

## BACKGROUND INFORMATION

### 1. *Issuer*

- (i) *Name* : Hong Leong Bank Berhad (“**HLB**” or “**Issuer**”)
- (ii) *Address* : Correspondence Address  
  
Level 3, Wisma Hong Leong  
18, Jalan Perak  
50450 Kuala Lumpur  
  
Registered Address  
  
Level 8, Wisma Hong Leong  
18, Jalan Perak  
50450 Kuala Lumpur
- (iii) *Business Registration No.* : 97141-X
- (iv) *Date and Place of Incorporation* : 26 October 1934 / Kuching, Sarawak.
- (v) *Date of Listing (in case of a public listed company)* : 17 October 1994.
- (vi) *Status* : Resident controlled company.
- (vii) *Principal Activities* : HLB is principally engaged in all aspects of commercial banking business and in the provision of related financial services.
- (viii) *Board of Directors (as at 23 April 2012)* :
- (i) YBhg Tan Sri Quek Leng Chan
  - (ii) YBhg Datuk Yvonne Chia
  - (iii) Mr Kwek Leng Hai
  - (iv) YBhg Datuk Kwek Leng San
  - (v) YBhg Dato’ Mohamed Nazim Bin Abdul Razak
  - (vi) Mr Choong Yee How
  - (vii) Mr Quek Kon Sean
  - (viii) Ms Lim Lean See
  - (ix) Tan Sri A. Razak bin Ramli
  - (x) Mr Lim Beng Choon
  - (xi) YBhg Dato’ Syed Faisal Albar Bin Syed A.R Albar

(ix) *Structure of shareholdings and name of shareholders or, in the case of public company, names of all substantial shareholders (as at 23 April 2012)*

Shareholder (Direct / Indirect Interest)	No. of Ordinary Shares		%( <sup>1</sup> )
	Direct	Indirect	
Hong Leong Financial Group Berhad ("HLFG")	1,143,931,005	14,204,580	64.38 <sup>(2)</sup>
Hong Leong Company (Malaysia) Berhad ("HLCM")	-	1,163,168,985	64.66 <sup>(2)</sup>
HL Holdings Sdn Bhd	-	1,163,168,985	64.66 <sup>(3)</sup>
Tan Sri Quek Leng Chan	-	1,163,336,985	64.67 <sup>(4)</sup>
Hong Realty (Private) Limited	-	1,163,288,985	64.67 <sup>(4)</sup>
Hong Leong Investment Holdings Pte Ltd	-	1,163,288,985	64.67 <sup>(4)</sup>
Kwek Holdings Pte Ltd	-	1,163,288,985	64.67 <sup>(4)</sup>
Kwek Leng Beng	-	1,163,288,985	64.67 <sup>(4)</sup>
Davos Investment Holdings Private Limited	-	1,163,288,985	64.67 <sup>(4)</sup>
Kwek Leng Kee	243,400	1,163,288,985	64.68 <sup>(4)</sup>
Quek Leng Chye	-	1,163,288,985	64.67 <sup>(4)</sup>
Guoco Assets Sdn Bhd	-	1,158,135,585	64.38 <sup>(5)</sup>
GuoLine Overseas Limited	-	1,160,775,585	64.53 <sup>(6)</sup>

Shareholder (Direct / Indirect Interest)	No. of Ordinary Shares		% <sup>(1)</sup>
	Direct	Indirect	
Guoco Group Limited	-	1,160,775,585	64.53 <sup>(6)</sup>
GuoLine Capital Assets Limited	-	1,163,168,985	64.66 <sup>(6)</sup>
Employees Provident Fund Board	218,660,672	-	12.16

Notes:

- (1) Based on number of shares in circulation of 1,798,810,400 (after excluding 81,098,700 treasury shares as at 23 April 2012).
- (2) Held through subsidiaries.
- (3) Held through HLCM.
- (4) Held through HLCM and company(ies) in which the substantial shareholder has interest.
- (5) Held through HLFG
- (6) Held through subsidiary(ies) and HLFG.

