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MALAYAN BANKING BERHAD

(Company No. 3813-K)

INFORMATION CIRCULAR TO SHAREHOLDERS

IN RELATION TO

The Proposed Disposal Of 51,171,000 Ordinary Shares Of RM1.00 Each And 3,430,000 Ordinary Shares of RM1.00 Each Representing 30% And 3.43% of The Issued And Paid-Up Share Capital of Mayban Assurance Berhad And Mayban Life Assurance Berhad Respectively to Fortis International N.V. for a Cash Consideration of Approximately RM340,000,000

Advised By



Aseambankers Malaysia Berhad (15938-H)

This Information Circular is dated 14 April 2001

DEFINITIONS

“Act”	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
“Aseambankers”	:	Aseambankers Malaysia Berhad (15938-H)
“Agreement for Sale and Purchase of Shares”	:	Sale and purchase agreement dated 8 February 2001 signed between Maybank and Fortis for the Proposed Disposals
“BNM”	:	Bank Negara Malaysia
“Board” or “Director(s)”	:	Board of Directors of Maybank
“EGM”	:	Extraordinary General Meeting
“FIC”	:	Foreign Investment Committee
“Fortis”	:	Fortis International N.V.
“KLIBOR”	:	Kuala Lumpur Inter Bank Offer Rate
“KLSE”	:	Kuala Lumpur Stock Exchange
“Maybank Group” or “the Group”	:	Maybank and its subsidiary and associated companies
“Maybank” or “the Bank”	:	Malayan Banking Berhad (3813-K)
“MAB”	:	Mayban Assurance Berhad (33361-W), a wholly-owned subsidiary of Maybank
“MFB”	:	Mayban Finance Berhad, a wholly-owned subsidiary of Maybank
“MGAB”	:	Mayban General Assurance Berhad (4157-A) (formerly known as UMBC Insurans Berhad, a 94.83% subsidiary of MAB)
“MI”	:	Minority interest
“MLA”	:	Mayban Life Assurance Berhad (235175-H), an 88.57% subsidiary of MAB
“Minister”	:	the Minister of Finance
“NTA”	:	Net tangible asset
“Proposed Disposals”	:	Proposed disposal of 51,171,000 ordinary shares of RM1.00 each and 3,430,000 ordinary shares of RM1.00 each representing 30% and 3.43% of the issued and paid-up share capital of MAB and MLA respectively to Fortis for a cash consideration of approximately RM340,000,000
“RM”	:	Ringgit Malaysia

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MALAYAN BANKING BERHAD
(Company No. 3813-K)

REGISTERED OFFICE:

14th Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur
Malaysia

14 April 2001

DIRECTORS

Tan Sri Mohamed Basir bin Ahmad (Chairman)
Dato' Richard Ho Ung Hun (Vice-Chairman)
Datuk Amirsham A. Aziz (Managing Director)
Dato' Ismail Shahudin (Executive Director)
Dato' Mohammed Hussein (Executive Director)
Raja Tan Sri Muhammad Alias bin Raja Muhd. Ali
Mohammad bin Abdullah
Dato' Mohd Hilmey bin Mohd Taib
Haji Mohd. Hashir bin Haji Abdullah
Teh Soon Poh
Datuk Abdul Rahman bin Mohd. Ramli

To: The Shareholders Of Malayan Banking Berhad

- **Proposed Disposal Of 51,171,000 Ordinary Shares of RM1.00 Each And 3,430,000 Ordinary Shares Of RM1.00 Each Representing 30% And 3.43% Of The Issued And Paid-Up Share Capital Of Mayban Assurance Berhad And Mayban Life Assurance Berhad Respectively To Fortis International N.V. For A Cash Consideration Of Approximately RM340,000,000**

Dear Sir/Madam

1. INTRODUCTION

Aseambankers on behalf of the Board had on 8 February 2001 announced that Maybank had on the same day entered into an Agreement for Sale and Purchase of Shares to dispose the Bank's 30% and 3.43% equity interest in MAB and MLA respectively to Fortis for a cash consideration of approximately RM340,000,000 ("Principal Agreement"). Maybank had on 29 March 2001 subsequently entered into a Supplementary Agreement with Fortis to extend the completion of the Principal Agreement as certain conditions stated in the Principal Agreement have not been fulfilled.

