

**Principal Terms and Conditions of the Proposal  
(Information required under paragraph 4.01 of the Revised Guidelines)**

**(a) BACKGROUND INFORMATION OF THE ISSUER**

- (i) **Name** : Malayan Banking Berhad (“Maybank” or “Issuer”)
- (ii) **Address** : 14th Floor, Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur  
Malaysia
- (iii) **Business Registration No.** : 3813-K
- (iv) **Date/Place of Incorporation** : 31<sup>st</sup> May 1960/Malaysia
- (v) **Date of Listing (in the case of a public listed company)** : 17 February 1962
- (vi) **Status**
- **Resident/non-resident controlled company** : Resident controlled company
  - **Bumiputera/non-Bumiputera controlled company** : Bumiputera controlled company
- (vii) **Principal Activities** : Maybank is the holding company and the major operating entity of the Maybank group.
- Maybank is principally engaged in the business of banking and finance in all its aspects which also include Islamic Banking Scheme operations. The subsidiaries of Maybank are principally engaged in the businesses of merchant banking, general and life insurance, general and family takaful, stock broking, discount house, leasing and factoring, trustee and nominee services, unit trust management, asset management and venture capital.
- (viii) **Board of Directors** : The Board of Directors of Maybank as at the date of this submission are as follows:

<b>Name</b>	<b>Resident Status</b>	<b>I/C No.</b>
Tan Sri Mohamed Basir bin Ahmad	Resident	380608-08-5717
Dato' Richard Ho Ung Hun	Resident	270120-08-5003
Datuk Amirsham A Aziz	Resident	500918-01-5005
Dato' Mohammed Hussein	Resident	501020-03-5071
Encik Md Agil bin Mohd Natt	Resident	511105-10-5437
Raja Tan Sri Muhammad Alias bin Raja Muhd Ali	Resident	320810-05-5357
Encik Mohammad bin Abdullah	Resident	410303-04-5065
Tuan Haji Mohd Hashir bin Haji Abdullah	Resident	360430-01-5069
Mr Teh Soon Poh	Resident	360821-07-5165
Datuk Abdul Rahman bin Mohd Ramli	Resident	390324-08-5095
Tan Sri Dato' Megat Zaharuddin bin Megat Mohd Nor	Resident	490129-08-5557
Datuk Aishah binti Ahmad	Resident	460903-08-5314

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

: The substantial shareholders (with shareholding of 5% and above) as at 1 February 2006 are as follows:

<b>Name</b>	<b>No. of shares held</b>	<b>% of shareholding</b>
Amanah Raya Nominees Tempatan Sdn Bhd (B/O:Skim Amanah Saham Bumiputera)	1,318,969,975	34.86
Permodalan Nasional Berhad	543,084,987	14.35
Employees Provident Fund Board	331,773,749	8.77

**(x) Authorized and paid-up capital**

**Authorized Share Capital as at 1 February 2006**

: RM10,000,000,000 comprising 10,000,000,000 ordinary shares of RM1.00 each.

**Issued and Fully Paid-Up Share Capital as at 1 February 2006**

: RM3,783,942,021 comprising 3,783,942,021 ordinary shares of RM1.00 each

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## PRINCIPAL TERMS AND CONDITIONS

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

- (i) **Principal Adviser(s) / Lead Arranger(s)** : Aseambankers Malaysia Berhad (“Aseambankers”)
- (ii) **Arranger(s)** : Not applicable
- (iii) **Valuers** : Not applicable
- (iv) **Solicitors** : Messrs Zul Rafique & Partners
- (v) **Financial Adviser** : Not applicable
- (vi) **Technical Adviser** : Not applicable
- (vii) **Guarantor** : Not applicable
- (viii) **Trustee** : Malaysian Trustees Berhad
- (ix) **Facility Agent** : Aseambankers
- (x) **Primary Subscriber(s) and amount subscribed (where applicable)** : Not applicable
- (xi) **Underwriter(s) and amount underwritten** : Not applicable
- (xii) **Syariah Adviser** : Malayan Banking Berhad (“Maybank”)
- (xiii) **Central Depository** : Bank Negara Malaysia (“BNM”)
- (xiv) **Paying Agent** : BNM
- (xv) **Reporting Accountant** : Not applicable
- (xvi) **Others (please specify)** : Not applicable

