

MALAYSIA BUILDING SOCIETY BERHAD

PROPOSED ACQUISITION BY MALAYSIA BUILDING SOCIETY BERHAD (“MBSB” OR THE “COMPANY”) OF 100% EQUITY INTEREST IN MALAYSIAN INDUSTRIAL DEVELOPMENT FINANCE BERHAD (“MIDF”) FROM PERMODALAN NASIONAL BERHAD (“PNB” OR “VENDOR”) (“PROPOSED ACQUISITION”)

This Announcement is dated 9 June 2023.

1. INTRODUCTION

Reference is made to the Company’s announcements on 6 April 2022, 22 April 2022, 30 September 2022, 5 October 2022, 21 October 2022, 10 November 2022 and 14 April 2023 in relation to the Proposed Acquisition.

On 14 April 2023, AmInvestment Bank Berhad (“**AmInvestment Bank**”), on behalf of the Board of Directors of MBSB (“**Board**”) announced the receipt of approval for the Proposed Acquisition. Ministry of Finance, Malaysia (“**MOF**”) / Bank Negara Malaysia (“**BNM**”), had vide BNM’s letter dated 13 April 2023 granted its approval to the Company for the Proposed Acquisition.

On behalf of the Board, AmInvestment Bank wishes to announce that on 9 June 2023, the Company has entered into a conditional share purchase agreement with PNB to acquire the entire share capital of MIDF, comprising 480,355,627 ordinary shares in MIDF currently held by PNB, for the purchase consideration of RM1,014,295,048.55 (“**Final Purchase Consideration**”) (“**SPA**”). The Final Purchase Consideration shall be satisfied through the issuance and allotment of 1,050,828,629 new ordinary shares in MBSB (“**MBSB Shares**”) (“**Final Consideration Shares**”) at the issue price of RM0.9652 (rounded to 4 decimal points for disclosure purposes) per Final Consideration Share (“**Final Issue Price**”) to PNB.

The 480,355,627 ordinary shares in MIDF (“**Sale Shares**”) shall be acquired free from all encumbrances with all rights, benefits and entitlements attaching to the Sale Shares, including without limitation all rights, dividends and/ or other distributions which may be declared, made or paid in respect thereof, where the date on which the shareholders of MIDF must be registered in order to participate in the relevant distribution is on or subsequent to the Completion Date (as defined below).

Further details of the Proposed Acquisition are set out in the ensuing sections in this announcement (“**Announcement**”).

The latest practicable date of this Announcement is 15 May 2023 (“**LPD**”).

2. PROPOSED ACQUISITION

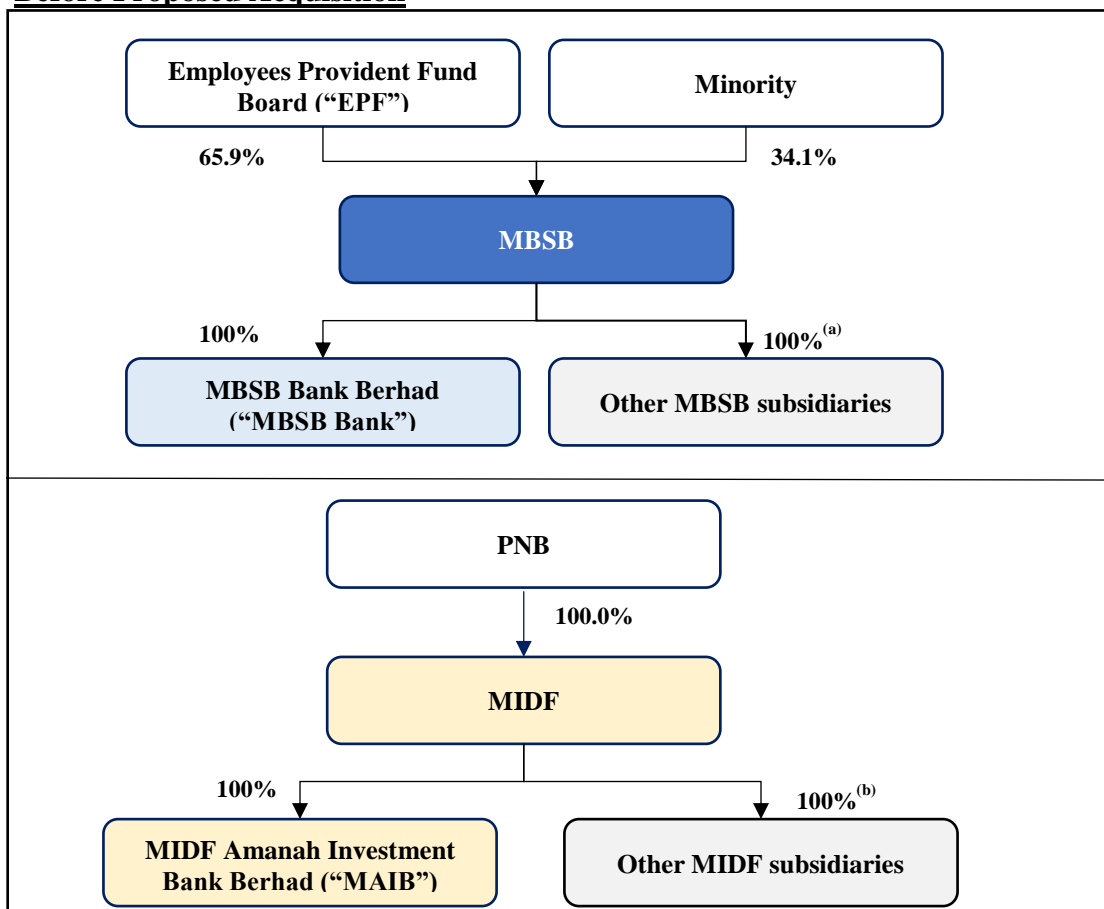
2.1 Details of the Proposed Acquisition

The Proposed Acquisition entails the acquisition by MBSB of the Sale Shares from PNB for the Final Purchase Consideration to be satisfied through the issuance and allotment of the Final Consideration Shares at the Final Issue Price.

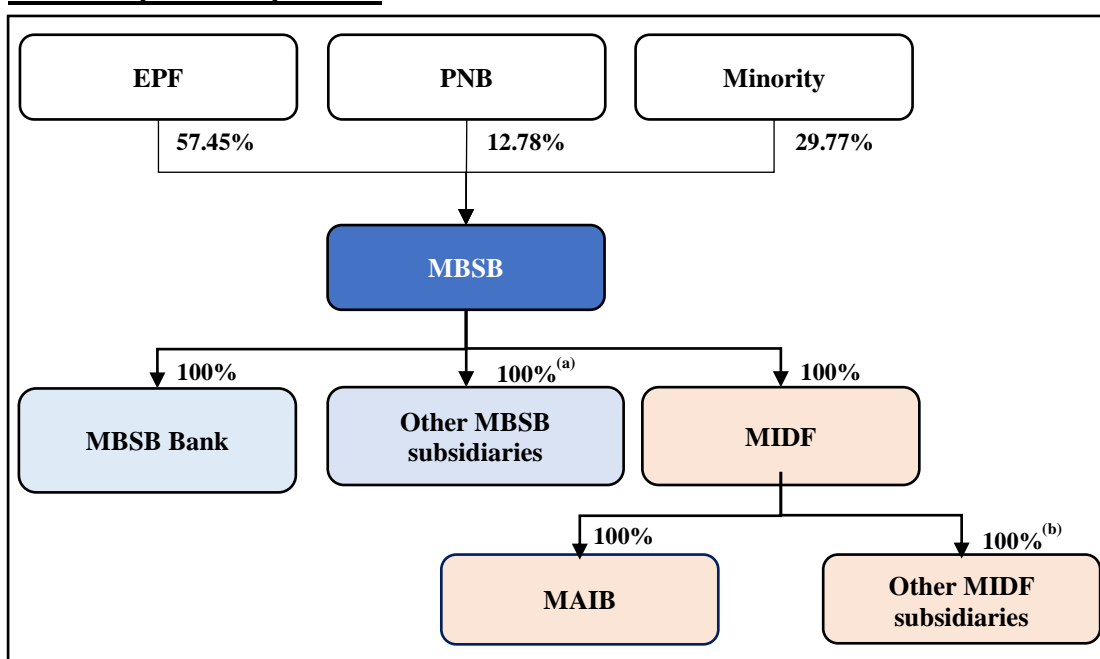
Upon completion of the Proposed Acquisition, MIDF will become a wholly-owned subsidiary of MBSB.

The corporate and shareholding structures of MBSB and MIDF before and after the Proposed Acquisition are as set out below:

Before Proposed Acquisition



After Proposed Acquisition



Notes:

(a) Except for Prudent Legacy Sdn Bhd, where MBSB owns 92% interest.

(b) Except for Oriental 1963 Berhad, where MIDF owns 75.2% interest.

