

PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSAL

1. BACKGROUND INFORMATION

(a) Issuer

- (i) Name : AmBank (M) Berhad (“**AmBank**”).
- (ii) Address : 22nd Floor, Bangunan AmBank Group
55, Jalan Raja Chulan
50200 Kuala Lumpur
- (iii) Business Registration No. : 8515-D.
- (iv) Date/Place of Incorporation : 25 March 1969 / Malaysia.
- (v) Date of Listing (in case of a Public Listed Company) : Not listed on any exchange.
- (vi) Status
 - Resident/Non-Resident controlled company : Resident controlled company.
 - Bumiputera/Non-Bumiputera controlled company : Non-Bumiputera controlled company.
- (vii) Principal Activities : AmBank is a licensed bank and finance company under BAFIA and it provides banking and financial services which include loans, advances and financing, deposit services, credit cards, remittance services, foreign exchange and (through its wholly-owned subsidiary, AmIslamic Bank Berhad) Islamic banking services.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

(viii) Board of Directors : The board of directors consists of:

Name	Nationality / Designation
Tan Sri Dato' Azman Hashim	Malaysian / Chairman, Non-Independent Non-Executive Director
Tun Mohammed Hanif bin Omar	Malaysian / Independent Non-Executive Director
Tan Sri Datuk Clifford Francis Herbert	Malaysian / Independent Non-Executive Director
Dato' Gan Nyap Liou@ Gan Nyap Liow	Malaysian / Independent Non-Executive Director
Tan Kheng Soon	Malaysian / Independent Non-Executive Director
Cheah Tek Kuang	Malaysian/ Chief Executive Officer
Anthony John Healy	Australian/ Non-Independent Non-Executive Director

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

- (ix) Structure of Shareholdings and names of Shareholders or, in the case of a Public Company, names of all Substantial Shareholders : AmBank is a wholly-owned subsidiary of AMFB Holdings Berhad ("AMFB") which in turn is a wholly-owned subsidiary of AMMB Holdings Berhad.
- The substantial shareholders of AmBank as at 12 December 2007 are as follows:-

Name	No. of AmBank shares/%	
	Direct	Indirect
AMFB	610,363,762 [^] /100%	-
AHB	-	610,363,762 [^] /100%
TSDAH	-	610,363,762 [^] /100%
AmcorpGroup Berhad	-	610,363,762 [^] /100%
Clear Goal Sdn Bhd	-	610,363,762 [^] /100%
Employees Provident Fund Board	-	610,363,762 [*] /100%

Notes:

** Deemed interest by virtue of his/its interests in AMFB via their substantial interests in AHB.*

[^] Excluding 150,000,000 6% irredeemable non-cumulative convertible preference shares of RM1.00 each.

- (x) Authorised and Paid-Up Capital

Authorised share capital as at 12 December 2007 : RM3,886,250,002 comprising :-

(a) 1,386,250,002 ordinary shares of RM1.00 each ("**Ordinary Shares**"); and

(b) 2,500,000,000 6% irredeemable non-cumulative convertible preference shares of RM1.00 each ("**IPS**").

Paid-up capital as at 12 December 2007 : 610,363,762 Ordinary Shares.
150,000,000 IPS.

2. PRINCIPAL TERMS AND CONDITIONS

(a) Name of parties involved in the proposed transaction, (where applicable)

- (i) Principal Adviser(s)/ Lead Arranger(s) : AmlInvestment Bank Berhad (Company No. 23742-V) (**"AmlInvestment Bank"**).
- (ii) Arranger(s) : Not applicable.
- (iii) Valuers : Not applicable.
- (iv) Solicitors : Messrs Shook Lin & Bok.
- (v) Financial Adviser : Not applicable.
- (vi) Technical Adviser : Not applicable.
- (vii) Guarantor : Not applicable.
- (viii) Trustee : Pacific Trustees Berhad (Company No. 317001-A).
- (ix) Facility Agent : AmlInvestment Bank.
- (x) Primary Subscriber(s) and amount subscribed (where applicable) : The Primary Subscribers (if any) will be determined prior to each issuance of the MTN.
- (xi) Underwriter(s) and amount underwritten : Not applicable.
- (xii) Central Depository : Bank Negara Malaysia (**"BNM"**).
- (xiii) Paying Agent : BNM.
- (xiv) Reporting Accountant : Not applicable.

