

MALAYSIA BUILDING SOCIETY BERHAD (“MBSB” OR “COMPANY”)

PROPOSED RENOUNCEABLE TWO-CALL RIGHTS ISSUE OF NEW ORDINARY SHARES OF RM1.00 EACH IN MBSB (“MBSB SHARES” OR “SHARES”) TO RAISE GROSS PROCEEDS OF UP TO RM2.00 BILLION (“PROPOSED RIGHTS ISSUE”)

1. INTRODUCTION

On behalf of the Board of Directors of MBSB (“**Board**”), AmInvestment Bank Berhad (“**AmInvestment Bank**”) and RHB Investment Bank Berhad (“**RHB Investment Bank**”) wish to announce that MBSB proposes to undertake a renounceable two-call rights issue of new MBSB Shares (“**Rights Shares**”) to the entitled shareholders of MBSB (“**Entitled Shareholder(s)**”) on a basis and issue price to be determined and announced later, to raise gross proceeds of up to RM2.00 billion (“**Maximum Gross Proceeds**”).

The issue price of the Proposed Rights Issue (“**Issue Price**”) will be payable in two calls, the first call of which will be payable in cash on application by the Entitled Shareholder(s) and/or his renounee(s) who wishes to subscribe for the Rights Shares (“**First Call**”) and the second call shall be capitalised from the Company’s share premium and/or retained earnings account (“**Second Call**”).

2. THE PROPOSED RIGHTS ISSUE

2.1 Details of the Proposed Rights Issue

The Company proposes to undertake the Proposed Rights Issue to raise the Maximum Gross Proceeds.

The Issue Price (comprising the First Call and the Second Call) and the entitlement basis for the Proposed Rights Issue (“**Entitlement Basis**”) have not been fixed at this juncture to provide flexibility to the Board in respect of the pricing of the Rights Shares and the number of Rights Shares to be issued. It is the intention of the Board that the First Call shall be priced at a discount of at least 25% to the theoretical ex-rights price (“**TERP**”) based on the five (5)-market day volume weighted average price (“**VWAP**”) of MBSB Shares immediately preceding the price-fixing date.

Notwithstanding the above, the Maximum Gross Proceeds has been determined upfront to provide clarity to shareholders of MBSB (“**MBSB Shareholders**”) with respect to the capital outlay required to subscribe for their respective entitlements under the Proposed Rights Issue, which can be approximated by multiplying the Maximum Gross Proceeds with their respective percentage shareholdings in MBSB.

For illustration purposes only, based on 2,838,553,579 MBSB Shares in issue as at 29 February 2016, being the latest practicable date prior to this announcement (“**LPD**”), the capital outlay required from an Entitled Shareholder and/or his renounee(s) holding 1,000 MBSB Shares who wishes to subscribe for his entitlement is approximately RM705 (based on the Maximum Gross Proceeds). The actual outlay required by Entitled Shareholders and/or their renounee(s) to fully subscribe for their entitlements under the Proposed Rights Issue depends on the Entitlement Basis and the First Call.

The Proposed Rights Issue is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the Rights Shares in full or in part. The Rights Shares which are not taken up or not validly taken up will 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 in a fair and equitable manner and on a basis to be determined, details of which will be set out in the abridged prospectus to be issued for the Proposed Rights Issue.

Fractional entitlements of the Rights Shares, if any, arising from the Proposed Rights Issue shall be disregarded, and dealt with in such manner as the Board shall in its absolute discretion deem fit and expedient and in the best interest of the Company.

The full details of the Proposed Rights Issue will be set out in the abridged prospectus. The abridged prospectus together with the accompanying documents in relation to the Proposed Rights Issue will not be sent to MBSB Shareholders whose addresses in the Company's Record of Depositors are not in Malaysia to avoid any violation on the part of the Company of any securities laws applicable outside Malaysia.