2.2 Information on MIDF

MIDF was incorporated as Malayan Industrial Development Finance Limited on 30 March 1960 under Section 15(1) of the Companies Ordinances, 1940 to 1946. On 31 May 1960, it was entitled to commence business under Section 95(3) of the Companies Ordinances, 1940 to 1946.

On 4 March 1964, MIDF changed its name to Malaysian Industrial Development Finance Limited.

By virtue of the Certificate of Incorporation of Public Company dated 15 October 1969, MIDF is deemed to have changed its name to Malaysian Industrial Development Finance Berhad with effect from 15 April 1966 and that it is a public company limited by shares.

On 23 January 1986, MIDF was declared a “prescribed corporation” by the Minister of Finance pursuant to Section 38(7)(b) of the Companies Act 1965.

MIDF was listed on the Main Board of the Bursa Malaysia Securities Berhad (“**Bursa Securities**”) on 7 December 1992 and subsequently delisted on 30 October 2007.

The company is principally engaged in investment holding, providing finance, leasing and industrial hire-purchase services to industries and businesses in Malaysia, whilst the principal activities of its material subsidiaries are investment banking and Islamic asset/ fund management.

As at LPD, the issued and paid-up share capital of MIDF is RM879,931,366.00 comprising 480,355,627 ordinary shares in MIDF and PNB is the sole shareholder of MIDF.

MIDF recorded an audited profit after tax (“**PAT**”) and net assets (“**NA**”) attributable to the owners of MIDF of approximately RM76.40 million and approximately RM1,652.66 million respectively for its financial year ended (“**FYE**”) 31 December 2022.

As at LPD, the directors of MIDF are as follows:

Name	Designation
Tan Sri Abd Rahman bin Mamat	Independent Non-Executive Director/ Chairman
Datuk (Dr.) Yasmin binti Mahmood	Non-Independent Non-Executive Director
Hasnah binti Omar	Independent Non-Executive Director
Dato’ Kaziah binti Abdul Kadir	Senior Independent Non-Executive Director
Ahmad Lutfi bin Abdull Mutalip @ Talib	Independent Non-Executive Director
Dato’ Charon Wardini bin Mokhzani	Group Managing Director
Datuk Mohd Nasir bin Ali	Independent Non-Executive Director

Please refer to **Appendix I** of this Announcement for further details on MIDF.

2.3 Information on PNB

PNB was established on 17 March 1978 as one of the instruments of the Government’s New Economic Policy in relation to the upliftment of Bumiputera economic status. PNB is licensed and regulated by the Securities Commission Malaysia (“**SC**”). The principal activities of PNB are investment holding and providing management services.

The issued and paid-up share capital of PNB as at LPD is RM100,000,000.00 comprising 100,000,000 ordinary shares.

As at LPD, the shareholders of PNB are as follows:

Name	Direct		Indirect	
	No. of shares	% ^(a)	No. of shares	% ^(a)
Yayasan Pelaburan Bumiputra Minister of Finance, Incorporated	99,999,999 1	99.99 *(b)	- -	- -

Notes:

- (a) Based on 100,000,000 ordinary shares of RM1.00 each in PNB, being the issued and paid-up share capital of PNB as at the LPD. The remaining 1 ordinary share of RM1.00 in PNB is held by Minister of Finance, Incorporated.
- (b) Negligible.

As at LPD, the directors of PNB are as follows:

Name	Designation
YM Raja Tan Sri Dato' Seri Arshad bin Raja Tun Uda ^(a)	Group Chairman
Encik Ahmad Zulqarnain bin Che Onn	President & Group Chief Executive/ Non-Independent Executive Director
Tan Sri Datuk Zainun binti Ali	Independent Non-Executive Director
Datuk Dr. Mohd. Yaakub bin Haji Johari	Independent Non-Executive Director
Datu Haji Soedirman bin Haji Aini	Independent Non-Executive Director
Dato Dr. Nik Ramlah binti Nik Mahmood	Independent Non-Executive Director
Dato' Johan bin Ariffin	Independent Non-Executive Director
Datin Norazah binti Mohamed Razali	Independent Non-Executive Director

Notes:

- (a) Effective 1 June 2023.

2.4 Basis of and justification for the Final Purchase Consideration

The Final Purchase Consideration as at MIDF's Closing Accounts Date of 31 December 2022 as stipulated under the terms and conditions of the SPA has been determined in the following manner:

	RM
77% of MIDF Adjusted Closing Net Assets After Excess Capital ^(a)	577,162,355.00
add 100% of MIDF Closing Excess Capital ^{(b)(c)}	887,132,693.55
less dividends declared and paid after the Closing Accounts Date but before the Completion Date ^(d)	-
less MIDF Pre-Completion Dividend	(450,000,000.00)
Final Purchase Consideration	1,014,295,048.55

Notes:

- (a) MIDF Adjusted Closing Net Assets After Excess Capital is calculated based on MIDF's audited consolidated NA as at the Closing Accounts Date of approximately RM1,652.90 million less the MIDF Closing Excess Capital of approximately RM887.13 million and less adjustment relating to staff costs associated with the completion of the Proposed Acquisition to be incurred by the MIDF and its subsidiaries ("MIDF Group") amounting to approximately RM16.21 million after incorporating proforma tax effect ("MIDF Adjustment").
- (b) MIDF Closing Excess Capital is defined as the excess capital of MIDF Group as ascertained based on the MIDF Total CET-1 Capital as at the Closing Accounts Date of approximately RM1,478.06 million less MIDF Adjustment less the multiplication of the MIDF Total Risk Weighted Assets as at the Closing Accounts Date of approximately RM3,831.47 million and the MIDF Agreed CET-1 Ratio.
- (c) MIDF Agreed CET-1 Ratio is defined as MIDF CET-1 Ratio of 15% as agreed by MBSB and PNB ("Parties").
- (d) Completion Date is defined as the date falling on the 30th day from either (i) the date on which the last of the conditions precedent is fulfilled or satisfied or waived in accordance with Clause 4.9 (Waiver) of the

SPA; or (ii) the date on which the Final Purchase Consideration and/or Final Issue Price and/or Final Consideration Shares have been agreed by MBSB and PNB, or finally determined by the Reporting Accountants (in each case in accordance with Clause 3 (Purchase Consideration) of the SPA), whichever is later, or such other date or time as may be mutually agreed between MBSB and PNB in writing.

The Final Purchase Consideration was arrived at on a “willing buyer-willing seller” basis after taking into consideration, amongst others, the following:

- (i) the NA based on the audited consolidated NA of MIDF Group as at the Closing Accounts Date less cash dividend of RM450,000,000.00 as approved by BNM and distributed by MIDF to its shareholder on 31 March 2023 (“**MIDF Pre-Completion Dividend**”) and MIDF Adjustment, which translates to approximately RM1.19 billion (“**2022 MIDF Net Assets Post Adjustments**”). The Final Purchase Consideration represents a price-to-book ratio (“**PBR**”) of 0.85 times the 2022 MIDF Net Assets Post Adjustments;
- (ii) the strategic rationale of the Proposed Acquisition;
- (iii) prospects of MIDF Group;
- (iv) the trading multiples of financial institutions or their holding companies listed in Malaysia with PBR ranging from 0.42 times to 1.49 times as follows:

Name	Closing price as at LPD	Market capitalisation as at LPD	NA per share as at 31 Mar 2023	PBR
	(RM)	(RM mil)	(RM)	(times)
Bank Islam Malaysia Berhad	1.99	4,465.57	3.20	0.62
Affin Bank Berhad	1.98	4,502.30	4.76	0.42
Malayan Banking Bhd	8.69	104,750.36	7.12	1.22
Public Bank Berhad	3.94	76,478.13	2.64	1.49
CIMB Group Holdings Bhd	4.98	53,112.21	6.13	0.81
Hong Leong Bank Berhad	19.98	40,936.94	16.07	1.24
RHB Bank Berhad	5.50	23,360.56	7.04	0.78
AMMB Holdings Bhd	3.51	11,616.08	5.48	0.64
Alliance Bank Malaysia Bhd	3.33	5,155.19	4.36	0.76
Kenanga Investment Bank Berhad	0.89	634.67	1.38	0.64
			Min	0.42
			Max	1.49
MIDF-Purchase Consideration			2.47 ^(a)	0.85

(Source: Quarterly results and Bloomberg)

Note:

(a) Based on 2022 MIDF Net Assets Post Adjustments of approximately RM1,186.69 million and 480.36 million of MIDF shares.

The Final Purchase Consideration represents a PBR of 0.85 times. It is within the range of traded PBRs of 0.42 times to 1.49 times applicable to financial institutions or their holding companies listed in Malaysia.

- (v) the precedent transactions involving the acquisition of financial institutions listed in Malaysia PBRs ranging from 0.93 times to 2.35 times over the period of 15 years.

