

AFFIN HOLDINGS BERHAD (“AFFIN” OR THE “COMPANY”)

- I. PROPOSED ACQUISITION OF 65,280,000 EXISTING ORDINARY SHARES, REPRESENTING 20.82% OF THE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL OF P.T. BANK INA PERDANA (“BANK INA”) (“PROPOSED ACQUISITION”);**
- II. PROPOSED SUBSCRIPTION OF 185,600,000 NEW ORDINARY SHARES, REPRESENTING 59.18% OF THE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL OF BANK INA (“PROPOSED SUBSCRIPTION”); AND**
- III. PROPOSED PUT AND CALL OPTION IN RESPECT OF UP TO 56,488,856 EXISTING ORDINARY SHARES, REPRESENTING UP TO 18.01% OF THE ENLARGED ISSUED AND PAID-UP SHARE CAPITAL OF BANK INA (“PROPOSED OPTION”)**

(I) AND (II) ARE COLLECTIVELY REFERRED TO AS THE “PROPOSED EQUITY PARTICIPATION”

(I), (II) AND (III) ARE COLLECTIVELY REFERRED TO AS THE “PROPOSALS”

1. INTRODUCTION

On behalf of the Board of Directors of AFFIN (“**Board**”), AFFIN Investment Bank Berhad (“**AFFIN Investment**”) is pleased to announce that AFFIN Bank Berhad (“**AFFIN Bank**”), a wholly-owned subsidiary of AFFIN, had on 4 August 2010 entered into the following agreements:

- (i) Share purchase agreement with P.T. Kharisma Prima Karya (“**PT Kharisma**” or the “**Vendor**”) for the acquisition of 65,280,000 existing ordinary shares of Indonesian Rupiah (“**Rp**”) 1,000 each in Bank Ina (“**Existing Shares**”), representing 20.82% of the enlarged issued and paid-up share capital of Bank Ina for a cash consideration to be determined later, the basis of which is set out in Section 2.1.2 herein (“**Share Purchase Agreement**”);
- (ii) Subscription agreement with the Vendor and Bank Ina for the subscription of 185,600,000 new ordinary shares of par value to be determined later in Bank Ina (“**New Shares**”), representing 59.18% of the enlarged issued and paid-up share capital of Bank Ina for a cash consideration to be determined later, the basis of which is set out in Section 2.1.2 herein (“**Subscription Agreement**”);
- (iii) Call option agreement with the Vendor pursuant to which the Vendor irrevocably agreed to grant AFFIN Bank an option for AFFIN Bank to call on the Vendor to require it to sell to AFFIN Bank all or any of 56,488,856 Existing Shares held by the Vendor (“**Option Shares**”) representing 18.01% of the enlarged issued and paid-up share capital of Bank Ina at a call option price to be determined later, the basis of which is set out in Section 2.2.2 herein (“**Call Option Agreement**”);
- (iv) Put option agreement with the Vendor pursuant to which AFFIN Bank irrevocably agreed to grant the Vendor an option for the Vendor to put to AFFIN Bank to require it to purchase from the Vendor all or any of the Option Shares at a put option price to be determined later, the basis of which is set out in Section 2.2.2 herein (“**Put Option Agreement**”);

- (v) Non-competition agreement with the Vendor whereby the Vendor agrees for itself and shall procure that Bapak Oki Widjaja (a director and substantial shareholder of the Vendor), shall not venture or participate directly and/or indirectly in any business which competes with the business of Bank Ina in the Republic of Indonesia within a period of three (3) years from the date of completion of the Proposed Acquisition (“**Closing Date**”) (“**Non-Competition Agreement**”); and
- (vi) Shareholders agreement with the Vendor and Bank Ina setting out certain commitments and their rights as shareholders of Bank Ina from the Closing Date (“**Shareholders Agreement**”).

The Share Purchase Agreement, Subscription Agreement, Call Option Agreement, Put Option Agreement, Non-Competition Agreement and Shareholders Agreement are collectively to be referred to as “**Transaction Agreements**”.

The Call Option Agreement, Put Option Agreement, Non-Competition Agreement and Shareholders Agreement shall only take effect on the Closing Date.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Equity Participation

2.1.1 Particulars

The Proposed Equity Participation entails the following:

- (i) acquisition of 65,280,000 Existing Shares (“**Sale Shares**”), representing 20.82% of the enlarged issued and paid-up share capital of Bank Ina for a cash consideration to be determined later, the basis of which is set out in Section 2.1.2 herein; and
- (ii) subscription of 185,600,000 New Shares (“**Subscription Shares**”), representing 59.18% of the enlarged issued and paid-up share capital of Bank Ina for a cash consideration to be determined later, the basis of which is set out in Section 2.1.2 herein.

If the par value of each Subscription Share (to be determined later by AFFIN Bank, the Vendor and Bank Ina) is lower than the par value of each Existing Share, the Subscription Shares shall be issued as a separate class of shares in Bank Ina with the same rights and ranking as the then Existing Shares in Bank Ina, as detailed in Section 2.1.3 herein.