- (x) *Authorised share capital (as at 23 April 2012)* : RM3,000,000,000 comprising 3,000,000,000 ordinary shares of RM1.00 each
- Paid-up share capital (as at 23 April 2012)* : RM1,798,810,400 comprising 1,798,810,400 ordinary shares of RM1.00 each, excluding treasury shares of RM81,098,700 comprising 81,098,700 ordinary shares of RM1.00 each

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

- (i) *Principal Advisers* : CIMB Investment Bank Berhad (“**CIMB**”), Hong Leong Investment Bank Berhad (“**HLIB**”) and Maybank Investment Bank Berhad (“**Maybank IB**”)

(collectively referred to as the “**Joint Lead Arrangers**” and each a “**Joint Lead Arranger**”)

- (ii) *Lead Arrangers* : The Joint Lead Arrangers
  - (iii) *Co-arranger* : Not applicable
  - (iv) *Solicitors* : Zul Rafique & partners as the solicitors for the Joint Lead Arrangers and Joint Lead Managers
  - (v) *Financial Adviser* : Not applicable
  - (vi) *Technical Adviser* : Not applicable
  - (vii) *Trustee* : CIMB Commerce Trustee Berhad
  - (viii) *Guarantor* : Not applicable
  - (ix) *Valuer* : Not applicable
  - (x) *Facility Agent* : HLIB
  - (xi) *Primary Subscribers (under a bought-deal) arrangement and amount subscribed* : To be determined prior to the issuance in respect of issuance via bought deal basis only.  
Not applicable for issuance via private placement and book building.
  - (xii) *Underwriter(s) and amount underwritten* : Not applicable
  - (xiii) *Central Depository* : Bank Negara Malaysia (“**BNM**”)
  - (xiv) *Paying Agent* : BNM
  - (xv) *Reporting Accountant* : Not applicable
  - (xvi) *Calculation agent* : HLIB
  - (xvii) *Others (please specify)*
    - Joint Lead Managers* : CIMB, HLIB and Maybank IB
3. *Facility Description* : A one-time issuance of Tier 2 subordinated notes as approved by BNM (the “**Subordinated Notes**”).

4. *Issue/Programme size* : The issue size is up to RM1.5 billion in nominal value.
5. *Tenure of issue/debt programme (or facility)* : The Subordinated Notes may be issued in tranches on the same issue date with different maturity dates and each tranche shall have a tenure of not less than five (5) years and not more than twenty (20) years from the issue date.

Call Option

Each tranche of Subordinated Notes may have a call option (“**Call Option**”) (to be determined prior to the issue date). Under the Call Option, if applicable, the Issuer shall have the option to redeem the Subordinated Notes of that tranche at par on the Call Date.

**Call Date** is defined as “any Coupon Payment Date falling within the period of five (5) years prior to the respective maturity dates”.

6. *Availability period of the debt programme (or facility)* : The issuance of the Subordinated Notes shall be made within one (1) year from date of the Securities Commission (“**SC**”)’s approval.
7. *Interest/coupon rate* : The coupon rate is to be determined prior to the issue date. The coupon rate herein shall be applicable throughout the tenure of the Subordinated Notes. Each tranche of the Subordinated Notes may carry a different coupon rate.

For avoidance of doubt, there is no step up coupon after the first Call Date of the Subordinated Notes, in the event the Call Option is not exercised by the Issuer.

8. *Interest/coupon payment frequency* : Payable semi-annually in arrears from the issue date (“**Coupon Payment Date**”) with the last coupon payment to be made on the respective maturity dates or upon the redemption of the Subordinated Notes, whichever is the earlier.
9. *Interest/Coupon payment basis* : The coupon of the Subordinated Notes will be calculated on the basis of the actual number of days in the relevant period divided by 365 or in any event, in accordance with MyClear Procedures (as defined below).

