

PUBLIC BANK BERHAD

Principal Terms and Conditions of the Proposal

1 Background Information

(a) Issuer

- (i) **Name** : Public Bank Berhad ("PBB")
- (ii) **Address** : Registered Address:-
27th Floor, Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur
Malaysia
- (iii) **Business Registration No.** : 6463-H
- (iv) **Date/Place of Incorporation** : 30 December 1965 / Malaysia
- (v) **Date of Listing (in case of a public listed company)** : 6 April 1967
- (vi) **Status** : Resident controlled company
Non-bumiputra controlled company
- (vii) **Principal Activities** : PBB is principally engaged in banking, Islamic banking and finance company businesses and the provision of related financial services. PBB together with its subsidiaries and associated companies ("PBB Group") are involved in banking, investment banking, financing, credit card business, share broking, provision of finance to purchasers of licensed public vehicles, sale of trust units and management of unit trust funds, bancassurance and general insurance and other related financial services such as trustee and nominee services.

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(viii) Board of Directors

: The Board of Directors of PBB as at 15 March 2008 are as follows:-

- (i) Tan Sri Dato' Sri Dr. Teh Hong Piow
Non-Executive Chairman
- (ii) Tan Sri Dato' Thong Yaw Hong
Independent Non-Executive Co-Chairman
- (iii) Dato' Sri Tay Ah Lek
Managing Director
- (iv) Dato' Lee Kong Lam
Executive Director
- (v) Dato' Yeoh Chin Kee
Independent Non-Executive Director
- (vi) Y.A.M Tengku Abdul Rahman Ibni Sultan
Haji Ahmad Shah Al-Mustain Billah
Independent Non-Executive Director
- (vii) Dato' Haji Abdul Aziz bin Omar
Independent Non-Executive Director
- (viii) Dato' Dr. Haji Mohamed Ishak bin Haji
Mohamed Ariff
Independent Non-Executive Director

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(ix) **Structure of shareholdings and names of shareholders or, in the case of public company, names of all substantial shareholders**

: The substantial shareholders of PBB (holding 5% or more of the issued and paid-up capital of the Issuer) according to the Registrar of Substantial Shareholders as at 15 March 2008 are as follows:-

Name	Direct Interest		Indirect Interest	
	No. of PBB shares held	% ^{*4}	No. of PBB shares held	% ^{*4}
Tan Sri Dato' Sri Dr. Teh Hong Piow	21,524,250	0.64	786,468,596 ^{*1}	23.44
Employees Provident Fund Board	322,873,036	9.62	-	-
Consolidated Teh Holdings Sdn Bhd	79,479,687	2.37	165,711,639 ^{*2}	4.94
Sekuriti Pejal Sdn Bhd	201,394,686	6.00	38,720,856 ^{*3}	1.15

Notes:

^{*1} Deemed to have interest in PBB shares held by other corporations by virtue of Section 6A(4) of the Companies Act, 1965 ("Act"). These other corporations are Sekuriti Pejal Sdn Bhd, Kepunyaan Perindustrian Sdn Bhd, Syarikat Kepunyaan Khas Sdn Bhd, Consolidated Teh Holdings Sdn Bhd, Securities Holdings Sdn Bhd, Selected Holdings Sdn Bhd, Monivest Sdn Bhd, Kepunyaan Pejal Sdn Bhd, Selected Securities Sdn Bhd, Fairbanks Holdings (Pte) Ltd, Kayakita Corporation Sdn Bhd, Kepunyaan Chintamani Sdn Bhd, Kepunyaan Moden Sdn Bhd, London & Pacific Holdings Sdn Bhd, LPI Capital Bhd, Lonpac Insurance Bhd, Luhur Management Sdn Bhd, Magnificent Equities Sdn Bhd, Tong Meng Industries Ltd, Tong Meng Company

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(Malaya) Sdn Bhd and TMI Securities Pte Ltd.