2.5 The basis and justification for the Final Issue Price

The Final Issue Price was determined as at the Company's Closing Accounts Date of 31 December 2022 as stipulated under the terms and conditions of the SPA in the following manner:

	RM
78% of MBSB Adjusted Closing Net Assets After Excess Capital ^(a)	4,892,742,807.42
add 100% of MBSB Closing Excess Capital ^{(b)(c)}	2,638,990,088.60
less dividends declared and paid after the Closing Accounts Date but before the Completion Date	-
less MBSB Pre-Completion Dividend	(609,576,123.26)
add proceeds or consideration, if any in connection with issuance of new MBSB Shares or any instrument that is dilutive when convertible into MBSB Shares	-
Final Consideration Shares Value	6,922,156,772.76
Divided by the number of MBSB Shares on a fully diluted basis as at the date of the SPA	7,171,483,803.00
Final Issue Price per Final Consideration Share^(d)	0.9652

Notes:

- (a) MBSB Adjusted Closing Net Assets After Excess Capital is calculated based on MBSB's audited consolidated net asset as at Closing Accounts Date of approximately RM8,959.19 million less the MBSB Closing Excess Capital of approximately RM2,638.99 million and less adjustment relating to an Islamic financing facility extended to MBSB Bank's customer amounting to approximately RM47.46 million after incorporating proforma tax effect ("**MBSB Adjustment**").
- (b) MBSB Closing Excess Capital is defined as the excess capital of MBSB and its subsidiaries ("**MBSB Group**") as ascertained based on the MBSB Total CET-1 Capital as at the Closing Accounts Date of approximately RM8,548.37 million less MBSB Adjustment less the multiplication of the MBSB Total Risk Weighted Assets as at the Closing Accounts Date of approximately RM39,141.90 million less gross of MBSB Adjustment excluding tax of approximately RM62.44 million and the MBSB Agreed CET-1 Ratio.
- (c) MBSB Agreed CET-1 Ratio is defined as MBSB CET-1 Ratio of 15% as agreed by the Parties.
- (d) For information, the Final Issue Price as disclosed herein has been rounded to the nearest 4 decimals. For the purposes of calculating the number of Final Consideration Shares, the Final Issue Price per Final Consideration Share shall not be rounded and any fractions of Final Consideration Shares shall be disregarded.

The Final Issue Price was commercially negotiated between the Parties after taking into consideration amongst others, the following:

- (i) the adjusted NA based on the audited consolidated NA of MBSB Group as at the Closing Account Date less cash dividend of RM609,576,123.26 as approved by BNM and distributed by MBSB to its shareholders on 17 April 2023 ("**MBSB Pre-Completion Dividends**") and MBSB Adjustment, which translates to approximately RM8.30 billion ("**2022 MBSB Net Assets Post Adjustments**"). The Final Issue Price represents a PBR of 0.83 times the audited consolidated NA of MBSB Group as at the Closing Accounts Date less MBSB Pre-Completion Dividends and MBSB Adjustment;
- (ii) historical trading share price of MBSB as depicted in the table below;
- (iii) the trading multiples of financial institutions or their holding companies listed in Malaysia as discussed above; and
- (iv) the precedent transactions involving the acquisition of financial institutions listed in Malaysia as discussed above.

The issuance of the Final Consideration Shares for the Final Purchase Consideration will enable the Company to conserve the cash balance for the operations and financing requirements of the Group, as well as to avoid having to gear up if the Final Purchase Consideration is to be fully settled in cash.

The Final Issue Price represents the following premium to the last trading price and volume weighted average market price (“VWAP”) of MBSB Shares up to and including the LPD:

	Price	Premium	
	(RM)	(RM)	(%)
5-day VWAP up to and including 8 June 2023, being the last trading day immediately preceding the date of the SPA	0.6240	0.3412	54.68
Last trading price of MBSB Shares as at LPD	0.6300	0.3352	53.21
<u>Up to and including LPD:</u>			
5-day VWAP of MBSB Shares	0.6479	0.3173	48.97
1-month VWAP of MBSB Shares	0.6337	0.3315	52.31
3-month VWAP of MBSB Shares	0.6331	0.3321	52.46
6-month VWAP of MBSB Shares	0.6273	0.3379	53.87
12-month VWAP of MBSB Shares	0.6159	0.3493	56.71

(Source: Bloomberg)

The number of Final Consideration Shares was determined based on the total Final Purchase Consideration divided by the Final Issue Price per Final Consideration Shares and any fractions of Final Consideration Shares shall be disregarded.

For information, the Final Issue Price as disclosed herein has been rounded to the nearest 4 decimals. For the purposes of calculating the number of Final Consideration Shares, the Final Issue Price per Final Consideration Share shall not be rounded.

2.6 Proposed changes to the Board and selected Key Executives

Pursuant to the SPA, PNB is entitled to nominate 2 persons as directors of MBSB, 1 of whom shall be an independent director, subject to the receipt of the relevant approval from BNM for such appointments (if required).

In respect of the proposed changes to selected key executives, MBSB and PNB had established a Group Leadership Committee for the purpose of jointly identifying and mutually agreeing on suitable candidates for the positions of, amongst others, Group Chief Executive Officer and Group Chief Financial Officer of MBSB.

2.7 Ranking of the Final Consideration Shares

The Final Consideration Shares shall be issued free from all encumbrances and with all rights and benefits attaching thereto, ranking equally in all respects with the existing issued and fully paid-up MBSB Shares including without limitation all rights, dividends and/ or other distributions which may be declared, made or paid in respect thereof, where the date on which the shareholders of the Company must be registered in order to participate in the relevant distribution is on or subsequent to the Completion Date.

2.8 Listing of and quotation for the Final Consideration Shares

An application will be made to Bursa Securities for the listing of and quotation for the Final Consideration Shares on the Main Market of Bursa Securities (“Main Market”).

2.9 Assumption of liabilities

Save for the obligations and liabilities of MBSB arising from or in connection with the SPA, there is no liability, including any contingent liability or guarantee, to be assumed by MBSB arising from the Proposed Acquisition.

2.10 Salient terms of the SPA

The salient terms of the SPA is annexed as **Appendix II** of this Announcement.

3. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition will result in a well-capitalised financial services group which is financially resilient to compete in the market with a stronger balance sheet. It will create an enlarged banking group with end-to-end banking services comprising consumer banking, commercial & small and medium-sized enterprise (SME) banking, development finance, corporate banking, investment banking and asset management, servicing a wider customer base that extends beyond MBSB Bank and MIDF Group's pool of existing customers.

With the combined strength and expertise of both MBSB Bank and MIDF Group and synergies to be derived from the MBSB Group as enlarged by the MIDF Group following completion of the Proposed Acquisition ("**Enlarged Group**"), the Enlarged Group will be able to expand into new and larger customer segments through tailored financing, structuring and advisory solutions to support the business needs and growth of consumer and corporate clients. Essentially the Proposed Acquisition would:

- (i) bring together two banking groups with a combined capital base of approximately RM10.69 billion and assets of approximately RM61.73 billion as at FYE 31 December 2022 (*after taking into account the MBSB Pre-Completion Dividends, the MBSB Adjustment, the MIDF Pre-Completion Dividend and the MIDF Adjustment*), enabling the Enlarged Group to provide a broader range of products, services and solutions through the existing branches, self-service terminals, mobile and digital channels, and target previously underserved customer segments (i.e. individuals, entrepreneurs and corporates whose needs for financial products and services are currently not adequately served or met) with an enhanced value proposition to the market;
- (ii) have an expanded network and complementary businesses which would strengthen the Enlarged Group's footprint in the banking market with customer centricity as its core focus. This in turn, would help the Enlarged Group build a more diversified and sustainable business, and profitable growth moving forward. The Enlarged Group's retail, SME banking and development finance, and corporate banking businesses will help cushion the more volatile market for fee-based income, while the investment banking business can become more scalable with a larger capital base of the combined group; and
- (iii) provide an impetus for a transformational change and a common strategy across the Enlarged Group, with the steer of an experienced leadership and management team with the desire and will, for the Enlarged Group to succeed.

4. PROSPECTS, OUTLOOK AND FUTURE PLANS

4.1 Overview and prospects of the Malaysian economy

The global gross domestic product ("**GDP**") growth in 2022 moderated to 3.4% reflecting the economic slowdown in advanced economies as well as emerging market and developing economies (EMDEs). Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5% - 7%, whereby real output value reached above the pre-pandemic level. The commendable performance was driven by domestic demand and improved labour market in line with the transition to endemic phase. These resulted from an increase in economic activities which include household spending, investment and tourism. Subsequently, encouraging expansion in all economic sectors primarily the services and manufacturing have also provided continuous impetus to the significant economic growth in 2022. Furthermore, the growth was attributed to robust external demand, especially among Malaysia's major trading partners.

Notwithstanding the growth, the economy in 2022 experienced several challenges with escalating inflationary pressures due to high commodity and food prices as well as softened global economic growth

and trade. Therefore, the Government has taken various holistic and comprehensive measures to help the rakyat and businesses in dealing with inflationary pressures and higher cost of living.