Details of the Proposed Disposals are set out in the ensuing sections.

BNM and FIC had on 4 December 2000 and 20 December 2000 respectively approved the Proposed Disposals.

THE PURPOSE OF THIS INFORMATION CIRCULAR IS TO PROVIDE YOU WITH DETAILED INFORMATION PERTAINING TO THE PROPOSED DISPOSALS AND TO SET OUT THE VIEWS OF THE BOARD.

2. DETAILS OF THE PROPOSED DISPOSALS

2.1 Background Information

Maybank

Maybank was incorporated in the Federation of Malaya on 31 May 1960 with an initial authorised share capital of RM20 million and an issued and paid-up share capital of RM7.5 million. As at 15 March 2001, Maybank has an authorised share capital of RM4 billion and issued and paid-up share capital of RM2.35 billion.

Maybank is principally engaged in commercial banking business whilst its subsidiary companies are engaged in finance, merchant banking, leasing, hire-purchase, general and life insurance, discount house business, factoring, stockbroking, venture capital, trustee, nominee services, property trust, unit trust, fund management and futures broking. Further information on Maybank is included in Appendix I of this Information Circular.

MAB

MAB was incorporated as a private limited company in Malaysia on 8 June 1977 and is a wholly-owned subsidiary of Maybank. The company has an authorised share capital of RM500,000,000 comprising of 500,000,000 ordinary shares of RM1.00 each of which 170,570,000 ordinary shares of RM1.00 has been issued and fully paid-up.

MAB had on 2 February 2001 completed the transfer of its general insurance business to its subsidiary company, UMBC Insurans Berhad (“UMBCI”). Pursuant to the transfer, MAB became an investment holding company and UMBCI’s name was changed to MGAB. Further information on MAB is included in Appendix II of this Information Circular.

MLA

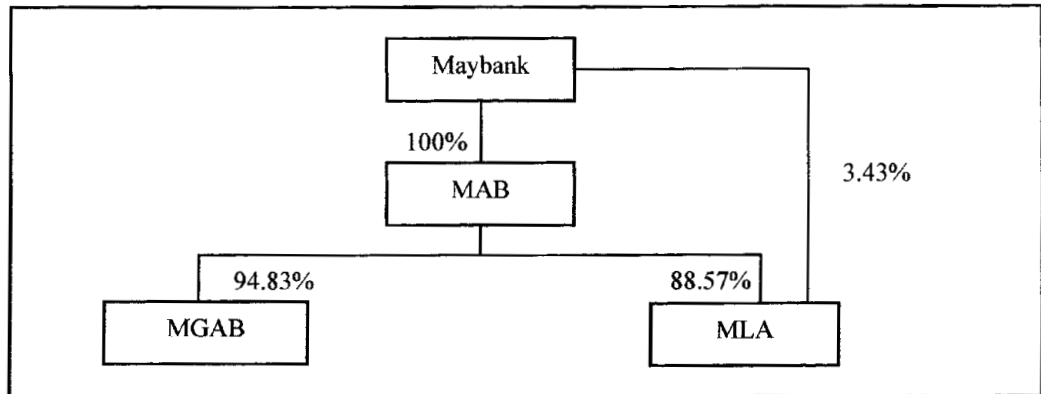
MLA was incorporated on 2 March 1992 and is an 88.57% subsidiary of MAB. The company has an authorised share capital of RM100,000,000 comprising of 100,000,000 ordinary shares of RM1.00 each of which 100,000,000 ordinary shares of RM1.00 has been issued and fully paid-up. MLA is principally engaged in life insurance business. Further information on MLA is included in Appendix III of this Information Circular.