2.2 First Call and Second Call of the Rights Shares

The Issue Price shall be satisfied in two calls as follows:-

- (i) **First Call** : payable in cash by the Entitled Shareholders and/or their renounee(s) who subscribe for the Rights Shares; and
- (ii) **Second Call** : to be capitalised from the Company's share premium and/or retained earnings account

By capitalising the share premium and/or retained earnings account, the Entitled Shareholders and/or their renounee(s) who subscribe for the Rights Shares will only be required to make a cash payment for the First Call.

For illustrative purposes throughout this announcement, the proforma effects of the Proposed Rights Issue are based on the following parameters ("**Parameters**"):-

- (a) As at the LPD, the Company has the following outstanding securities:-
 - (i) 2,838,553,579 MBSB Shares;
 - (ii) 21,174,195 outstanding employees' share option scheme's options ("**ESOS Options**") which are exercisable into 21,174,195 MBSB Shares at exercise prices ranging from RM1.01 to RM2.15 each; and
 - (iii) 13,997,973 outstanding MBSB warrants which are exercisable into 13,997,973 MBSB Shares by 31 May 2016 at an exercise price of RM1.00 each ("**Warrants**");
- (b) On 24 February 2016, the Board announced the proposed single-tier final dividend of 3.0% (3.0 sen net per MBSB Share) for the financial year ended ("**FYE**") 31 December 2015 ("**Proposed Final Dividend**") and that the dividend reinvestment plan shall apply to the entire portion of the Proposed Final Dividend ("**DRP**"). In the event the issuance date of the MBSB Shares to be issued pursuant to the DRP ("**DRP Share(s)**") is prior to the entitlement date of the Proposed Rights Issue ("**Entitlement Date**"), the DRP Shares will be entitled for the Proposed Rights Issue.

(c) The minimum scenario assumes that none of the outstanding ESOS Options and Warrants is exercised prior to the Entitlement Date and that none of the Proposed Final Dividend is reinvested in new MBSB Shares under the DRP and is payable wholly in cash prior to the Entitlement Date ("**Minimum Scenario**"). The Issue Price and the Entitlement Basis under the Minimum Scenario shall be based on the following assumptions:-

- (i) Issue Price of RM1.00, comprising First Call of RM0.82 and Second Call via capitalisation of share premium account of RM0.18. The First Call represents a 26.79% discount to the TERP of RM1.12 based on the five (5)-market day VWAP of MBSB Shares up to the LPD of RM1.3791; and
- (ii) Entitlement Basis of seventeen (17) Rights Shares for every twenty (20) MBSB Shares held.

Based on the Minimum Scenario, the total gross proceeds to be raised from the Proposed Rights Issue will amount to approximately RM1.98 billion.

(d) The maximum scenario assumes that all the outstanding ESOS Options and Warrants are fully exercised prior to the Entitlement Date and that the entire Proposed Final Dividend is reinvested in new MBSB Shares at an assumed issue price of RM1.22 per DRP Share prior to the Entitlement Date ("**Maximum Scenario**"). The Issue Price and the Entitlement Basis under the Maximum Scenario shall be based on the following assumptions:-

- (i) Issue Price of RM1.00, comprising First Call of RM0.84 and Second Call via capitalisation of share premium account of RM0.16. The First Call represents a 25.66% discount to the TERP of RM1.13 based on the five (5)-market day VWAP of MBSB Shares up to the LPD of RM1.3791; and
- (ii) Entitlement Basis of eight (8) Rights Shares for every ten (10) MBSB Shares held.

The assumed issue price of RM1.22 per DRP Share represents a discount of approximately 9.57% to the ex-dividend VWAP of MBSB Share of RM1.3491, which was arrived at after taking into consideration the following assumptions:-

- (i) the five (5)-market day VWAP of MBSB Shares up to the LPD of RM1.3791; and
- (ii) a dividend adjustment of 3.0 sen to the five (5)-market day VWAP of MBSB Share.

Based on the above Maximum Scenario, the total gross proceeds to be raised from the Proposed Rights Issue will amount to approximately RM1.98 billion.

