

MALAYAN BANKING BERHAD ("MAYBANK")

ACQUISITION OF 8,682,815 NON-REDEEMABLE PREFERENCE SHARES ("NRPS") HELD BY EMPLOYEES PROVIDENT FUND ("EPF") IN MAYBAN FORTIS HOLDINGS BERHAD ("MFHB") FOR A TOTAL CASH CONSIDERATION OF RM125,969,815

1. INTRODUCTION

Maybank wishes to announce that it has on 28 June 2010 acquired 8,682,815 NRPS in MFHB, a 69.05% indirect subsidiary of Maybank, from EPF for a total cash consideration of RM125,969,815 ("the Acquisition").

2. DETAILS OF THE ACQUISITION

The Acquisition was initiated by (i) the Subscription Agreement entered into between EPF and MFHB ("Subscription Agreement") and (ii) the Call and Put Option Agreement entered into between EPF, Maybank and Fortis International N.V ("Fortis") ("Call and Put Option Agreement"). Both Subscription Agreement and Call and Put Option Agreement were executed simultaneously on 29 August 2007.

2.1 Subscription Agreement

By the Subscription Agreement made, EPF subscribed 12,575,076 NRPS issued by MFHB for a total issue price of RM116 million.

The salient terms and conditions of the NRPS are as follows:

- a) The issue price is approximately RM9.22 per NRPS;
- b) The subscriber shall not be entitled to representation to board of MFHB; and
- c) The subscriber shall not have any right to vote at any general meeting of MFHB, unless the meeting is convened for the purpose of reducing the capital, or winding up or where the proposition to be submitted to the meeting directly affects the rights and privileges of the NRPS.

2.2 Call and Put Option Agreement

The salient terms of the Call and Put Option Agreement are as follows:

- a) Call Option - Call Option granted by EPF to Maybank and Fortis to require EPF to sell the NRPS to Maybank and Fortis at the proportion of approximately 69.05% (8,682,815 NRPS) and approximately 30.95% (3,892,261 NRPS) respectively at anytime after the 5th anniversary of the date of the agreement at the Price Earning ("PE") multiple of 11.25674 times ("Call Option").
- b) Put Option - Put Option granted to EPF to require Maybank and Fortis to acquire the NRPS from EPF at the proportion of approximately 69.05% (8,682,815 NRPS) and approximately 30.95% (3,892,261 NRPS) respectively at anytime after the date of agreement but no later than 3rd anniversary at same entry PE multiple of 10.47139 times ("Put Option").

2.3 The Acquisition

Notwithstanding the terms of the Put and Call Option Agreement, Maybank and EPF have exchanged three letters dated 5 May 2010, 3 June 2010 and 14 June 2010 respectively ("the Letters") to agree on the Acquisition based on a revised PE multiple of 10.86407 times ("Revised PE Multiple"), which is a PE multiple between the Put Option and Call Option.

2.4 Liabilities to be assumed

Other than liabilities set out in the financial statements of MFHB, there are no other liabilities to be assumed by Maybank pursuant to the Acquisition.

2.5 Background information on MFHB

MFHB was incorporated in Malaysia on 8 June 1977 under the Companies Act, 1965 and having its registered office at Level 19, Tower C, Dataran Maybank, No 1, Jalan Maarof, 59000 Kuala Lumpur. As at 28 June 2010, the authorised share capital of MFHB is RM1,019,875,076 comprising 1,000,000,000 ordinary shares of RM1.00 each, 730,000,000 Redeemable Convertible Preference Shares ("RCPS") of RM0.01 each and 12,575,076 NRPS of RM1.00 each. The issued and paid-up share capital of MFHB is RM253,555,522 comprising 239,430,446 ordinary shares of RM1.00 each, 155,000,000 Redeemable Convertible Preference Shares of RM0.01 each and 12,575,076 NRPS of RM1.00 each.

The principal activities of MFHB are investment holding and the provision of shared services to the MFHB group on reimbursable basis. The principal activities of the subsidiaries include general and life insurance business, general and family takaful business, investment-linked business, offshore investment-linked life insurance business, fund management and investment holding.

The net assets and profits after tax based on the audited accounts of MFHB for the financial year ended 30 June 2009 are approximately RM2,282 million and RM271 million respectively.

