

**PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSAL
PROPOSED ISSUANCE OF INNOVATIVE TIER 1 CAPITAL SECURITIES PROGRAMME OF
UP TO RM4.0 BILLION AND/OR ITS FOREIGN CURRENCY EQUIVALENT IN NOMINAL
VALUE**

BACKGROUND INFORMATION OF THE ISSUER

- (i) **Name** : Malayan Banking Berhad (“Maybank” or “the 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** : 31st 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. The subsidiaries of Maybank are principally engaged in the businesses of Islamic banking, investment banking including stock broking, general and life insurance, general and family takaful, trustee and nominee services, asset management and venture capital.

(viii) Board of Directors : The Board of Directors of Maybank as at 15 April 2008 are as follows:

Name	Resident Status	I/C No.
Tan Sri Mohamed Basir bin Ahmad	Resident	380608-08-5717
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 Zainun Aishah binti Ahmad	Resident	460903-08-5314
Tan Sri Dato' Sri Chua Hock Chin	Resident	500604-03-5249
Datuk Syed Tamim Ansari bin Syed Mohamed	Resident	480111-07-5263
Dato' Aminuddin bin Md Desa	Resident	620401-08-5007

Note: On 1 May 2008, Dato' Sri Abdul Wahid bin Omar has been appointed to the Board of Directors of Maybank as the President and Chief Executive Officer.

(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 15 April 2008 are as follows:

Name	No. of shares held	% of shareholding
Amanah Raya Nominees (Tempatan) Sdn Bhd (B/O:Skim Amanah Saham Bumiputera)	2,101,770,034	43.06%
Employees Provident Fund Board	405,329,461	8.30%
Permodalan Nasional Berhad	281,244,208	5.76%

(x) Authorised and paid-up share capital

: Authorised Share Capital as at 15 April 2008:

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

Issued and Fully Paid-Up Share Capital as at 15 April 2008:

RM4,881,091,651 comprising 4,881,091,651 ordinary shares of RM1.00 each.

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VALUE (“IT1CS Programme”)**

(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** : Adnan Sundra & Low.
- (v) Financial Adviser** : Not applicable.
- (vi) Joint Technical Advisers** : Aseambankers and BNP Paribas Capital (Malaysia) Sdn Bhd.
- The role of the Joint Technical Advisers is to advise the Issuer on the technical aspects and appropriateness of the structure of the IT1CS Programme, 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** : Malaysian Trustees Berhad.
- (ix) Facility Agent** : For any Ringgit Malaysia (“**RM**”) issuance:
Aseambankers.
- For any non-RM issuance:
Such person or entity as may be elected by the Issuer.
- (x) Primary Subscriber(s) and amount subscribed (where applicable)** : 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.
- (xi) Underwriter(s) and amount underwritten** : Not applicable.

- (xii) Central Depository** : For any RM issuance:
Bank Negara Malaysia (“**BNM**”).
- For any non-RM issuance:
The Central Depository shall be either:
1. Euroclear Bank S.A./N.V. as operator of the Euroclear system and Clearstream Banking, société anonyme (Clearstream, Luxembourg); or
 2. such other central depository as may be elected by the Issuer.
- (xiii) Paying Agent** : For any RM issuance:
BNM
- For any non-RM issuance:
Such person or entity as may be elected by the Issuer.
- (xiv) Reporting Accountant** : Not applicable.
- (xv) Others (please specify)**
- (i) Lead Manager** : Aseambankers and such other persons as may be appointed by the Issuer at its discretion.
- (ii) Tax Adviser** : Deloitte KassimChan Tax Services Sdn. Bhd.
- (iii) Calculation Agent** : For any RM issuance:
Aseambankers.
- For any non-RM issuance:
Such person or entity as may be elected by the Issuer.
- The role of the Calculation Agent is to perform the calculation of the following in relation to each IT1CS issuance under the IT1CS Programme:
1. Interest Payments (defined in Clause (f), Interest Payments);
 2. Deferred Interest Amounts (defined in Clause (x)(9), Limitations on Payments);
 3. Redemption Amount (defined in Clause (x)(3), Optional Redemption); and

4. relevant calculation in relation to the Alternative Coupon Settlement Mechanism (defined in Clause (x)(11), Alternative Coupon Settlement Mechanism).

(b) **Facility description** : Innovative Tier 1 Capital Securities (the “**IT1CS**”) pursuant to Innovative Tier 1 Capital Securities Programme (“**IT1CS Programme**”).

(c) **Issue size (RM)** : Up to RM4.0 billion in nominal value (or its foreign currency equivalent), final currency depending on the market of issue.

The total outstanding IT1CS shall not at any time exceed the nominal value of RM4.0 billion (or its foreign currency equivalent).

(d) **Issue price (RM)** : The IT1CS are to be issued at par or at a premium to the nominal value and where applicable, the Issue Price is calculated in accordance with the Rules on Fully Automated System for Issuing/Tendering (“**FAST Rules**”).

(e) **Tenor of the facility/issue** : Tenor of IT1CS Programme
Up to sixty five (65) years from the date of first issuance.