Fortis

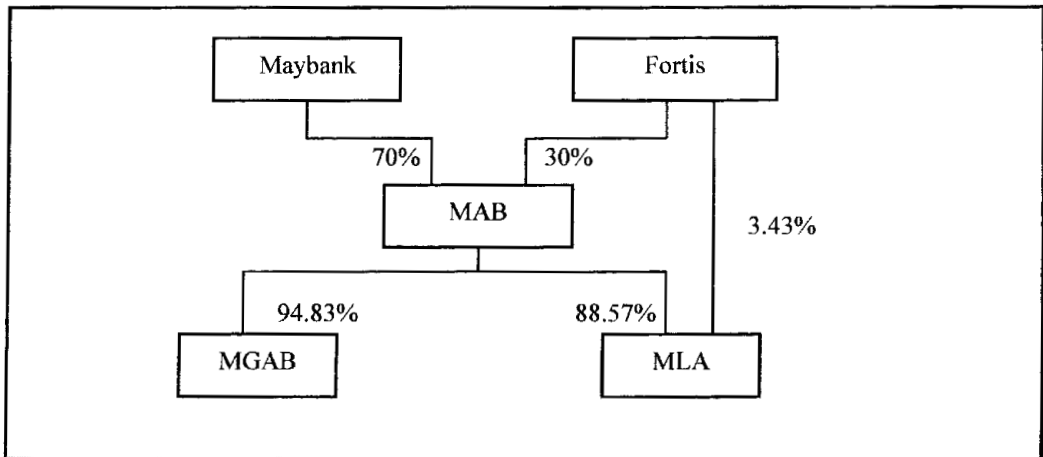
Fortis was incorporated as a private limited company in Utrecht, the Netherlands on 25 July 1983 and is a wholly owned subsidiary of Fortis Insurance NC. Fortis is engaged in the provision of insurance business outside Holland, Belgium and the United States. Currently, the company has an authorised share capital of DFL1.5 billion comprising of 1.5 million ordinary registered shares of DFL1,000 each of which 385,562 ordinary registered shares of DFL1,000 have been issued and fully paid-up.

The corporate structure of MAB and MLA together with the equity interest held before and after the Proposed Disposals is as follows:

Before the Proposed Disposals



After the Proposed Disposals



2.2 Terms Of The Proposed Disposals

a. Agreements to Sell and Purchase

Maybank will dispose and Fortis will acquire the Bank's 30% and 3.43% equity interest in MAB and MLA free from all encumbrances and with all rights attaching thereto as at the Completion Date being the date, which payment is made and shares are exchanged subject to the terms and conditions in the Agreement for Sale and Purchase of Shares. The expected completion date for the Proposed Disposals is 30 April 2001 ("Completion Date").

b. Sale Consideration and Basis of Valuation

The sale consideration for the Proposed Disposals shall be the sum of RM291,000,000, taking account of all the assets and liabilities of MAB and MLA as of 30 June 1999, and shall be adjusted on a Ringgit-for-Ringgit basis in the following manner:

- i. Upward, for Fortis' shareholding percentage of 30% of any new capital subscribed in MAB and MLA, between 30 June 1999 and the Completion Date ("Capital Increase"); and
- ii. Downward for Fortis' shareholding percentage of 30% of any dividends paid out ("Dividends") and capital return by MAB and MLA between 30 June 1999 and the Completion Date ("Capital Return").

The sale consideration, Capital Increase, Dividends and Capital Return shall be adjusted by a carrying cost equal to the average 3-month KLIBOR rate up to the Completion Date for the Proposed Disposals.

On 31 July 2000, Aseambankers on behalf of MAB had sought the approval from BNM for an exemption from Section 93(a) of the Insurance Act 1996 to allow UMBCI (now known as MGAB) to declare dividends pursuant to the transfer of MAB's general insurance business to UMBCI ("Waiver"). BNM had on 18 August 2000 approved MAB's application for the Waiver subject to the exemption order being gazetted by Parliament.

If the Waiver in favour of MGAB by the relevant authorities namely BNM and the Parliament has not been gazetted and is not in full force and effect by the Completion Date, Maybank shall receive the purchase consideration less RM28,000,000 ("Deferred Amount") from Fortis on the Completion Date and the Deferred Amount shall be deposited in an escrow account opened in the name of the escrow agent on fixed deposit ("Deferred Amount Fixed Deposit"). The Deferred Amount is arrived based on negotiations agreed by both parties.

If the Waiver is:

- i. gazetted and is in full force and effect on a date ("Effective Date") falling before 30 September 2003, escrow agent shall pay the Deferred Amount (including all interest earned and paid thereon) less Fortis' costs arising from the delay in payment of dividends to Maybank on the business day immediately following the date of maturity of the Deferred Amount Fixed Deposit falling immediately after the Effective Date to Maybank.
- ii. not gazetted and is not in full force and effect by 30 September 2003, Fortis shall retain the Deferred Amount (including all interest earned and paid thereon). The escrow agent will pay Fortis within two (2) business days of the escrow agent's receipt of Fortis' written demand.