*2 *Deemed to have interest in PBB shares held by Selected Holdings Sdn Bhd, Securities Holdings Sdn Bhd and Kayakita Corporation Sdn Bhd by virtue of Section 6A(4) of the Act.*

*3 *Deemed to have interest in PBB shares held by Syarikat Kepunyaan Khas Sdn Bhd and Kepunyaan Perindustrian Sdn Bhd by virtue of Section 6A(4) of the Act.*

*4 *Excluding a total of 176,286,800 PBB shares bought-back by PBB and retained as treasury shares as at 15 March 2008.*

(x) **Authorised and paid up capital** : **Authorised capital as at 15 March 2008:-**
RM10,000,000,000 comprising 10,000,000,000 ordinary shares of RM1.00 each

Paid-up capital as at 15 March 2008:-
RM3,531,925,834 comprising 3,531,925,834 ordinary shares of RM1.00 each

2 Principal Terms and Conditions

(a) Names of the parties involved in the proposed transaction (where applicable)

(i) **Principal Advisers / Lead Arrangers** : Public Investment Bank Berhad (Company No. 20027-W) ("PIVB")

(ii) **Arranger(s)** : Not applicable.

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| (iii) Valuers | : Not applicable. |
| (iv) Solicitors | : Messrs. Adnan Sundra & Low |
| (v) Financial Adviser | : Not applicable. |
| (vi) Technical Adviser | : Not applicable. |
| (vii) Guarantor | : Not applicable. |
| (viii) Trustee | : AmanahRaya Trustees Berhad (Company No. 766894-T) |
| (ix) Facility Agent | : PIVB |
| (x) Primary Subscriber(s) and amount subscribed (where applicable) | : The Primary Subscriber(s) (if any) shall be determined prior to each issuance of the Subordinated Notes (as defined under item 2(b) below) in the event that the Subordinated Notes are issued via a bought deal basis (where applicable). Not applicable for issuance via book building and direct placement. |
| (xi) Underwriter(s) and amount underwritten | : Not applicable. |
| (xii) Central Depository | : Bank Negara Malaysia ("BNM") |
| (xiii) Paying Agent | : BNM |
| (xiv) Reporting Accountant | : Not applicable. |

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(xv) Others : Sole Book runner
PIVB

PBB, at its discretion, may consider appointing additional bookrunner(s) to assist in the issuance (by way of book-building and/or direct placement) of the Subordinated Notes under the Subordinated MTN Programme (as defined under item 2(b) below). The SC will be advised accordingly in the event PBB appoints additional bookrunner(s).

Rating Agency

RAM Rating Services Berhad (Company No. 763588-T) ("RAM Rating")

(b) Facility Description : A subordinated medium term note programme ("Subordinated MTN Programme") for the issuance of subordinated notes ("Subordinated Notes").

The Subordinated Notes will qualify as Tier 2 capital of PBB for purposes of Malaysia's capital adequacy regulations.

(c) Issue Size (RM) : Up to RM5.0 billion in nominal value.

(d) Issue Price (RM) : The Subordinated Notes shall be issued at par.

**(e) Tenor of the facility/
issue** : Tenor of facility:-

Up to fifteen (15) years from the date of first issuance of Subordinated Notes.

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Tenor of issue:-

The maturity of each issuance of Subordinated Notes shall range between ten (10) to fifteen (15) years and callable five (5) years preceding the relevant maturity date ("First Call Date") and on every relevant coupon payment dates thereafter, at the option of PBB.

None of the Subordinated Notes shall carry a maturity date extending beyond the expiry of the tenor of the Subordinated MTN Programme.

(f) Interest / Coupon (%) : To be determined prior to each issuance of Subordinated Notes.
(please specify)

In respect of any Subordinated Notes which have been issued prior to 31 May 2011, unless the relevant Subordinated Notes are fully redeemed on the First Call Date, the holders of the relevant Subordinated Notes shall be entitled to a one time step-up of 1.0% p.a. on the coupon rate from (and inclusive of) the relevant First Call Dates until the redemption of the relevant Subordinated Notes.

In respect of any Subordinated Notes issued on or after 31 May 2011, the coupon rate to be determined prior to each issuance of the Subordinated Notes shall remain unchanged throughout the tenor of each issue of the Subordinated Notes.

