfolio, which is in line with the BNM’s guidelines on “Best Practices for the Management of Credit Risk”.

Bloomberg Trade Order Management System (“TOMS”)

Public Bank is in the process of implementing the Bloomberg TOMS for the Treasury Dealing Room which is expected to go live in the middle of 2004. The Bloomberg TOMS provide an integrated enterprise-wide risk management system which would enhance management of Treasury Dealing Room’s activities and risks. The Bloomberg TOMS would also enhance the

CORPORATE GOVERNANCE

Risk Management

Treasury Dealing Room's performance with the availability of online real-time information for better decision making and improve operational efficiency via an integrated and straight-through processing system.

Credit Risk Management Information System

A working group has been set up to enhance the credit risk management information system to facilitate more efficient and effective review of the credit quality of loans, assist in rating of credits, assess risk-return of credits in respect of pricing and default risk involved, and simulate potential losses from deteriorating credits due to adverse changes in the economy and under stressed conditions. In addition, this system would have the financial analysis capabilities to perform risk modeling and provide financial advisory services to small- and medium-size enterprises. The enhancement to the credit risk management information system will also take into consideration compliance with the requirements of the new Basel Capital Accord ("Basel II").

Integrated Cost Accounting System

A working group has been set up to enhance the integrated cost accounting system by using standard cost allocation techniques and motion study on banking activities which will serve as the foundation to support profitability analysis, cost measurement, channel management and customer relationship management. This system will enable Public Bank to perform standard costing to determine the profitability of products, customers, services and delivery channels as well as performance measurement of business units.

Automation of Self-Compliance Checklist

The Self-Compliance Checklist, a self-check audit programme conducted periodically by the business units has been automated and is in the process of being implemented. The system creates an online platform for documentation of the self-audit and review by business units, and the submission and reporting of such self-audit reviews by business units to central monitoring functions. This enhanced self-assessment tool improves operational efficiency and facilitates early detection of irregularities and weaknesses in the business units thus allowing prompt administration of remedial measures.

OVERALL RISK MANAGEMENT FRAMEWORK

Public Bank believes that there must be clear accountability and responsibility for the risk management process. The current risk management framework within Public Bank is based on the following 6 broad principles which outline the principal risk management and control responsibilities as shown in the structure chart on the following page:

1. The Board is ultimately responsible for the management of risks. The Board through the Risk Management Committee maintains overall responsibility for risk oversight within Public Bank.
2. The Risk Management Committee is responsible for the risk oversight for the major areas of risk covering credit risk, operational risk, market risk and liquidity risk. The Risk Management Committee is responsible for the establishment of risk policies.

3. The Credit Risk Management Committee is responsible for overseeing credit risk, the Operational Risk Management Committee for operational risk and the Assets & Liabilities Management Committee for market and liquidity risks.
4. The dedicated independent risk management and control functions, namely, Internal Audit Division, Risk Management Division, Credit Administration & Supervision Division and Operations Control Department are responsible for the implementation of risk policies and monitoring of compliance with the risk policies. They are also responsible for the identification, measurement and monitoring of risks.
5. The Business Risk Units are responsible for implementing the risk policies and complying with the risk policies. They are to ensure that their day-to-day business activities are carried out with the risk parameters set.
6. The Audit Committee's key role, supported by Internal Audit Division, is to provide an independent assessment of the adequacy and reliability of the risk management processes, and compliance with risk policies and regulatory guidelines.

OVERALL RISK MANAGEMENT FRAMEWORK

Establish Risk Policy	Board of Directors	Audit Committee
	Risk Management Committees	
Ensure Implementation of Risk Policy and Monitor Compliance	Risk Management Committee Credit Risk Management Committee Operational Risk Management Committee Assets & Liabilities Management Committee	
	Independent Risk Management and Control Functions	
Implement and Comply with Risk Policy	Internal Audit Division Risk Management Division Credit Administration & Supervision Division Operations Control Department	
	Business Risk Units Retail Operations Treasury and Capital Market Operations Corporate Lending Investment Banking Share Broking and Fund Management Islamic Banking	