Tenor of IT1CS

Every IT1CS shall have a permanent tenor with replacement via Principal Stock Settlement (defined in Clause (x)(2), Principal Stock Settlement) after up to sixty five (65) years from issue date (“**Final Maturity**”).

Every IT1CS shall have a First Optional Redemption Date, which is a date falling no less than 10 years or no more than 15 years from the respective IT1CS’ date of first issuance.

Any IT1CS which is redeemed will be cancelled and may not be reissued or resold up to the amount which is redeemed.

(f) **Interest / Coupon rate (“Interest Payments”)** : The IT1CS will bear interest at the Interest Rate and holders of the IT1CS will be entitled to receive Interest Payments subject to:

1. the Issuer meeting and continuing to meet BNM’s minimum capital adequacy ratio requirements applicable to the Issuer on the relevant Interest Payment Date (defined in Clause (g), Interest Payment Dates) following an Interest Payment; and

2. the Payment Limitation Condition (defined in Clause (x)(9), Limitations on Payments) not being met.

For the avoidance of doubt, if the Payment Limitation Condition is not met and the Issuer does not meet BNM's minimum capital adequacy ratio requirements applicable to the Issuer on the relevant Interest Payment Date, or if the Payment Limitation Condition is not met and the Issuer would not continue to meet BNM's minimum capital adequacy ratio requirements applicable to the Issuer following an Interest Payment, holders of the IT1CS will not be entitled to receive Interest Payments on the relevant Interest Payment Date. Such Interest Payments are deemed to be Deferred Interest Amounts (as defined in Clause (x)(9), Limitations on Payments) and will be settled in accordance with Clause (x)(10), Deferred Interest Amounts Settlement.

"Interest Rate" means:

1. a fixed rate per annum (*to be determined prior to issuance*) from (and including) the issue date to (but excluding) the First Optional Redemption Date; and
2. thereafter, at the option of either (*to be determined prior to issuance*):
 - (a) a floating rate, reset quarterly, at a rate per annum; (i.e. at initial rate plus 100 basis points step-up less the swap spread between the initial index basis and the stepped up index basis)*; above the Kuala Lumpur Inter-Bank Offer Rate ("KLIBOR") for three-month RM deposits or such other appropriate inter-bank rate for three-month deposits of the relevant currency in which the IT1CS are issued to be determined prior to issuance; or
 - * being the initial credit spread above the swap rate of the relevant currency for the period commencing on the relevant issue date up to (but excluding) the relevant First Optional Redemption Date plus 100 basis points step-up.
 - (b) a fixed rate, at the initial rate per annum plus 100 basis points step-up.

The “**Interest Payment**” in respect of the IT1CS in relation to an Interest Period (defined in Clause (g), Interest Payment Dates) shall be calculated by applying the relevant Interest Rate to the original principal amount of the respective IT1CS, multiplied by the Day Count Fraction (defined in Clause (h), Day Count Fraction).

Where appropriate, Interest Payments shall also include any Additional Amounts (as defined in Clause (x)(6), Taxation and Additional Amounts) due and payable with respect thereto.

(g) **Interest/coupon payment frequency (“Interest Payment Dates”)** : Subject to applicable law; Clause (f), Interest Payments and Clause (x)(9), Limitations on Payments, Interest Payments on the IT1CS will be payable in arrears as follows (each on “**Interest Payment Date**”):

1. semi-annually, from (and including) the issue date to (but excluding) the First Optional Redemption Date; and
2. thereafter, quarterly if at a floating rate or semi-annually if at a fixed rate.

An “**Interest Period**” is the period from and including an Interest Payment Date (or the issue date, in case of the first Interest Period) to but excluding the immediately succeeding Interest Payment Date.

(h) **Interest/coupon payment basis (“Day Count Fraction”)** : For any RM issuance, the actual number of days in the relevant period divided by 365.

For any non-RM issuance, the appropriate day count convention of the relevant currency in which the IT1CS are issued.

(i) **Yield to maturity (%)** : Every IT1CS will be priced on a basis of yield to the respective First Optional Redemption Date.

The applicable yield calculated on a semi-annual basis based on the nominal value of the IT1CS will be determined prior to issuance.

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

(k) **Utilisation of proceeds** : The proceeds from the IT1CS shall be made immediately available to the Issuer, without limitation, for its working

capital, general banking and other corporate purposes.

- (l) **Sinking fund (if any)** : None
- (m) **Rating and rating agency** : For any RM issuance:
The rating agency is RAM Rating Services Berhad (763588-T). The final rating for the IT1CS Programme is AA2.
- For any non-RM issuance:
Such rating as may be assigned by an internationally recognised rating agency appointed by the Issuer.
- (n) **Form and Denomination** : For any RM issuance:
The IT1CS shall be issued in accordance with:
1. the “Code of Conduct and Market Practices for the Malaysian Corporate Bond Market” issued by the Institut Penjaga Bon Malaysia and approved by BNM (“**IPBM Code**”);
 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 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 IT1CS 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 IT1CS shall be RM1,000 or in multiples of RM1,000 at the time of issuance.