(g) Interest / Coupon : Semi-annually in arrears.
Payment Frequency

(h) Interest / Coupon : Actual number of days elapsed on a 365-day
Payment Basis basis.

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- (i) **Yield to Maturity (%)** : To be determined prior to each issuance of the Subordinated Notes.
- (j) **Security/ Collateral (if any)** : Nil.
- (k) **Details of utilisation of proceeds** : The proceeds raised from the Subordinated MTN Programme shall be used to finance the working capital, general banking and other corporate purposes of PBB.
- (l) **Sinking Fund (if any)** : Nil.
- (m) **Rating** : Long-term rating of AA1 assigned by RAM Rating.
- (n) **Form and Denomination** : The Subordinated Notes shall be issued in bearer form in denominations of not less than RM1,000 each or such other denomination in accordance with the rules and regulations issued by BNM. The Subordinated Notes will be represented at all times by global certificates to be deposited with BNM and will be traded under the Real Time Electronic Transfer of Funds and Securities ("RENTAS") System operated and maintained by BNM.
- The Subordinated Notes shall be issued in accordance with the Rules on Fully Automated System for Issuing/Tendering ("FAST") issued by BNM ("FAST Rules").
- (o) **Mode of Issue** : The Subordinated Notes may be issued via direct placement on a best effort basis or a bought deal basis or book building on a best effort basis.

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- (p) Selling Restriction** : Selling Restriction at Issuance
- The Subordinated Notes may not be offered, sold or transferred, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than to persons falling within Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 9 or Section 257(3) of the Capital Markets and Services Act, 2007 ("CMSA").
- Selling Restriction after Issuance
- The Subordinated Notes may not be offered, sold or transferred, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than to persons falling within Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA.
- (q) Listing Status** : The Subordinated Notes will not be listed on Bursa Malaysia Securities Berhad or on any other stock exchange.
- (r) Minimum Level of Subscription (RM or %)** : The minimum level of subscription for each issue of Subordinated Notes shall be 5% of the nominal value of each issue.
- In the event that any issue, offer or invitation is undersubscribed and does not meet the minimum level of subscription, the same shall be aborted and where applicable, any consideration received for the purpose of subscription shall be immediately returned to the respective subscribers/investors.

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- (s) Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify)** : (i) Approval from BNM for the following:-
- (a) to establish the Subordinated MTN Programme; and
 - (b) to classify the Subordinated Notes issued from time to time under the Subordinated MTN Programme over the availability period of five (5) years from the date of first issuance of Subordinated Notes as Tier 2 capital for the computation of the RWCR of PBB and the PBB Group;

BNM's approval was obtained via its letter dated 13 March 2008.

- (ii) Approval from the Securities Commission ("SC") of the waiver from having to comply with certain provisions under the SC's Guidelines on the Minimum Contents Requirements for Trust Deeds in respect of the Subordinated Notes to be issued under the Subordinated MTN Programme.

SC's approval was obtained via its letter dated 31 March 2008.

- (t) Conditions Precedent** : Conditions precedent shall include but not limited to the following:-

- (i) Certified true copies of the Issuer's Memorandum and Articles of Association, board resolution, Form 8 (Certificate of Incorporation), Form 13 (Certificate of Incorporation on Change of Name of Company), Form 24 (Return of Allotment of Shares), Form 44 (Notice of Situation of Registered Office) and Form 49 (Return Giving Particulars in Register of Directors, Managers and Secretaries and Changes of

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Particulars) have been furnished to the Facility Agent and the Trustee;

