

**ALLIANCE BANK MALAYSIA BERHAD (COMPANY NO. 88103-W)
UP TO RM1.50 BILLION SUBORDINATED MEDIUM TERM NOTES
("SUBORDINATED NOTES") PURSUANT TO A SUBORDINATED MEDIUM TERM
NOTES ISSUANCE PROGRAMME ("SUBORDINATED MTN PROGRAMME")**

PRINCIPAL TERMS AND CONDITIONS OF THE PROPOSAL ("PTC")

(1) BACKGROUND INFORMATION

Issuer

- (i) Name : Alliance Bank Malaysia Berhad ("**Alliance Bank**" or the "**Issuer**")
- (ii) Address : Level 3, Menara Multi Purpose
Capital Square
8 Jalan Munshi Abdullah
50100 Kuala Lumpur
Malaysia
- (iii) Business Registration No: 88103-W
- (iv) Date/Place of Incorporation : 3 August 1982 / Malaysia
- (v) Date of listing (in the case of a public listed company) : Not Applicable
- (vi) Status
 - Resident / non-resident controlled company : Resident controlled company
 - Bumiputera / non-Bumiputera controlled company : Non-Bumiputera controlled company
- (vii) Principal Activities : Alliance Bank is principally engaged in all aspects of banking business and the provision of related financial services.
- (viii) Board of Directors : The Board of Directors of ABMB as at 31 December 2010 are as follows:
 - (1) Dato' Thomas Mun Lung Lee
 - (2) Chua Eng Kee
 - (3) Phoon Siew Heng
 - (4) Megat Dziauddin bin Megat Mahmud
 - (5) Kung Beng Hong
 - (6) Tan Yuen Fah
 - (7) Tee Kim Chan
 - (8) Zakaria bin Abd Hamid

(viii) Board of Directors : (9) Sng Seow Wah
(Cont'd) (10) Ou Shian Waei

(ix) Structure of shareholders or, in the case of a public company, names of all substantial shareholders : As at 31 December 2010, Alliance Financial Group Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad, is the holding company of Alliance Bank.

The names of the substantial shareholders of the Issuer as at 31 December 2010 are as follows:

No.	Name of Person / Company registered as holder	Shareholdings			
		Direct	%	Indirect	%
1.	Alliance Financial Group Berhad	596,517,043	100		
2.	Vertical Theme Sdn Bhd			596,517,043 ¹	100
3.	Langkah Bahagia Sdn Bhd			596,517,043 ²	100
4.	Duxton Investments Pte Ltd			596,517,043 ²	100
5.	Lutfiah Binti Ismail			596,517,043 ³	100
6.	Fullerton Financial Holdings Pte Ltd			596,517,043 ⁴	100
7.	Fullerton Management Pte Ltd			596,517,043 ⁵	100
8.	Temasek Holdings (Private) Limited			596,517,043 ⁶	100
9.	Minister for Finance (Incorporated) of Singapore			596,517,043 ⁷	100

Notes :-

¹ Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Alliance Financial Group Berhad

² Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Vertical Theme Sdn Bhd

³ Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Langkah Bahagia Sdn Bhd

⁴ Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Duxton Investments Pte Ltd

⁵ Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Fullerton Financial Holdings Pte Ltd

⁶ Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Fullerton Management Pte Ltd

⁷ Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Temasek Holdings (Private) Limited

(x) Authorised and paid-up capital : **Authorised Share Capital as at 31 December 2010**

RM5,000,000,000 comprising 4,995,000,000 ordinary shares of RM1.00 each and 500,000,000 preference shares of RM0.01 each.

Issued and Fully Paid-Up Share Capital as at 31 December 2010

RM600,517,043 comprising 596,517,043 ordinary shares of RM1.00 each and 400,000,000 preference shares of RM0.01 each.