For any non-RM issuance:

The IT1CS shall be issued in registered form. A certificate will be issued to each holder in respect of its registered holding of the IT1CS. Each certificate will be numbered serially with an identifying number, which will be recorded on the relevant certificate and in a register, which the Issuer will procure to be kept by an appointed registrar.

(o) **Mode of issue** : The IT1CS may be issued via private placement on a best effort basis or a bought deal basis or book building on a best effort basis.

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

For the purpose of subscription in Malaysia and non-RM issuance:

The IT1CS 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 IT1CS and to whom the IT1CS are issued would fall within:

1. Schedule 6 (or Section 229(1)(b)) or Schedule 7 (or Section 230(1)(b)); and
2. Schedule 9 (or Section 257(3))

of the Capital Markets and Services Act, 2007 (“**CMSA**”), as amended from time to time.

For the purpose of subscription in countries other than Malaysia:

Such restrictions as may be agreed by the Issuer and the Lead Manager(s) for the purpose of a subscription of the IT1CS in, amongst others, the United States, any member of the European Union, Australia, Hong Kong and/or Singapore.

Selling Restrictions after Issuance

For the purpose of subscription in Malaysia and non-RM issuance:

The IT1CS may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to purchase the IT1CS would fall within:

1. Schedule 6 (or Section 229(1)(b)); and
2. Schedule 9 (or Section 257(3))

of the CMSA, as amended from time to time.

For the purpose of subscription in countries other than Malaysia:

Such restrictions as may be agreed by the Issuer and the Lead Manager(s) for the purpose of a sale of the IT1CS in, amongst others, the United States, any member of the European Union, Australia, Hong Kong and/or Singapore.

- (q) **Listing status** : The IT1CS that are denominated in RM will not be listed on Bursa Malaysia Securities Berhad (“**Bursa Securities**”) or any other stock exchange.
- The IT1CS that are denominated in non-RM will be listed on such stock exchange as may be agreed by the Issuer and the Lead Manager(s).
- (r) **Minimum level of subscription** : 5% of each issuance of the IT1CS to be issued if the issuance is via book-building.
- 100% of each issuance of the IT1CS to be issued if the issuance is via private placement or bought deal.
- (s) **Other regulatory approvals required in the relation to the issue, offer or invitation and whether or not obtained** :
1. Approval from BNM for proposed issuance of the IT1CS Programme and classification of the IT1CS as Tier 1 capital of the Issuer for inclusion in the computation of the Issuer’s Risk Weighted Capital Ratio (“**RWCR**”).
- BNM’s approval was obtained via its letter dated 28 May 2008.
2. Approval from the SC on the waiver from compliance with certain provisions under the SC’s Guidelines on the Minimum Contents Requirements for Trust Deeds in respect of the IT1CS Programme.
- SC’s approval was obtained via its letter to Aseambankers dated 30 April 2008.
- (t) **Conditions Precedent** : To include but not limited to the following (in form and substance acceptable to the Facility Agent):
- (a) **Main Documentation**

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.
 2. Certified true copies of the latest Forms 24 and 49.
 3. A certified true copy of a board of directors’ resolution authorising, amongst others, the execution of the

transaction documents.

4. A list of the authorised signatories and their respective specimen signatures.
5. A report of the relevant company search.
6. A report of the relevant winding-up search or the relevant statutory declaration in relation thereto.

(c) General

1. The approval from the SC for the IT1CS Programme.
2. The approval from BNM for the IT1CS Programme.
3. Compliance with other regulatory requirements, wherever applicable.
4. The IT1CS Programme has received the requisite rating as stated in this Principal Terms and Conditions.
5. The Facility Agent has received a legal opinion addressed to them with respect to, amongst others, the legality, validity and enforceability of the transaction documents and a confirmation addressed to the Facility Agent that all the conditions precedent have been fulfilled.
6. Such other conditions precedent as may be advised by the Solicitors.

(u) Representations and Warranties : None.

(v) Events of Default : There is no event of default under the IT1CS Programme. Please refer to Clause (x)(17), Enforcement Events; Limited Rights to Acceleration.

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

(x) Other principal terms and conditions for the issue

- (1) **Capital treatment** : The proceeds will provide permanent capital to the Issuer and will qualify as Innovative Tier 1 Capital for the Issuer pursuant to BNM's Guidelines on Innovative Tier 1 Capital Instruments dated 24 December 2004 ("**BNM IT1 Guidelines**").
- (2) **Principal Stock Settlement** : If the IT1CS are still outstanding on the 15th business day before the Final Maturity and the Issuer has not given notice that it will redeem the IT1CS prior to the Final Maturity (as defined in Clause (e), Tenor of the facility/issue) date, the Issuer shall, subject to the prior approval of BNM, the SC and any other regulatory or governmental approvals and/or approval of the shareholder(s) of the Issuer if such approval is required, issue Principal Settlement Securities, the proceeds of which shall be used to redeem the relevant IT1CS issue in cash at the Redemption Amount (defined in Clause (x)(3), Optional Redemption).