KEY COMMITTEES INVOLVED IN OVERALL RISK MANAGEMENT

Key Committee and Members	Key Functions
<p>1. Risk Management Committee (“RMC”) The RMC is chaired by the Co-Chairman of Public Bank, an independent non-executive director and the other five members are independent non-executive directors.</p> <p>Twelve (12) RMC meetings were held in 2003.</p>	<ul style="list-style-type: none"> Oversees the overall management of all risks and approves risk management policies and limits. Reviews adequacy and effectiveness of risk management policies. Reviews report on risk exposure, risk portfolio composition and risk management activities. Ensures infrastructure, resources and systems are in place for risk management activities and development of a proactive risk management culture.
<p>2. Credit Risk Management Committee (“CRMC”) The CRMC is chaired by an independent non-executive director and the other five members are heads of internal audit, risk management, credit control and economics functions, all of whom are independent of credit approving functions.</p> <p>Twelve (12) CRMC meetings were held in 2003.</p>	<p><i>Credit Risk</i></p> <ul style="list-style-type: none"> Oversees the development of credit policies encompassing all products and businesses and evaluates adequacy of strategies to manage the overall credit risk. Monitors, assesses and advises on the credit risk portfolio composition. Reviews credit products and assesses their risk-return. Reviews asset quality of the credit portfolio.
<p>3. Assets & Liabilities Management Committee (“ALCO”) The ALCO is chaired by the Chairman of Public Bank and the other nine members comprise a balance of heads of business functions and heads of related risk management and control functions.</p> <p>Twelve (12) ALCO meetings were held in 2003.</p>	<p><i>Market Risk and Liquidity Risk</i></p> <ul style="list-style-type: none"> Oversees and provides strategic direction for the management of market risk and liquidity risk. Formulates, reviews and approves policies and strategies on the balance sheet structure and for market risk and liquidity risk management. Ensures that market risk and liquidity risk are identified, measured and monitored.
<p>4. Operational Risk Management Committee (“ORMC”) The ORMC is chaired by the Executive Director and the other seven members are heads of internal audit, risk management, credit control, banking operations, information technology and credit card operations.</p> <p>Twelve (12) ORMC meetings were held in 2003.</p>	<p><i>Operational Risk</i></p> <ul style="list-style-type: none"> Oversees the development of operational risk management policies encompassing all business activities. Reviews adequacy of controls to manage the overall operational risks associated with the business activities. Ensures adequate and prompt operational risk reporting and reviews significant fraudulent cases and lapses in control.
<p>5. Audit Committee (“AC”) The AC is chaired by the Co-Chairman of Public Bank, an independent non-executive director and the other five members are independent non-executive directors.</p> <p>Sixteen (16) AC meetings were held in 2003.</p>	<ul style="list-style-type: none"> Provides an independent assessment of the adequacy of the risk management processes and compliance with risk policies and regulatory guidelines. Ensures maintenance of system of internal controls and compliance with laws and regulations, internal procedures and guidelines. Supports and maintains the independence of the internal and external audit functions.

