

A multi-currency perpetual subordinated sukuk programme for the issuance of 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”) of up to RM2.0 billion (or its equivalent in other currencies) in nominal value thereunder (“Sukuk Programme”). Collectively, T2 Sukuk Murabahah and AT1 Sukuk Wakalah shall be referred to as “Sukuk” and the Murabahah Sukukholders (as defined in the paragraph entitled “Facility description”) and Wakalah Sukukholders (as defined in the paragraph entitled “Facility description”), are collectively referred to as “Sukukholders”.

Principal Terms and Conditions

(A) CORPORATE INFORMATION OF ISSUER

- (1) Name : Hong Leong Islamic Bank Berhad
- (2) Address : Level 8, Wisma Hong Leong 18 Jalan Perak 50450 Kuala Lumpur
- (3) Date of incorporation : 28-Mar-2005
- (4) Place of incorporation : Malaysia
- (5) Business registration number : 686191-W
- (6) Residence status : Resident Controlled Company
- (7) Place and date of listing : Not Listed
- (8) Principal activities : HLISB is principally engaged in the Islamic banking business and related financial services as at 30 September 2017.
- (9) Issued and paid up capital : **Issued and paid-up share capital**
As at 30 September 2017, the share capital of the Issuer is RM700,000,000.00 comprising 700,000,000 ordinary shares.

(10) Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders : As at 30 September 2017, the substantial shareholder of the Issuer is as follows:

Name	No. of Shares			
	Direct	%	Indirect	%
Hong Leong Bank Berhad	700,000,000	100	-	-

- (11) Board of directors :
 1. Kwek Leng Hai
 2. Datuk Dr Md Hamzah bin Md Kassim
 3. Alan Hamzah Sendut
 4. Domenico Fuda
 5. Rowina Ghazali Seth (appointed with effect from 24 October 2017)

(B) PARTIES TO THE TRANSACTION

No.	Roles	Name of parties
1	Issuer	Hong Leong Islamic Bank Berhad
2	Principal Adviser	Hong Leong Investment Bank Berhad

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3	Lead Arranger	Hong Leong Investment Bank Berhad
4	Solicitors	Adnan Sundra & Low
5	Sukuk Trustee	Malaysian Trustees Berhad
6	Other-Accounting Adviser	PricewaterhouseCoopers
7	Shariah Adviser	Hong Leong Islamic Bank Berhad
8	Credit Rating Agency	RAM Rating Services Berhad (“RAM”)

(2) At point of distribution :

No.	Roles	Name of parties
1	Issuer	Hong Leong Islamic Bank Berhad
2	Lead Manager	Hong Leong Investment Bank Berhad and/or such other financial institution(s) as may be appointed and mutually agreed between the Issuer, the Lead Arranger and the Lead Manager prior to the issuance of the Sukuk.
3	Facility Agent	Hong Leong Investment Bank Berhad (for Sukuk issued on Fully Automated System for Issuing/Tendering (“FAST”))
4	Shariah Adviser	Hong Leong Islamic Bank Berhad
5	Central Depository	Bank Negara Malaysia (for Sukuk issued in Malaysia)
6	Paying Agent	Bank Negara Malaysia (for Sukuk issued in Malaysia)
7	Primary Subscriber	To be determined, if applicable, prior to the issuance of the Sukuk

(3) After distribution :

No.	Roles	Name of parties
1	Issuer	Hong Leong Islamic Bank Berhad
2	Principal Adviser	Hong Leong Investment Bank Berhad
3	Facility Agent	Hong Leong Investment Bank Berhad (for Sukuk issued on FAST)
4	Shariah Adviser	Hong Leong Islamic Bank Berhad
5	Sukuk Trustee	Malaysian Trustees Berhad
6	Central Depository	Bank Negara Malaysia (for Sukuk issued in Malaysia)
7	Paying Agent	Bank Negara Malaysia (for Sukuk issued in Malaysia)
8	Credit Rating	RAM

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	Agency
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(C) DETAILS OF FACILITY/PROGRAMME

(1) Name of facility : A multi-currency perpetual subordinated sukuk programme for the issuance of 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”) of up to RM2.0 billion (or its equivalent in other currencies) in nominal value thereunder (“Sukuk Programme”). Collectively, T2 Sukuk Murabahah and AT1 Sukuk Wakalah shall be referred to as “Sukuk” and the Murabahah Sukukholders (as defined in the paragraph entitled “Facility description”) and Wakalah Sukukholders (as defined in the paragraph entitled “Facility description”), are collectively referred to as “Sukukholders”.

