

PRICING SUPPLEMENT

HONG LEONG ISLAMIC BANK BERHAD
(Company No. 686191-W)



BASEL III-COMPLIANT TIER 2 SUBORDINATED SUKUK MURABAHAH (“T2 SUKUK MURABAHAH”) AND BASEL III-COMPLIANT ADDITIONAL TIER 1 PERPETUAL SUBORDINATED SUKUK WAKALAH (“AT1 SUKUK WAKALAH”) UNDER A MULTI-CURRENCY PERPETUAL SUBORDINATED SUKUK PROGRAMME OF UP TO RINGGIT TWO BILLION (RM2,000,000,000.00) (OR ITS EQUIVALENT IN OTHER CURRENCIES) IN NOMINAL VALUE

Tranche No. 1

Issue of RM400,000,000.00

Nominal Amount of AT1 Sukuk Wakalah

Principal Adviser, Lead Arranger and Lead Manager



Hong Leong Investment Bank Berhad
(Company No. 10209-W)

The date of this Pricing Supplement is 24 November 2017

This document is issued to give details of an issue of AT1 Sukuk Wakalah (the “**Sukuk**”) by **HONG LEONG ISLAMIC BANK BERHAD** (Company No. 686191-W) (the “**Issuer**”) pursuant to a multi-currency perpetual subordinated sukuk programme of up to RM2.0 billion (or its equivalent in other currencies) in nominal value (or a higher amount to be decided by the Issuer if the Issuer exercises the option to upsize the limit of the Sukuk Programme, subject to all applicable laws and regulations and in accordance with the terms of the Programme Agreement.

This Pricing Supplement is to be read in conjunction with the terms and conditions of the Sukuk (the “**Conditions**”) set out in the trust deed dated 20 November 2017 made between the Issuer and **MALAYSIAN TRUSTEES BERHAD** (Company No. 21666-V), which is made a part hereof as if set forth herein and all documents incorporated by reference therein (collectively, the “**Trust Deed**”).

Unless otherwise defined in this Pricing Supplement, capitalised terms used herein have the same meaning as in the Conditions. In case of any conflict between the terms of the Pricing Supplement and the Conditions, the terms set forth in this Pricing Supplement shall govern.

The establishment of the Sukuk Programme and the issuance of this tranche of the Sukuk under the Sukuk Programme have been duly authorised by the Issuer by way of the resolution of its board of directors dated 24 January 2017.

The Issuer hereby acknowledges that it has authorised **HONG LEONG INVESTMENT BANK BERHAD** (Company No. 10209-W) as the Principal Adviser, the Lead Arranger and the Lead Manager for the Sukuk Programme to circulate or distribute this Pricing Supplement on their behalf in respect of or in connection with the proposed offer or invitation to subscribe for and issue of the Sukuk **only to prospective investors who fall within the ambit of the Selling Restrictions** (defined below) for the purpose of the sale of this tranche of Sukuk described herein pursuant to the Sukuk Programme and that no further evidence of authorisation is required.

The Sukuk are tradable and transferable subject to the Selling Restrictions:

(a) Selling Restrictions at issuance

The Sukuk may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase of the Sukuk and to whom the Sukuk are issued would fall within:

- (i) Part I of Schedule 6 (or Section 229(1)(b)) and Part I of Schedule 7 (or Section 230(1)(b)); read together with
- (ii) Schedule 9 (or Section 257(3)) or in the case of Sukuk issued outside Malaysia, Schedule 8

of the Capital Markets and Services Act, 2007 of Malaysia (“CMSA”) as amended from time to time, and such other selling restrictions as may be applicable outside Malaysia.

(b) Selling Restrictions after issuance

The Sukuk may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase of the Sukuk and to whom the Sukuk are issued would fall within:

- (i) Part I of Schedule 6 (or Section 229(1)(b)); read together with
- (ii) Schedule 9 (or Section 257(3)) or in the case of Sukuk issued outside Malaysia, Schedule 8

of the CMSA as amended from time to time, and such other selling restrictions as may be applicable outside Malaysia.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Sukuk or the distribution of this Sukuk in any jurisdiction where such action is required.