INDEPENDENT RISK MANAGEMENT AND CONTROL FUNCTIONS

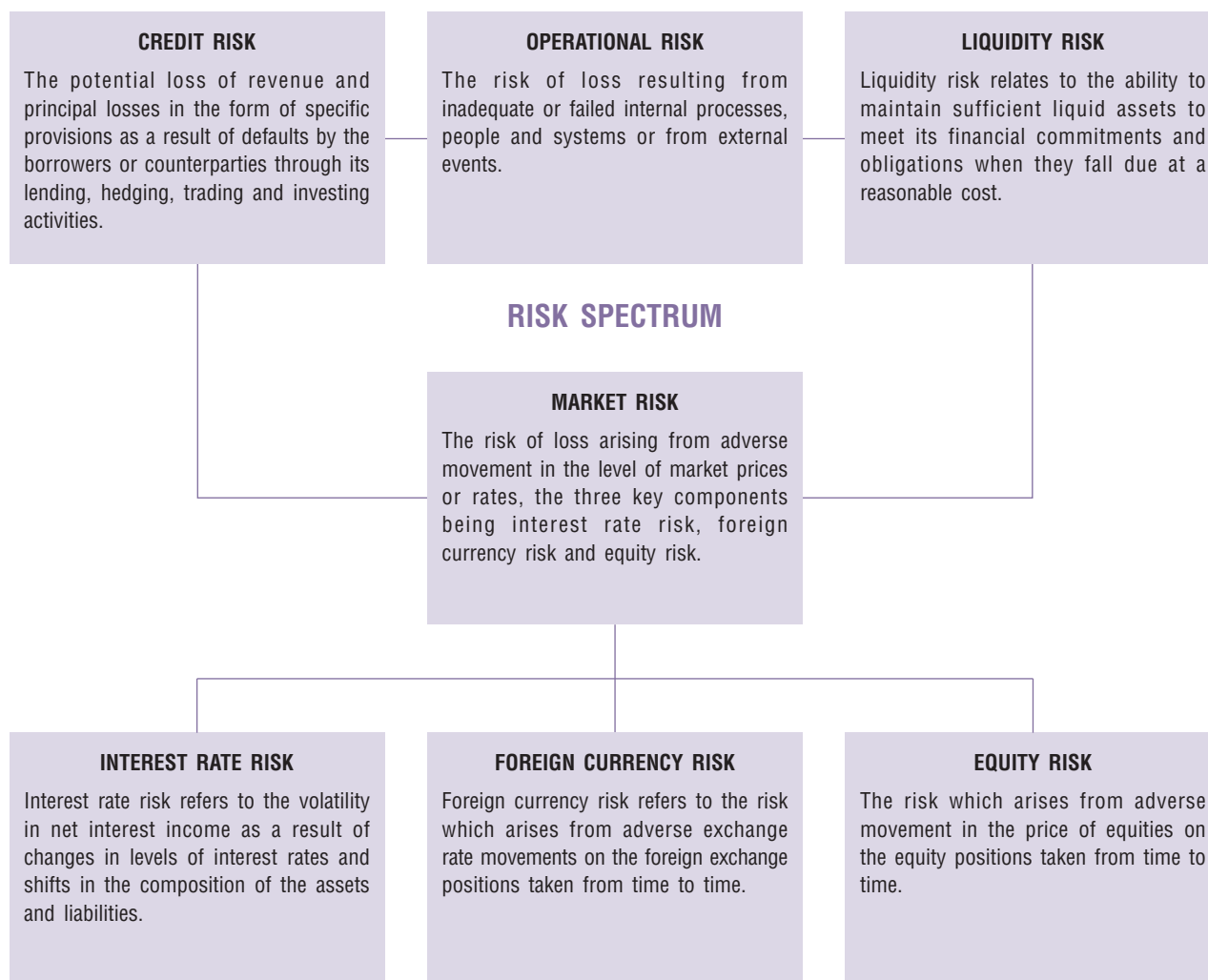
Risk Management Division

- Risk Management Division is independent of the business and trading units.
- Develops and maintains sound risk management policies and procedures.
- The Risk Management Division is made up of 3 departments namely Assets & Liabilities Management Department (“ALMD”), Credit Risk Management and Product Evaluation Department (“CRMPED”) and Operational Risk Management Department (“ORMD”).
- The ALMD’s primary role is to assist the ALCO in the management of market risk and interest rate risk including reviewing the balance sheet structure and recommending appropriate strategies to enhance or optimise risk-return.
- The CRMPED’s primary role is to assist the CRMC in the management of credit risk including reviewing risk-return of products and services, credit concentration and portfolio credit risk.
- The ORMD’s primary role is to assist the ORMC in the management of operational risk including ensuring operational risk management policy manuals, processes, procedures and practices are in place.

Credit Administration & Supervision Division	Operations Control Department	Internal Audit Division
<ul style="list-style-type: none"> • Oversees the credit review function and ensures reviews are conducted according to the review guidelines. • Monitors the quality of loans portfolio and quality of credit decisions through the credit review process. • Implements credit control measures to prevent non-performing loans (“NPLs”). • Closely monitors and implements follow-up of weak loan accounts. • Rehabilitates and restructures non-performing and close attention accounts to expedite recovery and prevent emergence of new NPLs. 	<ul style="list-style-type: none"> • Operations Control Department is independent of Internal Audit Division. • Carries out pre-emptive measures and control programmes to prevent potential operational control lapses. • Monitors the control processes and operational activities of the business units. • On-site inspection including deployment of managerial personnel. • Conducts training programmes to enhance staff knowledge on management of operational risk. 	<ul style="list-style-type: none"> • Monitors and evaluates business risk and internal controls. • Monitors adherence to controls and policies. • Conducts audits of all units and operations. • Submits the results of the audits to the Audit Committee for its review.

