

**PUBLIC BANK BERHAD
INNOVATIVE TIER 1 CAPITAL SECURITIES
LISTED ON SINGAPORE EXCHANGE**

ANNOUNCEMENT BY PUBLIC BANK BERHAD TO SINGAPORE EXCHANGE

PUBLIC BANK BERHAD (“PBB” OR “COMPANY”)

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF NEW ORDINARY SHARES OF RM1.00 EACH IN PBB (“PBB SHARE(S)”) TO RAISE GROSS PROCEEDS OF UP TO RM5.00 BILLION (“PROPOSED RIGHTS ISSUE”)

1. INTRODUCTION

We, Public Investment Bank Berhad (“**PIVB**”) (a wholly-owned subsidiary of PBB), on behalf of the Board of Directors of PBB (“**Board**”), wish to announce that the Company is proposing to undertake the Proposed Rights Issue.

Further details pertaining to the Proposed Rights Issue are set out in the ensuing sections below.

2. DETAILS OF THE PROPOSED RIGHTS ISSUE

2.1 Basis and quantum

PBB proposes to undertake a renounceable rights issue of new PBB Shares (“**Rights Share(s)**”) to the entitled shareholders of PBB (“**Entitled Shareholders**”) to raise gross proceeds of up to RM5.00 billion (“**Gross Proceeds**”).

The entitlement basis for the Proposed Rights Issue (“**Entitlement Basis**”) and the issue price for the Rights Shares (“**Issue Price**”) have not been fixed at this juncture to provide flexibility to the Board to determine the Entitlement Basis and the Issue Price such that the purpose of raising the Gross Proceeds are met.

Notwithstanding the above, the Gross Proceeds has been determined upfront to provide an indication to the shareholders of PBB with respect to the capital outlay they require to fully subscribe for their respective entitlements under the Proposed Rights Issue, which can be approximated by multiplying the Gross Proceeds with their respective percentage shareholdings in PBB.

Further details of the Proposed Rights Issue will be set out in a circular to be issued to the shareholders of PBB at a later date.

For illustration purposes only, based on the Gross Proceeds of RM5.00 billion and 3,502,125,130 PBB Shares in issue (excluding 29,800,704 PBB Shares bought-back by PBB and retained as treasury shares (“**Treasury Shares**”)) as at 21 April 2014, being the latest practicable date prior to this announcement (“**LPD**”), the capital outlay required by an Entitled Shareholder holding 1,000 PBB Shares to subscribe for his/her rights entitlement is approximately RM1,428. The actual capital outlay required by the Entitled Shareholders to fully subscribe for their entitlements under the Proposed Rights Issue will depend on the Entitlement Basis and Issue Price to be determined by the Board and announced by PBB at a later date.

The Entitlement Basis and Issue Price will be determined and announced by the Board before the entitlement date for the Proposed Rights Issue, after taking into consideration, *inter-alia*, the prevailing market conditions, market price of PBB Shares, the issued and paid-up share capital of PBB as at the entitlement date and the resultant theoretical ex-rights price (“**TERP**”) based on the five (5)-day volume weighted average price (“**VWAP**”) of PBB Shares immediately preceding the price-fixing date.

It is the intention of the Board that the Issue Price shall be at a discount of at least 20% but not more than 35% from the TERP based on the five (5)-day VWAP of PBB Shares immediately preceding the price-fixing date and shall in no event be lower than the par value of PBB Shares of RM1.00 each (in compliance with the Companies Act, 1965). The Board deems that the indicative discount range of 20% to 35% is reasonably attractive and is generally in line with the market discount rates for rights issue exercises in Malaysia.

Fractional entitlements under the Proposed Rights Issue, if any, will be dealt with in a fair and equitable manner as the Board in its absolute discretion deems fit and in the best interest of PBB and its shareholders.

2.2 Renunciation of the Rights Shares

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements for the Rights Shares in full or in part.

The Rights Shares which are not taken up or not validly taken up by the Entitled Shareholders shall be made available for excess applications by the other Entitled Shareholders and/or their renounee(s). It is the intention of the Board to allocate the excess Rights Shares, if any, in a fair and equitable manner on a basis to be determined by the Board at a later date.