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

1. authorise for issuance, prior to the Final Maturity, such number of Principal Settlement Securities as it reasonably considers would be required to satisfy payment of the Redemption Amount of the relevant IT1CS issue;
2. obtain or procure such prior approval of BNM, SC, any other regulatory or governmental approvals, and/or approval of the shareholder(s) of the Issuer and/or any other requisite approvals, if such approvals are required (collectively, the "**Approvals**") to carry out the matters referred to in this clause; and
3. procure purchasers for the Principal Settlement Securities as soon as reasonably practicable.

If the Issuer does not receive Approvals, or following the Approvals, the cash proceeds raised from the issue of Principal Settlement Securities would not be sufficient to redeem the IT1CS at the Redemption Amount, then the IT1CS will remain outstanding after the Final Maturity until the Issuer receives the Approvals, or, after already having received the Approvals, has raised sufficient cash proceeds from the issue of Principal Settlement Securities to redeem the IT1CS at the Redemption Amount. Until and unless the Redemption Amount has been paid or settled in full, the relevant restrictions in the Capital and Dividend Stopper

(defined below in Clause (x)(13), Capital and Dividend Stopper) shall apply.

Any such non-settlement of the Redemption Amount will not constitute or be deemed a default by the Issuer for any purpose whatsoever. For avoidance of doubt, such non-settlement of the Redemption Amount will not affect any of the other features of the IT1CS.

“Principal Settlement Securities” means:

1. non-cumulative perpetual capital securities (**“NCPCS”**) which qualify as Non-Innovative Tier 1 Capital in accordance to BNM regulations; or
2. non-cumulative perpetual preference shares (**“NCPPS”**), which qualify as Non-Innovative Tier 1 Capital in accordance to BNM regulations; or
3. ordinary shares of the Issuer (**“Ordinary Shares”**); or
4. any combination of the above.

- (3) Optional Redemption** : On any Optional Redemption Date, the Issuer may, at its option, redeem the relevant IT1CS issue (in whole, but not in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied.

The Optional Redemption may be done one IT1CS issue at a time without affecting the Option Redemption of the other IT1CS issue(s).

“Optional Redemption Date” means the First Optional Redemption Date or any Interest Payment Date (defined in Clause (g), Interest Payment Dates) thereafter.

“First Optional Redemption Date” means, for each IT1CS, a date falling no less than 10 years or no more than 15 years from the respective IT1CS’ date of first issuance.

“Redemption Conditions” means:

1. the Issuer’s assets exceed its liabilities at the time of any redemption of the IT1CS;
2. the Issuer has obtained the written approval of BNM prior to redemption;
3. any Deferred Interest Amounts shall have been settled

in accordance with the Alternative Coupon Settlement Mechanism (defined below in Clause (x)(11), Alternative Coupon Settlement Mechanism); and

4. any Payment-In-Kind (“**PIK**”) Securities (defined in Clause (x)(11), Alternative Coupon Settlement Mechanism) issued as payment in kind and distributed to holders of the IT1CS pursuant to the Alternative Coupon Settlement Mechanism shall have been purchased by the Issuer.

“**Redemption Amount**” means in relation to the respective IT1CS issue, the amount equal to 100 per cent. of the outstanding principal amount together with accrued but unpaid Interest Payments (defined in Clause (f), Interest Payments) (if any) and any other amounts outstanding up to (and excluding) the date on which the respective IT1CS is redeemed.

- (4) **Redemption due to Abortment of Merger or Acquisition** : If the IT1CS was issued for the purpose of funding a merger or acquisition which is subsequently aborted, the Issuer may, at its option, and subject to BNM’s prior approval, redeem the IT1CS (in whole, but not in part) at 101% or at prevailing market rates, whichever is higher, of the aggregate principal amount of the IT1CS together with accrued and unpaid Interest Payments and any Additional Amounts thereon.

- (5) **Tax Redemption** : The Issuer may, at its option, redeem the IT1CS (in whole, but not in part) at the Early Redemption Amount, subject to the Redemption Conditions being satisfied if a Tax Event occurs.

“**Tax Event**” means any time if there is more than an insubstantial risk, as determined by the Issuer, that the Issuer will be required to pay any Additional Amounts or will no longer be able to deduct interest in respect of the IT1CS 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.

“**Early Redemption Amount**” means from the date of issue to the First Optional Redemption Date, the greater of (i) the Make Whole Amount and (ii) the par amount plus any accrued but unpaid Interest Payment, and any Additional Amounts thereon. After the First Optional Redemption Date, the Early Redemption Amount equals the par amount plus any accrued but unpaid Interest Payment and any

Additional Amounts thereon.

“Make Whole Amount” means, in respect of each IT1CS, the price, as determined by the Calculation Agent three (3) dealing days before the relevant redemption date, equal to:

- (i) the present value of the principal amount of the IT1CS discounted from the First Optional Redemption Date; plus
- (ii) the present values of scheduled interest amounts calculated from (and including) the relevant redemption date to (but excluding) the First Optional Redemption Date; plus
- (iii) any due and accrued but unpaid interest calculated from (and including) the immediately preceding Interest Payment Date (or, if none, the issue date) to (but excluding) the redemption date.