BUSINESS RISK UNITS

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



RISK MANAGEMENT PROCESS

Public Bank has established, within its risk management framework, a structured approach to enterprise-wide risk management which balances risk and return, and integrating risk management processes for market risk, credit risk, operational risk and liquidity risk for more effective risk management. The risk management process is categorised into the following 4 broad processes:

Risk Identification

During the risk identification process, the risk management personnel working together with the business risk units will collate data using different tools and sources of data or information to identify types and sources of risk, understand the complexities of each risk and analyse the risk issues with reference to the risk management policies and limits, and industry best practices.

Risk Assessment and Measurement

These internal processes involve the participation of business risk units and the independent risk management and control functions in quantifying and assessing the risk exposure such as developing scenario analysis for identifying the impact of potential risk, and establishing benchmarks and indicators to ascertain the level or size of the risk.

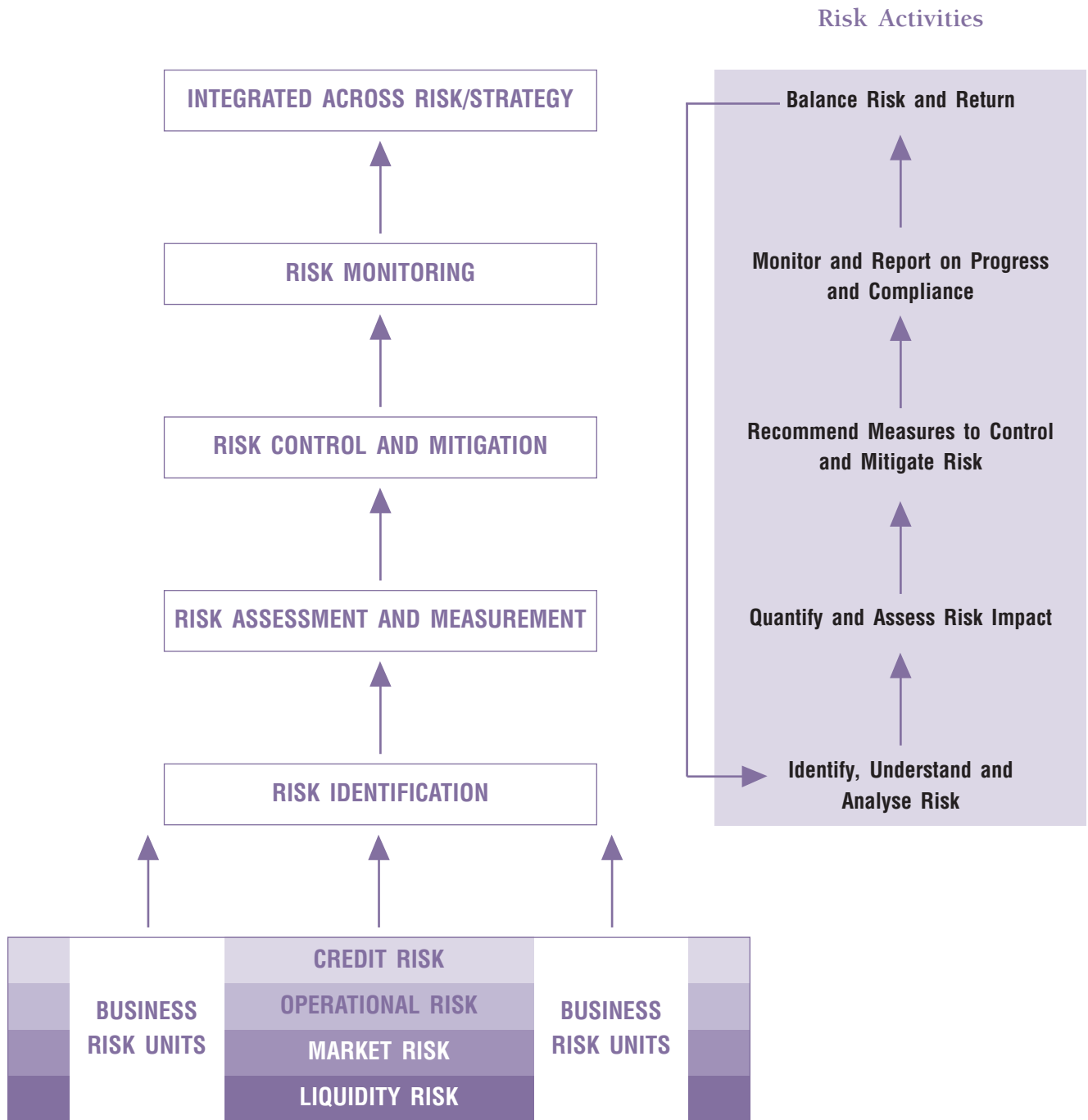
Risk Control and Mitigation

The independent risk management and control functions assist the risk management committees to identify risks and recommend measures to control and mitigate risks. Such measures vary according to the type of risks and methods available. The Risk Management Committee would determine and approve the most appropriate risk strategies and policies and limits. Enterprise-wide efforts to manage risk are co-ordinated by the central risk management functions with the efforts of the individual business risk units to implement specific risk management changes within their respective units.

Risk Monitoring

The independent risk management and control functions monitor and ensure compliance with the risk management policies and limits. Through extensive monitoring, the effectiveness of the risk management process and the areas of risk management weakness can be assessed and identified, and on-going risk management effort is required to create a more robust control environment.

RISK MANAGEMENT PROCESS



The key risk management processes for each type of risk are as follows:

Type of Risk	Credit Risk
Risk Identification & Measurement	<ul style="list-style-type: none"> • Credit Risk Rating score sheets to grade the quality of loans and track shifts in credit risk profile of loan portfolio. • Independent reviews of performing loans. • Loans in arrears of three months and above placed under the direct purview of Credit Administration & Supervision Division, a function independent of the loan approval process. • Post-mortem reviews of weak credit and delinquent accounts to identify weaknesses in credit approval and monitoring processes. • Stress testing of loans portfolio asset quality. • Benchmarking of asset quality against industry peers.