- (ii) Each of the Transaction Documents (as defined in item 2(x)(vi) below) shall have been duly executed and stamped where applicable;
- (iii) Written approval from BNM for the following:-
 - (a) to establish the Subordinated MTN Programme; and
 - (b) to classify the Subordinated Notes issued from time to time under the Subordinated MTN Programme over the availability period of five (5) years from the date of first issuance of Subordinated Notes as Tier 2 capital for the computation of the RWCR of PBB and the PBB Group;
- (iv) Written approval from the SC for the establishment of the Subordinated MTN Programme;
- (v) A legal opinion from the Solicitors addressed to the Principal Adviser/Lead Arranger advising with respect to, inter-alia, the validity, legality and enforceability of the Subordinated Notes and the Transaction Documents, and a written confirmation from the Solicitors to the Principal Adviser/Lead Arranger that all conditions precedent have been fulfilled;
- (vi) Evidence that the Subordinated Notes under the Subordinated MTN Programme have been assigned a minimum long-term rating of AA1 by RAM Rating; and

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- (vii) Such other conditions precedent as may be advised by the Solicitors for the Principal Adviser/Lead Arranger (if any).

(u) Representations and Warranties : Representations and warranties shall include but not limited to the following: -

- (i) The Issuer is a company duly incorporated and validly existing under the laws of Malaysia;
- (ii) The Issuer has the power to enter into, exercise its rights and perform its obligations under the Transaction Documents;
- (iii) The Issuer's entry into, exercise of its rights under and performance of the Transaction Documents do not and will not violate any existing law or agreement to which it is a party;
- (iv) The Issuer has all licences, franchises, permits, authorisations, approvals, orders and other concessions of and from all governmental and regulatory officials and bodies that are necessary to own or lease its properties and conduct its business, other than where the failure to obtain such licences, franchises, permits, authorisations, approvals, orders and other concessions would not have a material adverse effect on the ability of the Issuer to comply with its obligations under the Transaction Documents;
- (v) The Transaction Documents create valid and binding obligations which are enforceable on and against the Issuer;

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- (vi) All necessary actions, authorisations and consents required under the Transaction Documents have been taken, fulfilled and obtained and remain in full force and effect;
- (vii) that no Event of Default has occurred;
- (viii) The audited accounts of the Issuer are prepared in accordance with generally accepted accounting principles and standards and give a true and fair view of the financial condition of the Issuer;
- (ix) No litigation or arbitration is current or, to the Issuer's knowledge, is threatened, which if adversely determined would have a material adverse effect on the ability of the Issuer to comply with its obligations under the Transaction Documents;
- (x) The financial statements and other information supplied in respect of the financial statements are true and accurate in all material aspects and not misleading;
- (xi) There is no contravention of Section 62 of the Banking and Financial Institutions Act, 1989;
- (xii) No step has been taken by the Issuer, its creditors or any of its shareholders or any other person on its behalf, nor have any legal proceedings or applications been started, under Section 176 of the Companies Act, 1965;

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(xiii) There has been no change in the business or condition (financial or otherwise) of the Issuer or its subsidiaries since the date of its last audited financial statements which might have a material adverse effect on the ability of the Issuer to comply with its obligations under the Transaction Documents; and

(xiv) Such other representations and warranties as may be advised by the Solicitors for the Principal Adviser/Lead Arranger (if any).

(v) Events of Default : Events of Default shall encompass the following:-

(i) the Issuer defaults in payment of any principal or coupon under the relevant Subordinated Notes on the due date and the Issuer does not remedy such default within a period of seven (7) days after the Issuer became aware or having been notified by the Trustee of the default;

(ii) an order is made for the winding-up of the Issuer and such order is not stayed or set aside within sixty (60) days of such order being made or, where so stayed, such stay lapses, or an effective resolution is passed for winding-up of the Issuer except where such order is made or such resolution is passed for the purpose of a reconstruction or amalgamation the terms of which have been approved by the holders of the Subordinated Notes by way of special resolution.

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Upon the occurrence of item (i) above, subject to the terms of the Trust Deed, the Trustee may or shall (if directed to do so by a special resolution of the holders of the relevant Subordinated Notes) institute proceedings to enforce the payment obligations under the relevant Subordinated Notes and may institute proceedings in Malaysia for the winding up of the Issuer, provided that neither the Trustee nor any of the holders of relevant Subordinated Notes shall have the right to accelerate payment of the relevant Subordinated Notes in the case of default in the payment of amount owing under the relevant Subordinated Notes or any non-performance of any condition, provision or covenant under the Trust Deed.