- b. Islamic principle used** : Bai-Bithaman Ajil
- The Subordinated Bonds have been structured based on the Syariah principle of Bai-Bithaman Ajil, which refers to the sale and purchase transaction of identified assets on a deferred payment basis with pre-agreed payment period. The sale price will include a profit margin.
- Under the Bai-Bithaman Ajil structure, the Investors through the Facility Agent shall purchase the assets from the Issuer pursuant to the asset purchase agreement at the purchase price. The Investors through the Facility Agent will then sell the assets back to the Issuer via the asset sale agreement at the sale price.
- The Subordinated Bonds will be issued for a tenor of 12 years from issue date on a 12 non-callable 7 basis. As such, the sale price shall be determined for the maximum tenure of 12 years inclusive of the permissible step-up profit rate. The Issuer shall issue the Subordinated Bonds, which evidence the Issuer's obligation to pay the sale price under the asset sale agreement.
- In the event the Issuer decides to redeem the Subordinated Bonds, on or after the 7<sup>th</sup> anniversary, the balance of the sale price (i.e. profit due after the 7th year) shall be rebated to the Issuer.
- c. Facility description** : Up to RM1.5 billion aggregate nominal value Subordinated Bonds. The Subordinated Bonds will qualify as Tier 2 capital of Maybank for purposes of Malaysian capital adequacy regulations.
- d. Issue size (RM)** : Up to RM1.5 billion
- e. Issue price (RM)** : Up to RM1.5 billion. The Subordinated Bonds will be issued at par.
- f. Tenor of the facility/issue** : 12 years from the issue date on a 12 non-callable 7 basis.

- g. Coupon / profit or equivalent rate (%) :** The profit rate shall be determined upon private placement to identified investors.

Unless the Subordinated Bonds are redeemed on the 7<sup>th</sup> anniversary or any semi-annual date thereafter, the holders of the Subordinated Bonds will be entitled to a permissible step-up profit rate from the beginning of the 8<sup>th</sup> year to the final maturity date.

The expected permissible step up profit rate is as follows:

Year	Incremental Step-Up Profit Rate (basis points)	Cumulative Step-Up Profit Rate (basis points)
8	70	70
9	20	90
10	10	100
11	-	100
12	-	100

- h. Coupon / profit payment frequency and basis :** Profit payment frequency  
Payable semi-annually in arrears from the date of issue of the Subordinated Bonds with the last profit payment to be made on the maturity date.

Profit payment basis  
Actual over actual

- i. Yield to maturity (%) :** The Yield to Maturity shall be determined upon private placement to identified investors.

- j. Security/collateral (if any) :** None

- k. Details on utilisation of proceeds :** The proceeds from the Subordinated Bonds will be utilised to fund Maybank's Islamic financial activities.

- l. Sinking fund (if any) :** None

- m. Rating**

- **Credit rating assigned [Please specify if this is an indicative rating] :** AA1 (Indicative rating)

- **Name of rating agency** : Rating Agency Malaysia Berhad (Co. No. 208095-U)
- n. **Form and denomination** : The Subordinated Bonds shall be issued in bearer form in the minimum denomination of RM1,000 each or such other denomination as determined/allowed by BNM. The Subordinated Bonds will be represented at all times by a Global Certificate to be deposited with BNM and will be traded under the Real Time Electronic Transfer of Funds and Securities (“RENTAS”) operated and maintained by BNM.
- The Subordinated Bonds shall be issued in accordance to the Rules on Fully Automated System for Issuing/Tendering (“FAST”) issued by BNM
- o. **Mode of issue** : Private placement without prospectus.
- p. **Selling restrictions** : Selling Restrictions at Issuance :
- The Subordinated Bonds shall not be offered or sold, directly or indirectly in Malaysia other than to persons falling within any of the categories of persons or in the circumstances specified under
- a. Schedule 2 or Section 38(1)(b)  
b. Schedule 3 or Section 39(1)(b); and  
c. Schedule 5 or Section 66(3)
- of the Securities Commission Act 1993 (“SCA”) (as amended from time to time).
- Selling Restrictions of Thereafter:
- The Subordinated Bonds shall not be offered or sold, directly or indirectly in Malaysia other than to persons falling within any of the categories of persons or in the circumstances specified under
- a. Schedules 2 or Section 38(1)(b) and  
b. Schedules 5 or Section 66(3)
- of the SCA (as amended from time to time).