Risk Control & Monitoring	<ul style="list-style-type: none"> • Experienced key personnel appointed to the Loans Committee and the CRMC. • Credit Policy which documents the core credit processes including the Credit Risk Rating, Collateral Policy and policies on rehabilitation and restructuring of problematic and delinquent loans. • Extensive reporting and analysis to Management and the Board on loans exposure, quality of loans portfolio, movements of NPLs and adequacy of specific provisions for NPLs. • Certified Credit Programme for credit personnel accredited by the Institute of Bank-Bank Malaysia. • Review of counterparty limits for money market activities, standby letter of credit facilities, private debt securities and foreign exchange activities. • Review and evaluation of risk-return of products and services.
	Operational Risk
Risk Identification & Measurement	<ul style="list-style-type: none"> • Use of self-assessment checklist, key risk indicators and threshold/limits. The risks are identified with reference to the relevant risk management policy manuals, processes, procedures and practices. • Self-Compliance Audit Programmes of business risk units. • Benchmarking of customer service and operational efficiency against industry peers. • Review of new and enhanced manuals, processes and procedures by Internal Audit Division and Risk Management Division before implementation. • Analysis on causes and actions taken on losses from fraud and control lapses. • Review of insurance policies. • Review of adequacy of premises controls and safety. • Review of system and network availability and detection of virus/intrusions. • Review of disaster recovery plans and simulation runs conducted.

CORPORATE GOVERNANCE

Risk Management

Type of Risk	Operational Risk
Risk Control & Monitoring	<ul style="list-style-type: none"> Experienced key operational personnel appointed to the ORMC. Business risk units are responsible for operating within the operational risk management framework. Control and support units, which are independent of the business risk units, track risk levels to ensure business risk units operate within the established policies, procedures, limits and thresholds set for key risk indicators. Comprehensive system of internal controls based on the principle of segregation of duties, independent checks, segmented system access control and multi-tier authorisation processes. Systems and procedures to monitor transactions and positions. Comprehensive and up-to-date documentation of processes and procedures. Documented and regularly tested key back-up procedures and contingency plans, including disaster recovery and business resumption plans. Overall assurance on the adequacy and reliability of the operational risk management systems by Internal Audit Division. Post audit review and follow-up by Operations Control Department.
	Market Risk
Risk Identification & Measurement	<ul style="list-style-type: none"> Mark-to-market technique is used to revalue marketable securities, equities and foreign currency positions.
Risk Control & Monitoring	<ul style="list-style-type: none"> Mark-to-market of trading positions are compared against pre-determined market risk limits. The market risk limits are set after taking into consideration the risk appetite of the Bank, and the risk-return relationship. Trading positions and limits are regularly reported to management.
	Foreign Currency Risk
Risk Identification & Measurement	<ul style="list-style-type: none"> Mark-to-market of foreign exchange positions. Review of foreign currency exchange exposure for overseas branches.
Risk Control & Monitoring	<ul style="list-style-type: none"> Foreign exchange open positions are monitored against pre-determined position limits. Mark-to-market valuations are monitored against pre-determined cut-loss limits and regularly reported to management.