To facilitate the Proposed Subscription, Bank Ina will undertake a renounceable rights issue of 185,600,000 New Shares (“**Rights Shares**”) on the basis of twenty-nine (29) Rights Shares for every twenty (20) Existing Shares held at an entitlement date to be determined later (“**Proposed Rights Issue**”) after the completion of the Proposed Acquisition. Under the Proposed Rights Issue, AFFIN Bank will be entitled to subscribe for its own entitlement of 94,656,000 Rights Shares and it is intended that the entitlement of the other shareholders of Bank Ina of 90,944,000 Rights Shares will be renounced by them in favour of AFFIN Bank, as illustrated in the following table:

Shareholder	Existing	After the Proposed Acquisition	Rights Shares entitlement
	No. of shares ‘000	No. of shares ‘000	No. of shares ‘000
AFFIN Bank	-	65,280	94,656
PT Kharisma	124,905	59,625	86,456
P.T. Media Interaksi Utama (“PT Media”)	2,095	2,095	3,038
Baktinendra Prawiro (“Baktinendra”)	1,000	1,000	1,450
TOTAL	128,000	128,000	185,600

Upon completion of the Proposed Equity Participation, AFFIN Bank will hold 80.00% of the enlarged issued and paid-up share capital of Bank Ina, as shown in the table below:

Shareholder	(I)		After (I) and the Proposed Subscription	
	After the Proposed Acquisition		After (I) and the Proposed Subscription	
	No. of shares ‘000	%	No. of shares ‘000	%
AFFIN Bank	65,280	51.00	250,880	80.00
PT Kharisma	59,625	46.58	59,625	19.01
PT Media	2,095	1.64	2,095	0.67
Baktinendra	1,000	0.78	1,000	0.32
TOTAL	128,000	100.00	313,600	100.00

The Vendor or the major shareholder of Bank Ina, PT Kharisma, will remain as a strategic partner holding 19.01% interest in Bank Ina after the Proposed Equity Participation for at least two (2) years after the completion of the Proposed Acquisition. Therefore, AFFIN Bank will be able to leverage on the strength and experience of the Vendor in the immediate term for the purpose of ensuring the continuing growth of Bank Ina. Further information on the Vendor is set out in Section 4 herein.

AFFIN Bank may be requested by Bank Ina to acquire additional shares in Bank Ina from the minority shareholders pursuant to Indonesian Law No. 40 of 2007 on Limited Liability Companies which may result in AFFIN Bank's shareholding in Bank Ina to increase from 51.00% to 53.42% of the issued and paid-up share capital of Bank Ina after the Proposed Acquisition and from 80.00% to 80.99% of the issued and paid-up share capital of Bank Ina after the Proposed Subscription.

2.1.2 Purchase consideration and basis/justification for the purchase consideration

2.1.2.1 Purchase consideration

The consideration for the Proposed Acquisition will be determined later based on the price to book ratio of 3.15 times over the agreed Net Tangible Assets (“**NTA**”) per Existing Share of Bank Ina as per the balance sheet as at the end of the month preceding the month (or the latest practicable month end) where the date of the last conditions precedent as set out in the Share Purchase Agreement are fulfilled and/or waived (“**Completion Balance Sheet**”).

The consideration for the Proposed Subscription will be based on the NTA per Existing Share of Bank Ina as per the Completion Balance Sheet.

For illustrative purposes based on the latest unaudited financial statements of Bank Ina as at 31 May 2010, the indicative purchase consideration payable by AFFIN Bank pursuant to the Proposed Equity Participation based on an assumed exchange rate of Rp100,000 = RM35.56, being the middle rate prevailing on 30 July 2010 as published by Bank Negara Malaysia (“**BNM**”) (and unless otherwise stated, the abovementioned assumed exchange rate shall be used throughout this announcement) is as follows:

Proposed Acquisition

No. of Sale Shares ('000)	65,280	65,280
Price per Sale Share (Rp/RM)	2,879	1.02
Consideration (Rp'000/RM'000)	187,941,120	66,832
Estimated capital gains tax payable ⁽¹⁾ (Rp'000/RM'000)	30,665,280	10,905
Total amount payable by AFFIN Bank for the Sale Shares (Rp'000/RM'000) (A)	218,606,400	77,737

Proposed Subscription

No. of Subscription Shares ('000)	185,600	185,600
Price per Subscription Share (Rp/RM)	914	0.33
Total amount payable by AFFIN Bank for the Subscription Shares (Rp'000/RM'000) (B)	169,638,400	60,323
TOTAL PURCHASE CONSIDERATION (RP'000/RM'000) (A) + (B)	388,244,800	138,060
TOTAL NO. OF SHARES ACQUIRED AND SUBSCRIBED FOR ('000)	250,880	250,880
TOTAL PURCHASE CONSIDERATION PER SHARE (RP/RM)	1,547	0.55

Note:

- (1) *Illustrated capital gains tax imposed on the Vendor based on the prevailing tax rate of 25% which is directly attributable to the gain arising from the sale of the Sale Shares by the Vendor to AFFIN Bank, which shall be paid and borne by AFFIN Bank under the terms of the Share Purchase Agreement. The amount of capital gains tax above is for illustrative purpose only and shall be subject to amongst others, the final purchase consideration and the auditors' review.*

Based on the audited net assets (“NA”) of Bank Ina as at 31 December 2009 of Rp111,758 million or Rp873 per Existing Share and the latest unaudited NA of Bank Ina as at 31 May 2010 of Rp116,931 million or Rp914 per Existing Share, the above indicative total purchase consideration for the Proposed Equity Participation of Rp1,547 per share represents an average price-to-book ratio of 1.77 times and 1.69 times respectively.

2.1.2.2 Basis/justification for the purchase consideration

The purchase consideration for the Proposed Equity Participation was arrived at on a willing buyer-willing seller basis, after taking into consideration the following:

- (i) Bank Ina's financial performance and operating history. Bank Ina has recorded commendable profits and healthy performance for the past three (3) financial years ended (“FYE”) 31 December 2009 as set out in Section 3 herein;
- (ii) the potential earnings and prospects of Bank Ina vis-à-vis the business plan of Bank Ina and the prospects of the Indonesian banking industry and the Indonesian Islamic banking sector as highlighted in Section 6 herein;
- (iii) the favourable prospects of the Indonesian economy and the banking industry in Indonesia as highlighted in Section 6 herein; and
- (iv) the potential benefits arising from the Proposed Equity Participation as detailed in Section 5 herein.