The present values calculated in (i) and (ii) above shall be calculated by discounting the relevant amounts to the date when the security is to be redeemed on an annual basis at the Adjusted Yield.

For the purposes of determining the Make Whole Amount:
“Adjusted Yield” means the Bond Yield, minus 0.20 per cent.; and
“Bond Yield” means the rate per annum equal to the annual yield to maturity of such BNM’s private debt securities published rates.

(6) Taxation and Additional Amounts

: All payments by the Issuer in respect of the IT1CS 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 Amounts**”) 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 IT1CS presented for payment by or on behalf of a holder of the IT1CS 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.

- (7) **Regulatory Redemption** : The Issuer may, at its option, redeem the IT1CS (in whole, but not in part) at the Early Redemption Amount, subject to the Redemption Conditions being satisfied if a Regulatory Event occurs.

“**Regulatory Event**” means any time there is more than an insubstantial risk, as determined by the Issuer, that the IT1CS will no longer qualify as Innovative Tier 1 Capital of the Issuer for the purposes of BNM’s capital adequacy requirements under any applicable regulations.

- (8) **Substitution and Variation** : The Issuer may, subject to the prior approval of BNM, SC and any other regulatory approvals and/or approval of the shareholder(s) of the Issuer if such approval is needed, but without any requirement for the consent or approval of the holders of the IT1CS and subject to the Redemption Conditions being satisfied, substitute at any time all (and not some only) of the IT1CS for, or vary the terms of the IT1CS to become Qualifying Equivalent Securities if (1) a Tax Event occurs, so that no Tax Event exists after such substitution or variation or (2) a Regulatory Event occurs, so that no Regulatory Event exists after such substitution or variation.

The amount of Qualifying Equivalent Securities to be given in substitution will be equal to the original principal amount of the IT1CS. The substitution shall be implemented by the inscription of the Qualifying Equivalent Securities in the books of the holders of the IT1CS in place of the existing IT1CS.

“**Qualifying Equivalent Securities**” means securities:

1. which have terms taken as a whole not less favourable to an investor (as reasonably determined by the Issuer, and provided that a certification to such effect by the management of the Issuer shall have been delivered to the holders of the IT1CS prior to the substitution or variation of the relevant securities) than the terms of the IT1CS;
2. which qualify as Innovative Tier 1 Capital under the BNM IT1 Guidelines;
3. which has a pari passu ranking as the IT1CS; and
4. which shall bear the same interest rate from time to time to that applying to the IT1CS.

(9) Limitations on Payments

: 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 provided that the Payment Limitation Condition continues to be met in the period from the 15th business day prior to such Interest Payment Date to (and including) 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 Amounts exceed, or any additional Deferred Interest Amounts would result in the total aggregate Deferred Interest Amounts exceeding, the Deferral Limit, the deferral of any such Deferred Interest Amounts 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 Amounts in excess of the Deferral Limit, the Issuer's obligations to make payment of such Deferred Interest Amounts 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 on any Interest Payment Date (as defined in Clause (g), Interest Payment Dates), whether deferred or not, the restrictions in Capital and Dividend Stopper will apply. For the avoidance of doubt, any interest cancelled or written off pursuant to the Deferral Limit shall not be taken into account in assessing the applicability of the Capital and Dividend Stopper clause.

"Deferral Limit" means 50 per cent. of the aggregate principal amount of IT1CS issue under the IT1CS Programme.

"Deferred Interest Amounts" means any interest amounts which, subject to any limits imposed by BNM on the number of payments that can be deferred, are deferred by the Issuer.

"Payment Limitation Condition" means that during the 6-month period immediately preceding any Interest Payment Date:

1. the Issuer did not declare any dividends, or make any interest payment(s) on any securities or instruments ranking pari passu with or junior to the IT1CS; and
2. the Issuer did not redeem, purchase, reduce or

otherwise acquire any of its ordinary shares, preference shares or securities or instruments ranking pari passu with or junior to the IT1CS.

Notwithstanding the above, on any Interest Payment Date with respect to which (i) a Regulatory Event has occurred and is continuing and (ii) the Issuer is not in breach of BNM minimum capital adequacy ratio requirements, the Issuer shall be obliged to pay the Interest Payment.

For the avoidance of doubt, no Interest Payments will be made if the payment will result in the Issuer breaching BNM's minimum capital adequacy ratio requirements. Such amounts will be deemed to be Deferred Interest Amounts and will be settled in accordance to Clause (x)(10), Deferred Interest Amounts Settlement.

- (10) Deferred Interest Amounts Settlement** : If the Issuer defers an Interest Payment on any Interest Payment Date after the Payment Limitation Condition has been met, the Issuer shall, subject to the prior written approval of BNM and the cancellation of any Deferred Interest Amounts in excess of the Deferral Limit (if any) referred to above, pay the Deferred Interest Amounts in full at the latest on the next Interest Payment Date when the Payment Limitation Condition is not met. No interest will accrue on any Deferred Interest Amounts.