- q. **Listing status** : The Subordinated Bonds will not be listed on any stock exchange
- r. **Minimum level of subscription (RM or %)** : 50% of the Subordinated Bonds to be issued.
- s. **Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained [please specify]** : BNM's approval for the Subordinated Bonds to be classified as Tier 2 capital issuance has been obtained via BNM letter dated 27 March 2006.
- t. **Identified assets** : The Islamic assets shall be a pool of specifically identified assets under the Al-Ijarah Thumma Al-Bai financing contracts for purchase of motor vehicles concluded between customers and Issuer.



**u. Purchase and selling price/rental (where applicable)**

Purchase Price

To be determined prior to issuance of the Subordinated Bonds. Nonetheless, the purchase price on the date of the Asset Purchase Agreement shall comply with the Syariah Advisory Council's Pricing Guidelines issued on 31 December 2003 and 30 April 2004.

Sale Price

The Sale Price shall be determined based on the following formula:

$$SP = PP + PP (PR \times 7) + \sum_{n=8}^{12} PP (PR + C_n)$$

Where:

- SP - Sale Price
- PP - Purchase Price
- PR - Profit Rate
- C - Cumulative Step Up Profit Rate
- n - n<sup>th</sup> year

Note :

In the event the Issuer decides to redeem the Subordinated Bonds on or after the 7<sup>th</sup> anniversary or any semi-annual date thereafter, the balance of the Sale Price (i.e. profit for the remaining tenure) will be rebated to the Issuer. The rebate shall be determined based on the following formula:

(i) if redemption falls on anniversary date:

$$REBATE = \sum_{z=n}^{12} PP (PR + C_{z+1})$$

(ii) if redemption does not fall on anniversary date:

$$REBATE = \frac{PP(PR + C_n)}{2} + \sum_{z=n}^{12} PP (PR + C_{z+1})$$

where:

PP - Purchase Price  
 PR - Profit Rate  
 C - Cumulative Step Up Profit Rate  
 n - n<sup>th</sup> year  
 z - variables

provided that  $z + 1 \leq 12$

Where:

SP - Sale Price  
 PP - Purchase Price

The cumulative step up profit rate for the n<sup>th</sup> year are as follows:

n	
8	0.70%
9	0.90%
10	1.00%
11	1.00%
12	1.00%

### Final Redemption

Unless previously redeemed, purchased and cancelled, the Subordinated Bonds will be redeemed at its face value together with accrued profit on the maturity date or the redemption date.

**v. Conditions precedent**

Usual and customary for a bond issuance of such nature which shall include but is not limited to the following:-

- (i) Delivery of the Issuer's Memorandum and Articles of Association, board resolution and other constitutional documents of the Issuer required by the Lead Arranger;
- (ii) A signed copy of each of the transaction documents which have been executed by or on behalf of all the parties hereto and thereto and stamped where relevant;
- (iii) Written approval from BNM for the Subordinated Bonds to be classified as Tier 2 capital issuance;
- (iv) Written approval from the Securities Commission and such other regulatory authorities for the issuance of the Subordinated Bonds;
- (v) Evidence that the Subordinated Bonds have been accorded a minimum rating of AA1 by rating agency; and
- (vi) A legal opinion from the solicitors for the Lead Arranger addressed to the Trustee and the Lead Arranger (a) on the validity, legality and enforceability of the Subordinated Bonds and the Transaction Documents, and (b) that all conditions precedent have been fulfilled.