2.3 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing PBB Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid in respect of which the entitlement date is before the allotment date of the Rights Shares.

2.4 Shareholders' undertaking and underwriting arrangements

The Proposed Rights Issue is intended to be undertaken on a full subscription basis.

PBB has obtained irrevocable written undertakings dated 29 April 2014 from certain shareholders of PBB, namely Tan Sri Dato' Sri Dr. Teh Hong Piow and his related companies (collectively, referred herein as "**Shareholders**"), of which the Shareholders have undertaken to subscribe in full for their respective entitlements for the Rights Shares under the Proposed Rights Issue ("**Undertakings**").

It should be noted that the Undertakings will not give rise to any consequence of mandatory general offer obligation pursuant to the Malaysia Code on Take-Overs and Mergers 2010 as the Proposed Rights Issue is intended to be undertaken on a full subscription basis, and the remaining balance of the Rights Shares will be fully underwritten by a group of underwriters.

For illustration purposes, the shareholdings of the Shareholders and the amount of their respective full entitlements for the Rights Shares under the Proposed Rights Issue as at the LPD, are set out below:

	Shareholdings as at the LPD		Entitlement*	
	No. of PBB Shares held	% [#]	RM million	% [#]
Tan Sri Dato' Sri Dr. Teh Hong Piow	22,464,802	0.64	31.90	0.64
Companies related to Tan Sri Dato' Sri Dr. Teh Hong Piow	820,835,261	23.44	1,165.59	23.44
Total	843,300,063	24.08	1,197.49	24.08

Notes:

* Based on the Gross Proceeds of up to RM5.00 billion accompanied by the relevant Assumptions (as defined in Section 4 of this announcement) adopted.

Computed based on the number of PBB Shares in issue (excluding the Treasury Shares).

The remaining portion of Rights Shares for which no undertaking is obtained will be fully underwritten by a group of underwriters. Such underwriting arrangement shall be made prior to the entitlement date of the Proposed Rights Issue.

2.5 Listing of and quotation for the Rights Shares

An application will be made to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

2.6 Utilisation of proceeds to be raised from the Proposed Rights Issue

The Gross Proceeds is proposed to be utilised in the following manner:

Details	RM billion	Expected timeframe for utilisation of proceeds from the date of listing of the Rights Shares
Working capital and general banking purposes	4.97	Within twelve (12) months
Defrayment of estimated expenses in relation to the Proposed Rights Issue	*0.03	Within three (3) months
Total	5.00	

Note:

* Represents approximately RM25.00 million.

The actual gross proceeds to be raised cannot be determined at this juncture as it is dependent on the Issue Price and the total number of Rights Shares to be issued. Any differences between the Gross Proceeds and actual gross proceeds raised shall be adjusted to/from the amount allocated for the working capital and general banking purposes of PBB.

2.7 Abridged prospectus and accompanying documents

An abridged prospectus together with the accompanying documents (“**Documents**”), which will be issued in due course in connection with the Proposed Rights Issue are not and will not be made to comply with the laws of any country or jurisdiction other than Malaysia, and have not and will not be registered under any applicable securities legislation of any country or jurisdiction other than Malaysia. The Proposed Rights Issue will not be offered for purchase or subscription in any country or jurisdiction other than Malaysia.

Accordingly, the Documents will only be despatched to the Entitled Shareholders whose addresses are in Malaysia as appearing in PBB’s Record of Depositors or the addresses (if any) in Malaysia provided by them to PBB for the service of documents to them.

Entitled Shareholders having addresses outside Malaysia as appearing in PBB’s Record of Depositors or who have not provided addresses in Malaysia to PBB for the service of documents should seek advice from their respective stockbrokers, solicitors or other professional advisers immediately.

3. **RATIONALE FOR THE PROPOSED RIGHTS ISSUE**

The Proposed Rights Issue is undertaken as part of the Company's capital management strategy to further strengthen its capital position to support the continuous business growth of PBB and its subsidiaries.

