

PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSAL

BACKGROUND INFORMATION

1 **Issuer**

- (i) *Name* : Public Bank Berhad (“PBB”)
- (ii) *Address* : Correspondence Address
Managing Director
32nd Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Malaysia
- Registered Address
27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Malaysia
- (iii) *Business Registration No.* : Company 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 all aspects of banking and finance company businesses and the provision of related financial services. PBB together with its subsidiaries and associated companies are involved in all aspects of banking, merchant banking, financing, stock broking, provision of finance to purchasers of licensed public vehicle, provision of related financial services, management of unit trusts and sale of trust units and investment holding.
- (viii) *Board of Directors (as at 30 September 2006)* : Tan Sri Dato’ Sri Dr. Teh Hong Piow
Tan Sri Dato’ Thong Yaw Hong
Dato’ Sri Tay Ah Lek
Dato’ Lee Kong Lam
Dato’ Yeoh Chin Kee

Y.A.M. Tengku Abdul Rahman Ibni Sultan Haji Ahmad Shah Al-Mustain Billah

Tuan Haji Abdul Aziz bin Omar

Dato' Dr. Haji Mohamed Ishak bin Haji Mohamed Ariff

Mr. Lee Chin Guan

(ix) *Structure of shareholding and name of shareholder or, in the case of public company, names of all major shareholders (as at 30 September 2006)* : The substantial shareholders of PBB (holding 5% or more in the issued and paid up capital of PBB) according to the Register of Substantial Shareholders as at 30 September 2006 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	0.65	786,468,596*1	23.64
Employees Provident Fund Board	312,004,836	9.38	-	-
Consolidated Teh Holdings Sdn Bhd	79,479,687	2.39	165,711,639*2	4.98
Sekuriti Pejal Sdn Bhd	201,394,686	6.05	38,720,856*3	1.16

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, Moninvest 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 (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 124,214,500 PBB shares bought-back by PBB and retained as treasury shares as at 30 September 2006.

- (x) *Authorised share capital (as at 30 September 2006)* : RM10,000,000,000 divided into 10,000,000,000 ordinary shares of RM1.00 each.
- Paid-up share capital (as at 30 September 2006)* : RM3,450,806,363 divided into 3,450,806,363 ordinary shares of RM1.00 each

PRINCIPAL TERMS AND CONDITIONS

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

- (i) *Principal Adviser(s)/ Lead Arranger(s)* : Public Merchant Bank Berhad (“**Public Merchant**”) and CIMB Investment Bank Berhad (formerly known as Commerce International Merchant Bankers Berhad) (“**CIMB**”)
- (ii) *Arranger(s)* : Not applicable
- (iii) *Valuers* : Not applicable
- (iv) *Solicitors* : Messrs Kadir, Andri & Partners
- (v) *Financial Adviser* : Not applicable
- (vi) *Technical Adviser* : Barclays Capital Markets Malaysia Sdn Bhd
- The role of the Technical Adviser is to advise the Issuer on the technical aspects and appropriateness of the structure of the RM IT-1 Capital Securities, and may include assisting the Issuer in answering questions that may arise in respect of the technical aspects of the structure.
- (vii) *Guarantor* : Not applicable
- (viii) *Trustee* : Amanah Raya Berhad
- (ix) *Facility Agent* : Public Merchant
- (x) *Primary Subscribers and amount subscribed (where applicable)* : The Primary Subscribers (if any), will be determined prior to issuance
- (xi) *Underwriter(s) and amount underwritten* : Not applicable
- (xii) *Central Depository* : Bank Negara Malaysia (“**BNM**”)
- (xiii) *Paying Agent* : BNM
- (xiv) *Reporting Accountant* : Not applicable

(xv) *Others (please specify)* : Joint Lead Managers: Public Merchant and CIMB
Calculation Agent: Public Merchant

The role of the Calculation Agent is to perform the calculation of the following in relation to the RM IT-1 Capital Securities:

1. Interest;
2. Deferred Interest Amount; and
3. Redemption Amount.

(b) *Facility Description* : Innovative Tier-1 Capital Securities with a nominal value of up to RM1.2 billion ("**RM IT-1 Capital Securities**").