(2) One-time issue or programme : Programme

(3) Shariah principles (for sukuk) :

No.	Shariah Principles
1	Murabahah (via Tawarruq arrangement)
2	Wakalah bi al-Istithmar
3	Mudharabah (Profit sharing)

(4) Facility description : Sukuk Programme for the issuance of T2 Sukuk Murabahah and/or AT1 Sukuk Wakalah.

T2 Sukuk Murabahah

The T2 Sukuk Murabahah will be issued under the Shariah principle of Murabahah based on commodity trading (via a Tawarruq arrangement).

The issuance of each tranche of the T2 Sukuk Murabahah from time to time under the Sukuk Programme shall be effected as follows:

(i) The Sukuk Trustee (on behalf of the holders of the T2 Sukuk Murabahah (**“Murabahah Sukukholders”**)) will appoint the Issuer as agent (wakeel) of the Murabahah Sukukholders (in such capacity, the **“Purchase Agent”**) to purchase Shariah-compliant commodities, which shall include but not limited to crude palm oil or such other acceptable commodities (excluding ribawi items in the category of medium of exchange such as currency, gold and silver) which are provided through the commodity trading platform, Bursa Suq Al-Sila’ or other trading platforms acceptable to the Lead Arranger and to be approved by the Shariah Adviser (**“Commodities”**).

The Purchase Agent will then appoint the Facility Agent as sub-agent of the Purchase Agent (in such capacity, the **“Sub-Purchase Agent”**) to purchase the Commodities.

The Purchase Agent will also appoint the Facility Agent as agent (wakeel) of the Purchase Agent (in such capacity, the **“Selling Agent”**) to sell the Commodities to the Issuer on behalf of the Purchase Agent.

(ii) The Issuer (in such capacity, the **“Purchaser”**) shall, from time to time, issue a purchase

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order (“**Purchase Order**”) to the Purchase Agent and the Sub-Purchase Agent. In the Purchase Order, the Purchaser will request the Purchase Agent and the Sub-Purchase Agent to purchase the Commodities and will irrevocably and unconditionally undertake based on unilateral binding promise to purchase (“**Undertaking to Purchase**”) the Commodities from the Murabahah Sukukholders via the Selling Agent at a price equivalent to the aggregate of (i) the Purchase Price (as defined below); (ii) a mark-up (profit margin); and (iii) the Discounted Amount (as defined below), if applicable, payable on a deferred payment basis (“**Deferred Sale Price**”).

“**Discounted Amount**” means the amount being the difference between (i) the nominal value of the T2 Sukuk Murabahah; and (ii) the proceeds raised from the issuance of the T2 Sukuk Murabahah.

(iii) Upon receipt of the Purchase Order from the Issuer (as Purchaser), the Sub-Purchase Agent will purchase the Commodities from commodity vendor(s) in the Bursa Suq Al-Sila commodity market (through a Commodity Trading Participant (“**CTP**”), or other trading platforms acceptable to the Lead Arranger and to be approved by the Shariah Adviser, on a spot basis at a purchase price which shall be equivalent to the proceeds raised from the issuance of the T2 Sukuk Murabahah (“**Purchase Price**”). The Purchase Price shall be in accordance with the asset pricing requirements stipulated under the Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (issued by the SC on 9 March 2015 and revised on 16 January 2017) (“**LOLA Guidelines**”) issued by the Securities Commission Malaysia (“**SC**”).

(iv) Subsequently, the Issuer shall then issue the T2 Sukuk Murabahah to the Murabahah Sukukholders to evidence the Murabahah Sukukholders’ ownership of the Commodities and all such rights thereto (including all rights against the Issuer (as Purchaser) under the Purchase Order) and subsequently once the Commodities are sold to the Issuer (as Purchaser), the T2 Sukuk Murabahah shall represent the Murabahah Sukukholders’ entitlement to receive the Deferred Sale Price.

The proceeds raised from the issuance of the T2 Sukuk Murabahah shall be used to pay the Purchase Price of the Commodities by the Sub-Purchase Agent.

(v) Thereafter, pursuant to the Undertaking to Purchase, the Selling Agent (acting on behalf of the Purchase Agent who in turn acts on behalf of the Murabahah Sukukholders) shall sell the Commodities to the Issuer (as Purchaser) at the Deferred Sale Price.

Upon completion of such sale, the Issuer (as Purchaser) shall appoint and instruct the Selling Agent as agent (wakeel) of the Purchaser to sell the Commodities to the Bursa Suq Al-Sila commodity market (through a CTP), or other trading platforms acceptable to the Lead Arranger and to be approved by the Shariah Adviser, on a spot basis for cash consideration for an amount equivalent to the Purchase Price. Proceeds realised from such sale shall be utilised by the Issuer for purposes that are Shariah-compliant.