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(2) PRINCIPAL TERMS AND CONDITIONS

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

- | | | | |
|--------|---|---|--|
| (i) | Principal Adviser(s) /
Lead Arranger(s) | : | Alliance Investment Bank Berhad (" Alliance Investment ") (Company No. 21605-D) |
| (ii) | Arranger(s) | : | Not applicable |
| (iii) | Valuers | : | Not applicable |
| (iv) | Solicitors | : | Zul Rafique & partners |
| (v) | Financial Adviser | : | Not applicable |
| (vi) | Technical Adviser | : | Not applicable |
| (vii) | Guarantor | : | Not applicable |
| (viii) | Trustee | : | Equity Trust (Malaysia) Berhad (Company No. 610812-W) |
| (ix) | Facility Agent | : | Alliance Investment |
| (x) | Primary Subscriber(s)
and amount
subscribed (where
applicable) | : | The primary subscriber(s) will be determined prior to the issuance |
| (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) | : | |
| | Issue Agent | : | Alliance Investment |
| | Lead Manager | : | Alliance Investment and/or such other entities to be appointed by the Issuer prior to each issuance under the Subordinated MTN Programme (as defined in paragraph 2(b)). |

- b. Facility Description : Up to RM1.5 billion nominal value of Subordinated Medium Term Notes ("**Subordinated Notes**") under the Subordinated Medium Term Notes issuance programme ("**Subordinated MTN Programme**").

The Subordinated Notes are intended to qualify as Tier 2 capital of Alliance Bank in accordance with the Risk-Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components) (the "**RWCA Framework**") published by the Prudential Financial Policy Department and Islamic Banking and Takaful Department of BNM.

- c. Issue Size (RM) : Up to RM1.5 billion in nominal value. The total outstanding Subordinated Notes shall not at any time exceed the nominal value of RM1.5 billion.

- d. Issue Price (RM) : The Subordinated Notes may be issued at par or at a premium or at a discount to be determined prior to the relevant issue date. The Issue Price shall be calculated in accordance with MyClear Rules and Procedures (as defined below).

- e. Tenor of the Facility / Issue : Tenor of the Subordinated MTN Programme

The tenor of the Subordinated MTN Programme is 15 years from the first issue date of the Subordinated Notes, provided that the first issuance of the Subordinated Notes shall not be later than two (2) years from the date of the Securities Commission ("**SC**")'s approval.

Tenor of the Subordinated Notes

The tenor of the Subordinated Notes is 10 years from the date of issue ("**Issue Date**") and callable five (5) years after the Issue Date and on every Coupon Payment Date (as defined in paragraph 2(g)) thereafter, at the option of the Issuer (any Coupon Payment Date on or after the expiration of five (5) years from the Issue Date is hereinafter referred to as the "**Call Date**").

- f. Interest / Coupon or equivalent rate (%) (please specify) : To be determined prior to each issuance of the Subordinated Notes.
- The coupon rate herein shall be applicable throughout the tenor of each issue of the Subordinated Notes.
- g. Interest / Coupon payment frequency : Semi-annually in arrears from the Issue Date of the Subordinated Notes ("**Coupon Payment Date**") with the last coupon payment to be made on the maturity date or upon the redemption of the Subordinated Notes, whichever is the earlier.
- h. Interest / Coupon payment basis : Actual number of days over 365 day basis.
- i. Yield to maturity (%) : To be determined prior to each issuance of the Subordinated Notes.
- j. Security / Collateral (if any) : Nil
- k. Details on utilisation of proceeds : The proceeds to be raised from the issuance of the Subordinated Notes shall be utilised for the following purposes:
- (1) up to RM600 million towards redemption of the subordinated bonds issued by the Issuer in May 2006; and
- (2) the balance towards meeting the general banking working capital requirements and business purposes of the Issuer.
- Note:**
Amounts not utilised and/or any balance thereof allocated for the purpose stated in item (1) above shall be utilised towards the purpose stated in item (2) above.
- l. Sinking fund (if any) : Not applicable.
- m. Rating :
- Credit rating assigned : Long term rating of A₂.
 - Name of rating agency : RAM Rating Services Berhad (Company No. 763588- T).