For illustrative purposes and assuming that the Second Call will be capitalised entirely out of the Company's share premium reserves, the proforma effects of the capitalisation on the audited share premium reserves and retained earnings of MBSB as at 31 December 2015 are as set out below:-

Company Level	Minimum Scenario		Maximum Scenario ^(a)	
	Share Premium (RM'000)	Retained Earnings (RM'000)	Share Premium (RM'000)	Retained Earnings (RM'000)
As at 31 December 2015	1,392,980	530,670	1,392,980	530,670
Adjusted for:-				
- Proposed Final Dividend	-	(85,207) ^{(b)(c)}	-	(86,262) ^{(c)(d)}
After the Proposed Final Dividend	1,392,980	445,463	1,392,980	444,408
Less:-				
- Capitalisation for the Second Call	(434,299)	-	(376,882)	-
- Estimated expenses for the Proposed Rights Issue	(14,000)	-	(14,000)	-
After the Proposed Rights Issue	944,681	445,463	1,002,098	444,408

Notes:-

- (a) Does not include the adjustments to the share premium reserves arising from the full exercise of the outstanding ESOS Options and Warrants as well as the issuance of DRP Shares.
- (b) Based on 2,838,553,579 MBSB Shares in issue as at the LPD.
- (c) Inclusive of the estimated expenses for the Proposed Final Dividend of RM50,000.
- (d) Based on the enlarged issued and paid-up share capital of 2,873,725,747 MBSB Shares after the full exercise of the outstanding 21,174,195 ESOS Options and 13,997,973 Warrants.

The Board confirms that based on MBSB's latest audited consolidated financial results for the FYE 31 December 2015, the reserves required for capitalisation of the Proposed Rights Issue are adequate and unimpaired by losses on a consolidated basis in accordance with paragraph 6.30 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

2.3 Basis of determining and justification for the Issue Price (comprising the First Call and the Second Call) as well as the Entitlement Basis

The First Call and the Second Call the aggregate of which constitute the Issue Price will be determined and announced by the Board before the Entitlement Date, after taking into consideration, *inter alia*, the following:-

- (i) the TERP based on the five (5)-market day VWAP of MBSB Shares immediately preceding the price-fixing date; and
- (ii) share premium and/or retained earnings position in the Company.

It is the intention of the Board that the First Call shall be priced at a discount of at least 25% to the TERP based on the five (5)-market day VWAP of MBSB Shares immediately preceding the price-fixing date.

The Entitlement Basis and the corresponding number of Rights Shares to be issued can only be determined in conjunction with the price-fixing.

2.4 Major shareholder's undertaking and underwriting arrangement

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

MBSB has procured a written undertaking dated 10 March 2016 from its major shareholder, the Employees Provident Fund Board ("**EPF**"), which has undertaken to subscribe in full for its entitlement under the Proposed Rights Issue based on its shareholdings of 1,847,895,724 MBSB Shares as at 4 March 2016, representing approximately 65.10% of the issued and paid-up share capital of MBSB ("**EPF Shareholdings**") ("**Undertaking**") subject to, *inter alia*, the First Call is priced at a minimum discount of 25% to the TERP based on the five (5)- market day VWAP of MBSB Shares up to the market day preceding the announcement of the price-fixing.

Based on the EPF Shareholdings and the Maximum Gross Proceeds, the Undertaking will be up to RM1.30 billion.

The remaining portion of Rights Shares for which no undertaking is obtained will be fully underwritten. Such underwriting arrangement will be in place prior to the implementation of the Proposed Rights Issue.

2.5 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing MBSB Shares, save and except that the Rights Shares will not be entitled to any dividend, right, allotment and/or other distribution, the entitlement date of which is prior to the date of allotment of the Rights Shares.