Type of Risk	Interest Rate Risk
Risk Identification & Measurement	<ul style="list-style-type: none"> Interest rate risk measured through the interest rate sensitivity gap analysis by currency. Simulations under different interest rate environments and estimation of impact on net interest income. Impact on economic value of changes in interest rate measured by duration-weighted methodology. Mark-to-market valuations of investment and dealing securities.
Risk Control & Monitoring	<ul style="list-style-type: none"> Regular reviews of the interest rate outlook, vulnerability of net interest income to movements in interest rates and development of strategies to mitigate interest rate risk. Changes in market value of investment and dealing securities due to interest rate movements are monitored and reported to the ALCO and management. Impact on net interest income from unfavorable interest rate movements monitored against risk tolerance limits.
	Equity Risk
Risk Identification & Measurement	<ul style="list-style-type: none"> Daily mark-to-market valuations of the share investment portfolio.
Risk Control & Monitoring	<ul style="list-style-type: none"> Mark-to-market valuations are monitored against pre-determined cut-loss limit, and reported to the Share Investment Committee.
	Liquidity Risk
Risk Identification & Measurement	<ul style="list-style-type: none"> Application of Bank Negara Malaysia's ("BNM") New Liquidity Framework.
Risk Control & Monitoring	<ul style="list-style-type: none"> Internal liquidity risk management limits are set. Compliance with BNM's New Liquidity Framework and internal liquidity risk management policy are monitored and reported to the ALCO. Liquidity contingency funding plans in place and documented. Monitoring of the Bank's funding structure.

CORPORATE GOVERNANCE

Code of Ethics, Integrity and Trust

As a custodian of public funds and being in an industry where the most important commodity is the trust and confidence that customers and the public have in the institution, the Public Bank Group actively seeks to conduct itself with integrity and trustworthiness.

CODE OF ETHICS

One key determinant in building a trusted financial institution of high reputation is the way the employees of the Public Bank Group conduct themselves in their work and in the delivery of services to customers and the public. Employees are expected to have values and principles which are consistent with the expectations of customers and the public of a trusted financial institution. The formalisation of acceptable conduct expected of employees of the Group in a Code of Ethics is an important step to engender such values and principles. Bank Negara Malaysia, as part of its structure to regulate the Malaysian banking system, issues guidelines to financial institutions, amongst which is BNM Garis Panduan 7 ("BNM/GP7"). Part I of BNM/GP7 sets out the code of conduct for directors, officers and employees in the banking industry, specifying minimum standards of conduct expected of directors, officers and employees of financial institutions.

In applying the BNM/GP7 Code of Ethics to the employees of the Public Bank Group, staff circulars are issued to guide employees' conduct based on six key principles:

- To avoid conflict of interest
- To avoid misuse of position
- To prevent misuse of information gained through the Group's operations for personal gain or any purpose other than its intended purpose
- To ensure integrity and completeness of records and transactions
- To ensure confidentiality of communication and transactions with customers
- To ensure fair and equitable treatment of customers

Detailed and specific guidance of what constitutes acceptable conduct and what is prohibited to comply with these principles is issued to all employees. The actions that the Group would take against employees who breach the Code of Ethics is also set out in these guidelines to employees.

ANTI-MONEY LAUNDERING POLICY

The use of the global linkages of the banking and financial systems to move and launder illicit money by criminals and terrorists has been, and continues to be, a major concern of governments and central banks throughout the world. In the light of recent events related to terrorism and the global nature of terrorist activities, such illicit and laundering activities have received a heightened level of vigilance by the Government and Bank Negara Malaysia.