(vi) During the tenure of the T2 Sukuk Murabahah, the Issuer (as Purchaser), as part of its obligation to pay the Deferred Sale Price, shall make periodic profit payments to the Murabahah Sukukholders. Each such payment shall pro tanto reduce the obligation of the Issuer (as Purchaser) on the Deferred Sale Price payable for the purchase of the Commodities from the Selling Agent (acting on behalf of the Purchase Agent who in turn acts on behalf of the Murabahah Sukukholders).

(i) On the maturity date of the relevant T2 Sukuk Murabahah; or (ii) upon the early settlement pursuant to the acceleration of the T2 Sukuk Murabahah pursuant to an Enforcement Event (as defined in the paragraph entitled “Events of defaults or enforcement events, where

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applicable, including recourse available to investors”); or (iii) upon the early redemption pursuant to the exercise of Call Option (as defined in the paragraph entitled “Call Option”), whichever is earlier, the Issuer (as Purchaser), as part of its obligation to pay the Deferred Sale Price, shall pay the Murabahah Sukukholders all amounts then outstanding on the Deferred Sale Price (subject to any Ibra’ (as defined in the paragraph entitled “Ibra”), if applicable) as final settlement of the same, upon which the relevant T2 Sukuk Murabahah shall be cancelled. Upon the occurrence of a Non-Viability Event (as defined in the paragraph entitled “Other terms and conditions – Non Viability Loss Absorption”), the Murabahah Sukukholders shall waive all their rights (Ibra’) to the payment of up to the outstanding Deferred Sale Price due from the Purchaser, and such amount is equivalent to the aggregate outstanding principal amount and the accrued and unpaid periodic profits of the T2 Sukuk Murabahah required to be written off.

The T2 Sukuk Murabahah are intended to qualify as Tier 2 capital for the Issuer pursuant to the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia (“BNM”) on 4 August 2017 and as updated from time to time (“CAFIB”), and to qualify as the consolidated Tier 2 capital of Hong Leong Financial Group Berhad (HLFG) and Hong Leong Bank Berhad (HLB) under the Capital Adequacy Framework (Capital Components) issued by BNM on 4 August 2017 and as updated from time to time (“New CA Framework”).

Please refer to Annexure A for the illustrative diagram of the T2 Sukuk Murabahah transaction.

AT1 Sukuk Wakalah

The AT1 Sukuk Wakalah will be issued under the Shariah principle of Wakalah bi Al-Istithmar.

Pursuant to a Wakalah agreement entered between the Sukuk Trustee (acting on behalf of the holders of the AT1 Sukuk Wakalah (the “Wakalah Sukukholders”)) and HLISB (Wakalah Agreement), the Sukuk Trustee shall appoint HLISB as its agent (Wakeel) to perform duties in respect of the Wakalah Portfolio (as defined below), including management of the Wakalah Portfolio, for a nominal fee, in accordance with the Wakalah Agreement.

The Wakeel shall manage the Wakalah Portfolio, including investment in the Wakalah Portfolio, collection and distribution of income generated from the Wakalah Portfolio and monitoring of compliance of the Wakalah Portfolio with the Assets Minimum Requirements (as defined below).

The Shariah-compliant Wakalah portfolio (“Wakalah Portfolio”) shall comprise a combination of:

- (i) Investment assets which shall be invested in HLISB’s Shariah-compliant general business under the Shariah principle of Mudharabah (“Investment Assets”); and
- (ii) Shariah-compliant commodities purchased and sold under the Shariah principle of Murabahah (via tawarruq arrangement) (“Commodity Murabahah Investment”).

The “Shariah-compliant commodities” to be transacted under the Commodity Murabahah Investment (in AT1 Sukuk Wakalah) shall be Shariah-compliant commodities, which shall include but not limited to crude palm oil or such other acceptable commodities (excluding ribawi items in the category of medium of exchange such as currency, gold and silver) which are provided through the commodity trading platform, Bursa Suq Al-Sila’ or other trading platforms acceptable to the Lead Arranger and to be approved by the Shariah Adviser (“AT1 Commodities”).

The investments described in (i) and (ii) above shall collectively be referred to as the “Wakalah Portfolio”.

HLISB as Issuer shall issue AT1 Sukuk Wakalah from time to time to the Wakalah Sukukholders

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and the Wakalah Sukukholders shall subscribe to the AT1 Sukuk Wakalah by paying the proceeds (“**Sukuk Wakalah Proceeds**”). Under the Wakalah Agreement, the Wakeel shall be authorised to utilise the Sukuk Wakalah Proceeds arising from the issuance of the AT1 Sukuk Wakalah for investment in the Wakalah Portfolio on behalf of the Sukuk Trustee (for the benefit of the Wakalah Sukukholders).