10. *Security /Collateral (if any)* : None
11. *Details on utilisation of proceeds by Issuer* : The proceeds of the Subordinated Notes shall be made available to the Issuer, without limitation, for its working capital and general banking purposes.
12. *Sinking Fund and designated accounts (if any)* : Not applicable
13. *Rating* : The rating agency is RAM Rating Services Berhad ("**RAM**")
- The indicative rating for the Subordinated Notes is AA2 from RAM.
14. *Mode of Issue* : The Subordinated Notes may be issued via direct/private placement on a best effort basis or a bought deal basis or book running on a best effort basis without prospectus.
15. *Selling Restrictions* : Selling Restrictions at Issuance  
The Subordinated Notes 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 Subordinated Notes and to whom the Subordinated Notes are issued would fall within:
1. Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)); read together with
  2. Schedule 9 (or Section 257(3))
- of the Capital Markets and Services Act, 2007, ("**CMSA**") as amended from time to time, and such other selling restrictions as may be applicable outside Malaysia.
- Selling Restrictions after Issuance  
The Subordinated Notes 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 Subordinated Notes and to whom the Subordinated Notes are issued would fall within:
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1. Schedule 6 (or Section 229(1)(b)); read together with

2. Schedule 9 (or Section 257(3))

of the CMSA as amended from time to time, and such other selling restrictions as may be applicable outside Malaysia.

The Subordinated Notes are tradable and transferable.

16. *Listing Status and types of listing* : The Subordinated Notes may be listed on Bursa Malaysia Securities Berhad (“**Bursa Securities**”) under an Exempt Regime pursuant to Chapter 4B of Bursa Securities’ Main Market Listing Requirements.

17. *Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify)* : Approval from BNM for the issuance of Tier-2 Subordinated Notes wherein BNM’s approval has been obtained on 16 April 2012.

18. *Conditions Precedent* : Conditions precedent for the issuance of the Subordinated Notes shall include but is not limited to the following (all of which shall be in form and substance acceptable to the Joint Lead Managers):

**A. Main Documentation**

1. The transaction documents have been signed and, where applicable, stamped or endorsed as exempted from stamp duty under the relevant legislation and presented for registration.

**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, 44 and 49 of the Issuer.

3. A certified true copy of a board resolution of the Issuer authorising, among others, the issuance of the Subordinated Notes, the entry

into and performance of the transaction contemplated thereby and 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 (in form and substance acceptable to the Joint Lead Managers) signed by a director of the Issuer declaring that the Issuer is not wound up and that no winding up petition has been presented against the Issuer.
7. Reports or searches conducted at other relevant public registries (if any).

**C. General**

1. The approval from the SC and, where applicable, all other regulatory authorities.
2. The approval from BNM for the issuance of Tier-2 Subordinated Notes.
3. The Subordinated Notes shall have received the relevant rating acceptable to the Joint Lead Managers.
4. A legal opinion from the solicitors acting for the Joint Lead Managers addressed to the Joint Lead Managers and the Trustee advising with respect to, among others, the legality, validity and enforceability of the transaction documents.
5. A written confirmation from the solicitors acting for the Joint Lead Managers addressed to the Joint Lead Managers that all the conditions precedent have been fulfilled and where required, all the necessary transaction documents have been presented for registration with the relevant registries.
6. Evidence that all transaction fees, costs and expenses have been paid in full.
7. Any other conditions as may be advised by



the solicitors acting for the Joint Lead Managers.

19. *Representations and Warranties* : Representation and warranties typical and customary for the issuance of the Subordinated Notes of this nature, which shall include but is not limited to the following:
1. The Issuer is duly incorporated and validly in existence and has the full power and authority to carry out its business and to own its property and assets, and has full beneficial ownership of all its property and assets.
  2. The Issuer has the power to enter into the transaction documents and exercise its rights and to perform its obligations under the transaction documents.
  3. Entry into and the exercise of the Issuer's rights and obligations under the transaction documents do not violate any existing law or regulation.
  4. The transaction documents are valid, binding and enforceable.
  5. All necessary actions, authorisations and consents required under the transaction documents and the Subordinated Notes have been obtained and remain in full force and effect.
  6. The audited accounts of the Issuer are prepared in accordance with generally accepted accounting principles and standards and represent a true and fair view.
  7. Save as disclosed in the information memorandum, there is no litigation which would have a material adverse effect on the Issuer's ability to perform its obligations under the transaction documents.
  8. Any other representations and warranties as advised by the solicitors of the Joint Lead Managers.

20. *Events of Default* : The Events of Default shall be:
1. Default in payment for the Subordinated Notes of any principal or coupon payment and such default continues for seven (7) business days; and
  2. if a court order is made or an effective resolution is passed for the winding up of the Issuer.

There will be no other events of default for the Subordinated Notes.