The major shareholders in MFHB are Etiqa International Holdings Sdn Bhd (formerly known as Pelangi Amanmaz Sdn Bhd, which is a wholly-owned subsidiary of Maybank) ("Etiqa International") and Fortis. As at 28 June 2010, Etiqa International and Fortis hold 69.05% and 30.95% direct shareholding in MFHB respectively.

2.6 Background information on EPF

EPF was established under the EPF Ordinance 1951 (the precursor to the Employees Provident Fund Act, 1991), is the trustee of the Employees Provident Fund ("Fund"). The principal members of the Fund are private and non-pensionable public sector employees in Malaysia.

The principal activities of EPF are to receive and to collect contributions, to meet all withdrawals of contributions and other benefits to members or their beneficiaries upon satisfaction of any condition for withdrawals, and to invest the monies in the Fund for the benefit of the members.

2.7 Original cost and date of investment

EPF acquired the 8,682,815 NRPS in MFHB on 29 August 2007 for an original cost of investment of approximately RM80.1 million.

3. RATIONALE FOR THE ACQUISITION

The Acquisition is mainly to fulfill the obligations agreed upon between EPF, Maybank and Fortis in the Call and Put Option Agreement. Pursuant to the Acquisition, EPF is exercising the Put Option to require Maybank to acquire its portion of 8,682,815 NRPS from EPF for a cash consideration of RM125,969,815 based on the Revised PE Multiple.

4. PROSPECTS AND RISK FACTORS

4.1 Prospects

Maybank believes that MFHB could contribute positively to the group as improvements in overall income level and enhanced financial literacy would contribute to increase demand for insurance products.

4.2 Risk factors

There are no additional business and commercial risks to be assumed by Maybank pursuant to the Acquisition as Maybank is at present the controlling shareholder of MFHB via its wholly-owned subsidiary namely Etiqa International.

5. EFFECTS OF THE ACQUISITION

5.1 Share capital and substantial shareholders' shareholdings

The Acquisition will not have any effect on the issued and paid-up share capital and the substantial shareholdings structure of Maybank.

5.2 Net assets and gearing

The Acquisition will not have any material effect on the net assets and gearing position of Maybank.

5.3 Earnings and earnings per share

The Acquisition was completed on 28 June 2010. Barring any unforeseen circumstances, the Acquisition is not expected to have a material financial impact on Maybank's earnings for the current financial year ending 30 June 2010.

6. APPROVALS REQUIRED

The Acquisition is not subject to Maybank's shareholders or any authorities' approval.

7. HIGHEST PERCENTAGE RATIO PURSUANT TO PARAGRAPH 10.02(G) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“LISTING REQUIREMENTS”)

The highest percentage ratio applicable to the Acquisition is 1.34% which is the net profit attributable to the assets which are the subject matter of the transaction, compared with the net profit of the listed issuer.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

EPF, the vendor of the Acquisition, is one of the major shareholders in Maybank who holds 10.91% equity interest in Maybank as at 14 June 2010.

Save as disclosed above, none of the directors, major shareholders and/or persons connected with them, as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, has any interest, direct or indirect, in the Acquisition.

9. STATEMENT BY THE BOARD

The Board of Directors of Maybank (“the Board”) is of the opinion that the Acquisition is in the best interests of Maybank and is not detrimental to the interests of the minority shareholders of Maybank. The Board is of the view that the Acquisition is fair, reasonable and on normal commercial terms.

10. AUDIT COMMITTEE’S RECOMMENDATION

Maybank’s Audit Committee, after having considered all aspects of the Acquisition is of the opinion that the Acquisition is in the best interests of Maybank and is not detrimental to the interests of the minority shareholders of Maybank. Maybank’s Audit Committee is of the view that the Acquisition is fair, reasonable and on normal commercial terms.

11. OTHER TRANSACTIONS WITH RELATED PARTIES

There has been no other transaction entered into between Maybank and EPF during the twelve (12) months preceding the date of this announcement.

12. DOCUMENT AVAILABLE FOR INSPECTION

The following documents will be available for inspection following the date of this announcement for a period of three (3) months at the registered office of Maybank at Level 14, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur, Malaysia from Mondays to Fridays (except public holidays) during normal business hours (from 8.45 a.m. to 5.45 p.m.):

- (i) The Subscription Agreement;
- (ii) The Call and Put Option Agreement; and
- (iii) The Letters.

This announcement is dated 29 June 2010.