(c) *Issue Size (RM)* : Up to RM1.2 billion in nominal value

(d) *Issue Price* : The RM IT-1 Capital Securities will be issued at a discount, at par or at a premium to the nominal value and the issue price is calculated in accordance with the FAST Rules (as defined below)

(e) *Tenor of the Facility /Issue* : Permanent (see Principal Stock Settlement clause under paragraph x(i))

(f) *Coupon/Interest rate (%) (please specify)* : Interest on the RM IT-1 Capital Securities for each Interest Payment Date (as defined below) shall be payable in Ringgit Malaysia at the following rates per annum based on the nominal value of the RM IT-1 Capital Securities, calculated on the basis of the actual number of days in the relevant period:

1. on or prior to the First Optional Redemption Date (as defined below), at a certain fixed rate to be determined prior to issuance; and
2. after the First Optional Redemption Date, at a floating rate, reset quarterly, per annum equal to 3-month KLIBOR plus a margin to be determined prior to issuance.

"Interest Payment Date" means:

1. the date interest will be payable semi-annually in arrears, being the date falling 6 months after the issue date and every 6 months thereafter up to the First Optional Redemption Date; and
2. commencing from the First Optional Redemption Date, the date interest will be payable quarterly in arrears, being the date falling 3 months after the First Optional Redemption Date and every 3 months thereafter.

“Interest Period” means the period from, and including, the issue date to, but excluding, the first Interest Payment Date and each successive period thereafter from and including, an Interest Payment Date to, but excluding, the next succeeding Interest Payment Date.

“KLIBOR” means the rate which appears under the caption “Kuala Lumpur Inter-Bank Offered Rate” posted on Reuters on 11.00 a.m., Malaysian time, on the relevant Interest Determination Date for a three-month period.

“Interest Determination Date” means, with respect to any Interest Period, the day falling two business days prior to the commencement of that Interest Period.

- (g) *Coupon/Interest Payment frequency* : Semi-annual up to the First Optional Redemption Date (as defined below) and quarterly thereafter.
- (h) *Coupon/ Interest Payment basis* : The interest will be calculated on an actual/365 days basis
- (i) *Yield to Maturity (%)* : The RM IT-1 Capital Securities will be priced on a basis of yield to the First Optional Redemption Date.

The applicable yield calculated on a semi annual basis based on the nominal value of the RM IT-1 Capital Securities will be determined prior to issuance.

“First Optional Redemption Date” means the date falling ten (10) years from the issue date.

- (j) *Security /Collateral (if any)* : None
- (k) *Details on utilisation of proceeds* : The proceeds of the RM IT-1 Capital Securities shall be immediately available to the Issuer, without limitation, for its working capital, general banking and other corporate purposes.
- (l) *Sinking Fund (if any)* : Not applicable
- (m) *Rating*
- Credit Rating Assigned* : The final rating for the RM IT-1 Capital Securities is AA2
- Name of Rating Agency* : Rating Agency Malaysia Berhad (“**RAM**”)
- (n) *Form and Denomination* : The RM IT-1 Capital Securities shall be issued in accordance with (1) the “Code of Conduct and Market Practices for the Malaysian Corporate Bond

Market” issued by the Institut Peniaga Bon Malaysia and approved by BNM (“**IPBM Code**”) and (2) the “Rules on the Scripless Securities under the Real Time Electronic Transfer of Funds and Securities (“**Rentas**”) System” issued by BNM (“**Rentas Rules**”) and (3) the “Rules on Fully Automated System for Issuing/Tendering (“**FAST**”)” issued by BNM (“**FAST Rules**”), or their replacement thereof (collectively the “**Codes of Conduct**”) applicable from time to time. The Rentas Rules shall prevail to the extent of any inconsistency between the Rentas Rules and the IPBM Code. The RM IT-1 Capital Securities shall be in bearer form represented by a global certificate to be deposited with BNM, and is exchangeable for definitive bearer form only in certain limited circumstances. The denomination of the RM IT-1 Capital Securities shall be RM1,000 or in multiples of RM1,000 at the time of issuance.