2.6 Listing of and quotation for the Rights Shares

An application will be made to Bursa Securities for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

2.7 Utilisation of proceeds

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

Details of utilisation	Timeframe for utilisation ^(a)	RM'million
Purchase of liquefiable assets ^(b)	Within 12 months	1,000
Expansion of financing business ^(c)	Within 12 months	900
Working capital purposes ^(d)	Within 12 months	86
Defrayment of estimated expenses in relation to the Proposed Rights Issue ^(e)	Within 6 months	14
		2,000

Notes:-

- (a) *from the date of listing of the Rights Shares.*
- (b) *the liquefiable assets are such assets that fulfil the qualifying characteristics specified under Bank Negara Malaysia's Liquidity Framework Guidelines and are eligible for liquefiable assets status.*
- (c) *the financing business includes but is not limited to, personal financing, property financing, corporate and project financing, mortgage and corporate loans.*
- (d) *the working capital are mainly for the purposes of defraying operating expenses to be incurred in the course of day-to-day business operations.*
- (e) *the expenses relating to the Proposed Rights Issue comprises, amongst others, estimated professional fees and fees payable to the relevant authorities, underwriting commission, expenses to convene the extraordinary general meeting for the Proposed Rights Issue ("EGM") and other miscellaneous charges.*

The actual gross proceeds to be raised will depend on the final First Call and the total number of Rights Shares to be issued. Any shortfall and/or excess from the amount allocated for purchase of liquefiable assets, expansion of financing business and defrayment of estimated expenses in relation to the Proposed Rights Issue will be adjusted to/from the amount allocated for working capital purposes. Any difference between the Maximum Gross Proceeds and actual proceeds raised shall also be adjusted to/from the amount allocated for working capital purposes.

Pending utilisation of the proceeds from the Proposed Rights Issue, the proceeds will be placed in deposits with financial institutions or in short-term money market instruments.

3. RATIONALE FOR THE PROPOSED RIGHTS ISSUE

The Proposed Rights Issue is in line with MBSB's strategy to strengthen its core capital. The Proposed Rights Issue will also enable MBSB to increase its leverage ratio to at least 12.5% in compliance with Bank Negara Malaysia's requirement.

Pursuant to the Proposed Rights Issue, MBSB will be able to capitalise on its stronger capital base to grow and expand its business.

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Rights Issue is the most appropriate means of raising the necessary funds to meet its capital requirement.

4. EFFECTS OF THE PROPOSED RIGHTS ISSUE

The Company wishes to emphasise that the pro forma effects under this Section are presented purely for illustrative purposes based on the Parameters as set out in Section 2.2 above and should not be regarded as an indication or reference to the Issue Price (comprising the First Call and the Second Call) or the Entitlement Basis of the Proposed Rights Issue.

The Proposed Rights Issue is illustrated based on the following scenarios:-

Minimum Scenario : Assuming that none of the outstanding ESOS Options and Warrants is exercised prior to the Entitlement Date and that none of the Proposed Final Dividend is reinvested in new MBSB Shares under the DRP and is payable wholly in cash prior to the Entitlement Date

Maximum Scenario : Assuming that all of the outstanding ESOS Options and Warrants are fully exercised prior to the Entitlement Date and that the entire Proposed Final Dividend is fully reinvested in new MBSB Shares at an assumed issue price of RM1.22 per DRP Share prior to the Entitlement Date

4.1 Share Capital

For illustrative purposes, the proforma effects of the Proposed Rights Issue on the issued and paid-up share capital of the Company based on the Parameters are as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares ('000)	RM'000	No. of Shares ('000)	RM'000
Authorised share capital	10,000,000	10,000,000	10,000,000	10,000,000
Issued and paid-up share capital:-				
As at the LPD	2,838,553	2,838,553	2,838,553	2,838,553
To be issued pursuant to the:-				
- full exercise of all outstanding ESOS Options & Warrants	-	-	35,172	35,172
- full reinvestment of Proposed Final Dividend in new Shares	-	-	70,665	70,665
- Proposed Rights Issue	2,412,770	2,412,770	2,355,512	2,355,512
Enlarged issued and paid-up share capital	5,251,323	5,251,323	5,299,902	5,299,902

4.2 Substantial shareholders' shareholdings

The percentage shareholdings of the substantial shareholders will remain the same in the event that all Entitled Shareholders subscribe in full for their entitlements under the Proposed Rights Issue.