2.1.3 Ranking of the Subscription Shares

The Subscription Shares shall, upon issue and allotment, rank *pari passu* in all respects with the then Existing Shares in Bank Ina except that they will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid prior to the date of allotment of the Subscription Shares.

2.1.4 Source of funding

The Proposed Equity Participation will be funded by AFFIN Bank via cash to be raised from a capital injection by AFFIN. The source of funds by AFFIN for the capital injection will be from its internally generated funds.

2.1.5 Original cost of investment

Due to its confidential and sensitive nature, the information relating to the Vendor's original cost of investment in the Sale Shares and the dates of such investment were not made available to AFFIN Bank.

2.1.6 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees to be assumed by AFFIN and AFFIN Bank in undertaking the Proposed Equity Participation.

However, incidental to the Proposed Acquisition, AFFIN Bank will assume the capital gains tax directly attributable to the gain arising from the sale of the Sale Shares payable by the Vendor (if any), as set out in Section 2.1.2.1 above.

2.1.7 Salient terms of the Share Purchase Agreement, Subscription Agreement, Non-Competition Agreement and Shareholders Agreement

2.1.7.1 Share Purchase Agreement and Subscription Agreement

(a) Conditions Precedent

The Share Purchase Agreement and Subscription Agreement are conditional upon the fulfillment of the conditions precedent set out in the Share Purchase Agreement and Subscription Agreement within twelve (12) months from the date of the respective agreement, which include amongst others, the following:

- (i) the approval of the shareholders of Bank Ina in extraordinary general meetings (“**EGM**”) to be convened for amongst others, the Proposed Acquisition and Proposed Subscription;
- (ii) issuance of the acquisition permit and/or written notification from Bank Indonesia (“**BI**”) that AFFIN Bank has passed the Fit and Proper Test as governed by BI (“**Fit and Proper Test**”); and
- (iii) approvals from BNM and BI for the Proposed Acquisition and Proposed Subscription and such other transactions contemplated in the Share Purchase Agreement and Subscription Agreement.

(b) Payment of purchase price

AFFIN Bank shall deposit the sum of United States Dollars (“**USD**”) Eight Million (USD8,000,000.00) or its equivalent in Rp (“**the Deposit**”) into an escrow account with P.T. Bank Rabobank International Indonesia (“**Escrow Agent**”) (“**Escrow Account**”) within 5 business days upon receipt of confirmation from the Escrow Agent that the Escrow Account has been opened.

The balance of the purchase price for the Proposed Acquisition less the Deposit will be paid to the Vendor on the Closing Date.

(c) Payment of subscription price

After the closing of the purchase of the Sale Shares by AFFIN Bank under the Share Purchase Agreement which shall be conditional upon fulfillment of the conditions precedent (“**Closing**”) and up to three (3) days after holding an EGM of Bank Ina approving the issuance of the New Shares, the full subscription price for the Proposed Subscription will be transferred into the bank account of Bank Ina.

(d) Material Adverse Effect

If AFFIN Bank is of the view that to proceed with the Closing of the Share Purchase Agreement and/or the Subscription Agreement shall have a material adverse effect on it, then, without any liability on AFFIN Bank, the Vendor or Bank Ina (as the case may be), AFFIN Bank shall elect not to complete the Proposed Acquisition and/or Proposed Subscription by giving notice to the Vendor. A “Material Adverse Effect” shall only mean any of the following:

- (a) if there is any material deterioration of financial ratios of Bank Ina as per the Completion Balance Sheet as compared to the position as at 31 December 2009; or
- (b) if the NTA per share of Bank Ina as per the Completion Balance Sheet is lower than the par value of the New Shares to be issued as resolved at the EGM of Bank Ina to be convened to approve, amongst others, the Proposed Acquisition; or
- (c) if there are any instances, where Bank Ina ceases to be classified as ‘Sehat’¹ by BI prior to the Closing; or
- (d) if there is any new law or regulation or change in existing laws or regulations in the Republic of Indonesia or Malaysia or any change in the interpretation or application thereof by any court or other competent authority in the Republic of Indonesia or Malaysia which is materially adverse to the Proposed Acquisition and/or Proposed Subscription; or

¹ Pursuant to BI’s regulations, the level of bank healthiness is assessed through a qualitative assessment and or quantitative assessment on factors such as its capital sufficiency, asset quality, management, earnings, liquidity, and sensitivity towards market risks.

As a result of the assessments, BI will assign a final rating referred to as “Composite Rating” ranging from Composite Rating 1 to 5. A bank is classified as ‘Sehat’ if it falls under Composite Rating 1 and 2. For the purpose of obtaining a foreign exchange license, Bank Ina must maintain its ‘Sehat’ status for at least 24 months consecutively (without pause).

- (e) if there is any labour dispute which affect or disrupt the business operation of Bank Ina which cannot be resolved within three (3) months from the date of dispute; or
- (f) if there is any event which is beyond the control of AFFIN Bank whereby to complete the Share Purchase Agreement and/or the Subscription Agreement shall contravene the single presence policy under the guidelines of BI; or
- (g) if there is no resolution by Bank Ina of any creditor's objection as a result of the announcement of the Proposed Equity Participation.