(o) *Mode of Issue* : The RM IT-1 Capital Securities may be issued via direct placement on a best effort basis or a bought deal basis or book running on a best effort basis.

(p) *Selling Restrictions* : Selling Restrictions at issuance

The RM IT-1 Capital Securities may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to subscribe for the RM IT-1 Capital Securities and to whom the RM IT-1 Capital Securities are issued would fall within Schedule 2 or Section 38(1)(b) and Schedule 3 or Section 39(1)(b) of the Securities Commission Act, 1993 as amended from time to time (“**SCA**”) and would fall within Schedule 5 or Section 66(3) of the SCA.

Selling Restrictions thereafter

The RM IT-1 Capital Securities may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to purchase the RM IT-1 Capital Securities would fall within Schedule 2 or Section 38(1)(b) of the SCA and would fall within Schedule 5 or Section 66(3) of the SCA.

(q) *Listing Status* : The RM IT-1 Capital Securities will not be listed on Bursa Malaysia Securities Berhad (“**Bursa Securities**”) or any other stock exchange.

(r) *Minimum Level of Subscription (RM or %)* : The minimum level of subscription for the issuance of the RM IT-1 Capital Securities if it is not issued on a direct placement or on a bought deal basis (which shall be fully subscribed) shall be 25% of the size of the issue.

- (s) *Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify)* : The issuance of the RM IT-1 Capital Securities is subject to the approval of BNM. The Securities Commission (“SC”) has, via its letter dated 8 November 2006 granted its approval for the Issuer to make an application to the SC in relation to the Proposal prior to obtaining the approval from BNM.

The SC has, also via its letter dated 8 November 2006 granted its approval for the exemption from compliance with certain provisions in the Guidelines on the Minimum Contents Requirements For Trust Deeds in relation to the RM IT-1 Capital Securities.

For further details on the above-mentioned exemptions, please refer to our letter dated 20 October 2006 to the SC. Other than the waivers granted, the RM IT-1 Capital Securities will comply with the relevant parts of the SCA.

- (t) *Conditions Precedent* : To include but not limited to the following (in form and substance acceptable to the Joint Lead Managers):

A Main Documentation

1. The transaction documents have been signed and, where applicable stamped.

B The Issuer

1. Certified true copies of the Certificate of Incorporation, and the Memorandum and Articles of Association, of the Issuer.
2. Certified true copies of the latest Forms 24 and 49 of the Issuer.
3. A certified true copy of a board resolution of the Issuer authorising, among others, the execution of the transaction documents.
4. A list of the Issuer’s authorised signatories and their respective specimen signatures.
5. A report of the relevant company search of the Issuer.
6. A report of the relevant winding up search or the relevant statutory declaration of the Issuer.

C General

1. The approval from the SC.
2. The approval from BNM for the issuance of the RM IT-1 Capital Securities.

3. The RM IT-1 Capital Securities have received the requisite rating as stated in this term sheet.
 4. Evidence that all transaction fees, costs and expenses will be paid in full.
 5. The Joint Lead Managers have received from its legal counsel a legal opinion addressed to them and the Trustee advising with respect to, among others, the legality, validity and enforceability of the transaction documents and a confirmation addressed to the Joint Lead Managers that all the conditions precedent have been fulfilled.
 6. Such other conditions precedent as advised by the legal counsel of the Joint Lead Managers (if any).
- (u) *Representations and Warranties* : None
- (v) *Events of Default* : There are no events of default under the RM IT-1 Capital Securities. Please refer to the Enforcement Events; Limited Rights to Accelerate clause under paragraph x(xiii).
- (w) *Principal terms and conditions for warrants (where applicable)* : Not applicable
- (x) *Other principal terms and conditions for the issue*
- (i) *Principal Stock Settlement* : If the RM IT-1 Capital Securities are still outstanding on the 15th business day before the Principal Stock Settlement Date and the Issuer has not given notice to the Facility Agent and the Trustee that it will redeem the RM IT-1 Capital Securities prior to the Principal Stock Settlement Date, the Issuer shall, subject to the prior approval of BNM, redeem the RM IT-1 Capital Securities then outstanding at the Redemption Amount (as defined below) in accordance with the Stock Settlement clause.
- “Principal Stock Settlement Date”** means the Interest Payment Date falling thirty (30) years from the issue date.
- (ii) *Limitation on Payment of Interest* : If the Payment Limitation Condition is met on the 15th business day prior to any Interest Payment Date, the Issuer may, at its option (subject to the Deferral Limit), defer paying interest on such