For illustrative purposes, based on the Parameters and the Undertaking provided by EPF, the pro forma effects of the Proposed Rights Issue on the substantial shareholder's shareholdings as at the LPD under the Minimum Scenario and the Maximum Scenario are as follows:-

Minimum scenario

Substantial shareholder	As at the LPD				After the Proposed Rights Issue ^(a)			
	Direct No. of Shares (^{'000})	%	Indirect No. of Shares (^{'000})	%	Direct No. of Shares (^{'000})	%	Indirect No. of Shares (^{'000})	%
EPF	1,847,896	65.10	-	-	3,418,608	65.10	-	-

Note:-

(a) Assuming that none of the outstanding ESOS Options and Warrants is exercised and that EPF and the other MBSB Shareholders do not reinvest their entitlements under the Proposed Final Dividend in new MBSB Shares prior to the Entitlement Date.

Maximum Scenario

Substantial shareholder	As at the LPD				(I) After full exercise of outstanding ESOS Options and Warrants and Proposed Final Dividend ^(a)				(II) After (I) and Proposed Rights Issue			
	Direct No. of Shares (^{'000})	%	Indirect No. of Shares (^{'000})	%	Direct No. of Shares (^{'000})	%	Indirect No. of Shares (^{'000})	%	Direct No. of Shares (^{'000})	%	Indirect No. of Shares (^{'000})	%
EPF	1,847,896	65.10	-	-	1,893,336	64.30	-	-	3,408,005	64.30	-	-

Note:-

(a) Assuming that all of the outstanding ESOS Options and Warrants are fully exercised and that EPF and the other MBSB Shareholders reinvest in full their entitlements under the Proposed Final Dividend in new MBSB Shares prior to the Entitlement Date.

4.3 Net Assets (“NA”) per share and gearing

For illustrative purposes, based on the Parameters, and the assumption that the Proposed Rights Issue has been completed on 31 December 2015, the proforma effects of the Proposed Rights Issue on the consolidated NA per share and gearing of MBSB as at 31 December 2015 are as follows:-

Minimum Scenario

	Audited 31 December 2015 RM'000	(I) After subsequent events ^(a) and Proposed Final Dividend RM'000	(II) After (I) and Proposed Rights Issue RM'000
Share capital	2,838,551	2,838,553	5,251,323
Share premium	1,392,980	1,392,980	944,681 ^(c)
Accumulated profit	589,276	504,069 ^(b)	504,069
Other reserves	40,733	40,733	40,733
Total equity/NA	4,861,540	4,776,335	6,740,806
Number of MBSB Shares ('000)	2,838,551	2,838,553	5,251,323
NA per MBSB Share (RM)	1.71	1.68	1.28
Total borrowings (RM'000)			
- including recourse obligation on loans sold to Cagamas Berhad (“ Cagamas ”)	7,290,969	7,290,969	7,290,969
- excluding recourse obligation on loans sold to Cagamas	4,523,727	4,523,727	4,523,727
Gearing ratio (times)			
- including recourse obligation on loans sold to Cagamas	1.50	1.53	1.08
- excluding recourse obligation on loans sold to Cagamas	0.93	0.95	0.67

Notes:-

- (a) After adjusting for the exercise of the ESOS Options and Warrants from 1 January 2016 up to the LPD.
- (b) Assuming that the Proposed Final Dividend of approximately RM85.16 million based on the issued and paid-up share capital of MBSB as at the LPD is paid entirely in cash and the estimated expenses for the Proposed Final Dividend amounts to RM50,000.
- (c) After capitalising approximately RM434.30 million for the Second Call and deducting the estimated expenses relating to the Proposed Rights Issue of approximately RM14.00 million.