(e) Other Terms

- (i) Appointment of Observer
 - (a) AFFIN Bank is permitted to appoint one (1) representative as an observer in Bank Ina after the date of execution of the Share Purchase Agreement and Subscription Agreement pending the completion of the Proposed Acquisition and Proposed Subscription respectively ("**Observer**").
 - (b) The Observer shall have the right to attend and participate in all management meetings of the Board of Directors and the Board of Commissioners of Bank Ina and to ask for further information, reports, facts and seek clarification on all activities of Bank Ina. However, the Observer will always have no voting rights in all the management meetings and shall not hinder or interfere with Bank Ina's ordinary, usual and proper course of business.
- (ii) Breach of warranties and representations by the Vendor
 - (a) The Vendor shall deposit the sum of Rp10 billion into a Rupiah bank account maintained with Bank Ina as stakeholder as security for the fulfillment of certain indemnities and representations and warranties as stated in the Share Purchase Agreement and Subscription Agreement.
 - (b) If there is no indemnity claimed by AFFIN Bank, the sum of Rp5 billion will be released to the Vendor within one (1) year from the Closing Date and the remaining balance together with the interest earned will be released upon the expiry of the two (2) years from the Closing Date.
- (iii) Default
 - (a) In the event that either AFFIN Bank or the Vendor shall for any reason, fail or refuse to complete the Proposed Acquisition and/or the Proposed Subscription under the terms of the respective agreements or to comply with all the obligations or stipulations contained therein ("**the Defaulting Party**") after the expiry of a thirty (30) days remedial period calculated from the day of receipt of notice from the non-defaulting party ("**the Non-Defaulting Party**"), the Non-Defaulting Party shall be entitled to terminate the Share Purchase Agreement and/or Subscription Agreement and claim for damages, which shall not exceed the sum of USD20,000,000.

- (b) The Non-Defaulting Party shall always be at liberty, in lieu of claiming for termination of the Share Purchase Agreement and/or Subscription Agreement and damages, which shall not exceed the sum of USD20,000,000, to claim the remedy of specific performance of the respective agreements against the Defaulting Party.
- (iv) The completion of the Proposed Subscription, being the date on which the subscription price is paid, shall take place no later than three (3) months from the completion of the Share Purchase Agreement.
- (v) In the event the completion of the Proposed Subscription shall fail to take place within the three (3) months from the completion of the Share Purchase Agreement, AFFIN Bank will have the option to exercise the Option Shares in accordance with the Call Option Agreement.

2.1.7.2 Non-Competition Agreement

PT Kharisma agrees for itself and shall procure that Bapak Oki Widjaja (a director and substantial shareholder of PT Kharisma) shall not venture or participate directly and/or indirectly in any business which competes with the business of Bank Ina in the Republic of Indonesia within a period of three (3) years from the Closing Date, save and except for any acquisition of shares of any public listed financial institutions (“**the said companies**”) solely for investment purposes, provided that such acquisition shall not result in either:

- (a) PT Kharisma and/or Bapak Oki Widjaja becoming a substantial shareholder in the said companies; or
- (b) Bapak Oki Widjaja becoming a member of the Board of Commissioners or Board of Directors (as the case may be) in the said companies.

2.1.7.3 Shareholders Agreement

- (a) Any shareholder who desires to sell its shares in Bank Ina (“**Offeror**”) shall first offer its shares to the other shareholders of Bank Ina at the purchase price offered by the prospective third-party-purchaser to the Offeror to acquire the shares of the Offeror in Bank Ina on a willing seller and willing buyer basis (“**Fair Value**”) and on the conditions to which it proposes to sell the shares to any prospective third-party-purchaser, and with full disclosure of the identity and information on the prospective third-party-purchaser.
- (b) In the event that no shareholders notify the Offeror of their intention to acquire the shares in Bank Ina within a twenty one (21) calendar day period, the Offeror shall be free to sell and transfer its shares to a bona fide third party at the Fair Value and on the conditions to which the Offeror offered to the shareholders of Bank Ina. In the event that more than one (1) shareholder desires to purchase the shares in Bank Ina, the shares shall be allocated pro-rata on the basis of the shareholders’ existing share ownership ratios PROVIDED ALWAYS that in the event that the price and condition of sale to any third party is varied, the Offeror shall make a new offer to the other shareholders of Bank Ina.
- (c) The majority of Directors in Bank Ina shall be nominated by AFFIN Bank. The President Director shall be nominated by AFFIN Bank and approved by the shareholders of Bank Ina in a general meeting.

2.2 Proposed Option

2.2.1 Particulars

The Proposed Option entails the following:

- (i) a call option by AFFIN Bank, which upon exercise, grants AFFIN Bank the right to require the Vendor to sell to AFFIN Bank the Option Shares held by the Vendor after the Proposed Equity Participation upon such terms as set out in the Call Option Agreement; and
- (ii) a put option by the Vendor, which upon exercise, grants the Vendor the right to require AFFIN Bank to purchase from it the Option Shares held by the Vendor after the Proposed Equity Participation upon such terms as set out in the Put Option Agreement.

The Proposed Option is exercisable by AFFIN Bank and the Vendor (as the case may be) on the day falling on the second (2nd) anniversary of the Closing Date or the following business day, whichever is relevant (“**Call Option Day**” or “**Put Option Day**”).

Upon the full exercise of either the call option or the put option, AFFIN Bank will potentially hold 98.01% of the enlarged issued and paid-up share capital of Bank Ina, as shown in the table below:

Shareholder	No. of shares '000	%
AFFIN Bank	307,369	98.01
PT Kharisma	3,136	1.00
PT Media	2,095	0.67
Baktinendra	1,000	0.32
TOTAL	313,600	100.00

2.2.2 Consideration and basis/justification for the consideration

2.2.2.1 Consideration

The option price shall be determined based on the price to book ratio of 3.15 times over the NTA per share of Bank Ina at the material future date as determined by AFFIN Bank and the Vendor for each Option Share but in any case, the option price shall not be less than the price to book ratio of 3.15 times over the NTA per Existing Share of Bank Ina pursuant to the Completion Balance Sheet as at the Closing Date.