Upon the occurrence of the Event of Default described in (1.) under “**Events of Default**” clause above, subject to the terms of the Trust Deed, the Trustee or the holders of the Subordinated Notes (“**Subordinated Noteholders**”) are entitled to institute proceedings to enforce the obligations of HLB for repayment of principal and/or interest, including to institute proceedings in Malaysia for the winding up of the Issuer, provided that neither the Trustee nor any of the Subordinated Noteholders shall have the right to accelerate payment of the Subordinated Notes in the case of such default in the payment of interest on the Subordinated Notes.

Upon the occurrence of the Event of Default described in (2.) under “**Events of Default**” clause above, subject to the terms of the Trust Deed, the Trustee may by written notice to the Issuer declare that the Subordinated Notes shall immediately become due and payable at their respective principal amount together with the accrued coupon payment notwithstanding the stated maturity of the Subordinated Notes.

21. *Covenants* : The Issuer shall comply with such applicable positive covenants as may be advised by the solicitors acting for the Joint Lead Managers and/or which are required in order to comply with the SC’s Trust Deeds Guidelines, including, but not limited to the following:
1. Exercise reasonable diligence in carrying on its business in a proper and efficient manner and keep in force and effect all licenses, consents and rights necessary for

the conduct of its business.

2. At all times to comply with all relevant laws and regulations.
3. Maintain a paying agent in Malaysia.
4. Maintain proper books and accounts and deliver financial statements to the Trustee in a timely manner.
5. Inform the Trustee of any actual or potential Event of Default.
6. Deliver to the Trustee an annual certificate of compliance.

22. *Provisions on buyback and early redemption of the Subordinated Notes* : Redemption of the Subordinated Notes  
For each tranche of the Subordinated Notes, if the Call Option is applicable, the Issuer may, at its sole discretion, and subject to the Redemption Conditions being satisfied, redeem the Subordinated Notes of that tranche in whole on the Call Date at the Redemption Amount. The optional redemption of one tranche of the Subordinated Notes does not trigger the redemption of the other tranche of the Subordinated Notes.

Buyback of the Subordinated Notes

The Issuer or any of its subsidiaries or related corporations may at any time buyback any tranche of the Subordinated Notes at any price in the open market or by private treaty. If buyback are made by tender, such tender must (subject to any applicable rules and regulations) be made available to all holders of the relevant tranche equally.

All Subordinated Notes purchased by the Issuer or its subsidiaries shall be cancelled. All Subordinated Notes purchased by other related corporations (other than its subsidiaries) or any interested person of the Issuer, which includes the directors, major shareholders and chief executive officer, need not be cancelled but they will not entitle such related corporations or interested person of the Issuer to vote under the terms of the Subordinated Notes subject to any exceptions in the Trust Deeds Guidelines. For the avoidance of doubt, all Subordinated Notes held

by related corporations and the interested person of the Issuer shall not be counted for the purposes of voting subject to any exceptions in the Trust Deeds Guidelines. All Subordinated Notes purchased and cancelled shall not be available for reissuance by the Issuer.

23. *Other principal terms and conditions for the issue*

- 23.1. *Issue Price* : The Subordinated Notes are to be issued at par or at a discount in accordance with (1) the "Participation and Operation Rules for Payment and Securities Services ("**MyClear Rules**") issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**") and (2) the Operational Procedures for Securities Services issued by MyClear, ("**MyClear Procedures**") as amended or substituted from time to time (collectively the "**MyClear Rules and Procedures**").
- 23.2. *Yield to Maturity (%)* : To be determined prior to the issue date of the Subordinated Notes.
- The Subordinated Notes will be priced on the basis of yield to the first Call Date (if applicable) or maturity date.
- 23.3. *Default Interest* : Interest on overdue amounts shall be payable at 1% per annum plus the base lending rate of CIMB Bank Berhad from and including the relevant due date to but excluding the date of actual payment, calculated based on the actual number of days elapsed and a year of 365 days.
- 23.4. *Form and Denomination* : The Subordinated Notes shall be issued in accordance with MyClear Rules and Procedures. Each tranche of the Notes shall be represented by a global certificate to be deposited with BNM, and is exchanged for a definitive bearer form only in certain limited circumstances. The denomination of the Subordinated Notes shall be RM1,000 or in multiples of RM1,000 at the time of issuance.
- 23.5. *Status of Subordinated Notes* : The Subordinated Notes will constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and subordinated in right and priority of payment, to the extent and in the

manner provided in the Subordinated Notes, ranking *pari passu* among themselves. The Subordinated Notes will, in the event of a winding up or liquidation of the Issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment with or are subordinate to the Subordinated Notes.