Maximum Scenario

	Audited 31 December 2015 RM'000	(I) After subsequent events ^(a) and full exercise of outstanding ESOS Options and Warrants and Proposed Final Dividend RM'000	(II) After (I) and Proposed Rights Issue RM'000
Share capital	2,838,551	2,944,390	5,299,902
Share premium	1,392,980	1,439,261 ^{(b)(c)}	1,048,379 ^(d)
Accumulated profit	589,276	503,014 ^(c)	503,014
Other reserve	40,733	31,890	31,890
Total equity/NA	4,861,540	4,918,555	6,883,185
Number of MBSB Shares ('000)	2,838,551	2,944,390	5,299,902
NA per MBSB Share (RM)	1.71	1.67	1.30
Total borrowings (RM'000)			
- including recourse obligation on loans sold to Cagamas	7,290,969	7,290,969	7,290,969
- excluding recourse obligation on loans sold to Cagamas	4,523,727	4,523,727	4,523,727
Gearing ratio (times)			
- including recourse obligation on loans sold to Cagamas	1.50	1.48	1.06
- excluding recourse obligation on loans sold to Cagamas	0.93	0.92	0.66

Notes:-

- (a) After adjusting for the exercise of the ESOS Options and Warrants from 1 January 2016 up to the LPD.
- (b) Assuming that all of the outstanding ESOS Options and Warrants are fully exercised at the ESOS exercise price ranging from RM1.01 to RM2.15 and Warrant exercise price of RM1.00 respectively.
- (c) Assuming that the entire Proposed Final Dividend of approximately RM86.21 million (based on the enlarged issued and paid-up share capital of 2,873,725,747 MBSB Shares after the full exercise of the outstanding ESOS Options and Warrants) is reinvested in new MBSB Shares at an assumed issue price of RM1.22 per DRP Share prior to the Entitlement Date and after adjusting for the estimated expenses for the Proposed Final Dividend of RM50,000.
- (d) After capitalising approximately RM376.88 million for the Second Call and deducting the estimated expenses relating to the Proposed Rights Issue of approximately RM14.00 million.

4.4 Earnings and Earnings Per Share (“EPS”)

The Proposed Rights Issue will result in an immediate dilution in MBSB’s EPS as a result of the increase in the number of MBSB Shares in issue upon completion of the Proposed Rights Issue.

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

4.5 Convertible securities

Save for the ESOS Options and the Warrants, MBSB does not have any other convertible securities as at the LPD.

Adjustments to the exercise price and number of outstanding ESOS Options arising from the Proposed Rights Issue will be determined based on the by-laws governing the ESOS.

Adjustments to the number of outstanding Warrants arising from the Proposed Rights Issue will be determined based on the deed poll constituting the Warrants. However, no adjustment will be made to the exercise price as the exercise price of the Warrants is RM1.00, being the par value of MBSB Shares. For information, the Warrants will expire on 31 May 2016.

5. APPROVALS REQUIRED

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

- (a) Bursa Securities for the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue;
- (b) MBSB’s shareholders at an EGM to be convened in relation to the Proposed Rights Issue; and
- (c) approvals, waivers and/or consents of any other relevant authorities/parties, if required.

The Proposed Rights Issue is not inter-conditional with or conditional upon any other corporate exercise undertaken or to be undertaken by MBSB.

Barring any unforeseen circumstances, applications to the relevant regulatory authorities in relation to the Proposed Rights Issue are expected to be made within two (2) months from the date of this announcement.

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

None of the directors and/or major shareholders of MBSB and/or any persons connected with them have any interest, direct or indirect, in the Proposed Rights Issue save for their respective entitlements as MBSB Shareholders under the Proposed Rights Issue as well as their right to apply for excess Rights Shares to which all other MBSB Shareholders are similarly entitled to.

7. DIRECTORS' STATEMENT

Having considered all aspects of the Proposed Rights Issue (including but not limited to the rationale and proforma effects of the Proposed Rights Issue) and after careful deliberation, the Board is of the opinion that the Proposed Rights Issue is in the best interest of the Company.

8. ADVISER

AmInvestment Bank and RHB Investment Bank have been appointed as the Joint Advisers to the Company for the Proposed Rights Issue.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Rights Issue is expected to be completed by the 3rd quarter of 2016.

This announcement is dated 10 March 2016.