The Proposed Rights Issue will also facilitate the building up of an adequate level of capital buffer in preparation for the forthcoming regulatory capital requirements.

Further, the Proposed Rights Issue will provide the Entitled Shareholders with an opportunity to increase their equity participation in the Company.

Based on the above and after taking into consideration other options available, the Board is of the view that the Proposed Rights Issue is in the best interest of the Company and its shareholders.

4. **EFFECTS OF THE PROPOSED RIGHTS ISSUE**

For illustration purposes only, the pro forma effects of the Proposed Rights Issue are based on the following assumptions ("**Assumptions**"):

Illustrative Issue Price : RM14.20 per Rights Share, reflecting approximately 27% discount to the TERP of RM19.45 based on the five (5)-day VWAP of PBB Shares up to the LPD of RM19.97

Illustrative number of Rights Shares to be issued : Approximately 350.21 million Rights Shares

Estimated expenses in relation to the Proposed Rights Issue : RM25.00 million

4.1 **Issued and paid-up share capital**

The pro forma effects of the Proposed Rights Issue on the issued and paid-up share capital of PBB are set out in **Appendix I** of this announcement.

4.2 **Substantial shareholders' shareholdings**

The pro forma effects of the Proposed Rights Issue on the substantial shareholders' shareholdings of PBB are set out in **Appendix II** of this announcement.

4.3 Earnings and earnings per PBB Share (“EPS”)

The effects of the Proposed Rights Issue on the consolidated earnings and EPS of PBB will depend on, amongst others, the number of Rights Shares to be issued and the level of returns generated from the utilisation of proceeds raised from the Proposed Rights Issue.

However, assuming that the consolidated net earnings of PBB remain unchanged, the EPS of PBB will be proportionately reduced as a result of the increase in the number of PBB Shares upon issuance and allotment of the Rights Shares.

4.4 Net assets (“NA”) and NA per PBB Share

The pro forma effects of the Proposed Rights Issue on the consolidated NA and NA per PBB Share are set out in **Appendix III** of this announcement.

4.5 Convertible securities

PBB does not have any convertible securities as at the LPD.

On behalf of the Board, we wish to emphasise that the pro forma effects set out in Section 4 and Appendices I to III of this announcement are illustrated based on the Assumptions and should not be regarded as an indication or reference to the Entitlement Basis and Issue Price, of which will be determined and announced by the Board at a later date.

5. APPROVALS REQUIRED

The Proposed Rights Issue is subject to approvals being obtained from the following:

- (i) Bank Negara Malaysia for the increase in the issued and paid-up share capital of PBB pursuant to the Proposed Rights Issue;
- (ii) Bursa Securities for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities;
- (iii) the shareholders of PBB at an extraordinary general meeting (“**EGM**”) to be convened; and
- (iv) any other relevant authorities, if required.

Barring any unforeseen circumstances, the application to Bursa Securities in relation to the above is expected to be submitted within one (1) month from the date of this announcement.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders and/or persons connected to them has any interest, either direct or indirect, in the Proposed Rights Issue beyond their respective entitlements to the Rights Shares as shareholders of PBB for which all existing shareholders of PBB are similarly entitled.

7. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Rights Issue, is of the opinion that the Proposed Rights Issue is in the best interest of PBB.

Accordingly, the Board recommends that shareholders vote in favour of the resolution pertaining to the Proposed Rights Issue to be tabled at an EGM to be convened.

8. ADVISERS

PIVB has been appointed as the Principal Adviser, Lead Arranger and Joint Global Coordinator to the Company for the Proposed Rights Issue.

9. ESTIMATED TIMEFRAME FOR COMPLETION OF THE PROPOSED RIGHTS ISSUE

Barring any unforeseen circumstances and subject to obtaining all the required approvals, the Proposed Rights Issue is expected to be completed by the third quarter of 2014.

This announcement is dated 29 April 2014.