Interest Payment Date, by giving not less than 5 nor more than 15 business days' notice to the Facility Agent and the Trustee (which notice shall be irrevocable and shall oblige the Issuer to defer payment of the interest amount which, but for the Payment Limitation Condition, was payable on such Interest Payment Date). Any such deferral will not constitute or be deemed a default by the Issuer for any purpose whatsoever.

In the event that the total aggregate Deferred Interest Amount exceeds, or any additional Deferred Interest Amount would result in the total aggregate Deferred Interest Amount exceeding, the Deferral Limit, the deferral of any such Deferred Interest Amount in excess of the Deferral Limit shall be subject to the prior approval of BNM. To the extent that BNM does not approve the deferral of any such Deferred Interest Amount in excess of the Deferral Limit, the Issuer's obligations to make payment of such Deferred Interest Amount in excess of the Deferral Limit shall cease to exist and such payments shall no longer be due and payable.

If the Issuer has not made a payment of any interest amount payable on the RM IT-1 Capital Securities, whether deferred or not, it shall not pay any dividend to its ordinary shareholders and/or any interest on any security or instrument ranking junior to the RM IT-1 Capital Securities.

"Payment Limitation Condition" means that during the 12 month period immediately preceding any Interest Payment Date, the Issuer did not declare any dividends, or make any interest payment(s), on any securities or instruments ranking junior to the RM IT-1 Capital Securities.

"Deferral Limit" means 50 per cent. of the aggregate principal amount of the RM IT-1 Capital Securities.

"Deferred Interest Amount" means any interest amount which, subject to any limits imposed by BNM on the number of payments that can be deferred, is deferred by the Issuer pursuant to the Limitation on Payment of Interest clause.

(iii) Interest Stock Settlement

If the Issuer defers the payment of any interest amount on any Interest Payment Date pursuant to the Limitation on Payment of Interest clause, the Issuer shall, if the Payment Limitation Condition ceases to exist and subject to the prior written approval of BNM and the cancellation of any Deferred Interest Amount in excess of the Deferral Limit referred to above, pay the relevant Deferred

Interest Amount in cash, in full on the next Interest Payment Date, pursuant to the procedures set out under the Stock Settlement clause. No interest shall accrue on any Deferred Interest Amount.

Any payment of (a) dividends to ordinary shareholders of the Issuer and/or (b) interest to holders of securities or instruments ranking junior to the RM IT-1 Capital Securities, in connection with the Payment Limitation Condition ceasing to exist, may only be made simultaneously with or immediately following the payment of all Deferred Interest Amounts in accordance with this clause.

(iv) Loss Absorption

If a Replacement Event exists on the 15th business day prior to an Interest Payment Date or payment of an interest amount on such Interest Payment Date would result in the occurrence of a Replacement Event, the Issuer may, after consultation with BNM, be required to redeem the RM IT-1 Capital Securities on such Interest Payment Date at the Redemption Amount pursuant to procedures described under the Stock Settlement clause.

If the Issuer is unable to satisfy its obligation to pay such Redemption Amount referred to above for a period of 12 months immediately following such Interest Payment Date and the Replacement Event continues to exist, the Issuer may be required by BNM to cancel the payment of such Redemption Amount but only to the extent required to remedy such Replacement Event, upon which such amount so cancelled shall no longer be due and payable by the Issuer and the obligation of the Issuer to pay such amount shall be extinguished to the extent of such cancellation. Non-payment of such amount will not constitute or be deemed a default by the Issuer for any purpose whatsoever.

“Replacement Event” means the occurrence and continuance of any of the following:

1. the Issuer is in breach of BNM’s minimum capital adequacy ratio requirements applicable to the Issuer; or
2. commencement of a winding up proceeding in respect of the Issuer; or
3. appointment of an administrator in connection with a restructuring of the Issuer.