As at 31 January 2001, the sale consideration for the Proposed Disposals after taking into account the adjustments as stated above is approximately RM340,000,000. The sale consideration is still subject to adjustments up to Completion Date.

The audited NTA and profit after taxation of MAB and MLA are as follows:

	Audited NTA As At 30 June 2000 (RM'000)	Profit After Taxation For The Year Ended 30 June 2000 (RM'000)
MAB	289,697	24,366
MLA	84,391	3,222

3. RATIONALE FOR THE PROPOSED DISPOSALS

The Proposed Disposals is part of the rationalization of the insurance business unit of Maybank with the aim of consolidating the Bank's insurance business unit under an investment holding company and introducing a strategic partner. The Proposed Disposals will result in Fortis holding a substantial stake in MAB. The proposed strategic partnership will bring together Fortis, one of the world's most successful practitioners of bancassurance and Maybank, with the formation of a strategic partnership to further develop bancassurance business in the Malaysian market. Bancassurance is the conduct of life and non-life insurance marketed and distributed through banking channels. Bancassurance is a business pioneered in Europe where it is among the fastest growing financial services.

4. FINANCIAL EFFECTS

4.1 Share Capital

The Proposed Disposals will not have any effect on the issued and paid-up share capital of Maybank.

4.2 Earnings

The Proposed Disposals would have a positive effect on the earnings of the Maybank Group for the financial year ending 30 June 2001. The expected gain to the Maybank Group from the Proposed Disposals is approximately RM226 million.

4.3 Proforma Financial Effect

The proforma financial effect on Maybank Group after the Proposed Disposals are as follows:

	Audited Accounts of Maybank @ 30/06/2000 RM'000	After Proposed Disposals RM'000
Share Capital	2,337,975	2,337,975
<i>Non-distributable reserves</i>		
Share premium	191,749	191,749
Statutory reserves	2,795,772	2,795,772
Capital reserves	15,250	15,250
Exchange fluctuation reserves	98,031	98,031
	3,100,802	3,100,802
<i>Distributable reserves</i>		
General reserves	3,291,534	3,291,534
Retained profits	1,629,410	1,855,410
	4,920,944	5,146,944
NTA	10,359,721	10,585,721
NTA per share (RM)	4.43	4.53

5. COST OF INVESTMENT

The original cost of investment of Maybank in MAB as at 8 June 1977 and MLA as at 3 October 1992 was RM2 respectively. As at 2 February 2001, the cost of investment of Maybank in MAB and MLA was RM250.93 million and RM3.43 million respectively.

6. UTILISATION OF PROCEEDS FROM PROPOSED DISPOSALS

The proceeds arising from the Proposed Disposals of approximately RM340,000,000 will be utilized for working capital purposes of the Maybank Group.

7. APPROVALS REQUIRED

The Proposed Disposals are conditional upon the approval from the following authorities:

- a. Minister/BNM (obtained on 4 December 2000);
- b. FIC (obtained on 22 November 2000);
- c. Consent of BNM to the appointment of nominees of Fortis to the board of directors of MAB, MLA and MGAB (obtained on 30 March 2001);
- d. BNM for the amendments to the memorandum and articles of association of MGAB and MLA (obtained approval for the amendments to the memorandum and articles of association of MLA on 2 April 2001); and
- e. Waiver from Minister/BNM from the restriction in Sections 93 of the Insurance Act, 1996 for payment of dividends (obtained on 18 August 2000 subject to the exemption order being gazetted by Parliament).

8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors or substantial shareholders of Maybank or any person connected with them by virtue of section 122A of the Act have any interest, direct or indirect, in the Proposed Disposals.

9. DIRECTORS' STATEMENT

Having considered all of the above, your Directors are of the opinion that the terms of the Proposed Disposals are in the Bank's best interest.

10. FURTHER INFORMATION

Shareholders are requested to refer to the attached appendices for further information.

Yours faithfully
For and on behalf of the Board
Malayan Banking Berhad

Datuk Amirsham A. Aziz
Managing Director