- 23.6. *Redemption Conditions for the Subordinated Notes* : Redemption Conditions for the Subordinated Notes means:
1. the Issuer is solvent at the time of any redemption of the Subordinated Notes and immediately thereafter;
  2. the Issuer is not in breach of BNM's minimum capital adequacy ratio requirements applicable to the Issuer; and
  3. the Issuer has obtained the written approval of BNM prior to redemption of the Subordinated Notes.
- 23.7. *Regulatory Redemption for the Subordinated Notes* : If any tranche of the Subordinated Notes 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 any tranche of the Subordinated Notes will no longer qualify as such ("**Regulatory Event**"), the Issuer may, at its option, redeem such tranche of the Subordinated Notes (in whole, but not in part) at Redemption Amount, subject to the Redemption Conditions being satisfied.
- The regulatory redemption of one tranche of the Subordinated Notes does not oblige the Issuer to redeem the other tranches of the Subordinated Notes.
- 23.8. *Tax Redemption for the Subordinated Notes* : If there is more than an insubstantial risk that:
1. the Issuer has or will become obliged to pay any additional taxes, duties, assessments or government charges of whatever nature in relation to any tranche of the Subordinated Notes;

2. the Issuer would no longer obtain tax deductions for the purposes of Malaysian corporation tax for any payment in respect of any tranche of the Subordinated Notes; as a result of a change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the issue date and the Issuer cannot, by taking reasonable measures available to it, avoid such obligations ("**Tax Event**"), then the Issuer may, at its option, redeem such tranche of the Subordinated Notes (in whole, but not in part) at Redemption Amount, subject to the Redemption Conditions being satisfied.

The tax redemption of one tranche of the Subordinated Notes does not oblige the Issuer to redeem the other tranches of the Subordinated Notes.

23.9. *Redemption maturity* at : Unless previously redeemed on Call Date (if applicable) or redeemed pursuant to a Regulatory Event or a Tax Event or purchased from the market and cancelled, the Subordinated Notes will be redeemed at Redemption Amount on the respective maturity dates.

**"Redemption Amount"** means an amount equal to 100% of the face value together with accrued but unpaid interest (if any) relating to the then current interest period (if any) up to (and excluding) the date on which the Subordinated Notes are redeemed.

23.10. *Transaction Documents* : 1. Subscription Agreement(s).  
2. Trust Deed.  
3. Any other agreements as may be advised by the solicitors acting for the Joint Lead Managers.

23.11. *Taxation* : All payments by the Issuer shall be made subject to withholding or deductions for or on account of any present or future tax, duty, or charge of whatsoever nature imposed or levied by or on behalf of Malaysia, or any authority thereof

having power to tax, and the Issuer shall not be required to gross up in connection with such withholding or deduction on these payments or distributions.

- 23.12. *No Further Rights to Participate in Profits and Assets* : The Subordinated Noteholders shall not be conferred any right or claim as regards to participation in the profits and assets of the Issuer.
- 23.13. *Voting Rights* : The Subordinated Noteholders 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 Subordinated Noteholders, and as such, the relationship between the Issuer and the Subordinated Noteholders shall not be governed by the Memorandum and Articles of Association of the Issuer.
- 23.14. *Governing Laws* : The Subordinated Notes shall be governed by the laws of Malaysia.
- 23.15. *Other Expenses* : All costs, charges and expenses including trustee fee, legal and other professional fees, abortive fees, rating fees, stamp duties (if any), penalties, SC, MyClear and BNM fees, and other incidental costs, charges and expenses shall be borne by the Issuer, even if the issuance is subsequently aborted for any reason whatsoever.
- 23.16. *Other Conditions* : The Subordinated Notes shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM, MyClear and/or any other authority having jurisdiction over matters pertaining to the Subordinated Notes.