(v) Stock Settlement

(a) Issue of Shares

The Issuer shall satisfy the payment of any

Deferred Interest Amount payable under the Interest Stock Settlement clause and/or any Redemption Amount payable under the Principal Stock Settlement or Loss Absorption clauses by issuing a sufficient number of Ordinary Shares (as defined below), the cash proceeds of which, when issued, are not less than the amount required to pay such Deferred Interest Amount and/or Redemption Amount.

If the Issuer is unable to raise a sufficient amount of cash proceeds from the issuance of such Ordinary Shares to pay the relevant Deferred Interest Amount and/or the Redemption Amount, as the case may be, on the due date for payment as described above and a shortfall exists, the Issuer will continue to use its best endeavours to issue a sufficient number of such Ordinary Shares until the Facility Agent shall have received funds equal to the full amount of such shortfall.

For the purposes of this clause, the Issuer is required to use its best endeavours to:

1. keep available for issue, a sufficient number of Ordinary Shares as it reasonably considers would be required to satisfy payment of the relevant Deferred Interest Amount and/or Redemption Amount, as the case may be;
2. procure subscribers for the Ordinary Shares; and
3. obtain or procure such consents, approvals and authorisations as may be required from its shareholders, BNM or any other regulatory authority or body to allow it to do or carry out the matters referred to in this clause.

Non-payment by the Issuer of any Deferred Interest Amount and/or any Redemption Amount acting in accordance with this clause will not constitute or be deemed a default by the Issuer for any purpose whatsoever.

(b) Issue Satisfies Payment

Where the Issuer is required to satisfy payment of any Deferred Interest Amount payable under the Interest Stock Settlement clause and/or any Redemption Amount payable under the Loss Absorption or Principal Stock Settlement clauses, as the case may be, by issuing Ordinary Shares and the Issuer issues such Ordinary Shares, such

issue shall satisfy the relevant Deferred Interest Amount and/or Redemption Amount, if carried out in accordance with this clause. The proceeds arising from the issuance of such Ordinary Shares shall be paid by the Issuer to the Facility Agent in order to pay the Holders.

(c) Market Disruption

Notwithstanding the provisions of paragraph (a) above, if there exists, in the opinion of the Issuer, a Market Disruption Event on or after the 15th business day preceding any date upon which the Issuer is due to pay any Deferred Interest Amount under the Interest Stock Settlement clause and/or any Redemption Amount payable under the Loss Absorption or Principal Stock Settlement clauses, as the case may be, in accordance with this clause, then the Issuer may give a notice of such Market Disruption Event to the Facility Agent and the Trustee, as soon as possible after the Market Disruption Event has arisen or occurred, whereupon such payment(s) may be deferred until such time as the Market Disruption Event no longer exists. Such deferral will not constitute or be deemed a default by the Issuer for any purpose whatsoever.

Once the Market Disruption Event no longer exists, the Issuer shall immediately give notice to the Facility Agent and the Trustee of its intention to resume the issuance of Ordinary Shares to enable it to pay in full any such Deferred Interest Amount and/or such Redemption Amount, as the case may be, from the proceeds of such issue, which prior to the occurrence of such Market Disruption Event, remained due and unpaid. Such notice shall specify the details, including the timing, of such issuance. Interest shall not accrue on such payment amounts.

“Holder” means a holder of any of the RM IT-1 Capital Securities.

“Ordinary Shares” means the ordinary shares of RM1.00 each in the Issuer.

“Market Disruption Event” means:

1. the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by Bursa Securities or any successor or other relevant stock exchange on which the Ordinary Shares are listed) or on settlement procedures for transactions in the Ordinary

Shares on Bursa Securities or any successor or other relevant stock exchange on which the Ordinary Shares are listed and if, in any such case, that suspension or limitation is, in the determination of the Issuer, material in the context of the sale of the Ordinary Shares; or

2. in the opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the Ordinary Shares or circumstances (other than the occurrence of a Stock Settlement Limitation Event) are such as to prevent or to a material extent restrict the issue or delivery of the Ordinary Shares, as the case may be.