(xv) Others
(please
specify)

Lead
Manager

: AmInvestment Bank and/or such other parties as may be appointed by the Issuer.

**(b) Facility
Description**

: Up to RM2.0 billion nominal value Medium Term Notes (“**MTN**”) Programme (“**MTN Programme**”).

The MTN Programme will be recognised as Tier 2 capital in accordance with the Risk Weighted Capital Adequacy Framework issued by BNM.

(c) Issue Size (RM)

: Up to RM2.0 billion in nominal value. The total outstanding MTN shall not at any one time exceed the nominal amount of RM2.0 billion.

(d) Issue Price (RM)

: The MTN shall be issued at a discount or par or premium to the nominal value at the Issuer’s option and agreed to by the Lead Manager for each issue of MTN.

**(e) Tenor of the
Facility/Issue**

: Up to 20 years (“**Programme Tenor**”) from the date of the first issuance. The first issuance of MTN under the MTN Programme shall not be later than twelve (12) months from the date of the SC’s approval.

Maturity of MTN

The MTN shall have maturities ranging from ten (10) to twenty (20) years which will be determined at the point of each issuance (“**Maturity Date**”) and callable by the Issuer at the beginning of the 5th year, and every anniversary thereafter, preceding the maturity of the MTN (“**Call Date**”).

None of the MTN shall have a maturity date extending beyond the expiry date of the Programme Tenor.

**(f) Interest/Coupon
(%)**

: The MTN shall bear a coupon at a rate to be determined prior to each issuance.

(i) In respect of any MTN which have been issued prior to 18 September 2012, the coupon rate of the relevant MTN shall be stepped up by 0.5% per annum at the beginning of the 5th year, and on every anniversary thereafter, preceding the Maturity Date of the MTN.

(ii) In respect of any MTN issued on or after 18 September 2012, the coupon rate shall remain

unchanged throughout the tenor of the MTN so issued.

- (g) **Interest/Coupon Payment Frequency** : Payable semi-annually in arrears, with the last coupon payment to be made on the Maturity Date or the Call Date as the case may be.
- (h) **Interest/Coupon Payment Basis** : Actual/365 days.
- (i) **Yield to Maturity (“YTM”) (%)** : The yield-to-maturity of the MTN will be determined prior to each issuance. The Securities Commission (“SC”) will be notified immediately thereafter.
- (j) **Security/Collateral (if any)** : Nil.
- (k) **Details on Utilisation of Proceeds** : Proceeds raised from the MTN Programme shall be utilised to refinance existing Tier 2 subordinated bonds/loans and to meet working capital and funding requirements as below:

PROPOSED UTILIZATION	ISSUE AMOUNT
Refinancing the existing Tier 2 subordinated bonds/loans	Up to RM1,120 million
Working capital/funding	Up to RM878.7 million
Initial expenses	Up to RM1.3 million
Total	Up to RM2,000 million

- (l) **Sinking Fund (if any)** : Not applicable.
- (m) **Rating**
- (a) **Credit Rating assigned** : A2 (Initial Rating).
(Please specify if this is an indicative rating)
- (b) **Name of Rating Agency** : RAM Rating Services Berhad (“RAM”).
- (n) **Form and Denomination** : The MTN will be represented by global certificates to be deposited with BNM as the Central Depository and

exchangeable for definitive certificates only in certain limited circumstances. The MTN shall be issued in accordance with the rules on Fully Automated System for Issuing/Tendering (“**FAST**”) and the Real Time Electronic Transfer of Funds and Securities (“**RENTAS**”) system issued by BNM and/or any other relevant guidelines issued by the relevant authorities and traded under the Scripless Securities Trading System (“**SSTS**”) operated by BNM.

The MTN shall be in denominations of RM100,000.00 each and shall be issued in bearer form.

(o) Mode of Issue : The MTN shall be issued via private placement (by way of book-building, bought deal and/or direct placement to identified investors) without prospectus.