2.2.2.2 Basis/justification for the consideration

The consideration for the Proposed Option was arrived at on a willing buyer-willing seller basis, after taking into consideration the basis for the Proposed Equity Participation as set out in Section 2.1.2.2 above.

2.2.3 Salient terms of the Call Option Agreement and Put Option Agreement

- (a) Upon occurrence of certain events which, amongst others, include any major disagreements between AFFIN Bank and the Vendor that have a negative impact on the business and financial health of Bank Ina or any legal lawsuits involving AFFIN Bank and the Vendor (“**the Events of Early Exercise**”) at any time after one (1) year from the Closing Date but prior to the Call Option Day or the Put Option Day, AFFIN Bank or the Vendor shall be entitled to immediately exercise the call option at the call option price or the put option at the put option price respectively.
- (b) If the notice to exercise the call option and put option occurs simultaneously, priority shall be given first to the exercise of the put option unless there is a non-completion of the Subscription Agreement which is further explained below.
- (c) Non-Completion of the Subscription Agreement (as contained in the Call Option Agreement only)

In the event that the Proposed Subscription cannot be completed in the manner prescribed in the Subscription Agreement after completion of the Share Purchase Agreement due to the failure to obtain any governmental approval, the following provisions shall apply:

- (i) AFFIN Bank shall immediately serve the call option notice on the Vendor to purchase from the Vendor 37,120,000 Option Shares, based on the price as per the Share Purchase Agreement; and
- (ii) Upon completion of (i) above, AFFIN Bank shall only be entitled to exercise the call option based on 21,224,856 Option Shares.

3. BACKGROUND INFORMATION ON BANK INA

Bank Ina was incorporated in Indonesia under the laws of the Republic of Indonesia on 9 February 1990 and had obtained the approval of the Minister of Justice of the Republic of Indonesia on 23 June 1990.

The authorised share capital of Bank Ina is Rp400,000,000,000 comprising 400,000,000 ordinary shares of Rp1,000 each, of which 128,000,000 ordinary shares have been issued and credited as fully paid-up as at the date of this announcement.

Headquartered in Jakarta, Bank Ina obtained its commercial bank licence on 3 July 1991 and has a network of 22 branches, sub-branches and cash offices located across the country in Jakarta, Bandung, Surabaya, Lumajang, Semarang, Solo and Yogyakarta. Bank Ina offers trade finance loans, business loans, home loans, automobile loans and deposit taking for the corporate and consumer markets.

Based on the latest audited financial statements of Bank Ina for the FYE 31 December 2009, the profit after tax of Bank Ina amounted to Rp13,345.324 million (equivalent to approximately RM4.746 million). The NA of Bank Ina as at 31 December 2009 amounted to Rp111,757.858 million (equivalent to approximately RM39.741 million). Bank Ina's financial performance for the past three (3) FYE 31 December 2009 are set out below:

FYE 31 December	2007	2008	2009
Profit after tax (Rp'000)	10,836,318	9,365,091	13,345,324
Return on equity (ROE) (%)	17.06%	10.31%	13.25%
Loan to deposits ratio (%)	72.40%	87.84%	81.33%
Non performing loans to total loans (Gross) (%)	0.67%	1.04%	0.44%
Non performing loans to total loans (Net) (%)	0.66%	0.88%	0.30%
Risk weighted capital ratio (%)	27.50%	26.28%	23.50%

(Source: Bank Ina's audited financial statements for the FYE 31 December 2007, 2008 and 2009)

4. BACKGROUND INFORMATION ON THE VENDOR

The Vendor was incorporated in Indonesia under the laws of the Republic of Indonesia on 22 January 1982 and obtained the approval of the Minister of Justice of the Republic of Indonesia on 4 September 1984.

As at 15 July 2010, the authorised share capital of the Vendor is Rp360,000,000,000 comprising 360,000,000 ordinary shares of Rp1,000 each, of which 129,983,849 ordinary shares have been issued and credited as fully paid-up.

The Vendor is principally involved in trading and investment activities. The Vendor is part of the Bina Surya Group, one of the largest diversified group of companies in Indonesia with interests in amongst others, shipping, oil and gas, agriculture, property development and construction.

The Vendor holds 124,904,856 Existing Shares, representing 97.58% of the issued and paid-up share capital of Bank Ina as at the date of this announcement.

The substantial shareholders, Board of Directors and Board of Commissioners of the Vendor as at 15 July 2010 are set out below:

Substantial shareholders

Substantial shareholders	Number of shares '000	%
P.T. Tunggal Adhi Baskara	54,047	41.58
P.T. Rekso Sempurno Moro Joyo	41,361	31.82
Oki Widjaja	28,453	21.89
TOTAL	123,861	95.29

Director

Oki Widjaja

Commissioner

Rendy Diego Soedarjo

5. RATIONALE FOR THE PROPOSALS

5.1 Rationale for the Proposed Equity Participation

The Proposed Equity Participation provides AFFIN Bank with an opportunity to establish a foothold in Indonesia and provides a vehicle for the AFFIN Bank group to expand its Syariah banking business in the fast growing Indonesian market and economy. AFFIN Bank intends to convert Bank Ina into a full Syariah bank within the next five (5) years after the completion of the Proposed Equity Participation. With the access into the Indonesian market, AFFIN Bank group will be able to offer Syariah products and services through the opening of a Syariah window and ultimately develop Bank Ina further as one of the leading Syariah banks in Indonesia. The Board is positive about the growth potential and prospects of the Indonesian banking sector coupled with the prospects of Bank Ina. Furthermore, Islamic finance in Indonesia has a vast potential for growth as it is still in the early stage of development as compared to Malaysia.

In addition, the Proposed Equity Participation will enable AFFIN Bank to leverage on the strength and experience of the Vendor who will remain as a strategic partner for at least two (2) years after the completion of the Proposed Acquisition. In combining the invaluable local industry knowledge and network of the Vendor which is part of the large and diversified Bina Surya Group with AFFIN Bank group's expertise in Syariah banking, the partnership is expected to complement each other.