**w. Representations and warranties**

**and** : Representations and warranties typical and customary for financing of such nature, which shall include but not limited to the following:-

- (i) The Issuer (a) has been duly incorporated and validly exists under the Companies Act 1965 of Malaysia, (b) has full power and authority to engage in the business of banking and finance in Malaysia and each other jurisdiction where it is so engaged and otherwise to own its properties and conduct its business, and (c) is duly qualified to transact business under the laws of each other jurisdiction in which it owns or leases properties, or conduct any business, so as to require such qualification, other than where the failure to be so qualified would not have a material adverse effect on the Issuer;
- (ii) The Subordinated Bonds have been duly authorised, and when issued and delivered pursuant to the Transaction Agreements, will have been duly executed, authenticated, issued and delivered and will constitute valid and binding obligations of the Issuer entitled to the benefits provided by the Transaction Agreements;
- (iii) The Subordinated Bonds will qualify as Tier 2 capital under the capital adequacy regulations of Malaysia;
- (iv) No event has occurred which would constitute an event of default under the Subordinated Bonds or which with the giving of notice or the lapse of time or other condition would constitute an event of default;

- (v) The Issuer is not in breach of the provisions of any law or regulations governing such approvals, consents, authorisation and/or such licenses and, after due and careful consideration, the Issuer is not aware of any reason why such approval, consent, authorisation or license should be withdrawn or cancelled or any conditions attached thereto adversely altered, other than where the absence of such approval, consent, authorization or license would not have a material adverse effect on the Issuer;
- (vi) There are no legal or governmental proceedings pending or, to the knowledge of the Issuer, threatened to which the Issuer is or may be a party or to which any property of any such entities is or may be the subject which, if determined adversely to such party, could individually or in the aggregate reasonably be expected to have a material adverse effect on the general affairs, business, prospects, management, financial position, shareholders' funds or results of operations of the Issuer;
- (vii) The Issuer has all licenses, franchises, permits, authorisations, approvals, orders and other concessions of and from all governmental and regulatory officials and bodies that are necessary to own or lease its properties and conduct its business, other than where the failure to obtain such licenses, franchises, permits, authorisations, approvals, orders and other concessions would not have a material adverse effect on the Issuer; and

(viii) The Issuer and its obligations under Transaction Agreements and the Subordinated Bonds are subject to commercial law and to suit in Malaysia and neither the Issuer nor any of its properties, assets or revenues has any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any court, from set off or counterclaim, from the jurisdiction of any court, or other legal process or proceeding for the giving of any relief or for the enforcement of judgment, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Transaction Agreements and the Subordinated Bonds.

**x. Events of default**

: Events of default shall include:

- (i) Default in payment of any principal or profit under the Subordinated Bonds and such default continues for 14 days;
- (ii) if –
  - (a) a court or an agency or regulatory authority in Malaysia having jurisdiction in respect of the same shall have instituted any proceedings or entered a decree or order for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities, or similar arrangements involving the Issuer or all or substantially all of its property, or for the winding up of or liquidation of its affairs and such proceedings, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days;

(b) The Issuer shall file a petition to take advantage of any insolvency statute.

**Enforcement Events** : Upon the occurrence of item (i) of the above Events of Default, subject to the terms of the Trust Deed, the Trustee may institute proceedings to enforce the repayment of the Subordinate Bonds and may institute proceedings in Malaysia for the winding-up of Maybank, provided that neither the Trustee nor any of the Bondholders shall have the right to accelerate payment of the Subordinated Bonds in the case of default in the payment of amount owing under the Subordinated Bonds or any default in the performance of any condition, provision or covenant under the Subordinated Bonds or the Trust Deed.

Upon the occurrence of item (ii) of the above Events of Default, subject to the terms of the Trust Deed, the Trustee may by written notice to the Issuer declare that the Subordinated Bonds shall immediately become due and payable at their respective nominal value together with the accrued profit notwithstanding the stated maturity of the Subordinated Bonds.