In respect of the Investment Assets, the Wakeel shall invest part of the Sukuk Wakalah Proceeds into HLISB’s Shariah-compliant general business on Mudharabah basis. The value of the Wakalah Portfolio in respect of HLISB’s Shariah-compliant general business should be at least 33% of the Wakalah Portfolio (“**Assets Minimum Requirements**”).

For the avoidance of doubt, the above ratio of at least 33% of the value of the Wakalah Portfolio is only applicable at the point of initial investment for each tranche of the respective AT1 Sukuk Wakalah, subject to the valuation principles set out in the Wakalah Agreement, and does not need to be maintained throughout the tenure of the AT1 Sukuk Wakalah. However, the Wakeel shall ensure that the HLISB’s Shariah-compliant general business shall at all times be a component of the Wakalah Portfolio.

The Wakeel shall hold the Wakalah Portfolio on trust for the benefit of the Wakalah Sukukholders. The AT1 Sukuk Wakalah shall represent the Wakalah Sukukholders’ proportionate undivided beneficial ownership and interest in the Trust Assets (as defined below). The Issuer shall declare a trust over the Trust Assets for the benefit of the Wakalah Sukukholders.

“**Trust Assets**” shall comprise of the Sukuk Wakalah Proceeds, the Wakalah Portfolio and the rights, title, interest, entitlement and benefit in, to and under the transaction documents in respect of the Sukuk Programme (“**Transaction Documents**”).

In respect of the Investment Assets, the Wakeel, acting as agent of the Sukuk Trustee, (as “**Rabb al-mal**”) shall enter into a Mudharabah contract with HLISB (as “**Mudharib**”). Pursuant to the Mudharabah contract, the Wakeel shall from time to time provide capital to HLISB for the purpose of the Wakalah Sukukholders’ investment in the Investment Assets. Profits generated from the Investment Assets will be shared and distributed between the Rabb al-mal and the Mudharib according to a pre-agreed profit sharing ratio to be determined. The loss shall be borne solely by the Rabb al-mal.

In respect of the Commodity Murabahah Investment, the Wakeel shall utilise the remaining balance of the Sukuk Wakalah Proceeds to invest in Commodity Murabahah Investment. The Commodity Murabahah Investment shall be effected as follows:

(i) The Sukuk Trustee (on behalf of the Wakalah Sukukholders) will appoint the Issuer as agent (wakeel) of the Wakalah Sukukholders (in such capacity, the “**AT1 Purchase Agent**”) to purchase AT1 Commodities to be identified prior to the issuance of the Sukuk Wakalah.

The AT1 Purchase Agent will then appoint the Facility Agent as sub-agent of the AT1 Purchase Agent (in such capacity, the “**AT1 Sub-Purchase Agent**”) to purchase the AT1 Commodities.

The AT1 Purchase Agent will also appoint the Facility Agent as agent (wakeel) of the AT1 Purchase Agent (in such capacity, the “**AT1 Selling Agent**”) to sell the AT1 Commodities to the Issuer on behalf of the AT1 Purchase Agent.

(ii) The Issuer (in such capacity, the “**AT1 Purchaser**”) shall, from time to time, issue a purchase order (“**AT1 Purchase Order**”) to the AT1 Purchase Agent and the AT1 Sub-Purchase Agent. In the AT1 Purchase Order, the AT1 Purchaser will request the AT1 Purchase Agent and the AT1 Sub-Purchase Agent to purchase the AT1 Commodities and

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will irrevocably and unconditionally undertake based on unilateral binding promise to purchase (“**AT1 Undertaking to Purchase**”) the AT1 Commodities from the Wakalah Sukukholders via the AT1 Selling Agent at a deferred sale price which shall be equivalent to the nominal value of the AT1 Sukuk Wakalah (“**AT1 Deferred Sale Price**”).

(iii) Upon receipt of the AT1 Purchase Order from the Issuer (as AT1 Purchaser), the AT1 Sub-Purchase Agent will purchase the AT1 Commodities from commodity vendor(s) in the Bursa Suq Al-Sila commodity market (through a Commodity Trading Participant (**CTP**)), or other trading platforms acceptable to the Lead Arranger and to be approved by the Shariah Adviser, on a spot basis at a purchase price which shall be equivalent to the proceeds raised from the issuance of the AT1 Sukuk Wakalah less the amount invested in the Investment Assets (“**AT1 Purchase Price**”). The AT1 Purchase Price shall be in accordance with the asset pricing requirements stipulated under the LOLA Guidelines.

(iv) Thereafter, pursuant to the AT1 Undertaking to Purchase, the AT1 Selling Agent (acting on behalf of the AT1 Purchase Agent who in turn acts on behalf of the Wakalah Sukukholders) shall sell the AT1 Commodities to the Issuer (as AT1 Purchaser) at the AT1 Deferred Sale Price.