Any payment of (a) dividends to ordinary shareholders of the Issuer and/or (b) interest to holders of securities or instruments ranking pari passu with or junior to the IT1CS, 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 the above paragraph.

The Issuer shall satisfy the payment of any Deferred Interest Amounts, which are due and payable via the Alternative Coupon Settlement Mechanism (defined in Clause (x)(11), Alternative Coupon Settlement Mechanism).

If for any reason (including the Issuer not receiving approval of BNM, SC and any other regulatory or governmental approvals and/or approval of the shareholder(s) of the Issuer, if such approval is needed), the Issuer does not settle the payment of Deferred Interest Amounts which are due and payable through the Alternative Coupon Settlement Mechanism, then such unsettled Deferred Interest Amounts will be due and payable through the Alternative Coupon

Settlement Mechanism as soon as practically possible. Until and unless the Deferred Interest Amounts have been paid or settled in full, the relevant restrictions in the Capital and Dividend Stopper (defined below in Clause (x)(13), Capital and Dividend Stopper) shall apply.

For the avoidance of doubt, such unsettled Deferred Interest Amounts will be subject to the Deferral Limit and Deferred Interest Amount Settlement. There is no obligation for the Issuer to pay unsettled Deferred Interest Amounts on the Final Maturity of the IT1CS (subject to Clause (x)(9), Limitations on Payment) or in case of substitution with Principal Settlement Securities pursuant to Clause (x)(12), Loss Absorption at the time of such substitution. Nevertheless, such unsettled Deferred Interest Amounts shall be due and payable in accordance with Clauses (x)(9) and (x)(10).

- (11) Alternative Coupon Settlement Mechanism (“ACSM”)** : Subject to the prior approval of BNM, SC and any other regulatory or governmental approvals and/or approval of the shareholder(s) of the Issuer, if such approval is needed, the Issuer will satisfy its obligation to pay any Deferred Interest Amounts on an Interest Payment Date only in accordance with the procedure described below. The Issuer's obligation to pay any Deferred Interest Amounts on an Interest Payment Date in accordance with the Alternative Coupon Settlement Mechanism will be satisfied as follows:

The Issuer shall notify the Calculation Agent not less than 16 business days prior to the relevant ACSM Payment Date that an ACSM Payment is to be satisfied on such ACSM Payment Date.

Issue of Ordinary Shares

If any ACSM Payment is to be satisfied through the issue of ordinary shares then:

1. by or before the close of business on the seventh (7th) business day prior to the relevant ACSM Payment Date, the Issuer will issue such number of ordinary shares (the “Payment Ordinary Shares”) as, subject to the Payment Ordinary Shares Limit, in the determination of the Calculation Agent, will have a market value as near as practicable to, but not less than, the relevant ACSM Payment to be satisfied; and

2. the Issuer shall agree to use reasonable endeavours to effect the transfer of such Payment Ordinary Shares to or to the order of the Calculation Agent as soon as practicable (subject to any necessary consents being obtained) and in any case by not later than the close of business in on the sixth (6th) business day prior to the relevant ACSM Payment Date and the Calculation Agent shall be required to agree in the Calculation Agency Agreement to use reasonable endeavours to procure purchasers for such Payment Ordinary Shares. The Calculation Agent shall further be required to agree in the Calculation Agency Agreement to convert the proceeds of such sale into the currency of payment, if necessary, at prevailing market exchange rates and deliver such converted proceeds of such sale to, or hold such converted proceeds of such sale to the order of, the Issuer, who shall pay or shall instruct the Calculation Agent to pay such proceeds as it holds in respect of the relevant ACSM Payment on its due date.

The Issuer shall not be liable to anyone for any loss occasioned by the transfer or sale of the Payment Ordinary Shares or the conversion of the proceeds of such sale as aforesaid, or any delay or failure in effecting such transfer or sale of the Payment Ordinary Shares or conversion of the proceeds (as the case may be) under this clause.

If the proceeds of the sale of the Payment Ordinary Shares will not, in the opinion of the Calculation Agent despite the arrangements described above, result in a sum at least equal to the relevant ACSM Payment being available to satisfy the necessary ACSM Payment in full on its due date, the Issuer and the Calculation Agent shall take such steps as are reasonably necessary to ensure, so far as practicable, that through issuing additional ordinary shares on one or more further occasions (also Payment Ordinary Shares) and following, mutatis mutandis, the procedures contained above, a sum as near as practicable to, and at least equal to, the relevant ACSM Payment will be available to satisfy the relevant ACSM Payment in full on its due date.

The foregoing is subject to the proviso that if a shortfall exists on the business day preceding the intended Termination Date no part of the ACSM Payment shall be due until such time as the Issuer is able to pay a sum at least equal to the ACSM Payment in full in accordance with the procedures set out in this provision on the Termination

Date.

“ACSM Payment” means any Deferred Interest Amounts in respect of which the Issuer has at its option notified the Calculation Agent not less than 16 business days prior to the relevant Interest Payment Date that such Interest Payment is to be satisfied in accordance with this ACSM provision on such Interest Payment Date which will thereby become an ACSM Payment Date.