Upon the occurrence of item (ii) above, subject to the terms of the Trust Deed, the Trustee may or shall (if directed to do so by a special resolution of the holders of the Subordinated Notes) declare (by giving written notice to the Issuer) that the Subordinated Notes together with all other sums payable under the Subordinated Notes shall immediately become due and payable.

(w) Principal terms and conditions for warrants (where applicable) : Not applicable.

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(x) Other principal terms and conditions for the issue

x(i) Positive Covenants : The positive covenants shall include but not limited to the following:-

- (i) The Issuer shall, at all times perform all its obligations and promptly comply with all provisions of the Trust Deed and the Transaction Documents and the terms and conditions of the Subordinated Notes (including but not limited to redeeming the Subordinated Notes on the relevant maturity dates or any other dates on which the Subordinated Notes are due and payable) and immediately notify the Trustee in the event that the Issuer is unable to fulfil or comply with any of the provisions of the Trust Deed or any of the other Transaction Documents;
- (ii) The Issuer shall deliver to the Trustee a copy of its annual audited accounts within one hundred and eighty (180) days after the end of its financial year and any other accounts, balance sheet, report, notice, statement, circular or other documents issued by the Issuer to its shareholders;
- (iii) The Issuer shall no later than one hundred eighty (180) days after the end of each financial year, deliver to the Trustee a certificate signed by an authorised signatory of the Issuer, certifying that the Issuer has complied with and performed its obligations under the Trust Deed and the terms and conditions of the Subordinated Notes and the other Transaction Documents and that there did not exist and there had not at any time existed, from the first issue date of the

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Subordinated Notes or the date of the previous certificate, as the case may be, any event of default and if such is not the case, the certificate should specify the same;

- (iv) The Issuer shall promptly provide to the Trustee any information relating to its affairs to the extent permitted by law, as the Trustee may from time to time require in order to discharge its duties and obligations as Trustee under the Trust Deed and the other Transaction Documents;
- (v) The Issuer shall immediately notify the Trustee in writing in the event that the Issuer becomes aware of the following:-
 - a. upon the occurrence of any event of default, the Issuer shall take reasonable steps and/or such other steps as may be reasonably requested by the Trustee to remedy and/or mitigate the event of default;
 - b. any circumstance that has occurred or any other matter that may materially prejudice the ability of the Issuer to perform its obligations under the Transaction Documents or in respect of the Subordinated Notes;
 - c. any substantial change in the nature of the business of the Issuer;

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- d. any change in the utilisation of the proceeds from the Subordinated Notes from that set out in the submission to the SC, the Information Memorandum or any of the Transaction Documents which sets out the purpose for which the proceeds are to be utilised;
 - e. any change in the Issuer's withholding tax position or tax jurisdiction; and
 - f. any other matter that may materially prejudice the interests of the holders of the Subordinated Notes.
- (vi) The Issuer shall keep proper books and accounts at all times on a basis consistently applied in accordance with the laws of Malaysia and generally accepted accounting principles and standards in Malaysia;
 - (vii) The Issuer shall comply at all times with any and all requirements and rules, regulations and guidelines as may be issued and/or imposed by the SC and BNM, from time to time and the applicable provisions of the CMSA;
 - (viii) The Issuer shall at all times maintain its corporate legal existence and exercise reasonable due diligence in carrying out its business and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices and will ensure, amongst others, that all necessary approvals and relevant licences required for it to carry on its business are obtained other than where the failure to obtain such licences, franchises,

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permits, authorisations, approvals, orders and other concessions would not have a material adverse effect on the ability of the Issuer to comply with its obligations under the Transaction Documents;

- (ix) The Issuer shall at all times maintain a paying agent with a specified office in Malaysia;
- (x) The Issuer shall procure that the paying agent shall notify the Trustee in the event that the paying agent does not receive payment of principal and coupon in respect of the relevant Subordinated Notes from the Issuer on the due dates and in the manner as required under the Trust Deed and the terms and conditions of the Subordinated Notes; and
- (xi) Such other covenants as may be advised by the Solicitors for the Principal Adviser/Lead Arranger (if any).