For the avoidance of doubt, the AT1 Deferred Sale Price shall be equivalent to the nominal value of the AT1 Sukuk Wakalah. The AT1 Deferred Sale Price shall be payable for a period of 99 years, and HLISB shall be given the right to defer the payment further upon request made by HLISB or if required by BNM.

Upon completion of such sale, the Issuer (as AT1 Purchaser) shall appoint and instruct the AT1 Selling Agent as agent (wakeel) of the AT1 Purchaser to sell the AT1 Commodities to the Bursa Suq Al-Sila commodity market (through a CTP), or other trading platforms acceptable to the Lead Arranger and to be approved by the Shariah Adviser, on a spot basis for cash consideration for an amount equivalent to the AT1 Purchase Price. Proceeds realised from such sale shall be utilised by the Issuer for purposes that are Shariah-compliant.

(v) During the tenure of the AT1 Sukuk Wakalah, on each Distribution Payment Date (as defined in the paragraph entitled “Other terms and conditions – Profit / coupon payment frequency and basis”), the Wakeel shall distribute any income generated from the Wakalah Portfolio up to the Periodic Distribution Amount (as defined in the paragraph entitled “Other terms and conditions – Profit / coupon or equivalent rate (%)”) in the form of Periodic Distribution (as defined in the paragraph entitled “Other terms and conditions – Profit / coupon or equivalent rate (%)”). Any amount over and above the Periodic Distribution Amount shall be retained by the Wakeel as incentive fee.

In the event that the income generated from the Wakalah Portfolio is insufficient to pay the Periodic Distribution Amount, the Wakeel may provide hibah to the Sukuk Trustee (on behalf of the Wakalah Sukukholders).

HLISB (as **Obligor**) shall grant a purchase undertaking (“**Purchase Undertaking**”) to the Wakeel and the Sukuk Trustee, under which the Obligor shall purchase the Investment Assets at the Exercise Price (as defined below) by entering into a sale agreement upon an Enforcement Event (“**Enforcement Event Purchase Undertaking**”).

The Wakeel and the Sukuk Trustee shall grant a sale undertaking (“**Sale Undertaking**”) to the Issuer, under which the Wakeel shall sell the Investment Assets at the Exercise Price (as defined below) by entering into a sale agreement upon the Issuer exercising its rights to redeem the AT1 Sukuk Wakalah pursuant to the Call Option (“**Call Option Sale Undertaking**”).

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“Exercise Price” pursuant to Enforcement Event Purchase Undertaking or the Call Option Sale Undertaking shall be equal to the fair market value of the Investment Assets.

Pursuant to Enforcement Event Purchase Undertaking or the Call Option Sale Undertaking, and subject to no disqualification of the AT1 Sukuk Wakalah as Additional Tier 1 capital of the Issuer, the proceeds from the Wakalah Portfolio including the AT1 Deferred Sale Price, the Exercise Price and any returns generated from the Wakalah Portfolio shall be utilised to redeem the AT1 Sukuk Wakalah at a redemption amount which equals to 100% of the nominal value of the AT1 Sukuk Wakalah together with accrued but unpaid and uncanceled Periodic Distribution. Upon full payment of all amounts due and payable under the AT1 Sukuk Wakalah or conversion pursuant to the terms of the AT1 Sukuk Wakalah, the relevant trust in respect of the Trust Assets will be dissolved and the relevant AT1 Sukuk Wakalah held by the Wakalah Sukukholders will be cancelled. Any excess over and above the redemption amount shall be retained by the Wakeel as incentive fees.

The AT1 Sukuk Wakalah are intended to qualify as Additional Tier 1 capital for the Issuer pursuant to the CAFIB, and to qualify as the consolidated Additional Tier 1 capital of HLF and HLB under the New CA Framework.

Please refer to Annexure B for the illustrative diagram of the AT1 Sukuk Wakalah transaction.

- (5) Currency : Multi-currency including Ringgit
- (6) Expected facility/ programme size : Upto MYR2,000,000,000.00
- (7) Option to upsize (for programme) : Yes
- (8) Tenure of facility/ programme : Perpetual
- (9) Availability period for debt/ sukuk programme : The Sukuk Programme shall be available for utilisation for a period of thirty (30) years from the date of the first issuance of the Sukuk under the Sukuk Programme.

The first issuance of the Sukuk shall be within sixty (60) business days from the date of lodgement of the lodgement kit with the SC for the launching of the Sukuk under the Sukuk Programme (“Lodgement Kit”).