(p) Selling Restriction : **(a) At the point of issuance**

MTN may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed, in Malaysia other than to persons, whether as principal or agent, falling within:

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

of the Capital Markets and Services Act 2007 (“**CMSA**”), as amended from time to time, subject to any law, order, regulation or official directive of BNM, SC and/or any other regulatory authority from time to time.

(b) After issuance

The MTN may not be offered or sold, directly or indirectly, nor may any document or other material in connection therewith be distributed, in Malaysia other than to persons, whether as principal or agent, falling within:

- Schedule 6 or Section 229(1)(b); and
- Schedule 9 or Section 257(3),

of the CMSA, as amended from time to time, subject to any law, order, regulation or official directive of BNM, SC and/or any other regulatory authority from time to time.

(q) Listing Status : The MTN will not be listed on Bursa Malaysia Securities Berhad or on any other stock exchange.

- (r) **Minimum Level of Subscription (RM or %)** : The minimum level of subscription for each issue shall be 10%.

In the event that any issue, offer or invitation is undersubscribed and does not meet the minimum level of subscription, the same shall be aborted and where applicable, any consideration received for the purpose of subscription shall be immediately returned to the respective subscribers.

- (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 implementation of the MTN Programme was obtained via its letter dated 19 December 2007. Meanwhile, BNM noted vide its letter dated 25 July 2012 that new MTNs to be issued thereafter will not have any step-up coupon rates.

- (t) **Conditions Precedent** : Usual and customary for an issuance of this nature which shall include but are not limited to the following:-

- (a) Delivery of the Issuer's Memorandum and Articles of Association, board resolution and other constitutional documents of the Issuer required by the Lead Arranger;
- (b) A signed copy of each of the Transaction Documents which have been duly executed and stamped (or, as the case may be, endorsed as exempted from stamp duty) where relevant;
- (c) The written approval from the SC and BNM in respect of the MTN and a written confirmation from the solicitors acting for the Lead Arranger ("**Solicitors**") addressed to the Trustee and the Lead Arranger that the approval is unconditional or, if they are conditional, that the conditions have been fulfilled to the extent that they have to be fulfilled prior to the issuance of the MTN;
- (d) A search on the Issuer at the Companies Commission of Malaysia that does not reveal any circumstances which would or might prejudice the validity or enforceability of the MTN;
- (e) Evidence that the MTN have been accorded a minimum rating of A2 by RAM;
- (f) An acceptable legal opinion from the Solicitors addressed to the Lead Arranger and Trustee advising on the validity, legality and enforceability of the MTN and the Transaction Documents; and

(g) Such other conditions as may be advised by the Solicitors for an issuance of this nature.

(u) Representations and Warranties

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

(a) that the Issuer is a company duly incorporated under the laws of Malaysia as a legal entity and has full power and authority to own its assets and carry on its business as it is now being carried on;

(b) that the Issuer has the power and capacity to execute, deliver and perform the terms of the Transaction Documents and the Issuer has taken all necessary corporate and other actions to authorise the execution, delivery and performance of the Transaction Documents;

(c) that no Event of Default has occurred;

(d) that to the best of the knowledge of the directors of the Issuer, the Issuer is not in liquidation and no steps have been taken by any person for or with a view to the appointment of a liquidator, receiver and/or manager or judicial manager of the Issuer or any of its assets or undertakings that would have a material adverse effect on the ability of the Issuer to comply with its obligations under the Transaction Documents;

(e) no litigation or arbitration is current or, to the Issuer's knowledge, is threatened, which if adversely determined would have a material adverse effect on the ability of the Issuer to comply with its obligations under the Transaction Documents;

(f) the written information provided to the Lead Arranger and contained in the Information Memorandum are true, complete, accurate and not misleading and no circumstance or situation has arisen which would materially and adversely affect the condition of the Issuer (financial or otherwise) or the earnings, affairs or business prospects of the Issuer or the success of the issue of the MTN;

(g) there has been no change in the business or condition (financial or otherwise) of the Issuer or its subsidiaries since the date of its last audited financial statements which might have a material adverse effect on the ability of the Issuer to comply with its obligations under the Transaction Documents;