“ACSM Payment Date” means the date on which an ACSM Payment is due to be satisfied pursuant to this clause.

“Termination Date” means the date on which any redemption, substitution or variation occurs.

“Payment Ordinary Shares Limit” means, in connection with any payment of Deferred Interest Amounts, that the aggregate number of ordinary shares issued by the Issuer in any rolling 12-month period shall not exceed 2 per cent of the aggregate number of the ordinary shares in issue (including those held in treasury, if any).

Issue of PIK Securities

In case of a Market Disruption Event and to the extent that the Deferred Interest Amounts have not been satisfied through the net sales proceeds from the sale of Payment Ordinary Shares, the Issuer will deliver to the holders of the IT1CS the PIK Securities.

“PIK Securities” means:

1. NCPCS which qualify as Non-Innovative Tier 1 Capital in accordance to BNM regulations, or
2. NCPPS which qualify as Non-Innovative Tier 1 Capital in accordance to BNM regulations, or
3. a combination of both (i) and (ii).

For each IT1CS holder, the number of PIK Securities received will be equal to the amount of Deferred Interest Amount owed divided by the nominal value of the PIK Securities rounded down. The relevant number of PIK Securities to be issued (as reasonably determined by the Calculation Agent) shall be allocated to each IT1CS holder by the Calculation Agent on the basis of such IT1CS

holder's total holding of IT1CS rather than on a per IT1CS basis. Any broken amount of Deferred Interest Amount shall be forfeited.

The amount of PIK Securities to be issued shall not exceed 15 per cent. of the aggregate principal amount of the IT1CS issued under the IT1CS Programme.

“Market Disruption Event” means:

1. the occurrence or existence of any suspension of or limitation imposed on trading (by reason or 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 are such as to prevent or to a material extent restrict the issue or delivery of the Ordinary Shares, as the case may be.

(12) Loss Absorption : If a Replacement Event exists on the 15th business day prior to an Interest Payment Date or payment of an Interest Payment on such Interest Payment Date would result in the occurrence of a Replacement Event, the Issuer shall, upon request from the BNM and subject to the prior approval of BNM, SC and any other regulatory or governmental approvals and/or approval of the shareholder(s) of the Issuer, if such approval is needed, undertake on such Interest Payment Date to substitute the IT1CS with PIK Securities, which have an equivalent nominal value as the IT1CS and which will bear interest at the distribution rate applicable to the IT1CS (**“Replacement Securities”**) provided that the Replacement Event continues in the period from the 15th business days prior to the relevant Interest Payment Date to (and including) such Interest Payment Date.

The number of Replacement Securities received will be equal to the principal amount of the IT1CS divided by the

nominal value of the Replacement Securities. Prior to such Interest Payment Date, the Issuer will have authorised for issuance such number of Replacement Securities to substitute the IT1CS.

“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 (defined in Clause (x)(14), Subordination) in respect of the Issuer; or
3. appointment of an administrator in connection with a restructuring of the Issuer.

(13) Capital and Dividend Stopper : In the event that the Issuer is unable to fully pay or settle the Interest Payment (whether deferred or not) on an Interest Payment Date, or is unable to fully pay the Redemption Amount on or after the Final Maturity pursuant to the Principal Stock Settlement clause or has not substituted in full the nominal value of the IT1CS pursuant to the Loss Absorption clause, until such amount has been paid or settled in full:

1. the Issuer and the SPV shall not pay any dividend to ordinary shareholders or make any interest payment on any securities or instruments ranking junior or pari passu to the IT1CS which contain deferral rights or rights of non-payment with respect to interest payment(s) including other non-innovative and innovative Tier 1 Capital qualifying securities (**“Dividend Stopper”**); and
2. the Issuer and the SPV shall not redeem, purchase, reduce or otherwise acquire any of its Ordinary Shares, preference shares or other securities or instruments ranking pari passu with or junior to the IT1CS, including non-innovative and innovative Tier 1 Capital qualifying securities (**“Capital Stopper”**).

For the purpose of this condition, the **“SPV”** shall refer to any special purpose vehicle held or established by the Issuer to issue securities or instruments evidencing indebtedness ranking pari passu with or junior to the IT1CS,

including non-innovative and innovative Tier 1 Capital qualifying securities.

For the avoidance of doubt, any interest cancelled or written off pursuant to the Deferral Limit shall not be taken into account in assessing the applicability of the Capital and Dividend Stopper clause.

(14) Subordination

: The principal of, and interest and any additional amounts payable on the IT1CS will be subordinated in right of payment upon 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 IT1CS) except, in each case, to those liabilities which by their terms rank pari passu with or junior to the IT1CS.

Claims in respect of the IT1CS will rank pari passu and without preference among themselves, and will rank pari passu with other Tier 1 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.