- (10) Clearing and settlement platform : • PayNet
- (11) Mode of issue : • Bought deal
• Book running
• Private placement
• Other-Each tranche of Sukuk may be issued via private placement on a best efforts basis, or on a bought deal basis, or book running on a best efforts basis, without prospectus. Issuance of the Sukuk shall be in accordance with the: (i) the Participation and Operation Rules for Payment Securities Services (“PayNet Rules”) issued by PayNet; and(ii) the Operational Procedures for Securities Services issued by PayNet (“PayNet Procedures”) as amended or substituted from time to time (collectively, “PayNet Rules and Procedures”), subject to such variation, amendments or exemptions (if any) from time to time.
- (12) Selling restrictions : • Part 1 of Schedule 6 of the Capital Markets & Services Act, 2007 (CMSA)
• Part 1 of Schedule 7 of the CMSA
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- Read together with Schedule 9 of CMSA
- Other-(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 1 of Schedule 6 (or Section 229(1)(b)) and Part 1 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 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 1 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.
- Schedule 8 of CMSA

- (13) Tradability and transferability : • Tradable & transferable
- (14) Other regulatory approvals required in relation to the issue, offer or invitation to subscribe or purchase PDS/sukuk, and whether or not obtained : The Issuer has on 15 September 2017 obtained approval from BNM to establish the Sukuk Programme.
- (15) Details of security/ collateral pledged : Unsecured
- (16) Details of guarantee : Not guaranteed
- (17) Convertibility of Issuance : Non-convertible
- (18) Exchangeability of Issuance : Non-exchangeable
- (19) Call option : This feature applies to both the T2 Sukuk Murabahah and the AT1 Sukuk Wakalah.
Subject to the approval from BNM and the Redemption Conditions (as defined below) being satisfied, the Issuer may exercise its option to redeem the Sukuk pursuant to Optional Redemption, Tax Redemption and/or Regulatory Redemption (as defined below).
(a) Optional Redemption
The Issuer may, at its option and subject to the Redemption Conditions being satisfied, redeem the T2 Sukuk Murabahah and/or the AT1 Sukuk Wakalah (in whole or in part) at the Redemption Amount (as defined below) on any Optional Redemption Date (as defined below).
(b) Tax Redemption
-

A multi-currency perpetual subordinated sukuk programme for the issuance of 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”) of up to RM2.0 billion (or its equivalent in other currencies) in nominal value thereunder (“Sukuk Programme”). Collectively, T2 Sukuk Murabahah and AT1 Sukuk Wakalah shall be referred to as “Sukuk” and the Murabahah Sukukholders (as defined in the paragraph entitled “Facility description”) and Wakalah Sukukholders (as defined in the paragraph entitled “Facility description”), are collectively referred to as “Sukukholders”.

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If there is more than an insubstantial risk that:

- (i) the Issuer has or will become obliged to pay Additional Amounts (as defined in the paragraph entitled “Other terms and conditions – Withholding Taxes”) or any taxes other than the Additional Amounts (if any), in relation to the Sukuk; or
 - (ii) the Issuer is not able to obtain tax deductions under Malaysian corporation tax for the profit payment (for T2 Sukuk Murabahah) or distribution payment (for AT1 Sukuk Wakalah) made in respect of the Sukuk, and the Issuer cannot, by taking reasonable measures available to it, avoid such additional obligations,
- then the Issuer may, at its option, redeem the respective T2 Sukuk Murabahah or AT1 Sukuk Wakalah, in whole or in part, at the Redemption Amount, subject to the Redemption Conditions being satisfied.

(c) Regulatory Redemption

If any tranche of the Sukuk (in whole or in part) no longer, either immediately or with the passage of time or upon either the giving of notice or the fulfilment of a condition, qualify as Tier 2 capital (for T2 Sukuk Murabahah) or Additional Tier 1 capital (for AT1 Sukuk Wakalah) of the Issuer or on a consolidated basis, of HLFG and/or HLB respectively, for the purposes of BNM’s capital adequacy requirements or any regulations applicable to the Issuer, then the Issuer may, at its option, and subject to the Redemption Conditions being met, redeem the respective T2 Sukuk Murabahah or AT1 Sukuk Wakalah, in whole or in part, at the Redemption Amount.

In this paragraph, the following definitions have the following meanings:

“Redemption Amount” means in the case of an Optional Redemption, a Tax Redemption or a Regulatory Redemption:

- (i) For T2 Sukuk Murabahah, an amount equal to 100% of the nominal value of the T2 Sukuk Murabahah together with accrued but unpaid profit (if any) up to (and excluding) the date on which the T2 Sukuk Murabahah are redeemed; or
- (ii) For AT1 Sukuk Wakalah, an amount equal to 100% of the nominal value of the AT1 Sukuk Wakalah together with accrued but unpaid and uncanceled Periodic Distribution (if any and subject to the provisions contained in the paragraph entitled “Other terms and conditions – Limitation on Payment of Distribution”) up to (and excluding) the date on which the AT1 Sukuk Wakalah are redeemed.