In 2023, global growth is expected to further soften at 2.9% on the back of persistent pressures such as inflation, tightening global financial conditions and economic deceleration among major economies. Meanwhile, Malaysia's economic growth is projected to moderate amid the signs of weakness in the global growth momentum. The growth will be mainly supported by steady domestic demand primarily private expenditure initiatives as well as initiatives under the Budget 2023 and development expenditure under the Twelfth Malaysia Plan, 2021 – 2025 (12MP). However, a slowdown in external demand is expected to moderate exports growth, particularly in the electrical and electronic products and major commodities. On the supply side, all economic sectors are expected to remain in the positive growth trajectory in 2023, driven by the services and manufacturing sectors. Other sectors, namely agriculture, mining and construction are also expected to grow further in line with the improvement in economic activities. However, downside risks such as prolonged geopolitical conflict, climate-related disasters and persistently high inflation are expected to further hampering the global economic growth, hence, affecting Malaysia's performance. Overall, the nation's GDP is forecast to grow approximately 4.5% in 2023.

(Source: Economic & Fiscal Outlook and Federal Government Revenue Estimates 2023, Ministry of Finance Malaysia)

4.2 Overview and outlook of Banking in Malaysia

Interbank rates declined slightly during the quarter as a result of normalisation in interbank rates following some easing in the tighter interbank market conditions observed towards end-2022, average lending rate (ALR) on outstanding loans declined, driven by few selected banks and broadly stable fixed deposit (FD) rates amid the unchanged overnight policy rate (OPR).

Banking system liquidity remained sufficient at both the institutional and system-wide levels. Slightly higher outstanding liquidity placed with BNM at the end of the quarter amid net portfolio inflows. At the institutional level, almost all banks maintained surplus liquidity positions with the Bank as at end-March 2023.

(Source: BNM Quarterly Bulletin, First Quarter 2023, BNM)

Credit conditions in Malaysia

Credit to the private non-financial sector

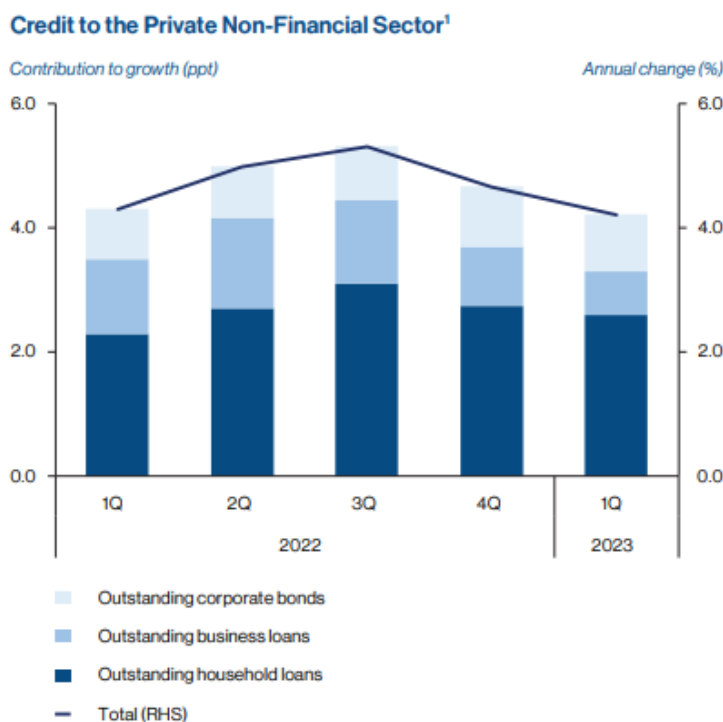
Credit to the private non-financial sector has slower growth in outstanding loans (4.2%; 4Q 2022: 4.7%) as loan repayments growth (10.8%) outpaced that of disbursements (7.5%) across segments. Outstanding corporate bonds also grew at a more moderate pace (4.4%; 4Q 2022: 4.6%).

Business Loans

Moderation in loan growth was partly driven by continued growth in repayments, amid the higher and expected increase in borrowing costs. Loan disbursements growth also moderated from the previous higher base, although the levels remained well above pre-COVID-19 average. Investment-related loans remained forthcoming, especially for SMEs.

Household Loans

For household loans, weaker loan growth for purchase of securities. Loan growth for purchase of big-ticket items remained sustained, with higher growth recorded for car purchase.



(Source: BNM Quarterly Bulletin, First Quarter 2023, BNM)

Islamic Banking

The global Islamic finance landscape has evolved significantly. Compared to a decade ago, Islamic finance has gained greater prominence in the global financial landscape. Global Islamic financial assets have grown from USD1.6 trillion in 2012 to USD2.7 trillion in 2020. Prospects for further growth remain significant, particularly within Asia and Organisation of Islamic Cooperation (OIC) countries. These may arise from untapped market segments, the growing halal business, and demand for more sustainable investments. Alongside the broader digitalisation of financial services, Islamic fintech opportunities are also growing, particularly in developing countries with Muslim-majority populations.

The Islamic finance space is thus expected to become more vibrant globally. Increasingly, more countries are looking to develop domestic markets and expand their footprint overseas. This environment creates new opportunities to Islamic finance – such as new cross-border partnerships to realise synergies, including through ‘collaborative competition’ (co-opetition) among established and emerging Islamic financial centres.

Against this backdrop, the Malaysia International Islamic Financial Centre (MIFC) vision and strategy continues to evolve in response to global trends and shifts in real economic needs.

BNM will strengthen the Shariah regulatory framework by aligning the application of Shariah contracts with their underlying wisdom (hikmah). This includes setting out clear considerations for financial institutions in adopting certain arrangements in exceptional circumstances (e.g. ceding takaful risk to conventional insurers or reinsurers due to capacity constraints), in line with the hajah principle.

Another desired outcome is for financial institutions to use more diverse Shariah contracts, thereby enabling value-based finance to serve a wider range of economic and social needs. This may call for a reconsideration of the use of tawarruq, which is presently a dominant Shariah contract for Islamic finance products in Malaysia’s Islamic finance landscape.

(Source: Financial Sector Blueprint 2022 to 2026, BNM)

4.3 Prospects and future plans of the Enlarged Group

MBSB Group via MBSB Bank operates as an Islamic bank focusing on Consumer Banking, Commercial Banking and Corporate Banking, as follows:

(i) Consumer Banking

MBSB Bank offers a range of retail banking solutions including personal and property financing, and wealth management products.

(ii) Commercial Banking

MBSB Bank provides a range of financial and advisory solutions, including business financing, trade finance, cash management, and treasury services with deep understanding of the property and construction sector, to help mid- to large-sized financial and public sector institutions grow and expand their business.

(iii) Corporate Banking

MBSB Banks offers a range of corporate banking services, including project financing, corporate financing, syndications, and debt capital market solutions, to help large corporations and government-linked companies (GLCs) achieve their strategic objectives.

MIDF Group is a diversified financial services group, with three core business areas as follows:

(i) Investment Banking

MIDF Group provides a full suite of investment banking products and services including treasury, debt markets (conventional bonds, Islamic sukuk and loan/financing syndication), share margin financing, corporate finance (initial public offering (IPO), placement/rights issuance, corporate advisory, etc), equity market dealing and stockbroking, client advisory and solutions (strategic and financial advisory, origination and structuring), and economic and equity research.

(ii) Development Finance

MIDF Group focuses on promoting the development of industrial sector in Malaysia especially manufacturing and services by managing Government funds through provision of financing & grants primarily for SMEs.

(iii) Asset Management

MIDF Group provides Shariah-compliant fund management services (unit trusts, money market, private mandates) to statutory bodies, private pension funds, state government-related funds, etc as well as to retail investors (for Unit Trust Funds)

Enabled by the complementary range of customers and products of MBSB Group and MIDF Group, the Enlarged Group would be better positioned to offer end-to-end banking services comprising consumer banking, commercial & SME banking, development finance, corporate banking, investment banking and asset management, servicing a wider customer base that extends beyond MBSB Bank and MIDF Group's pool of existing customers.

In addition, MBSB believes that there are more avenues and potential opportunities for cross selling of complementary and/or existing products and services to the enlarged customer pool as follows:

- (i) for MBSB Bank, there is potential to increase its customer base as MBSB Bank's customers are predominantly retail / individual while MIDF Group's customers are largely corporate. MBSB Bank should be able to scale up its existing corporate and SME clients leveraging on MIDF's banking products;

- (ii) for MIDF Group's investment banking, there is a potential to support larger transaction value deals by leveraging on MBSB Bank's balance sheet such as corporate finance and debt market deals.

Additionally, with a stronger market positioning, the coming together of both banking groups will generate synergies and create additional value for shareholders and stakeholders. The combined banking groups will be better placed to overcome the inherent market and capital limitations faced by each standalone entity, to derive synergies from the enhance product portfolio and combined customer base, and penetrate new market and customer segments.