Indonesia's attractive macroeconomic factors including being ranked 9th out of the 15 most desirable regions for foreign investors, high economic growth demonstrated by real GDP growth of 4.5% in 2009 (6.1% in 2008) which is the third highest in the world after China and India (Source: BI: 2009 Economic Report on Indonesia), large reserves of natural resources and a growing middle class serve as a healthy backdrop and adds credence to Indonesia being a key and strategic market for AFFIN Bank in terms of expanding its Syariah banking franchise regionally.

Further, via the Proposed Equity Participation, AFFIN Bank will have immediate access to an established branch network in Java Island. It is expected that AFFIN Bank will be able to leverage on trade flows between Malaysia and Indonesia and utilise the existing network of Bank Ina as a platform to serve Malaysian corporates as well as AFFIN Bank customers based in Indonesia or with their affiliates in Indonesia. There is also an opportunity for AFFIN Bank to further enhance the utilisation of Bank Ina's branch network by expanding the range of products offered on the strength of AFFIN Bank group's capabilities and banking platform, as well as creating cross-selling opportunities.

5.2 Rationale for the Proposed Option

The Proposed Option has been structured to ensure the continued involvement of the Vendor in Bank Ina for at least two (2) years after the completion of the Proposed Acquisition and to ensure a smooth transition of the strategic business direction of Bank Ina as envisioned by AFFIN Bank.

6. INDUSTRY OVERVIEW AND PROSPECTS

6.1 Overview and prospects of the Indonesian economy

The Indonesian economy in 2010 is predicted to return to a phase of rising economic growth. The indications that the global recovery is proceeding sooner than previously expected have boosted optimism over the Indonesian economic outlook. Such optimism is also supported by domestic economic resilience that endured the effects of the global crisis. The increased optimism over the Indonesian economic outlook is confirmed by the rise in Indonesia's rating by international rating agencies in early 2010⁽⁷⁾. Economic growth is projected to reach 5.5% - 6.0% (year on year) in 2010.

From a demand side, improved export performance and increased investment activity will drive expansive economic growth. This is in line with stronger sectoral performance, especially in the main sectors contributing to Gross Domestic Product. Significant improvements are predicted to take place in the manufacturing sector, which its performance over the last five years is on a downward trend, and further exacerbated by the onset of the global crisis in the fourth quarter of 2008. Important indications that support this improving trend for the manufacturing sector include increasing capacity utilization, expanding imports of raw materials and higher electricity consumption in the corporate and industrial sectors. However, a number of challenges remain, in particular those related to structural problems, such as infrastructure, less contestable market structure that undermines competitiveness, and so forth. The challenges faced by the manufacturing sector in 2010 will be magnified with the implementation of the ASEAN-China Free Trade Agreement ("**AC-FTA**") in early 2010.

The ongoing global economic recovery has a positive impact on the forecast of Indonesia's balance of payments ("**BoP**") in 2010. The current account will again record a surplus on the back of increased exports of goods and services. Regarding the financial and capital account, the deleveraging process that is expected to abate and the global monetary policies that are expected to remain accommodative, will spur short-term inflows in the form of portfolio, although on a more limited scale compared to previous periods. Consequently, BoP is projected to run a USD12.5 billion surplus in 2010, with foreign exchange reserves amounting to USD78.5 billion, equivalent to 6.4 months of imports and foreign debt repayments. Accordingly, the exchange rate in 2010 is expected to remain stable with a slight tendency to appreciate compared to 2009.

Exchange rate stability coupled with the assumption that the Government will not impose strategic administrative price adjustments will be some factors that influence the domestic price performance. Against these backdrops, inflationary pressure is expected to remain under control, within the 2010 target inflation range of 5% ± 1% (year on year), amid growing economic activity. Furthermore, improvements in macroeconomic performance will be supported by financial system stability, which has become the foundation of economic resilience as a whole. A solid financial system will also enhance the intermediation function of financial institutions, enabling them to efficiently mobilize funds. The enhanced banking intermediation is reflected in a projected 17-20% increase in bank credit in 2010.

⁽¹⁾ *International rating agency Fitch on 25 January 2010 raised Indonesia's sovereign rating to BB+ from BB with a stable outlook. Also, international rating agency Standard and Poor's (S&P) in March 2010 raised Indonesia's long-term foreign exchange rating to BB from BB- with a positive outlook.*

(Source: BI :2009 Economic Report on Indonesia)

6.2 Overview and prospects of the Indonesian banking industry

In general, the prospects of the Indonesian banking industry are positive, due to robust domestic economic growth which exceeds that of most other countries. In terms of capital adequacy, the banks which dominate Indonesia's financial sector, is projected to be sufficiently resilient. In terms of bank intermediation, the banks' commitment to continue adjusting lending and saving rates coupled with improving economic prospects will precipitate an increase in bank lending. Accordingly, bank credit will grow by around 17-20% in 2010. Bank Indonesia will continue to monitor the banking system and continue efforts to enhance the banking efficiency, which in turn will ameliorate the banks' intermediary function.

In terms of risk, the banking resilience in 2010 will remain adequate to absorb the various potential risks. This is supported by the products of national banking which are relatively conventional, which in turn will minimise problems to a lesser extent compared to those faced by their foreign counterparts. However, external factors can still negatively affect the banking system if not fully anticipated and preventive measures are not taken.