This Pricing Supplement is sent to selected persons who fall within the ambit of the Selling Restrictions. Any person who receives this Pricing Supplement who does not fall within the ambit of the Selling Restrictions must immediately notify the Principal Adviser/ Lead Arranger/ Lead Manager and return this Pricing Supplement to the Principal Adviser/ Lead Arranger/ Lead Manager or the Issuer.

In the event that there is any contravention of this confidentiality undertaking or there is reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer may, at its discretion, apply for any remedy available to the Issuer whether at law, equity, including without limitation, injunctions. The Issuer is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered, in this regard. For the avoidance of doubt, the recipient, the recipient's professional advisers, directors, employees and any other persons who may receive this Pricing Supplement or any part of it from the recipient shall be deemed to have agreed to abide by this confidentiality undertaking.

The recipient must return this Pricing Supplement and any other information in connection therewith to the Principal Adviser/ Lead Arranger/ Lead Manager promptly upon the Principal Adviser/ Lead Arranger/ Lead Manager's request.

THERE ARE RESTRICTIONS ON THE DISTRIBUTION OF THIS PRICING SUPPLEMENT AND THE OFFERING OR SALE OF THE SUKUK IN MALAYSIA. PERSONS INTO WHOSE POSSESSION THIS PRICING SUPPLEMENT COMES ARE REQUIRED BY THE ISSUER AND THE PRINCIPAL ADVISER/ LEAD ARRANGE/ LEAD MANAGER TO INFORM THEMSELVES ABOUT AND TO OBSERVE SUCH RESTRICTIONS.

AT1 SUKUK WAKALAH
SPECIFIC FINAL TERMS

The following items under this heading “**Specific Final Terms**” are the particular terms which relate to the AT1 Sukuk Wakalah to which this Pricing Supplement relate. In case of any conflict between such terms and the terms and conditions set forth in the Conditions, the terms set forth in this Pricing Supplement shall govern.

1. Issuer:	HONG LEONG ISLAMIC BANK BERHAD (Company No. 686191-W).
2. Issue/Tranche No.:	Tranche 1.
3. Aggregate Nominal Value:	RM400,000,000.00.
4. Issue Price:	RM400,000,000.00.
5. Issue Date:	30 November 2017.
6. Tenure of the AT1 Sukuk Wakalah to be issued:	Perpetual.
7. First Optional Redemption Date:	30 November 2022.
8. Distribution Rate:	5.13% per annum comprising the benchmark rate plus the credit spread: (i) Benchmark rate: 5-year Malaysian Government Securities. The first reset date for the indicative benchmark rate will be occurring five (5) years after Issue Date and with subsequent resets every five (5) years; and (ii) Credit spread: 1.40%.
9. Distribution Payment Period:	Six (6) months.
10. Distribution payment basis:	Actual/365.
11. Principal Adviser/ Lead Arranger/ Lead Manager	HONG LEONG INVESTMENT BANK BERHAD (Company No. 10209-W).
12. Utilisation of proceeds:	The proceeds arising from the issuance of the AT1 Sukuk Wakalah will be utilised:- (i) to invest in the Wakalah Portfolio comprising of the Investment Assets and Commodity

	<p>Murabahah Investment by the Wakeel;</p> <p>(ii) to fulfil the requirement of Additional Tier 1 capital for the Issuer as per the CAFIB; and</p> <p>(iii) to be made available to the Issuer, without limitation, for working capital, general banking and other corporate purposes (which includes but not limited to any future business growth and expansion plans) and/or if required, the refinancing of any existing financing obligations of the Issuer and/or any existing Sukuk issued under the Sukuk Programme.</p>
13. Rating:	The AT1 Sukuk Wakalah have been rated A1 by RAM Rating Services Berhad.
14. Conversion Price:	<p>1.0x net assets value per share of the Issuer (using latest available published financial statements at the point of conversion), subject always, that the maximum number of the aggregate new ordinary shares of the Issuer ("HLISB Shares") that the holder of the AT1 Sukuk Wakalah may receive from the conversion of the said AT1 Sukuk Wakalah of the relevant tranche under the Sukuk Programme pursuant to the Non Viability Loss Absorption and/or Capital Trigger Event Conversion, together with the aggregate new HLISB Shares capable of being issued from the conversion of (i) the other outstanding AT1 Sukuk Wakalah issued under the Sukuk Programme and/or (ii) any other outstanding Tier 1 Instruments which pursuant to their terms or by operation of law, are capable of being converted into equity ("Maximum Shares"), shall not exceed 25% of the total number of HLISB Shares at any point in time.</p> <p>For avoidance of doubt, in the event there is an increase and/or reduction in the total number of HLISB Shares at any time after the Issue Date of the relevant tranche of the AT1 Sukuk Wakalah, the Maximum Shares shall be automatically adjusted accordingly so that the Maximum Shares shall not exceed 25% of the total number of HLISB Shares at any point in time.</p>
15. Other conditions:	Please refer to the Conditions for the other terms and conditions applicable to the AT1 Sukuk Wakalah.