- n. Form and denomination : The Subordinated Notes shall be issued in bearer form in denominations of not less than RM1,000 each or such other denomination in accordance with the rules and regulations issued by BNM. The Subordinated Notes will be represented by global certificates to be deposited with BNM and will be traded under the Real Time Electronic Transfer of Funds and Securities ("**RENTAS**") System operated and maintained by BNM. The global certificates are exchangeable to definitive bearer certificates only in certain limited circumstances.
- The Subordinated Notes shall be issued in accordance with the "Operational Procedures for RENTAS" issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**") effective 16 February 2011 and the "Operational Procedures for Securities Services" and the "Participation and Operation Rules for Payments and Securities Services" both issued by MyClear and effective from 17 February 2011 (collectively the "**MyClear Rules and Procedures**").
- o. Mode of issue : The Subordinated Notes shall be issued without prospectus via tender and/or book building and/or direct/private placement and/or bought deal on a best effort basis in accordance with 1) FAST and 2) RENTAS System issued by BNM and shall be prescribed under the Scripless Securities Depository System ("**SSDS**") maintained by BNM.
- p. Selling restrictions : Selling Restrictions at Issuance:
- The Subordinated Notes may not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons 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.

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- p. Selling restrictions (Cont'd) : Selling Restrictions after Issuance:
- The Subordinated Notes may not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons 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.
- q. Listing status : The Subordinated Notes 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 which is made on direct/private placement or bought deal basis shall be 100% of the nominal value of a particular issue.
- The minimum level of subscription for each issue which is not issued on a bought deal basis or via direct/private placement shall be 10% of the nominal value of a particular issue.
- Note
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 / investors.
- s. Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify) : 1. Approval from BNM for the proposed issuance of the Subordinated Notes and its classification as Tier 2 capital of Alliance Bank in accordance with the Risk Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components) issued by BNM ("**RWCA Framework**") which term shall include the RWCA Framework as may be amended or substituted from time to time).

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- s. Other regulatory approvals : BNM had via its letter dated 30 December 2010 required in relation to the granted approval to Alliance Bank for, among issue, offer or invitation and others, the issuance of the first tranche of up to whether or not obtained RM600.0million Subordinated Notes as Tier 2 Capital but the Issuer is required to seek (please specify) (Cont'd) BNM's approval for the issuance of further tranches under the Subordinated MTN Programme.
2. Approval from the SC on the waiver from complying with certain provisions under the SC's Guidelines on the Minimum Contents Requirements for Trust Deeds. SC's approval was obtained via its letter dated 3 December 2010.
- t. Conditions precedent : Conditions and clauses standard for a transaction of this nature and as advised by the Lead Arranger's solicitors including, but not limited to, the following:

First Issuance

- (i) The Issuer shall have furnished to the Facility Agent certified copies of the board resolution of the Issuer authorising:-
 - (a) the issuance of the Subordinated Notes; and
 - (b) the execution of all documents relating to the Subordinated MTN Programme;
- (ii) A signed copy of each of the Transaction Documents which have been executed by or on behalf of all the relevant parties and stamped or endorsed as exempted from stamp duty (where relevant) being delivered to the Lead Arranger;
- (iii) Approval of the SC has been obtained for the following:
 - (a) waiver from complying with certain provisions under the SC's Guidelines on the Minimum Contents Requirements for Trust Deeds; and
 - (b) Subordinated MTN Programme;
- (iv) Approval from BNM for the issuance of the Subordinated Notes and for the Subordinated Notes to be classified as Tier 2 capital;
- (v) A legal opinion from the solicitor addressed to the Lead Arranger on the validity, legality and enforceability of the Transaction Documents;

- t. Conditions precedent (Cont'd) :
- (vi) Confirmation from the solicitor addressed to the Lead Arranger that all conditions precedent have been fulfilled in so far as the subject matter thereof are facts that are by their nature may be confirmed from a legal perspective;
 - (vii) Satisfactory due diligence as required under the CMSA;
 - (viii) Evidence that the Subordinated Notes under the Subordinated MTN Programme have been assigned a minimum long-term rating of A₂ by RAM;
 - (ix) The Issuer shall have furnished to the Facility Agent certified true copies of its certificate of incorporation and the latest Forms 24, 44 & 49, Memorandum of Association and Articles of Association and a list of authorized signatories and their specimen signatures;
 - (x) No Event of Default or event which, with the giving of notice or passage of time or both, would be an Event of Default, has occurred or will occur as a result of the issue of the Subordinated Notes;
 - (xi) All representations and warranties are true and correct in all material respects on the date of the Transaction Documents; and
 - (xii) Such other terms as may be advised by the Lead Arranger's solicitors.