“Redemption Conditions” means:

- (i) the Issuer is solvent at the time of redemption of a tranche of Sukuk or part thereof and immediately thereafter;
- (ii) the Issuer:
 - (a) shall replace that tranche of Sukuk or part thereof to be redeemed with capital of the same or better quality and the replacement of such capital is done at conditions which are sustainable for the income capacity of the Issuer; or
 - (b) demonstrates to BNM that its capital position is and can be sustained well above the minimum capital adequacy and capital buffer requirements as imposed by BNM after the redemption; and
- (iii) the Issuer has obtained the written approval of BNM prior to redemption of that tranche of Sukuk or part thereof.

“Optional Redemption Date” means a date to be determined prior to issuance. In the case of a tranche of Sukuk under the Sukuk Programme, a date falling no earlier than the fifth (5th) anniversary of the relevant issue date, and any Periodic Profit Payment Date (for T2 Sukuk Murabahah) or Distribution Payment Date (for AT1 Sukuk Wakalah) thereafter (as the case may be).

In respect of the AT1 Sukuk Wakalah, the Call Option Sale Undertaking will be triggered pursuant to the exercise of Call Option.

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Pursuant to the Call Option Sale Undertaking, the Trust Assets would be dissolved.

(20) Put option : No put option

(21) Details of covenants : a. **Positive covenants**
The Issuer shall comply with such applicable positive covenants which are required in order to comply with the Trust Deeds Guidelines issued by the SC (“**Trust Deeds Guidelines**”) including, but not limited to the following:-

(a) Exercise reasonable diligence in carrying on its business and keep in force and effect all licenses, consents and rights necessary for the conduct of its business;

(b) Maintain a paying agent in Malaysia;

(c) Maintain proper books and accounts and deliver financial statements to the Sukuk Trustee on a timely manner;

(d) Ensure that the Sukuk shall at all times be governed by the guidelines issued and to be issued from time to time by BNM;

(e) Ensure that there are no amendments to the constitution of the Issuer in the manner that is inconsistent with the rights and obligations of the Issuer under the Transaction Documents, if applicable; and

(f) Any other covenants as may be advised by the Solicitors and mutually agreed with the Issuer.

b. **Negative covenants**

No negative covenant

c. **Financial covenants**

No financial covenant

d. **Information covenants**

The Issuer shall comply with such applicable information covenants which are required in order to comply with the Trust Deeds Guidelines including, but not limited to the following:-

(a) The Issuer shall deliver to the Sukuk Trustee:

(i) a copy of its annual audited financial statements within one hundred and eighty (180) days after the end of its financial year;

(ii) as soon as they become available (and in any event within ninety (90) days after the end of the first half of its financial year), copies of its unaudited half-yearly financial statements, which are duly certified by any one of its directors; and

(iii) any other accounts, balance sheet, report, notice, statement, circular or other documents issued by the Issuer to its shareholders;

(b) The Issuer shall no later than one hundred and eighty (180) days after the end of each financial year, deliver to the Sukuk Trustee a certificate signed by an authorised signatory of the Issuer, certifying that the Issuer has complied with and performed its obligations under the Trust Deed and the terms and conditions of the Sukuk and the other Transaction Documents and that there did not exist and there had not at any time existed, from the issue date of the Sukuk or the date of the previous certificate, as the case may be, any Enforcement Event and if such is not the case, the certificate should specify the same;

(c) The Issuer shall promptly provide to the Sukuk Trustee any information relating to its affairs to the extent permitted by law or as stipulated in the Trust Deed as the case may be, as the Sukuk Trustee may from time to time require in order to discharge its duties and obligations as trustee under the Trust Deed and the other Transaction Documents;

(d) The Issuer shall immediately notify the Sukuk Trustee in writing in the event that the Issuer becomes aware of the following:

(i) upon the occurrence of an Enforcement Event, the Issuer shall take reasonable steps and/or such other steps as may be reasonably requested by the Sukuk Trustee to remedy

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- and/or mitigate the Enforcement Event;
 - (ii) any circumstance that has occurred or any other matter that may materially prejudice the ability of the Issuer to perform its obligations under the Transaction Documents or in respect of the Sukuk;
 - (iii) any substantial change in the nature of the business of the Issuer;
 - (iv) any change in the utilisation of the proceeds from the Sukuk from that set out in the Lodgement Kit, the information memorandum in respect of the Sukuk Programme (“Information Memorandum”) (if applicable) or any of the Transaction Documents which sets out the purpose for which proceeds are to be utilised;
 - (v) any change in the Issuer’s withholding tax position or tax jurisdiction; and
 - (vi) any other matter that may materially prejudice the interests of the Sukukholders.
- (e) Such other covenants deemed necessary or as may be advised by the Solicitors, including but not limited to the covenants which are required in order to comply with the Trust Deeds Guidelines.