Barring unforeseen circumstances, premised on the above and after taking into consideration the prospect of the banking industry as discussed in Section 4.2 above, the Company believes that the Proposed Acquisition should be positive for the MBSB Group.

5. RISKS OF THE PROPOSED ACQUISITION

MBSB Group and MIDF Group are operating in a similar industry i.e. the provision of financial products and related services. As such, both entities are exposed to similar general business risks such as regulatory risks, credit risk, liquidity risk and asset impairment risk which are inherent to the financial services industry in which they operate.

The risk factors which may arise from the Proposed Acquisition include, but are not limited to the following:

5.1 Completion risk

The completion of the SPA is conditional upon the satisfaction or waiver, as the case may be, of the conditions precedent as set out in Section 2 (Conditions precedent) of **Appendix II** of this Announcement ("**Conditions Precedent**"). There can be no assurance that the Conditions Precedent will be fulfilled or obtained in a timely manner or at all. In the event any of the Conditions Precedent cannot be fulfilled or waived on or before the Long-Stop Date (as defined in Appendix II), the SPA shall lapse, and hence, the Proposed Acquisition will not be completed.

Nevertheless, MBSB will take all reasonable steps to ensure the satisfaction and/or waiver of the Conditions Precedent in order to facilitate the timely completion of the SPA.

5.2 Acquisition and integration risks

MBSB and MIDF each has its own systems, processes, policies and practices, governance structures, corporate cultures, management styles as well as accounting, performance management and reward systems. There can be no assurance that MBSB Group and MIDF Group can be successfully integrated and/or without operational disruptions. Such operational disruptions may result in a loss of clientele, management or key personnel which may have a material adverse effect on the financial and operating conditions of the Enlarged Group.

Following the Proposed Acquisition, there can be no assurance that:

- (i) the anticipated benefits to be derived from the MIDF Group's business will be realised or that the Enlarged Group will be able to generate sufficient revenues to offset the associated acquisition/ integration costs; and
- (ii) the integration between the MBSB Group's business and the MIDF Group's business would be undertaken effectively or in a timely manner and any failure/ delay in doing so may have a material adverse effect on the Enlarged Group's financial performance.

Nonetheless, an implementation team will be formed to oversee and execute the implementation activities, comprising representatives from MBSB and MIDF. Each proposed member of the implementation team shall be well qualified and has a depth of relevant experience in their business and/or functional area to monitor and facilitate smooth integration process.

5.3 Ability to attract and retain key/ experienced personnel

In view of the anticipated growth and larger business spectrum, the Enlarged Group would require a greater number of experienced personnel in all its key operating areas in order to function effectively and efficiently within the confines of the regulatory environment.

The Enlarged Group would also need to engage and retain existing personnel who have the relevant experience and/or to hire individuals with the necessary expertise in the newly acquired businesses of investment banking, development finance and/or asset management of the Enlarged Group.

In the event the Enlarged Group failed to retain the existing experienced personnel, the Enlarged Group will have to hire, train and develop individuals on products and services related to the newly acquired businesses of investment banking, development finance and/or asset management to sufficiently equip the new personnel with the necessary knowledge and expertise of the newly acquired businesses.

5.4 Compliance and regulatory risk

After the Proposed Acquisition, the Enlarged Group will carry on businesses licensed or governed under the IFSA, FSA and CMSA and will be subjected to requirements under the IFSA, FSA and CMSA. As such, MBSB Group will be required to perform a full review and assessment of its existing practices and policies to ensure alignment with the requirements of the IFSA, FSA and CMSA.

Further, any change in the IFSA, FSA, CMSA or other regulatory conditions and policies in Malaysia pertaining to the businesses of the Enlarged Group could cause the Enlarged Group to fall into a position of non-compliance which, if unresolved, may result in the suspension or revocation of the relevant licences issued to it. The inability of the Enlarged Group to operate its business until such non-compliance is resolved and licences reinstated would materially and adversely affect its financial and operational condition.

To mitigate this risk, the Enlarged Group will engage regularly with BNM and SC, keep abreast with the changes in regulatory environment and will, to the best of its ability, put in place necessary strategies in order to comply with the updated regulations.

5.5 Competition

MIDF Group operates in highly competitive industries and the Enlarged Group will face increasing competition from both domestic and foreign institutions in the investment banking, stockbroking and asset management sectors. The increase in competition may result in pricing pressures, shrinking margins and loss of market share which in turn may have a material adverse impact on the financial and operating conditions of the Enlarged Group.

To address the increased competition in the industry, the Enlarged Group will use its best endeavours to formulate strategies to maintain its competitiveness and undertake marketing and promotional activities to increase awareness of the Enlarged Group's range of products and services.

6. EFFECTS OF THE PROPOSED ACQUISITION

The financial effects below have been prepared for illustration purposes based on the Final Purchase Consideration and Final Issue Price based on the Closing Accounts Date.

6.1 Issued share capital

The pro forma effects of the Proposed Acquisition on the total issued share capital of the Company are as follows:

	No. of MBSB Shares (^{'000})	RM (^{'000})
Total issued share capital as at LPD	7,171,484	7,198,068
Final Consideration Shares to be issued ^(a)	1,050,829	^(a) 662,022
Enlarged issued share capital	8,222,313	7,860,090

Note:

(a) Based on approximately 1,050.83 million MBSB Shares issued as consideration recognised at fair value assuming the closing price of MBSB Shares as at LPD of RM0.63 per Share.

6.2 Substantial shareholders' shareholdings

Based on the Register of Substantial Shareholders of the Company as at LPD, the pro forma effects of the Proposed Acquisition on the shareholdings of the substantial shareholders of the Company are as follows:

Substantial shareholder	As at LPD				After Proposed Acquisition			
	Direct interest		Indirect interest		Direct interest		Indirect interest	
	No. of shares (^{'000})	%	No. of shares (^{'000})	%	No. of shares (^{'000})	%	No. of shares (^{'000})	%
EPF	4,723,942	65.87	-	-	4,723,942	57.45	-	-
PNB	-	-	-	-	1,050,829	12.78	-	-

6.3 NA per Share and gearing

For illustration purposes, the pro forma effects of the Proposed Acquisition on the consolidated NA and gearing of MBSB Group based on the latest audited consolidated statement of financial position of the Company as at the FYE 31 December 2022, being the Closing Accounts Date and on the assumption that the Proposed Acquisition is effected on that date are as follows:

	Audited as at 31 December 2022	After Pre- Completion Dividend	^(d) After Proposed Acquisition
	(RM ^{'000})	(RM ^{'000})	(RM ^{'000})
Ordinary share capital	7,198,068	7,198,068	^(b) 7,860,090
Reserve	(341,366)	(341,366)	(341,366)
Retained earnings	2,102,491	^(a) 1,492,915	^(c) 2,024,053
NA	8,959,193	8,349,617	9,542,777
Non-controlling interest	-	-	240
TOTAL EQUITY	8,959,193	8,349,617	9,543,017

	Audited as at 31 December 2022	After Pre- Completion Dividend	^(d)After Proposed Acquisition
No. of MBSB Shares ('000)	7,171,484	7,171,484	^(b) 8,222,313
NA per MBSB Share (RM)	1.25	1.16	1.16
Borrowings	^(e) 6,813,459	^(e) 6,813,459	^(f) 7,052,397
Gearing (times)	0.76	0.82	0.74

Notes:

- (a) After taking into account the MBSB Pre-Completion Dividends of RM609.58 million for MBSB, as well as the MIDF Adjustment and the MBSB Adjustment.
- (b) Based on 1,050.83 million MBSB Shares issued as consideration recognised at fair value assuming the closing price of MBSB Shares as at LPD of RM0.63 per Share.
- (c) After taking into consideration estimated expenses amounting to approximately RM9.50 million which include professional and advisory fees, regulatory fees, cost to convene an extraordinary general meeting ("EGM"), printing costs and postage in relation to the Proposed Acquisition and the one-off gain from acquisition which arises as result of the Final Purchase Consideration is lower than the NA of MIDF (after payment of the proposed dividend) amounting to approximately RM540.64 million.
- (d) The above effects have not taken into consideration any post completion dividends.
- (e) Inclusive of lease liabilities and recourse obligations on financing sold for MBSB.
- (f) Inclusive of lease liabilities for MIDF.