(d) Stock Settlement Limitation

Notwithstanding the provisions of paragraph (a) above, if there exists, on or after the 15th business day preceding any date upon which the Issuer is due to pay any Redemption Amount payable under the Loss Absorption or Principal Stock Settlement clauses, as the case may be, a Stock Settlement Limitation Event, then the Issuer may give a notice to the Facility Agent and the Trustee as soon as practicable after the Stock Settlement Limitation Event has arisen or occurred, whereupon payment of such Redemption Amount may be deferred until such time as the Stock Settlement Limitation Event no longer exists. Such deferral will not constitute or be deemed a default by the Issuer for any purpose whatsoever.

Once the Stock Settlement Limitation Event no longer exists, the Issuer shall resume the issuance of Ordinary Shares to enable it to pay in full any such Redemption Amount from the proceeds of such issue, which prior to the occurrence of such Stock Settlement Limitation Event, remained due and unpaid. Once the Issuer has raised such Redemption Amount from such issuance of Ordinary Shares, it shall notify the Facility Agent and the Trustee of such issuance of Ordinary Shares and the date on which it will pay to the Facility Agent such Redemption Amount in order to pay the Holders in accordance to terms of the RM IT-1 Capital Securities.

“Stock Settlement Limitation Event” occurs if the Redemption Share Price on any day is less than 50 per cent. of the Initial Share Price.

“Redemption Share Price” means, in respect of an ordinary share on a particular day, the closing

prices derived from Bursa Securities (or any successor or other relevant stock exchange on which the Ordinary Shares are listed) for one ordinary share for the 20 consecutive trading days ending on the trading day immediately preceding such date.

“Initial Share Price” means the closing price as derived from Bursa Securities (or any successor or other relevant stock exchange on which the Ordinary Shares are listed) of one ordinary share on the issue date as such initial share price may be adjusted in accordance with the provisions set out in the Trust Deed.

(e) Insufficiency

- (i) If the Issuer is unable to fully pay the Deferred Interest Amount and/or the Redemption Amount, as the case may be, in accordance with the provisions of paragraph (a) above, then, until such amount has been paid in full by the Issuer, the Issuer may not:
 - (A) pay any dividend to ordinary shareholders or make any interest payment on any securities or instruments ranking pari passu with or junior to the RM IT-1 Capital Securities; and
 - (B) redeem, purchase, reduce or otherwise acquire any of its ordinary equity shares, preference shares or other securities, or any securities or instruments issued by any of the Issuer's subsidiary undertakings which are guaranteed by the Issuer, ranking, as to the right of repayment of principal, or in the case of any such guarantee, as to the payment of sums under such guarantee, pari passu with or junior to the RM IT-1 Capital Securities.
- (ii) The provisions of paragraph (e)(i) above shall not apply to the extent that such non-payment is due to:
 - (A) in the case of Deferred Interest Amount, the cancellation of the Issuer's obligation to pay any Deferred Interest Amount in excess of the Deferral Limit in the manner contemplated under the Limitations on Payment of Interest clause; and/or

- (B) in the case of the Redemption Amount, the occurrence of a Stock Settlement Limitation Event in the manner contemplated in paragraph (d) above.

(vi) Status

The RM IT-1 Capital Securities are direct and unsecured obligations of the Issuer and are subordinated in the manner described below.

Subordination

The Issuer, for itself, its successors and assignees, covenants and agrees, and each Holder by subscribing for or purchasing a RM IT-1 Capital Security irrevocably acknowledges and agrees that:

- (a) the indebtedness evidenced by the RM IT-1 Capital Securities constitutes unsecured and subordinated obligations of the Issuer; and
- (b) the subordination is for the benefit of the holders of indebtedness that rank senior to the RM IT-1 Capital Securities. Claims in respect of the RM IT-1 Capital Securities will rank pari passu and without preference among themselves, the USD Tier-1 Capital Securities and with the most junior class of preference shares (if any) of the Issuer, but in priority to the rights and claims of Holders of the ordinary equity shares of the Issuer.