CONFLICT-OF-INTEREST SITUATIONS AND APPROPRIATE MITIGATING MEASURES

A. Hong Leong Investment Bank Berhad

There may be a potential conflict-of-interest situation arising from the appointment of Hong Leong Investment Bank Berhad (“**HLIB**”) as the Principal Adviser, Lead Arranger and Lead Manager as well as the Facility Agent for the Sukuk Programme in view that both HLIB and Hong Leong Islamic Bank Berhad are part of the Hong Leong financial group.

Notwithstanding the above, HLIB as the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent of the Sukuk Programme has considered the factors involved and believes the objectivity and independence in carrying out its role has been and/or will be maintained at all times for the following reasons:

- the conduct of HLIB is regulated by the Financial Services Act 2013, the CMSA and HLIB has in place its own internal controls and checks with regards to transactions involving its related corporations;
- HLIB is a licensed investment bank and its appointment as the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent is in the ordinary course of its business. The appointments are governed by various mandate letters, agreements and/or documents which set out the rights, duties and obligations of HLIB acting in such capacities; and
- a due diligence review pursuant to the Sukuk Programme has been undertaken by professional and independent advisers,

and in order to further mitigate or address any such potential conflict of interest, the following measures have been/will be taken:-

- the potential conflict of interest situation has been brought to the attention of the Board of Directors of the Issuer and hence the Board of Directors of the Issuer is fully aware of the same. The Board has acknowledged and confirmed that having considered the above situation, the Board of Directors of the Issuer is agreeable to proceed with the implementation of the Sukuk Programme based on the present arrangement and terms; and
- the potential conflict of interest situation will also be disclosed by the Issuer to prospective subscribers.

B. Hong Leong Islamic Bank Berhad

Hong Leong Islamic Berhad as the Shariah Adviser for the Sukuk Programme, has provided the confirmation that the Sukuk Programme’s structure is in compliance with the relevant Shariah principles and the relevant resolutions and rulings made by the SAC of the SC.

However, this should not result in any conflict of interest situation arising as the

Shariah Committee of the HLISB, which comprises of independent Shariah scholars from various jurisdictions, is an independent Shariah Committee by virtue that none of the members of the Shariah Committee is an executive officer or a member of the board of the Issuer. The Shariah Committee's role does not result in any conflict of interest or potential conflict of interest as any Shariah decision is free from any commercial considerations.

PURPOSE OF FINAL TERMS

This Pricing Supplement comprise the final terms required for the issue of the tranche of Sukuk described herein pursuant to the Sukuk Programme.

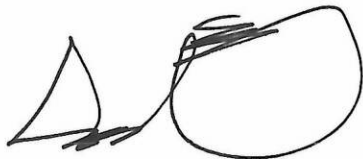
RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. The Issuer confirms that having made all enquiries as were reasonable, the information contained in this Pricing Supplement is in accordance with the facts prevailing on and is not false, misleading or contain any material omission as at the date of this Pricing Supplement.

The Issuer confirms that where information has been sourced or extracted from third parties, the Issuer confirms that to the best of their knowledge and belief, and as far as they are able to ascertain from such information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed for and on behalf of

HONG LEONG ISLAMIC BANK BERHAD
(Company No. 686191-W)

A handwritten signature in black ink, consisting of a stylized 'H' followed by a large, loopy 'L' and a trailing flourish.

By:
Duly authorised