Subsequent Issuances

- (xiii) Approval from BNM for the issuance of the Subordinated Notes and for the Subordinated Notes to be classified as Tier 2 capital, if such approval is required by BNM;
- (xiv) No Event of Default has occurred or will occur as a result of the issue of the Subordinated Notes; and
- (xv) All representations and warranties remain true and correct in all material respects.

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- u. Representations and warranties : Representation and warranties will include such representation and warranties customary for a facility of this nature or as may be advised by the Lead Arranger's solicitors. These include, but are not limited to:
- i) The Issuer is a company duly established and existing under the laws of Malaysia and it has the power and authority to carry on its business;
 - ii) The Issuer has the power to enter into, exercise its rights and perform its obligations under the Transaction Documents;
 - iii) The Subordinated Notes qualify as Tier 2 capital under the capital adequacy regulations of Malaysia;
 - iv) The Issuer's entry into, exercise of its rights and performance of its obligations under the Transaction Documents do not and will not violate any existing law or agreements to which it is a party;
 - v) The Transaction Documents create valid and binding obligations which are enforceable on and against the Issuer;
 - vi) All necessary actions, authorisations and consents required to render the Transaction Documents valid and enforceable have been taken, fulfilled and obtained and remain in full force and effect;
 - vii) The audited financial statements of the Issuer are prepared in accordance with applicable approved accounting standards issued by Malaysian Accounting Standards Board as modified by BNM's guidelines and they fairly represent its financial position;
 - viii) Save as disclosed by the Issuer, no event has occurred which, if the Subordinated Notes had already been issued, would constitute an Event of Default under the Transaction Documents;
 - ix) Save as disclosed by the Issuer, no litigation or arbitration is current or, to the Issuer's knowledge, threatened, which if adversely determined would have a material adverse effect on the ability of the Issuer to comply with the Transaction Documents; and
 - x) The Issuer complies with the conditions (if any) imposed by the relevant regulatory authorities in connection with the issuance of the Subordinated Notes.

- v. Events of default : In relation to each tranche of the Subordinated Notes, the Events of Default shall be limited to the following:
- i) a default by the Issuer in relation to the payment of principal or coupon (as the case may be) to Noteholders when due and payable for at least fourteen (14) days; and;
 - ii) if a court order is made or an effective resolution is passed for the winding up of the Issuer.

Upon the occurrence of the Event of Default described in (i) under “Events of Default” clause above, subject to the terms of the Trust Deed, the Trustee or the Noteholders of that tranche of the Subordinated Notes are entitled to institute proceedings to enforce the obligations of the Issuer for repayment of principal and/or payment of coupon of that tranche of the Subordinated Notes, including to institute proceedings in Malaysia for the winding up of the Issuer, provided that neither the Trustee nor any of the Noteholders of that tranche of the Subordinated Notes shall have the right to accelerate payment of that tranche of the Subordinated Notes in the case of such default in the payment of coupon of that tranche of the Subordinated Notes.

Upon the occurrence of the Event of Default described in (ii) under “Events of Default” clause above, subject to the terms of the Trust Deed, the Trustee may by written notice to the Issuer declare that the Subordinated Notes shall immediately become due and payable at their respective principal amount together with the accrued coupon payment notwithstanding the stated maturity of the Subordinated Notes.

For the avoidance of doubt, the occurrence of an Event of Default of one tranche of the Subordinated Notes does not trigger an Event of Default of the other tranche of the Subordinated Notes.

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

x. Other principal terms and conditions for the issue:

- i. Redemption at maturity : Unless previously redeemed on Call Date (if applicable) or purchased from the market and cancelled, the Subordinated Notes will be redeemed at Redemption Amount on the maturity date.
- ii. Optional Redemption : For each tranche of the Subordinated Notes, the Issuer may, at its option, and subject to the Redemption Conditions being satisfied, redeem the Subordinated Notes in whole at the Redemption Amount on the relevant Call Date.