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

z. **Other principal terms and conditions for the issue** : **Covenants**

The Issuer shall:

(i) At all times comply with the provisions of the trust deed and the terms and conditions of the Transaction Agreements;

(ii) Redeem in full all outstanding Subordinated Bonds in accordance with the terms and conditions of the Transaction Agreements

- (iii) At all times provide the Trustee such information as it shall reasonably require for the purpose of the discharge of its duties, powers, trusts, authorities and discretions vested in it to the extent as permitted by law;
- (iv) At all times exercise reasonable diligence in carrying on its business in a proper and efficient manner which should ensure, amongst others, that all necessary approvals or relevant licences are obtained;
- (v) except where the Listing Requirement of the Bursa Malaysia otherwise permits, Maybank will not enter into a transaction, whether directly or indirectly, with any interested person (including a director, substantial shareholder or any person connected with any of them) unless:
  - (a) such transaction shall be on terms that are no less favourable to Maybank than those which could have been obtained in a comparable transaction from persons who are not interested persons; and
  - (b) with respect to transaction involving an aggregate payment or value equal to or exceeding a sum which is equivalent to five per cent (5%) of Maybank's net tangible assets, Maybank has obtained certification from an independent adviser that such transaction is carried out on fair and reasonable terms.

Provided that:

- (1) Maybank certifies to the Trustees that such transaction complies with this sub-clause (v) (a);
- (2) Maybank has received the certification referred to in paragraph above of sub-clause (v)(b) (where applicable);



- (3) such transaction has been approved by the majority of Maybank's board of directors and/or shareholders in a general meeting, as the case may require; and
- (4) in the case of recurrent related party transactions of a revenue and trading nature, such transactions are not subject to the certification requirement referred in sub-clause(v)(b) if such transactions are approved by Maybank's shareholders in a general meeting in accordance with the Listing Requirements of Bursa Malaysia.
- (vi) At all times maintain a paying agent in Malaysia;
- (vii) Procure that the paying agent shall notify the Trustee in the event that the paying agent does not receive payment from the Issuer on the due dates as required under the Transaction Agreements;
- (viii) At all times keep proper books and accounts;
- (ix) Notify the Trustee in the event that the Issuer becomes aware of the following:
  - (a) any event of default or that such other right or remedy under the terms, provisions and covenants of the Subordinated Bonds and the Trust Deed have become immediately enforceable;
  - (b) any circumstance that has occurred that would materially prejudice the Issuer or any security included in or created by the Subordinated Bonds or the trust deed;

- (c) any substantial change in the nature of the business of the Issuer; and
  - (d) any change in the utilisation of proceeds from the Subordinated Bonds other than for the purpose stipulated in the Information Memorandum and the Transaction Documents.
  - (e) Of any other matter that may materially prejudice the interest of the Bondholders.
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- (x) Deliver to the Trustee a copy of its annual audited accounts within 180 days after the end of each financial year, and any other accounts, reports, notices, statements or circulars issued to shareholders; and
  - (xi) Deliver to the Trustee annually a certificate that the Issuer has complied with its obligations under the Trust Deed and the terms and conditions of the Subordinated Bonds and that there did not exist or had not existed, from the date the Subordinated Bonds were issued, any event of default and if such is not the case, to specify the same.

**Status of Subordinated Bonds** : The Subordinated Bonds will constitute unsecured obligations of the Issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Bonds, to all deposit liabilities and other liabilities of the Issuer except all other present and future unsecured and subordinated obligations of the Issuer which by their terms rank pari-passu in right of and priority of payment with or subordinated to the Subordinated Bonds. The Subordinated Bonds will, in the event of a distribution of assets in the winding-up or liquidation of the Issuer, rank senior to the share capital of the Issuer.

**Further Issues**

: The Issuer may from time to time raise additional subordinated debt which contain greater rights for bondholders thereof including acceleration rights provided that such subordinated debt ranks pari-passu in right and priority of payment with or subordinated to the Subordinated Bonds in the case of any distribution of assets in any winding up of the Issuer.