The Financial Action Task Force (“FATF”) on money laundering was established by the Group of Seven nations to develop a co-ordinated international response to money laundering. The members of the FATF include 29 countries and jurisdictions, from the major financial centre countries of Europe, North and South America and Asia, as well as the European Commission and the Gulf Co-Operation Council. The FATF has developed 40 recommendations that national governments should take to implement effective anti-money laundering programmes.

In Malaysia, Bank Negara Malaysia is the competent authority under the Anti-Money Laundering Act, 2001 (“AMLA”). The national anti-money laundering programmes set out in the AMLA extend the functions of existing domestic regulatory, supervisory and enforcement agencies to include countering money laundering and terrorist financing.

As a major player in the Malaysian banking and financial system, the Public Bank Group is at the forefront of the Government’s and Bank Negara Malaysia’s initiatives and efforts in the prevention of the use of the banking and financial system for illicit and laundering activities. Our Group has in place an established infrastructure geared towards the prevention and detection of such illicit and laundering activities. Central to this is an anti-money laundering policy that is applicable throughout the Group. The policy is formalised and documented to guide all employees of the Group and include, inter alia, the following:

- The purpose of the anti-money laundering policy
- Expectations of employees in effecting the anti-money laundering policy
- The accountability of each level of employees, both in branches and in Head Office
- Education and staff training in preventing and detecting money laundering

– Extensive procedures covering areas such as:

- Customer identification
- Account opening procedures
- Record keeping
- Recognition of suspicious transactions
- Reporting of suspicious transactions

ANTI-FRAUD POLICY

Fraud undermines the integrity of a financial institution and erodes the confidence and trust of customers and the public in the banking system. Besides the extensive infrastructure of the Public Bank Group that is established to prevent and detect fraud and fraudulent activities such as various systems controls and procedures, internal audit activities and investments in fraud prevention technology, the Public Bank Group also have an anti-fraud policy for its employees. This policy, which is formalised and documented, sets out the responsibility of employees for preventing and detecting defalcations, misappropriations and other irregularities.

The purpose of the anti-fraud policy is:

- To ensure the Group’s business is conducted in accordance with the law
- To promote an environment of honesty and integrity of staff
- To enhance awareness of the Group’s stand on improper, illegal and dishonest acts and the consequences of such acts
- To create staff awareness of their roles, rights and responsibilities in relation to improper, illegal and dishonest acts.

The anti-fraud policy of the Public Bank Group sets out the specific roles of employees in the prevention and detection of fraud and in fraud discovery reporting. It also sets out the steps the Group will take in respect of employees involved in fraudulent acts.

AWARDS AND RECOGNITION



▲ Tan Sri Dato' Sri Dr. Teh Hong Piow receiving the KLSE Corporate Excellence Award 2003 from Y.B. Tan Sri Nor Mohamed Yakcop, Second Finance Minister on 13 February 2004

The Public Bank Group's unwavering commitment to the pursuit of excellence is pervasive throughout the Group and is central to its corporate mission "To sustain the position of being the most efficient, profitable and respected premier financial institution in Malaysia". The Group's excellent leadership, supported by well-trained, motivated and professional employees, has earned the Group numerous accolades and awards, many of which are for a number of consecutive years, and the reputation of a strong, safe and reliable financial services provider. External independent recognition of the Group's achievements will continue to be a key driver to sustain and improve the Group's culture of excellence and in its pursuit to be the best.

Awards	Year
KLSE Corporate Excellence Awards for the Main Board	2003 , 2002, 2001, 2000
KLSE Corporate Awards for Best Corporate Disclosure in Annual Report	2003
FinanceAsia Annual Country Achievement Award for the Best Local Bank in Malaysia	2003 , 2002, 2001, 2000, 1999
National Creativity & Innovation Award	2003
Asiamoney Domestic Bank Awards for the Best Domestic Commercial Bank in Malaysia	2003 , 2002
Euromoney Awards for Excellence for the Best Bank in Malaysia	2003 , 2002, 1999, 1998, 1993
Global Finance Best Bank Award for the Best Bank in Malaysia	2003 , 2002, 2001, 2000
The Asset Triple A Asset Asian Awards for the Best Domestic Bank in Malaysia	2003 , 2002
NACRA Awards – Overall Excellence Award	2003 , 2002, 1998, 1996, 1989
NACRA Awards – Industry Excellence Award for the Finance Industry category	2003 , 2002, 2001, 2000, 1999, 1998, 1997, 1996
The Asset Award for the Best Commercial Bank in Malaysia	2003
The Asset Award for A Leader in Corporate Governance in Malaysia	2003
Voted and ranked as No. 2 in the Review 200: Asia's Leading Companies Award by Far Eastern Economic Review magazine	2003 , 2002, 2001