6.4 Earnings and EPS

For illustration purposes, based on MBSB Group's audited consolidated statement of comprehensive income and the audited statement of profit or loss and other comprehensive income of MIDF Group for the FYE 31 December 2022, being the Closing Accounts Date and assuming that the Proposed Acquisition has been completed at the beginning of the financial year, the pro forma effect of the Proposed Acquisition is as follows:

	RM'000
MBSB's consolidated profit after tax after non-controlling interest ("PATANCI") for FYE 31 December 2022	460,188
Add: MIDF's consolidated PATANCI for FYE 31 December 2022	76,395
Add: One-off gain from acquisition ^(a)	540,638
Less: Estimated expenses in relation to the Proposed Acquisition ^(c)	9,500
After Proposed Acquisition	1,067,721
Weighted average number of MBSB Shares in issue (RM'000)	
- Existing	7,171,484
- After Proposed Acquisition	^(b) 8,222,313
Basic EPS (sen)	
- Existing	6.42
- After Proposed Acquisition (excluding gain from acquisition and estimated expenses)	6.53
- After Proposed Acquisition (including gain from acquisition and estimated expenses)	12.99

Notes:

- (a) A one-off gain from acquisition as a result of the Final Purchase Consideration being lower than the NA of MIDF.
- (b) Assuming the issuance of 1,050.83 million MBSB Shares at RM0.9652 (rounded to 4 decimal points for disclosure purposes) each as the Final Purchase Consideration for the Proposed Acquisition.
- (c) The estimated expenses amounting to approximately RM9.50 million which includes professional and advisory fees, regulatory fees, cost to convene an EGM, printing costs and postage in relation to the Proposed Acquisition.

7. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities (“**Listing Requirements**”) is 22.67% based on audited consolidated financial statements of MBSB for the FYE 31 December 2022.

8. APPROVALS OR CONSENT REQUIRED

The Proposed Acquisition is conditional upon the following approvals being obtained:

- (i) the relevant BNM and MOF approvals for the Proposed Acquisition, which were obtained by the Company and PNB respectively vide BNM’s letter dated 13 April 2023;
- (ii) the MOF and BNM approvals to be obtained by PNB for the proposed disposal by PNB of the Sale Shares representing 100% equity interest in MIDF to the Company, which were obtained vide its letters to PNB dated 13 April 2023;
- (iii) the approval of the shareholders for the Proposed Acquisition at the EGM to be convened;
- (iv) the approval of SC for the change in indirect shareholder of MAIB and MIDF Amanah Asset Management Berhad (“**MAAMB**”), from PNB to MBSB; and
- (v) the approval of Bursa Securities for the listing of and quotation of 1,050,828,629 MBSB Shares on the Main Market.

9. CONDITIONALITY OF THE PROPOSED ACQUISITION

The Proposed Acquisition is not conditional upon any other proposals undertaken or to be undertaken by the Company.

10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

A waiver application was submitted to Bursa Securities on 8 July 2022 seeking (i) a waiver from categorizing EPF, a major shareholder of MBSB, and PNB as persons connected for the Proposed Acquisition as a result of a commercial arrangement between EPF and PNB in a joint venture company where PNB may be deemed a person connected to EPF, and (ii) a waiver from the Proposed Acquisition being regarded as a related party transaction (“**RPT**”) under the Listing Requirements (“**Waiver Application**”). Following the rejection of the Waiver Application on 12 August 2022, an appeal was submitted to Bursa Securities on 27 September 2022 (“**Appeal**”) which was allowed by Bursa Securities on 10 November 2022, subject to the following conditions:

- (a) confirmation from the Board that the Company is not accustomed or under any obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of EPF and the same be disclosed in the circular to shareholders;
- (b) appointment of Main Adviser and Independent Adviser to advise MBSB and its shareholders on the Proposed Acquisition in accordance with paragraph 10.08 of the Listing Requirements; and
- (c) the Board and Audit Committee of MBSB must ensure that the Proposed Acquisition is:
 - (i) in the best interest of MBSB;
 - (ii) fair, reasonable and based on normal commercial terms; and
 - (iii) not detrimental to the interest of MBSB’s shareholders,

(collectively, “**Conditions by Bursa Securities**”).

For information, PNB does not own any Shares in MBSB and neither does MBSB own any shares in PNB. In addition, there are no common members/directors within:

- (i) EPF’s and PNB’s Board or investment panel/committees;
- (ii) EPF’s Board or investment panel and MIDF;
- (iii) PNB’s Board or investment committee and MBSB; and
- (iv) MBSB’s Board and MIDF’s Board.

In view of the above, as at LPD, none of the members of the Board (the “**Directors**”) and/or major shareholders of MBSB or persons connected to them have any interest, direct or indirect, in the Proposed Acquisition. Nonetheless, Encik Szalizi Bin Zainuddin (“**the EPF Nominee Director**”), has voluntarily abstained from voting on the resolution pertaining to the Proposed Acquisition. The EPF Nominee Director will also continue to abstain from all deliberations and decisions at the Board meetings relating to the Proposed Acquisition.

Each of the Directors (excluding the EPF Nominee Director who has voluntarily abstained), further confirm that they are not accustomed nor under any obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of EPF in respect of this Proposed Acquisition.

11. INDEPENDENT ADVISER

As a result of the Conditions by Bursa Securities, Kenanga Investment Bank Berhad (“**Kenanga IB**” or the “**Independent Adviser**”) has been appointed to act as the Independent Adviser to undertake the following:

- (i) comment as to:
 - (a) whether the Proposed Acquisition is fair and reasonable in so far as the MBSB shareholders are concerned; and
 - (b) whether the Proposed Acquisition is to the detriment of the MBSB shareholders,and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) advise the MBSB shareholders on whether they should vote in favour of the Proposed Acquisition; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in items (i) and (ii) above.

12. AUDIT COMMITTEE’S RECOMMENDATION

The Audit Committee of MBSB, after having considered all aspects of the Proposed Acquisition, including the basis and justification, rationale and benefits, prospects, and effects of the Proposed Acquisition and the terms of the SPA as well as the views of the Independent Adviser, is of the opinion that the Proposed Acquisition is in the best interest of MBSB, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders.

13. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the EPF Nominee Director who has voluntarily abstained), after having considered all aspects of the Proposed Acquisition, including the basis and justification, rationale and benefits, prospects, effects of the Proposed Acquisition, the terms of the SPA as well as the views of the Independent Adviser, is of the opinion that the Proposed Acquisition is in the best interest of MBSB, fair, reasonable and on normal commercial terms, and not detrimental to the interest of the minority shareholders.

14. ADVISORS

MBSB has appointed AmInvestment Bank as its Principal Adviser and Kenanga IB as its Independent Adviser.

15. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to required approvals being obtained in a timely manner, the Proposed Acquisition is expected to be completed in the 3rd quarter of the year 2023.

16. APPLICATION TO THE AUTHORITIES

Barring unforeseen circumstances and subject to all relevant approvals being obtained, the application to Bursa Securities in relation to the Proposed Acquisition will be made within 1 month from the date of this Announcement.

17. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA is available for inspection during normal business hours from 8.30 a.m. to 5.30 p.m. from Monday to Friday (excluding public holidays) at the registered office of MBSB at Level 25, Menara MBSB Bank, Lot 12, Persiaran Barat, Seksyen 52, 46200, Petaling Jaya, Selangor Darul Ehsan, Malaysia, for a period of 3 months from the date of this Announcement.

INFORMATION ON MIDF GROUP

1. HISTORICAL FINANCIAL INFORMATION**1.1 Financial summary**

The summary of the financial information of MIDF as extracted from the audited financial statements of MIDF for the FYEs 31 December 2020 to 31 December 2022 are as follows:

	<----- Audited FYE 31 December ----->			FPE 31 March	
	2020	2021	2022	2022	2023
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Operating revenue	375,296	372,731	422,141	90,399	100,814
Interest income	75,889	86,257	110,199	21,469	29,300
Interest expense	(35,584)	(32,099)	(43,694)	(7,883)	(13,676)
Net interest income	40,305	54,158	66,505	13,586	15,624
Net income from Islamic banking operations	144,005	167,885	152,890	39,847	33,691
Gain on disposal of associate	2,279	-	-	-	-
Non-interest income	46,907	35,632	50,859	9,439	4,024
Operating expenses	(130,403)	(152,536)	(175,162)	(44,697)	(48,364)
Operating profit	103,093	105,139	95,092	18,175	4,975
Impairment loss written back/(made)	(7,028)	(51,509)	6,722	6,145	(557)
Share of profit of associate	-	-	-	-	-
PBT	96,065	53,630	101,814	24,320	4,418
Taxation	(16,849)	(19,008)	(23,522)	(7,515)	(5,924)
Zakat	(2,070)	(1,167)	(1,902)	(578)	(295)
PAT	77,146	33,455	76,390	16,227	(1,801)
Profit attributable to:					
Shareholder of the company	77,150	33,460	76,395	16,228	(1,796)
Non-controlling interests	(4)	(5)	(5)	(1)	(5)
	77,146	33,455	76,390	16,227	(1,801)
Number of MIDF Shares ('000)	480,356	480,356	480,356	480,356	480,356
Share capital	879,931	879,931	879,931	879,931	879,931
NA/ Shareholders funds (excluding NCI)	1,787,768	1,691,573	1,652,660	1,703,532	1,212,584
Total borrowings	304,442	283,557	238,938	266,737	227,752
Earnings /(loss) per MIDF Share (sen)					
- Basic and diluted	16.1	7.0	15.9	3.38	(0.37)
NA per MIDF Share attributable to equity holders (RM)	3.72	3.52	3.44	3.55	2.52
Gearing (times)	0.17	0.17	0.14	0.16	0.19

INFORMATION ON MIDF GROUP (CONT'D)

1.2 Commentaries on past performance**(i) Comparison between FYE 31 December 2020 and FYE 31 December 2021**

The net interest income increased to RM54.16 million (FYE 31 December 2020: RM40.31 million) mainly contributed by the increase in interest income from loan, advances and financing of RM16.95 million and reduction in interest expense from deposits and placements of banks and other financial institutions as well as deposits from customers of RM4.48 million. This upside is negated by a decrease in interest income from financial investments at amortised cost of RM 5.87 million.