Claims in respect of Deferred Interest Amounts will rank pari passu with the IT1CS up to 25% of the aggregate principal amount of the IT1CS issued under the IT1CS Programme, and any Deferred Interest Amounts beyond that shall rank pari passu with equity. **“Winding Up Proceeding”** means the occurrence of any of the following:

1. a court or agency or supervisory authority in Malaysia having jurisdiction in respect thereof shall have instituted a proceeding or entered a decree or order for the appointment of a receiver or liquidator in any insolvency or similar arrangements involving the Issuer or all or substantially all of its properties, or for the winding up of or liquidation of its affairs and such proceeding, decree or order or legal process or other form of execution shall not have been set aside or shall have remained in force undischarged or unstayed for a period of 30 days; or
2. the Issuer shall file a petition to take advantage of any insolvency statute.

- (15) **Amendments** : No provision of the IT1CS may be amended without the prior written consent of BNM if such amendment would or may result in the IT1CS not being treated as Innovative Tier 1 Capital of the Issuer on a consolidated or unconsolidated basis.
- (16) **Guarantee** : The IT1CS will not be secured or covered by a guarantee of the Issuer or any related entity of the Issuer, or any other arrangement that legally or economically enhances the seniority of the claims of the holders of the IT1CS.
- (17) **Enforcement Events; Limited Right of Acceleration** : If an Enforcement Event occurs, then the Trustee for and on behalf of the holders of the IT1CS may institute such proceedings to enforce the payment obligations of the Issuer under the IT1CS and may institute Winding Up Proceedings against the Issuer but may take no other action in respect of such default and the Trustee shall have no right to accelerate payment of such IT1CS in the case of default in the payment of interest on, or other amounts owing under such IT1CS or any default in the performance of any other covenant of the Issuer under the IT1CS.

If a court order is made or an effective resolution of the shareholders of the Issuer is passed for a Winding Up Proceeding, the Trustee for and on behalf of the holders of the IT1CS may declare the IT1CS to be due and payable immediately, by a notice in writing to the Issuer. Upon such a declaration, such principal amount and any accrued interest shall become 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 IT1CS on the due date for payment thereof (other than non-payment of principal in accordance with Loss Absorption and/or Principal Stock Settlement);
2. a default is made in the payment of interest (including any Additional Amounts) on the IT1CS on the due payment thereof and such default continues for 14 days (other than non-payment of interest in accordance with Limitations on Payments and Deferred Interest Amounts Settlement),

other than a default in the payment of principal or interest to the extent that such default is due to 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 by Limitations on Payments.

- (18) Repurchase and Cancellation** : The Issuer or its holding company or any of its subsidiaries may at any time purchase, subject to the prior approval of BNM, the IT1CS 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 of the IT1CS equally. IT1CS purchased by the Issuer or its holding company or any of its subsidiaries may not be used for voting purposes or for directing or requesting the Trustee to take any action.

All IT1CS which are (a) redeemed or (b) purchased by the Issuer or its holding company or any of its subsidiaries (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.

- (19) Voting Rights** : None

- (20) Transferability** : Transferable, but subject to the selling restrictions stated in Clause (p), Selling Restrictions.

- (21) Governing Law** : For any RM issuance:
The laws of Malaysia.

For any non-RM issuance:
English law or such other law as may be agreed by the Issuer and the Lead Manager(s) (save for Clause (x)(14), Subordination, which will be governed by and construed in accordance with Malaysian law).

- (22) Covenants** : These shall include but not limited to the following:

The Issuer shall:

1. At all times comply with the provisions of the trust deed and the terms and conditions of the transaction agreements in relation to the issuance of the IT1CS;
2. 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, report, notice, statement or circular or other documents issued by the Issuer to its shareholders;

3. 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 IT1CS Programme and that there did not exist or had not existed, from the issue date or date of the previous certificates as the case may be, any Enforcement Event and if such is not the case, to specify the same;
4. 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;
5. 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;
6. At all times keep proper books and accounts on a basis consistently applied in accordance with the laws of Malaysia and generally accepted accounting principles and standards in Malaysia;
7. Immediately notify the Trustee in the event that the Issuer becomes aware of the following:
 - (a) the occurrence of any Enforcement Events or such other rights or remedy under the terms, provisions and covenants of the IT1CS Programme and the transaction agreements which have become enforceable and the Issuer shall take reasonable steps and/or such other steps as may be reasonably requested by the Trustee to remedy and/or mitigate the Enforcement Events;
 - (b) any circumstances that has occurred or any other matter that may materially prejudice the ability of the Issuer to perform its obligations under the IT1CS Programme or any security included in or created by the IT1CS Programme or the trust deed;
 - (c) any substantial change in the nature of the business of the Issuer;
 - (d) any change in the utilisation of the proceeds from the IT1CS Programme other than for the

purpose stipulated;

- (e) any change in the Issuer's withholding tax position or taxing jurisdiction; and
- (f) any other matters that may materially prejudice the interests of the holders of the IT1CS; and

8. Such other covenants deemed necessary or may be advised by the Solicitors.

(23) Other Conditions

: The IT1CS 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 having jurisdiction over matters pertaining to the IT1CS.

For any non-RM issuance of the IT1CS, such other terms and conditions shall apply as are customary or required for such issuance.