▲ Y.B. Tan Sri Muhyiddin Mohd Yassin, the Minister of Domestic Trade and Consumer Affairs presenting the NACRA Most Outstanding Annual Report Award to Tan Sri Dato' Sri Dr. Teh Hong Piow on 4 December 2003



▲ Mr. Andrew Morgan, New Business Director & Deputy Publisher, Asiamoney magazine presenting the Best Commercial Bank in Malaysia Award to Tan Sri Dato' Sri Dr. Teh Hong Piow on 24 June 2003



▼ Y.B. Dato' Chan Kong Choy presenting the Best Commercial Bank in Malaysia for 2002 Award by the Asset Magazine to Tan Sri Dato' Sri Dr. Teh Hong Piow on 13 March 2003



▲ Mr. Nick Lord, the Editorial Director of FinanceAsia magazine presenting the Best Local Bank in Malaysia Award to Tan Sri Dato' Sri Dr. Teh Hong Piow on 2 August 2003



Awards	Year
Bank-wide ISO 9001:2000 Quality Management Systems Certification for "Provision of Customer Service in Loan Delivery"	2003
Merit Award for Annual Report (Bahasa Malaysia) by Anugerah Citra Wangsa Malaysia sektor swasta	2003
Malaysian Business Corporate Governance Award	2002
Special Jury's Award for Annual Report (Bahasa Malaysia) by Anugerah Citra Wangsa Malaysia sektor swasta	2002, 2001
KLSE Corporate Sectoral Award for the Finance and Closed-End Fund sector	2001, 2000
2001 Best Retail Bank for Malaysia by The Asian Banker Journal	2001
Bank-Wide ISO 9001:2000 Quality Management System Certification for "Provision of Customer Service at the Front-Office"	2001
Bank of the Year by the Banker magazine	2001
The Strongest Bank in Malaysia and Fourth Strongest in Asia by Asiamoney magazine	2001
Best Bank in Malaysia by Emerging Markets Investor magazine	2000
CITRA Annual Report Award (Bahasa Malaysia)	2000
The Asian Banking Awards for the Most Outstanding Customer Service Programme category	2000
The Best Bank in Malaysia and the 5th Malaysia Best Managed Companies Awards by the Asiamoney magazine	1999
Malaysia's CEO of The Year by Business Times and American Express	1999
FIABCI's Award of Distinction for the Best Commercial Development Building	1999
NACRA Awards – Commendation Award for Accounting Information	1998, 1995, 1990
– Commendation Award for Bahasa Malaysia Annual Report	1996, 1995, 1990
The Business Achiever of the Year by Yazhou Zhoukhan magazine	1997
Management Awards of Asia by the Asian Institute of Management	1996
Winner of the 'Beautiful Compound Competition' for Private Sector Complex/Building Category by Dewan Bandaraya Kuala Lumpur	1994
ASEAN Businessman of The Year Award by ASEAN Business Forum	1994
Industry Excellence Award under the Service Export Excellence for the Financial Category	1994
Asia's Commercial Banker of the Year by Asiamoney and Finance magazine	1991

- 1 The Asset Award for the Best Commercial Bank in Malaysia
- 2 Asiamoney Domestic Bank Awards for Best Domestic Commercial Bank in Malaysia
- 3 Global Finance Best Bank Award 2003 for Best Bank in Malaysia
- 4 Far Eastern Economic Review 2003 ranked Public Bank No. 2 in Review 200 Asia's Leading Companies Award
- 5 KLSE Corporate Awards 2003 for the Main Board category
- 6 KLSE Corporate Awards for Best Corporate Disclosure in Annual Report

'Anugerah Citra Wangsa Malaysia' sektor swasta 2003 Merit Award for Annual Report (Bahasa Malaysia)

FinanceAsia Annual Country Achievement Award 2003 for Best Local Bank in Malaysia

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

NACRA Awards 2003 – Overall Excellence Award

NACRA Awards 2003 – The Industry Excellence Award for the Finance Industry category