The optional redemption of one tranche of the Subordinated Notes does not trigger the redemption of the other tranche(s) of the Subordinated Notes under the Subordinated MTN Programme.
- iii. Regulatory Redemption : If any tranche of the relevant Subordinated Notes no longer qualify as Tier 2 capital of the Issuer for the purposes of BNM's capital adequacy requirements under any regulations applicable to the Issuer or at any time there is more than an insubstantial risk that any tranche of the Subordinated Notes will no longer qualify as such, the Issuer may, at its option, redeem that tranche of the Subordinated Notes (in whole, but not in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied.

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- iv. Tax Redemption : If there is more than an insubstantial risk that:
1. the Issuer has or will become obliged to pay any additional taxes, duties, assessments or government charges of whatever nature in relation to any tranche of the Subordinated Notes;
 2. the Issuer would no longer obtain tax deductions for the purposes of Malaysian corporation tax for any payment in respect of any tranche of the Subordinated Notes;
- as a result of a change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of first issue and the Issuer cannot, by taking reasonable measures available to it, avoid such obligations, then the Issuer may, at its option, redeem that tranche of the Subordinated Notes (in whole, but not in part) at Redemption Amount, subject to the Redemption Conditions being satisfied.
- v. Redemption Conditions : Redemption Conditions means:
1. the Issuer is solvent at the time of any redemption of the Subordinated Notes and immediately thereafter;
 2. the Issuer is not in breach of BNM's minimum capital adequacy ratio requirements applicable to the Issuer; and
 3. the Issuer has obtained the written approval of BNM prior to redemption of the Subordinated Notes.
- vi. Redemption Amount : The amount equal to 100% of the principal amount together with accrued but unpaid coupon (if any) relating to the then current interest period (if any) up to (and excluding) the date on which the Subordinated Notes are redeemed.

- vii. Repurchase and Cancellation : The Issuer may at any time, subject to the Redemption Conditions being satisfied, repurchase the Subordinated Notes from the market at any price provided that the Subordinated Notes so repurchased must be surrendered for cancellation and may not be re-issued.
- viii. Covenants : So long as any commitments under the Transaction Documents remain outstanding, the Issuer will comply with such applicable covenants as may be advised by the Lead Arranger's solicitors and/or which are required in order to comply with the SC's Guidelines on the Minimum Contents Requirements for Trust Deeds (save for those which waiver has been sought and approved by the SC), including but not limited to the following:
1. Exercise diligence in carrying on its business and keep in force and effect all licenses, consents and rights necessary for the conduct of its business.
 2. Comply with all relevant laws and regulations.
 3. Maintain a paying agent in Malaysia.
 4. Keep proper books and accounts at all times and deliver financial statements to the Trustee in a timely manner.
 5. Inform the Trustee of any actual or potential Event of Default.
 6. Deliver to the Trustee an annual certificate of compliance.
- ix. Status of Subordinated Notes : The Subordinated Notes will constitute direct and unsecured obligations of the Issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Notes, ranking pari passu among themselves. The Subordinated Notes will, in the event of winding up or liquidation of the Issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment or which are subordinated to the Subordinated Notes.

- x. Taxation : All payments in respect of the Subordinated Notes shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or government charges of whatever nature imposed or levied by or on behalf of the Relevant Jurisdictions, unless the withholding or deduction of taxes is required by law. In that event, the Issuer will (except in certain circumstances) pay the Additional Amounts.
- “Additional Amounts”** means amounts as may be necessary in order that the net amounts received by the holders of the Subordinated Notes after any withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Subordinated Notes in the absence of the withholding or deduction.
- “Relevant Jurisdiction”** means Malaysia or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and coupon on the Subordinated Notes.
- xi. Transaction Documents : The Subordinated Notes shall be evidenced, inter-alia, by the following documents:-
- (a) Programme Agreement;
 - (b) Trust Deed; and
 - (c) Any other legal documentation as advised by the Lead Arranger’s solicitors (if any).
- xii. Voting Rights : The Noteholders will not be entitled to receive notice of or attend or vote at any meeting of the ordinary shareholders of the Issuer or to participate in the management of the Issuer. No company-shareholder relationship is intended or has been contemplated between the Issuer and the Noteholders, and as such, the relationship between the Issuer and the Noteholders shall not be governed by the Memorandum and Articles of Association of the Issuer.
- xiii. Governing Law : Laws of Malaysia