APPENDIX I

Pro forma effects of the Proposed Rights Issue on the issued and paid-up share capital

For illustration purposes, the pro forma effects of the Proposed Rights Issue on the issued and paid-up share capital of PBB based on the Assumptions are as follows:

	Par value	No. of PBB Shares (million)	RM million
Authorised share capital	1.00	10,000.00	10,000.00
Issued and paid-up share capital:			
As at the LPD	1.00	*3,531.93	*3,531.93
To be issued pursuant to the Proposed Rights Issue	1.00	350.21	350.21
Total enlarged issued and paid-up share capital	1.00	3,882.14	3,882.14

Note:

* Including the Treasury Shares.

APPENDIX II

Pro forma effects of the Proposed Rights Issue on the substantial shareholders' shareholdings

For illustration purposes, the pro forma effects of the Proposed Rights Issue on the substantial shareholders' shareholdings of PBB based on a full subscription basis and the Assumptions are as follows:

Substantial shareholders	As at the LPD [#]				Assuming that all the substantial shareholders subscribe in full for their entitlements				Assuming that only Tan Sri Dato' Sri Dr. Teh Hong Piow and his related companies subscribe in full for their entitlements pursuant to the Undertakings			
					After the Proposed Rights Issue				After the Proposed Rights Issue			
	Direct interests		Indirect interests		Direct interests		Indirect interests		Direct interests		Indirect interests	
	No. of PBB Shares held	%*	No. of PBB Shares held	%*	No. of PBB Shares held	%*	No. of PBB Shares held	%*	No. of PBB Shares held	%*	No. of PBB Shares held	%*
Tan Sri Dato' Sri Dr. Teh Hong Piow	22,464,802	0.64	[^] 820,835,261	23.44	24,711,282	0.64	[^] 902,918,787	23.44	24,711,282	0.64	[^] 902,918,787	23.44
Employees Provident Fund Board	512,978,681	14.65	-	-	564,276,549	14.65	-	-	512,978,681	^(a) 13.32	-	-
Consolidated Teh Holdings Sdn Bhd	82,952,747	2.37	[^] 172,952,816	4.94	91,248,021	2.37	[^] 190,248,097	4.94	91,248,021	2.37	[^] 190,248,097	4.94
Sekuriti Pejal Sdn Bhd [@]	210,195,124	6.00	[^] 40,412,856	1.15	231,214,636	6.00	[^] 44,454,141	1.15	231,214,636	6.00	[^] 44,454,141	1.15

Notes:

Based on the Register of Substantial Shareholders.

* Computed based on the number of PBB Shares in issue (excluding the Treasury Shares).

(a) Assumption made that no undertaking is to be received from Employees Provident Fund Board to subscribe for its entitlement for the Rights Shares in full under the Proposed Rights Issue and its portion will be fully underwritten.

[^] Deemed to have interests in PBB Shares held by other corporations by virtue of Section 6A(4) of the Companies Act, 1965.

[@] This company is currently in Members' Voluntary Liquidation.

APPENDIX III

Pro forma effects of the Proposed Rights Issue on the consolidated NA and NA per PBB Share

For illustration purposes, based on the Assumptions, the latest consolidated statement of financial position of PBB as at 31 December 2013 and the assumption that the Proposed Rights Issue has been completed on 31 December 2013, the pro forma effects of the Proposed Rights Issue on the consolidated NA and NA per PBB Share are as follows:

	Audited as at 31 December 2013 RM million	After the Proposed Rights Issue RM million
Share capital	3,531.93	3,882.14
Share premium	1,073.31	^(a) 5,671.12
Other reserves	4,526.37	4,526.37
Retained profits	11,507.57	11,507.57
Treasury Shares	(215.57)	(215.57)
Equity attributable to equity holders of PBB	20,423.61	25,371.63
Non-controlling interests	773.60	773.60
Total equity	21,197.21	26,145.23
Number of PBB Shares in issue (million) ^(b)	3,502.13	3,852.34
NA per PBB Share (RM) ^(c)	5.83	6.59

Notes:

- (a) After deducting the estimated expenses in relation to the Proposed Rights Issue of approximately RM25.00 million.
- (b) Excluding the Treasury Shares.
- (c) Computed based on the equity attributable to equity holders of PBB divided by the number of PBB Shares in issue.