The net income from Islamic banking operations continued to grow from RM144.01 million in FYE 31 December 2020 to RM167.89 million in FYE 31 December 2021 mainly due to net savings from interest expense along with the overnight policy rate cut in 2021.

The PAT of RM33.46 million decreased by RM43.69 million (FYE 31 December 2020: RM77.15 million) mainly due to significant increase in impairment loss made on loans, advances and financing in FYE 31 December 2021 by RM40.72 million which is largely attributed to the additional provision made for one customer account.

(ii) Comparison between FYE 31 December 2021 and FYE 31 December 2022

The net interest income increased to RM66.51 million (FYE 31 December 2021: RM54.16 million) mainly contributed by the increase in interest income from higher loan, advances and financing of RM17.00 million largely due to recognition of late payment charges from a client. The upside is negated by a higher interest expense of RM11.60 million.

Net income from Islamic banking operations declined from RM167.89 million in FYE 31 December 2021 to RM152.89 million in FYE 31 December 2022 mainly due to decline in fee income derived from Investment Banking Funds of RM4.83 million and higher income attributable to depositors of RM25.21 million. The downside is offset by higher income derived from investment of depositors' funds of RM17.05 million.

The PAT of RM76.39 million increased by RM42.93 million (FYE 31 December 2021: RM33.46 million) mainly due to the increase in net interest income and also because the previous year's PAT was significantly impacted by the impairment loss incurred for one customer account, as mentioned in Section 1.2(i) of Appendix I above. The upside is negated by the decline in net income from Islamic banking operations.

(iii) Comparison between 3-month FPE 31 March 2022 and 3-month FPE 31 March 2023.

The net interest income increased to RM15.62 million (FPE 31 March 2022: RM13.59 million) mainly contributed by the increase in interest income of RM7.83 million from higher loan, advances and financing, deposit placements with financial institutions and derivative instruments. The upside is negated by a higher interest expense of RM5.79 million.

Net income from Islamic banking operations declined from RM39.85 million in FPE 31 March 2022 to RM33.69 million in FPE 31 March 2023 mainly due to the higher cost of funds from depositors of RM13.82 million. The downside is offset by higher income derived from investment of depositors' funds of RM8.88 million.

The LAT of RM1.80 million (FPE 31 March 2022: PAT of RM16.23 million) was mainly due to the decrease in overall net income of RM9.53 million coupled with an increased operating expense of RM3.67 million. The Group also incurred RM0.56 million of expected credit loss allowance in FPE 31 March 2023 as opposed to an expected credit loss written back of RM6.15 million in FPE 31 March 2022. The reduction is mitigated by the decrease in taxation and zakat expenses of RM1.87 million.

SALIENT TERMS OF THE SPA

The following are the salient terms of the SPA. All capitalized terms not defined herein used under this **Appendix II** shall have the same meaning as assigned to them by the SPA:

1. FINAL PURCHASE CONSIDERATION, FINAL ISSUE PRICE AND FINAL CONSIDERATION SHARES

The parties have agreed that the following Adjusted Purchase Consideration, Adjusted Issue Price and Adjusted Consideration Shares are final as follows:

Adjusted Purchase Consideration (which shall be known as Final Purchase Consideration)

The Final Purchase Consideration has been determined based on the following:

- (a) the **aggregate** of 77% of MIDF Adjusted Closing Net Assets and 100% of MIDF Closing Excess Capital;
- (b) **less** any dividends declared and paid and/or to be paid and/or capital repayments made and/or to be made after the Closing Accounts Date (which have not been provided for in the MIDF Closing Accounts) but before the Completion Date; and
- (c) **less** MIDF Pre-Completion Dividend (to the extent it has not been provided for in the MIDF Closing Accounts).

Where:

“**MIDF Adjusted Closing Net Assets**” : MIDF’s audited consolidated net asset as at the Closing Accounts Date **less** the MIDF Closing Excess Capital.

“**MIDF Agreed CET-1 Ratio**” : MIDF CET-1 Ratio of 15% as agreed by the Parties.

“**MIDF CET-1 Ratio**” : MIDF common equity Tier-1 capital ratio, measured by the MIDF Total CET-1 Capital divided by MIDF Total Risk Weighted Assets.

“**MIDF Closing Accounts**” : an interim audited consolidated financial statement of the MIDF Group in respect of the year-to-date financial period ending on the Closing Accounts Date to be prepared within 60 days from the Closing Accounts Date.

“**MIDF Closing Excess Capital**” : the excess capital of MIDF Group as ascertained based on MIDF Total CET-1 Capital as at the Closing Accounts Date less (the MIDF Total Risk Weighted Assets as at Closing Accounts Date multiplied with the MIDF Agreed CET-1 Ratio).

“**MIDF Total CET-1 Capital**” : The total common equity Tier-1 capital of the MIDF Group, determined as at the Closing Accounts Date.

“**MIDF Total Risk Weighted Assets**” : The total risk weighted assets of the MIDF Group determined as at the Closing Accounts Date.

Adjusted Issue Price (which shall be known as Final Issue Price)

The Final Issue Price has been determined based on the following:

- (a) the **aggregate** of 78% of the MBSB Adjusted Closing Net Assets and 100% of the MBSB Closing Excess Capital;
- (b) **less** any dividends declared and paid and/or to be paid and/or capital repayments made and/or to be made after the Closing Accounts Date (which have not been provided for in the MBSB Closing Accounts) but before the Completion Date;
- (c) **less** the MBSB Pre-Completion Dividend (to the extent it has not been provided for in the MBSB Closing Accounts);

SALIENT TERMS OF THE SPA (Cont'd)

- (d) **add** the proceeds or consideration (if any) to be received by the MBSB as a result of its issuance of new ordinary shares or any instrument that is dilutive when convertible into ordinary shares of the MBSB that has been announced or is in issue as at the Completion Date as set out in (e) below; and
- (e) the sum of (a), (b), (c) and (d) shall be **divided** by the number of the MBSB's ordinary shares on a fully diluted basis after taking into account any issuance of new ordinary shares or any instrument that is dilutive when convertible into ordinary shares of the MBSB that has been announced or is in issue as at the Completion Date.

Where:

“MBSB Adjusted Closing Net Assets”	:	Purchaser's audited consolidated net asset as at the Closing Accounts Date less the Purchaser Closing Excess Capital.
“MBSB Agreed CET-1 Ratio”	:	Purchaser CET-1 Ratio of 15% as agreed by the Parties.
“MBSB CET-1 Ratio”	:	Purchaser common equity tier 1 capital ratio, measured by MBSB Total CET-1 Capital divided by MBSB Total Risk Weighted Assets.
“MBSB Closing Accounts”	:	an interim audited consolidated financial statement of the MBSB Group in respect of the year-to-date financial period ending on the Closing Accounts Date to be prepared within 60 days from the Closing Accounts Date.
“MBSB Closing Excess Capital”	:	the excess capital of the MBSB Group as ascertained based on the MBSB Total CET-1 Capital as at the Closing Accounts Date less (the MBSB Total Risk Weighted Assets of the Purchaser Group as at Closing Accounts Date multiplied with MBSB Agreed CET-1 Ratio).
“MBSB Total CET-1 Capital”	:	The total common equity Tier-1 capital of the MBSB Group, determined as at the Closing Accounts Date.
“MBSB Total Risk Weighted Assets”	:	The total risk weighted assets of the MBSB Group, determined as at the Closing Accounts Date.

Adjusted Consideration Shares (which shall be known as Final Consideration Shares)

The final number of Consideration Shares has been determined based on the **Final Purchase Consideration** divided by the **Final Issue Price** as per above.

The Company shall prepare the calculations of the MBSB Adjusted Closing Net Assets, the Final Issue Price and the Final Consideration Shares, and PNB shall prepare calculations of the MIDF Adjusted Closing Net Assets and the Final Purchase Consideration, and each Party shall deliver the aforesaid to the other Party, along with the delivery of the MBSB Closing Accounts and MIDF Closing Accounts (as applicable) in accordance with terms of the SPA.