The positive bank outlook will also be enhanced by the implementation of several future agendas such as operational risk under the Basel II framework and the implementation of Pernyataan Standar Akuntansi Keuangan ("PSAK") No. 50 and PSAK No. 55, which are considered to potentially improve market confidence. Concerning the implementation of Basel II, one of the key issues is the impact of applying capital charges for operational risk on bank capital. PSAK No.50 and 55 relate to among others, the implementation of marking to market for all assets and liabilities of financial institutions, including banks. In general, the implementation of those agendas will heighten market confidence on Indonesia in the future. To ensure the smooth implementation of Basel II and the two accounting standards, effective communication with stakeholders and other relevant parties is necessary to harmonise all viewpoints regarding the benefits to financial system stability as a whole.

(Source: BI: 2009 Economic Report on Indonesia)

6.3 Overview and prospects of the Indonesian Islamic banking sector

The strong pressure on the Indonesian national economy in the middle of 2008 due to the global crisis, has caused slowing down of the economic growth in 2009. However, Islamic banking continued to show positive performance, despite competing in an increasingly competitive environment along with decreasing trends of interest rates followed by the stronger position of the capital market and non-bank financial industry.

As a part of the national banking industry, Islamic banking development showed relatively high growth in terms of business volume (26.55% year-on-year). Although the growth was relatively lower than the previous year but it was higher than that of the conventional banks (12.5% year-on-year). In general, Islamic banking still showed good performance marked by effective intermediary function, along with higher funding and financing growth compared to the conventional one. Also, the availability of wider network access that meets the increasing demands of the society, thus laid a strong foundation towards the recovery of the national economy.

In terms of outreach, Islamic banking services during this reporting period has reached more than 89 districts/cities in all 33 provinces of Indonesia, although the big portion still remained in Jakarta area with the equivalent of 46.12% from the total Islamic banking financing. The expansion of the network capacity has encouraged the participation of a larger segment of the society to become customers/users of banking services, as indicated by an increase of bank accounts/deposits that reached 4.5 million accounts until September 2009.

The Indonesian Islamic banking is still at the early level of development and relatively not integrated to the global financial system, the growth of Islamic banking, which in this case proxied by the growth of financing, is not directly affected by financial performance, but rather by general economic condition. Therefore, organic growth of the national Islamic banking industry (existing industry) will be affected by macro condition of the Indonesian economy and changes in banking sector environment. Some factors that have been identified to influence the growth of the national Islamic banking industry, namely: (i) Act No. 42 Year 2009 concerning Value Added Tax (“**VAT**”), which will be put into effect on 1 April 2010; (ii) an increase of Indonesian credit rating which reflects the decrease of investment risk in Indonesia; (iii) Indonesian economic performance which is able to grow positively during the crisis with higher growth compared to other countries in the region; (iv) the recovery of global economic performance.

The development of Islamic banking at its growing phase is influenced by internal growth and the role of new players in the Indonesian Islamic banking industry. Tax neutrality which has been endorsed in the new VAT law, as well as improvement of the country risk and macro economy is expected to attract more new investors to take part in the Islamic banking industry. With this improvement in business climate for Islamic banking, the growth of Islamic banking in 2010 is expected to further increase, not only because of organic growth factor (existing industry) but also due to an increase in number of banks or new players in the industry.

The prospect of new players is also expected to encourage the existing Islamic banks to increase their efforts and capacity by injecting additional capital along with expanding their office networks. Hence, the increase of capital will then support the Islamic banking to satisfy their capital adequacy requirement.

(Source: BI: Indonesian Islamic Banking Outlook 2010)

6.4 Prospects of Bank Ina

Bank Ina has an established network of 22 branches, sub-branches and cash offices spread out across Jakarta, West Java and East Java. Albeit a small bank, Bank Ina has an established presence in key strategic locations of the Indonesian archipelago namely Jakarta, Surabaya, Bandung, Lumajang, Semarang, Solo and Yogyakarta. These strategic locations may serve as a solid platform to introduce Syariah banking which has a low penetration rate in the region. Bank Ina's current network of customers may serve as a strong target market for the initial entry of Syariah banking products and services.

7. RISK FACTORS

The investment considerations and/or risk factors associated with the Proposals (which are not exhaustive) include the following:

7.1 Macroeconomic risks

Bank Ina is exposed to certain risks inherent in banking operations in Indonesia. These may include fluctuation in interest rates, liquidity risks, default risk, inflationary risks, changes in the financial framework, and changes in government regulations.

The management will seek to limit these risks through among others, implementation of prudent financial policies and risk management and liquidity framework. However there is no absolute assurance that any change to these factors will not have material adverse effects on the business, financial performance and prospects of Bank Ina.

7.2 Foreign exchange risk

The Proposals are denominated in Rp. The business of Bank Ina is also conducted in Rp. Therefore, AFFIN Bank will be exposed to foreign currency risk until full and final settlement of the total purchase consideration for the Proposals. In addition, any material fluctuation of the Rp in relation to the Ringgit may have a material impact on the financial performance of the AFFIN group.

The management will seek to mitigate this risk by adopting effective treasury management. Whilst the implementation of prudent financial policy and risk management strategies can mitigate the foreign exchange risk arising from the business of Bank Ina, there can be no assurance that future foreign exchange fluctuations will not have a material adverse effect on the financial performance of AFFIN group.

7.3 Dependence on key personnel

The continued performance and future success of Bank Ina after the Proposed Equity Participation will depend, to some extent upon the abilities and continued efforts of its existing Directors and senior management who have strong local relationships, extensive working knowledge of and familiarity with the customers. Therefore, the loss of any key members of the management team may adversely affect the performance of Bank Ina.

Therefore, the Proposed Option has been structured to ensure the continued involvement of the Vendor in Bank Ina for at least two (2) years after the completion of the Proposed Acquisition in order to maintain business continuity throughout the transition period, and at the same time preserve the value of AFFIN Bank's investment in Bank Ina. In addition, AFFIN Bank intends to initiate human capital development programmes to further develop the skills of these key personnel as a means to ensure their continued involvement in Bank Ina.