x(ii) Status of Notes : The Subordinated Notes will constitute direct unsecured obligations of PBB, subordinated in right and priority of payment, to the extent and in the manner provided for in the Subordinated Notes, to all deposit liabilities and other liabilities of PBB except all other present and future unsecured and subordinated obligations of PBB which by their terms rank pari passu in right and priority of payment with the Subordinated Notes (including the existing USD350 million of subordinated notes due in 2014 callable with step-up in 2009 and the USD400 million of subordinated notes due in 2017 callable with step-up in 2012) and are subordinated to the Subordinated Notes (including the existing

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RM1.2 billion Innovative Tier 1 Capital Securities and the USD200 million Innovative Tier 1 Capital Securities). For avoidance of doubt, any payment that has fallen due under the Subordinated Notes shall remain due and payable even if such payment cannot be satisfied because of insufficient cashflows of PBB to meet all outstanding obligations, including those senior to the Subordinated Notes, which are due at the same time. The Subordinated Notes will in the event of the winding-up or liquidation of PBB, be subordinated in right and priority of payment to the claims of depositors and all other creditors of PBB other than claims in respect of PBB's unsecured and subordinated obligations which by their terms rank pari passu in right and priority of payment with and are subordinated to the Subordinated Notes.

- x(iii) Availability Period** : Five (5) years from the date of first issuance provided that the first issuance of the Subordinated Notes is within two (2) years from the date of approval of the establishment of the Subordinated MTN Programme by the SC.
- x(iv) Redemption** : Unless previously redeemed or purchased and cancelled, the relevant Subordinated Notes will be redeemed by the Issuer at par together with accrued interest due on the maturity date or the redemption date.
- x(v) Optional Redemption** : The Issuer may, at its option, and subject to the prior approval of BNM, redeem each issuance of the Subordinated Notes in full on the relevant First Call Date and at any relevant coupon payment dates thereafter.

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- x(vi) Transaction Documents** : The Subordinated MTN Programme shall be evidenced, inter-alia, by the following documents:-
- (i) Programme Agreement;
 - (ii) Depository and Paying Agency Agreement;
 - (iii) Trust Deed; and
 - (iv) Any other legal documentation as advised by the Solicitors for the Principal Adviser/Lead Arranger (if any).
- x(vii) Taxation** : All payments shall be made free and clear of all present and future taxes, duties, withholdings or other deductions whatsoever imposed by the Government or any political sub-division or tax authority thereof. In the event that any such taxes are in future imposed or if such withholding or deduction is required by law, the Issuer must make such additional payments as are necessary to cause the holders of the Subordinated Notes to receive the net amount that they would otherwise have received.
- x(viii) Tax Redemption** : If there is more than an insubstantial risk that the Issuer will be required to pay any additional amounts or will no longer be able to deduct interest in respect of the relevant Subordinated Notes for taxation purposes as a result of a change in any applicable law or regulation which comes into effect on or after the issue dates of the relevant Subordinated Notes and the Issuer cannot, by taking reasonable measures available to it, avoid the payment of any additional amounts or deduct interest in respect of the relevant Subordinated Notes, the Issuer may, at its option, redeem the relevant Subordinated Notes in full, subject to the prior approval of BNM.

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- x(ix) Regulatory Redemption** : If the relevant Subordinated Notes issued no longer qualify as Tier 2 capital of the Issuer for the purposes of BNM's capital adequacy requirements under any regulations applicable to the Issuer or at any time there is more than an insubstantial risk that the relevant Subordinated Notes will no longer qualify as such, the Issuer may at its option, redeem the relevant Subordinated Notes in full, subject to the prior approval of BNM.
- x(x) Other Issues** : The Issuer may from time to time raise additional subordinated debt which confers greater rights for the holders thereof including but not limited to acceleration rights provided that such subordinated debt shall rank pari passu in right of priority of payment with and are subordinated to the Subordinated Notes in the case of any distribution of assets should there be an event of winding-up of the Issuer.
- x(xi) Governing Law** : The laws of Malaysia.

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