The Parties shall use their respective reasonable endeavours to discuss in good faith and agree on the Final Purchase Consideration and/or the Final Issue Price and/or the Final Consideration Shares calculated based on the principles and terms and conditions as stipulated in this Appendix II or other principles and terms and conditions as may be agreed between the Parties, within 14 days from the exchange of the MBSB Closings Accounts and MIDF Closing Accounts, respectively (**“Discussion Cut-Off Date”**) (or such other period as may be agreed in writing by the Parties).

Any disagreement between the Parties in relation to any matters as set out in or pursuant to or arising from the aforementioned adjustments, shall be referred to the respective chief executive officers of the Parties and/or the chairman of the board of directors of PNB (in respect of PNB) for resolution within 14 days from the Discussion Cut-Off Date and the Parties shall use all reasonable endeavours in good faith to resolve the dispute.

If the disagreement cannot be resolved by the respective chief executive officers of the Parties and/or the chairman of the board of directors of PNB (in respect of PNB) within 21 days from the Discussion Cut-Off Date, such disagreement shall be referred to the Reporting Accountants.

For the purpose of adjustment, within 150 days from the 31 December 2022 (**“Closing Accounts Date”**) MBSB shall prepare and issue an interim audited consolidated financial statement of the MBSB Group, and PNB shall procure MIDF to prepare and issue an interim audited consolidated financial statement of

SALIENT TERMS OF THE SPA (Cont'd)

the MIDF Group, in respect of the year-to-date financial period ending on the Closing Accounts Date (“Closing Accounts”) and each MBSB and PNB shall deliver the Closing Accounts to the other party.

2. CONDITIONS PRECEDENT

The completion of the SPA shall be subject to the following list of Conditions Precedent being fulfilled to the satisfaction of the relevant Party or waived in accordance with the SPA:

- (a) in respect of MBSB:
 - (i) the receipt of the approval from Bursa Securities for the listing and quotation of the Final Consideration Shares on the Main Market and such approval remains in full force and effect and has not been withdrawn; and
 - (ii) the passing at a general meeting of MBSB of a resolution to approve the acquisition of the Sale Shares and the issuance of the Final Consideration Shares to PNB in the agreed terms;
- (b) in respect of PNB and MIDF Group:
 - (i) the receipt of the approval from the Securities Commission Malaysia for the change in controller of MAIB and MAAMB from PNB to MBSB and such approval remains in full force and effect and has not been withdrawn; and
- (c) the receipt of the BNM and MOF Approvals (or waivers thereof as applicable) remaining in full force and effect and have not been withdrawn.

3. COMPLETION

Subject to the satisfaction of the Conditions Precedent or waiver of the Conditions Precedent, completion shall take place:

- (a) at 12.00 noon on the Completion Date at the office of MBSB or at such other venues as may be determined by the Parties in writing; or
- (b) if completion at the place set out above is not reasonably practicable, virtually by the exchange of the relevant documents to be delivered on or before the Completion Date between the Parties by email with the originals of the respective documents to be sent out by each party to the other Party promptly after completion by courier delivery, or in such other manner as the Parties may agree in writing.

4. OVERVIEW OF PROPOSED CHANGES TO THE BOARD AND SELECTED KEY EXECUTIVES

Pursuant to the SPA, PNB is entitled to nominate 2 persons as directors of MBSB, 1 of whom shall be an independent director, subject to the receipt of the relevant approval from BNM for such appointments (if required).

In respect of the proposed changes to selected key executives, MBSB and PNB had established a Group Leadership Committee for the purpose of jointly identifying and mutually agreeing on suitable candidates for the positions of, amongst others, Group Chief Executive Officer and Group Chief Financial Officer of MBSB.

SALIENT TERMS OF THE SPA (Cont'd)

5. TERMINATION EVENTS

Pursuant to the SPA, the SPA may be terminated or rescinded only in accordance with the following:

- (a) **Mutual Agreement:** by mutual written agreement of the Parties;
- (b) **Non-fulfilment of Conditions Precedent:** by any Party to the other Party on the date falling on the last day of the 3rd-month from the date of the SPA, failing which the period shall be automatically extended for a further 3 months or such other date as the Parties may mutually agree in writing (“**Long-Stop Date**”), if any of the Conditions Precedent is not satisfied or waived in accordance with the SPA prior to such date pursuant to the SPA;
- (c) **Non-fulfilment of Completion Obligation:** by either Party who is not a defaulting Party pursuant to the SPA;
- (d) **Material Breach by MBSB:** by PNB by a written notice to MBSB specifying the material breach if it shall be found that MBSB’s fundamental warranties in respect of material licenses, consents and/or approval and paragraph 7.5 of Schedule 3 of the SPA was, when given, or will be or would be, at Completion in all material respects not complied with or otherwise untrue or misleading in any material respects or if there is a material breach by MBSB of any terms of the SPA provided that PNB shall not issue a termination notice before giving MBSB a minimum of 30 days or any other period where Parties mutually agree to remedy the breach if the breach is remediable and MBSB has failed to remedy the breach within the stipulated time period;
- (e) **Material Breach by PNB:** by MBSB by a written notice to PNB specifying the breach if it shall be found that PNB’s fundamental warranties in respect of material licenses, consents and/or approval and paragraph 7.5 of Schedule 2 of the SPA was, when given, or will be or would be, at Completion in all material respects not complied with or otherwise untrue or misleading in any material respects or if there is a material breach by PNB of any term of the SPA provided that MBSB shall not issue a termination notice before giving PNB a minimum of 30 days or any other period where Parties mutually agree to remedy the breach if the breach is remediable and PNB has failed to remedy the breach within the stipulated time period;
- (f) **Insolvency Event of material group company:** by MBSB if PNB or MAIB or MIDF or MAAMB, or by PNB if MBSB or MBSB Bank (as the case may be), prior to Completion:
 - (A) is or becomes unable to pay its debts within the meaning of the Companies Act or any other legislation regarding insolvency of the jurisdiction in which it carried on business;
 - (B) enters into (pursuant to an order made by the court) any arrangement, composition or compromise with, or assignment for the benefit of, its creditors or any class of them;
 - (C) is faced by an order by the court is made for the winding up or dissolution;
 - (D) is faced by a receiver, receiver and manager, special administrator, trustee or similar official is appointed over any of the assets or undertaking; or
 - (E) ceases or threatens to cease carrying on a substantial portion of its business;
- (g) **Material diminution of MIDF’s adjusted audited consolidated net asset:** by MBSB pursuant to the SPA;
- (h) **Material diminution of MBSB’s adjusted audited consolidated net asset:** by PNB pursuant to the SPA; or
- (i) **Occurrence of Material Adverse Event:** by MBSB if any event, circumstance or change which, individually or in aggregate with the same or one or more events, circumstances or changes, the cumulative effect of which results in a diminution in the adjusted consolidated net asset value (after adjusting for dividends and/or capital repayments) of the affected group company as reported in its latest quarterly report, by more than 20% compared to that of MAE Reference NAV (“**Material Adverse Event**”) has occurred in respect of MIDF Group at any time prior to Completion, or by PNB if a Material Adverse Event has occurred in respect of MBSB Group at any time prior to the Completion, as the case may be.

SALIENT TERMS OF THE SPA (Cont'd)

“**MAE Reference NAV**” in this paragraph means in relation to either MIDF Group or the MBSB Group (as applicable):

- (i) if prior to the issuance of the MIDF Closing Accounts or the MBSB Closing Accounts (as applicable), the adjusted consolidated net asset value (after adjusting for dividends and/or capital repayments) as at 31 December 2021; or
- (ii) if after the issuance of the MIDF Closing Accounts or the MBSB Closing Accounts (as applicable), the adjusted consolidated net asset value (after adjusting for dividends and/or capital repayments) as at the Closing Accounts Date.

6. GOVERNING LAW AND DISPUTE RESOLUTION

The SPA and the documents to be entered into pursuant to it (unless otherwise expressed in such documents) shall be governed by and construed in accordance with the laws of Malaysia.

7. DIVIDEND

As at the date of the SPA:

- (a) MBSB had distributed the MBSB Pre-Completion Dividend in full on 17 April 2023 to its shareholders; and
- (b) MIDF had distributed the MIDF Pre-Completion Dividend in full on 31 March 2023 to its sole shareholder, the Vendor.

Further, subject always to receipt of the approval from BNM, MBSB shall use its reasonable endeavours to declare a post-completion dividend whether as interim and/or final dividends within 12 months after PNB is registered as a shareholder of the Final Consideration Shares in the register of depositors of MBSB. To the extent all or any part of such Post-Completion Dividend approved by BNM not being declared and distributed within such period specified above, MBSB shall use its reasonable endeavours to declare and distribute such undistributed amount of Post-Completion Dividend approved by BNM in due course whether as interim and/or final dividends. For the avoidance of doubt, MBSB may take into account the working capital requirements, applicable legal requirements or restrictions in declaring the Post-Completion Dividend referred to above.