AFFIN Bank has also entered into a Non-Competition Agreement with the Vendor whereby the Vendor will procure that it and Bapak Oki Widjaja (a director and substantial shareholder of the Vendor), shall not venture or participate directly and/or indirectly in any business which competes with the business of Bank Ina in Indonesia within a period of three (3) years from the Closing Date, except under certain specific circumstances which are set out in the Non-Competition Agreement.

AFFIN Bank also intends to nominate certain experienced senior personnel to participate in the management of Bank Ina to help realise the potential synergies arising from the Proposals and to steer Bank Ina into its new strategic direction.

7.4 Indonesian labour laws

The Indonesian labour laws allow the employees of Bank Ina the right to refuse to continue his/her employment with the bank in the event of a change of ownership of the company. Bank Ina will be liable to make severance payments for any termination of employment, either voluntarily or involuntarily.

In the event that any key employee opts to leave, the financial performance of AFFIN group may be adversely affected. AFFIN Bank and the management of Bank Ina will implement employment policies that will enable Bank Ina to retain its key employees.

7.5 Policies on foreign investment and repatriation of profits

Pursuant to the Proposals, AFFIN Bank will be subject to the policies on foreign investment and repatriation of profits under the Indonesian laws. Save for applicable withholding taxes, there are no restrictions in policies on foreign investment and repatriation of profits denominated in a currency other than Rp from Indonesia.

Notwithstanding this, there can be no assurance that any changes to these laws in the future will not have a material and adverse effect on the AFFIN group.

7.6 Political and economic considerations

The future growth and level of profitability of Bank Ina are subject to risks that are linked to the political and economic development in the Republic of Indonesia. Any adverse development in the political and economic conditions in Indonesia such as changes in political leadership, expropriation, nationalisation, social unrest, risks of war, economic downturn and unfavourable change in government policies, including the introduction of new rules and regulations could materially threaten the business, financial performance and prospects of Bank Ina.

7.7 Acquisition risk

Bank Ina has an established presence and operations platform in Java Island. With Bank Ina's readily available and established branch network, it is expected that there will be a significant growth potential derived from the cross-selling of AFFIN Bank group's products as well as from the introduction of new banking products and services to existing and future customers of Bank Ina.

Notwithstanding this, there can be no assurance that the anticipated benefits to be derived from Bank Ina, including the conversion of Bank Ina's status from a conventional bank to a Syariah bank will be realised or that AFFIN Bank will be able to generate sufficient revenue from the Proposals to offset the associated costs arising there from.

8. EFFECTS OF THE PROPOSALS

8.1 Share capital and substantial shareholders' shareholdings

The Proposals will not have any effect on the issued and paid up capital and substantial shareholders' shareholdings in AFFIN as the Proposals will be satisfied entirely in cash.

8.2 Earnings and earnings per share ("EPS")

The Proposed Equity Participation is not expected to have any material effect on the earnings and EPS of AFFIN group for the FYE 31 December 2010 since the Proposed Equity Participation is only expected to be completed in the second quarter of 2011.

Barring unforeseen circumstances, the Proposed Equity Participation is expected to contribute positively to the future earnings and EPS of AFFIN group.

The Proposed Option will not have any effect on the earnings and EPS of AFFIN group for the FYE 31 December 2010 since the Proposed Option is only exercisable subsequent to the FYE 31 December 2010.

8.3 NA, NA per share and gearing

The Proposals will not have any material effects on the consolidated NA, NA per share and gearing of AFFIN group.

9. APPROVALS REQUIRED

The Proposals are subject to approvals being obtained from the following:

- (i) approval of BNM for the Proposals;
- (ii) approval of BI for the Proposals and the Fit and Proper Test;
- (iii) The Minister of Law and Human Rights of the Republic of Indonesia for the following:
 - (a) the amendments to the Articles of Association of Bank Ina as set out in the Share Purchase Agreement and Subscription Agreement;
 - (b) the increase in issued and paid up capital of Bank Ina from the present 128,000,000 Existing Shares to 313,600,000 shares;

- (iv) the shareholders of Bank Ina for the Proposed Acquisition and Proposed Subscription at the EGMs to be convened; and
- (v) approvals, waivers and/or consents of any other relevant authorities and/or parties, if required.

The highest percentage ratio applicable to the Proposals pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is the estimated aggregate value of the consideration compared with the NA of AFFIN based on its latest audited consolidated financial statements for the FYE 31 December 2009 which is approximately 4.5%.

10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors or major shareholders of AFFIN and AFFIN Bank and/or persons connected to them has any interest, direct and/or indirect, in the Proposals.

11. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

12. ADVISER

AFFIN Investment has been appointed as the Adviser to AFFIN for the Proposals.

13. APPLICATION TO THE RELEVANT MALAYSIAN AUTHORITIES

Barring unforeseen circumstances, the application to the relevant Malaysian authorities in relation to the Proposals will be made within three (3) months from the date of this announcement.

14. ESTIMATED TIME FRAME FOR COMPLETION

Barring unforeseen circumstances and subject to the approvals of the relevant authorities, the Proposed Acquisition and Proposed Subscription are expected to be completed by the second quarter of 2011. The Proposed Option is expected to complete on the second anniversary of the Closing Date.

15. DOCUMENTS AVAILABLE FOR INSPECTION

The Transaction Agreements are available for inspection at the registered office of AFFIN during normal office hours from Mondays to Fridays (except for public holidays) at 7th Floor, Chulan Tower, 3 Jalan Conlay, 50450 Kuala Lumpur for a period of three (3) months from the date of this announcement.

This announcement is dated 4 August 2010.