(h) that the audited financial statements and unaudited

financial statements of the Issuer to be delivered to the Trustee from time to time in accordance with the trust deed have been prepared in accordance with all relevant laws and the approved accounting standards issued by the Malaysian Accounting Standards Board (save for matters specifically disclosed therein) consistently applied and give a true and fair view of the financial condition and results of operations of the Issuer and its subsidiaries, taken as a whole, as of the date or dates to which they were made up and that there has been no adverse change in the financial position of the Issuer and its subsidiaries taken as a whole, which is material in the context of the issue of the MTN since the date of such financial statements; and

- (i) non-conflict with laws, contracts or constitutional documents in the execution of the Transaction Documents.

(v) Events of default : (i) Non-Payment of Interest and/or Principal of the MTN

The Issuer defaults in payment of any principal or interest under the MTN on the due date and the Issuer does not remedy such default within a period of 14 days after the Issuer became aware or having been notified by the Trustee of the default.

(ii) Winding-Up

An order is made for the winding-up of the Issuer and such order is not stayed or set aside within thirty (30) days of such order being made or where so stayed, such stay lapses, or an effective resolution is passed for the winding-up of the Issuer except where such order is made or such resolution is passed for the purpose of a reconstruction or amalgamation the terms of which have been approved by the MTN holders by way of special resolution.

Upon the occurrence of item (i) above, subject to the terms of the Trust Deed, the Trustee may or shall (if directed to do so by a special resolution of the MTN holders) institute proceedings to enforce the payment obligations of the Issuer under the MTN and may institute proceedings for the winding-up of the Issuer, provided that neither the Trustee nor any of the MTN holders shall have the right to accelerate payment of the entire outstanding nominal amount of the MTN in the case of default under item (i) above.

Upon the occurrence of item (ii) above, subject to the terms of the Trust Deed, the Trustee may or shall (if directed to do so by a special resolution of the MTN holders) declare (by giving written notice to the Issuer) that the entire outstanding nominal amount of the MTN together with all other sums payable under the MTN shall immediately become due and payable.

- (w) **Principal terms and conditions for warrants (where applicable)** : Not applicable
- (x) **Other principal terms and conditions for the issue** : Other principal terms and conditions for the issue shall include but are not limited to the following:-
- (i) **Call Option** : Unless previously redeemed or purchased and cancelled, the Issuer will have a call option (the “**Call Option**”) to redeem the MTN at par, and in whole but not in part, at a Call Date at 100% of the nominal value of the outstanding MTN together with accrued interest by giving the Trustee not less than thirty (30) days prior written notice. The exercise of the Call Option by the Issuer in respect of any particular tranche of MTN will not affect the other outstanding tranche(s) of MTN under the Proposed MTN Programme. Such exercise of the Call Option is subject to the prior approval of BNM.
- (ii) **Covenants** : Positive and negative covenants as agreed between the parties including but not limited to the following:-
- a) The Issuer shall provide to the Trustee any information relating to the Issuer’s affairs to the extent permitted by law which the Trustee may require from time to time in order to discharge its duties and obligations as Trustee under the trust deed;
 - b) The Issuer shall comply at all times with any and all requirements and conditions, notices, circulars and/or guidelines as may be issued and/or imposed by the SC and/or BNM, from time to time and the applicable provisions of the CMSA;
 - c) The Issuer will exercise reasonable diligence in carrying out its business in a proper and efficient manner and in particular, it will ensure, amongst others, that all necessary approvals or relevant licences are obtained;

d) The Issuer will, save and except for transactions lawfully entered into by the Issuer in the ordinary course of its banking and/or financial services business with its or its related corporation's directors, substantial shareholders or persons connected with any of them ("**Interested Persons**"), not enter into a transaction, whether directly or indirectly with interested persons (including a director, substantial shareholder or persons connected with them) unless:-

(i) such transaction shall be on terms that are no less favourable to the Issuer than those which could have been obtained in a comparable transaction from persons who are not Interested Persons; and