The principal of, and interest and any additional amounts payable on, the RM IT-1 Capital Securities will be subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Issuer (including liabilities of all offices and branches of the Issuer wherever located) and any debt securities (whether subordinated or unsubordinated) of the Issuer that rank senior to the RM IT-1 Capital Securities, except in each case to those liabilities which by their terms rank equally in right of payment with or which are subordinated to the RM IT-1 Capital Securities.

Each Holder irrevocably waives its rights as a creditor to the extent necessary to give effect to the subordination provisions of the RM IT-1 Capital Securities. In order to implement these subordination provisions, each Holder agrees that at the time when a winding up proceeding shall have occurred and be continuing, any amounts that would be due to such Holder in the absence of

these subordination provisions will be applied:

- (a) first, to the payment in full of all claims of depositors and all other obligations of the Issuer ranking senior in the right of payment to the RM IT-1 Capital Securities (including interest on such claims accruing after the date of commencement of such winding up proceeding); and
- (b) thereafter, to the payment, equally and rateably, of amounts owing under the RM IT-1 Capital Securities and all obligations of the Issuer ranking equally in right of payment with the RM IT-1 Capital Securities.

No Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the RM IT-1 Capital Securities and each Holder shall by virtue of its subscription, purchase or holding of any RM IT-1 Capital Security, be deemed to have waived all such rights of set-off to the fullest extent permitted by law.

The Issuer agrees that so long as any of the RM IT-1 Capital Securities remain outstanding, it will not create, issue, assume or otherwise incur any loan, debt, guarantee, instrument or other obligation which shall be, or shall purport to be, subordinated debt of the Issuer and which shall, at the time it is created, issued, assumed or otherwise incurred or at any time thereafter, be considered to be, Tier 1 capital of the Issuer under applicable regulations which would rank (as regards interest, dividends or distributions on liquidation, dissolution or winding up) senior to the RM IT-1 Capital Securities.

“USD Tier-1 Capital Securities” means the USD200,000,000 6.84 per cent. Innovative Tier 1 Capital Securities callable with step-up in 2016 issued by the Issuer on 22 August 2006.

(vii) Regulatory Redemption : If the RM IT-1 Capital Securities no longer qualify as Tier 1 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 RM IT-1 Capital Securities will no longer qualify as such, the Issuer may, at its option, redeem the RM IT-1 Capital Securities (in whole, but not in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied.

(viii) Redemption Amount An amount equal to 100 per cent. of the outstanding principal amount of the RM IT-1 Capital

Securities together with accrued but unpaid interest (if any) and any other amounts outstanding on the RM IT-1 Capital Securities up to (and excluding) the date on which the RM IT-1 Capital Securities are redeemed.

(ix) Optional Redemption

The Issuer may, at its option and subject to the prior approval of BNM, redeem in whole, but not in part, the RM IT-1 Capital Securities at the Redemption Amount, subject to the Redemption Conditions being satisfied:

1. on the First Optional Redemption Date; or
2. on any Interest Payment Date thereafter.

“Redemption Conditions” means:

1. the Issuer is solvent at the time of any redemption of the RM IT-1 Capital Securities in accordance with the terms and conditions of the RM IT-1 Capital Securities and immediately thereafter; and
2. the Issuer has obtained the written approval of BNM prior to the redemption of the RM IT-1 Capital Securities.

(x) Tax Redemption

If there is more than an insubstantial risk that the Issuer will be required to pay any Additional Amounts (as defined in the Taxation clause) or will no longer be able to deduct interest in respect of the RM IT-1 Capital Securities for taxation purposes as a result of a change in any applicable law or regulation which comes into effect on or after the issue date of the RM IT-1 Capital Securities 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 RM IT-1 Capital Securities, the Issuer may, at its option, redeem the RM IT-1 Capital Securities (in whole, but not in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied.

(xi) Purchase and Cancellation

: The Issuer or any of its subsidiaries may at any time purchase, subject to the prior approval of BNM, the RM IT-1 Capital Securities at any price in the open market or by private treaty. If purchases are made by tender, such tender must (subject to any applicable rules and regulations) be made available to all Holders equally. RM IT-1 Capital Securities purchased by the Issuer or a subsidiary may not be used for voting purposes or for directing or requesting the Trustee to take any action.

All RM IT-1 Capital Securities which are (a)

redeemed or (b) purchased by the Issuer or a subsidiary of the Issuer (other than in the ordinary course of business) will forthwith, subject to the prior approval of BNM, be cancelled and accordingly may not be reissued or resold.

(xii) *Availability* : Upon completion of documentation and, unless waived by the Joint Lead Managers, compliance of all conditions precedent to the satisfaction of the Joint Lead Managers.

(xiii) *Enforcement Events; Limited Rights to Accelerate* : If an Enforcement Event occurs in respect of any RM IT-1 Capital Security, the Trustee may, and if so directed by an extraordinary resolution shall, institute such proceedings as it chooses to enforce the obligations of the Issuer under such RM IT-1 Capital Security and may, and if so directed by an extraordinary resolution shall, institute proceedings for the winding up of the Issuer; provided that the Trustee shall have no right to accelerate payment of such RM IT-1 Capital Security in the case of such default in the payment of interest on, or other amounts owing under, such RM IT-1 Capital Security or a default in the performance of any other covenant of the Issuer in such RM IT-1 Capital Security or under the Trust Deed.

If a winding up proceeding commences in respect of the Issuer or an effective resolution of the shareholders of the Issuer is passed for a winding up proceeding in respect of the Issuer, the Trustee may, and if so directed by an extraordinary resolution shall, declare the principal of, and interest on, such RM IT-1 Capital Security to be due and immediately payable, whereupon the principal of, and interest on, such RM IT-1 Capital Security shall become and be immediately due and payable.

“Enforcement Event” means the occurrence of any of the following:

1. a default is made in the payment of any amount of principal of the RM Capital IT-1 Securities on the due date for payment thereof (other than non-payment of principal under the Loss Absorption and Stock Settlement clauses); or
2. a default is made in the payment of interest (including any Additional Amounts) on the RM IT-1 Capital Securities within 14 days of the due payment thereof (other than non-payment of interest under the Limitations on Payment of Interest and Stock Settlement clauses),

other than a default in the payment of principal or interest to the extent that such default is due to (a) in the case of Deferred Interest Amounts, the cancellation of the Issuer's obligation to pay any Deferred Interest Amounts in excess of the Deferral Limit in the manner contemplated under the Limitations on Payment of Interest clause, and/or (b) in the case of the Redemption Amount, the occurrence of a Stock Settlement Limitation Event in the manner contemplated under paragraph (d) under the Stock Settlement clause.

(xiv) Voting Rights

Holder will not be entitled to receive notice of or attend or vote at any meeting of the ordinary shareholders of the Issuer or to participate in the management of the Issuer. No company-shareholder relationship is intended or has been contemplated between the Issuer and the Holders, and as such, the relationship between the Issuer and the Holders shall not be governed by the Memorandum and Articles of Association of the Issuer.

(xv) Taxation

: All payments by the Issuer in respect of the RM IT-1 Capital Securities shall be made free and clear of, and without withholding or deduction for taxes imposed, levied, collected, withheld or assessed by or within Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts ("**Additional Amount**") as will result in receipt by the Holders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any RM IT-1 Capital Securities presented for payment:

1. by or on behalf of a Holder who would not be liable or subject to such withholding or deduction by making a declaration of residence in Malaysia or other similar claim for exemption to the relevant tax authority; or
2. more than thirty (30) days after the Relevant Date except to the extent that the Holder would have been entitled to such Additional Amounts in presenting such RM IT-1 Capital Securities for payment on the last day of such period of thirty (30) days.

"**Relevant Date**" means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Facility Agent on or before the due date, it means the date on which, the full amount of the money having

been so received, notice to that effect shall have been duly given to the Trustee.

(xvi) Transferability

Transferable, but subject to the selling restrictions stated under paragraph (p) above.

(xvii) Governing Laws

: Laws of Malaysia

(xviii) Jurisdiction

: The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.

(xix) Other Conditions

: The RM IT-1 Capital Securities shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and/or any other authority in Malaysia having jurisdiction over matters pertaining to the RM Capital IT-1 Securities and the Codes of Conduct.