(ii) with respect to transactions involving an aggregate payment or value equal to or greater than 25% of the Issuer's total shareholders' funds as reflected in the latest audited financial statements, the Issuer shall obtain certification from an independent adviser that the transaction is carried out on fair and reasonable terms;

provided that the Issuer certifies to the trustee that the transaction complies with paragraph (i), that the Issuer has received the certification referred to in paragraph (ii)(where applicable) and that the transaction has been approved by the majority of the board of directors or shareholders in a general meeting as the case may require;

e) The Issuer will maintain a paying agent in Malaysia;

f) The Issuer will 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 trust deed and the terms and conditions of the MTN;

g) The Issuer will keep proper books and accounts at all times;

h) The Issuer will immediately notify the trustee in the event that the Issuer becomes aware:

(i) of any event of default or that such other right or remedy under the terms, provisions and covenants of the MTN and trust deed have become immediately enforceable;

(ii) of any circumstance that has occurred that would materially prejudice the Issuer;

(iii) of any substantial change in the nature of the

business of the Issuer;

- (iv) of any change in withholding tax position or taxing jurisdiction of the Issuer;
 - (v) of any change in the utilisation of proceeds from the MTN where the information memorandum or any agreement entered into in connection with the MTN sets out a specific purpose for which proceeds are to be utilized; and
 - (vi) of any other matter that may materially prejudice the interests of the MTN holders.
- i) The Issuer shall provide to the Trustee the annual audited accounts of the Issuer within 180 days after the end of its financial year end and any other accounts, report, notice, statement or circular issued to shareholders.
 - j) The Issuer will provide not later than 180 days after the end of its financial year to the Trustee, a certificate that the Issuer has complied with its obligations under the trust deed and the terms and conditions of the MTN and that there did not exist or had not existed, from the date the MTN was issued or the date of the previous certificate, as the case may be, any event of default and if such is not the case, to specify the same.

(iii) Final Redemption : Unless previously redeemed or purchased and cancelled, the MTN will be redeemed by the Issuer at 100% of their nominal value on their respective maturity dates.

(v) Restrictive Covenants : None.

(vi) Status : The MTN will constitute direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and pari passu with all other present and future unsecured and subordinated obligations of the Issuer but subordinated in right and priority of payment, to the extent and in the manner provided in the terms of the MTN, to all deposit liabilities and other secured and unsecured liabilities of the Issuer and preference shares issued by the Issuer except those liabilities which by their terms rank pari-passu in right of and priority of payment with or subordinated to the MTN. The MTN will, in the event of a distribution of assets in the winding-up or liquidation of the Issuer, rank senior to the Ordinary Share capital of AmBank and other instruments

subordinated to the MTN in the manner provided in the terms of such other instruments.

- (vii) Adverse Market Condition** : At any time prior to the issuance of the MTN, the Lead Arranger reserves the right to withdraw/terminate the arrangement of the MTN if there occurs any material change in the national or international financial, political or economic conditions, including but not limited to material changes in the international/ domestic money, capital or syndicated loan markets, the business activities or financial position of the Issuer which in the opinion of the Lead Arranger, will materially affect the offering and distribution of the MTN.
- (vii) Governing Law and Jurisdiction** : The laws of Malaysia and the non-exclusive jurisdiction of the courts of Malaysia.
- (viii) Withholding tax and duties** : All payments of principal and interest by the Issuer shall be made after deducting or withholding any amounts for, or on account of, any present or future taxes or duties of whatever nature imposed by Malaysia or any political subdivision or taxing authority thereof or therein. The Issuer will not pay any additional amounts in respect of any such deduction or withholding for payments of principal and interest for or on account of any such taxes or duties.
- (x) Repurchase and cancellation** : The Issuer may at any time purchase the MTN at any price in the open market or by private treaty but these repurchased MTN shall not be counted for the purposes of voting (but shall be included for the purposes of calculating the required quorum at meetings of MTN holders) and any of the MTN purchased by the Issuer shall be cancelled and shall not be resold or reissued.
- (xi) Transaction Documents** : Transaction Documents shall refer to:-
(a) Programme Agreement;
(b) Trust Deed;
(c) Depository and Paying Agency Agreement;
(d) Facility Agency Agreement; and
(e) Any other legal documentation as may be advised by the legal counsel for the Lead Arranger.