(22) Details of designated account(s) : No designated account

(23) Name of credit rating agency and credit rating :

No.	Credit Rating Agency	Credit rating	Final/ Indicative rating	Partial	Amount rated
1	RAM Rating Services Bhd (RAM)	AA2	Final rating	No	MYR 2,000,000,000.00
2	RAM Rating Services Bhd (RAM)	A1	Final rating	No	MYR 2,000,000,000.00

(24) Conditions precedent : To include but not limited to the following (all of which shall be in form and substance acceptable to the Lead Arranger):

- (a) A legal opinion from the Solicitors addressed to the Lead Arranger advising with respect to, amongst others, the legality, validity and enforceability of the Transaction Documents;
- (b) A written confirmation from the Solicitors addressed to the Lead Arranger that all the conditions precedent have been fulfilled or waived as the case may be and where required, all the necessary Transaction Documents have been presented for registration with the relevant registries;
- (c) Certified copies of the following:
 - (i) the certificate of incorporation, memorandum and articles of association or constitution (if any), latest Forms 24, 44 and 49 (or any equivalent forms as prescribed under the Companies Act 2016), and any other constitutive documents of the Issuer; and
 - (ii) the resolution(s) of the Board of Directors of the Issuer authorising issuance of the Sukuk, the execution of documents relating to the Sukuk and the entry into and performance of the transactions contemplated therein;
- (d) The requirements relating to the lodgement of the documents and information relating to the Sukuk in accordance with Section A and Part 3 (Corporate Bonds and Sukuk) of Section B of the Lodge and Launch Framework issued by the SC have been complied with;
- (e) The Transaction Documents have been signed and, where applicable, stamped (unless otherwise exempted) and presented for registration;
- (f) The approval from BNM to establish the Sukuk Programme;
- (g) The Issuer has obtained a minimum long term rating of AA2 for the T2 Sukuk Murabahah from RAM;
- (h) The Issuer has obtained a minimum long term rating of A1 for the AT1 Sukuk Wakalah from

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RAM;

(i) A report of the relevant company search of the Issuer;

(j) A report of the relevant winding up search or the relevant statutory declaration of the Issuer (in form and substance acceptable to the Lead Arranger) signed by a director of the Issuer declaring that the Issuer is not wound up and that no winding up petition has been presented against the Issuer;

(k) Legal due diligence report on the Issuer satisfactory to the Lead Arranger;

(l) Evidence that the Trustees’ Reimbursement Account has been opened with a sum of RM30,000 deposited into it;

(m) Final Shariah pronouncement from the Shariah Adviser confirming that the structure, mechanism and the Transaction Documents of the Sukuk Programme are Shariah compliant and acceptable within the principles of Shariah;

(n) The Sukuk Programme has been endorsed by the SC’s Shariah Advisory Council (**SAC**); and

(o) Such other conditions precedent as may be advised by the Solicitors to the Lead Arranger.

It is a condition precedent to each issuance of non-RM denominated Sukuk that the rating letter/report(s) from the international rating agency(ies), if required by the investor(s), which is acceptable to the Lead Manager has been obtained.

It is a condition precedent to each issuance of AT1 Sukuk Wakalah that all relevant approvals, if required, from BNM, Bursa Malaysia Securities Berhad and/or shareholders of the Issuer (as the case may be), for the issuance of ordinary shares pursuant to a Capital Trigger Event Conversion and Non-Viability Event have been obtained.

(25) Representations and warranties : Representation and warranties will include such representation and warranties customary and standard for a facility of this nature and shall include, but not limited to the following:

(A) The Issuer is duly incorporated, validly in existence and has the power and authority to carry out its business;

(B) The Issuer has the power to enter into the Transaction Documents and exercise its rights and to perform its obligations under the Transaction Documents;

(C) Entry into and the exercise of the Issuer’s rights and obligations under the Transaction Documents do not violate any existing law or regulation;

(D) The Transaction Documents create valid, binding and enforceable obligations on the part of the Issuer;

(E) All necessary actions, authorisations and consents required under the Transaction Documents and the Sukuk have been obtained and remain in full force and effect;

(F) The audited financial statements of the Issuer are prepared in accordance with generally accepted accounting principles and standards in Malaysia and represent a true and fair view;

(G) Save as disclosed in the Information Memorandum (if applicable), there is no litigation which would have a material adverse effect on the Issuer’s ability to perform its obligations under the Transaction Documents; and

(H) Any other representation and warranties as may be advised by the Solicitors.

(26) Events of defaults or enforcement events, where applicable, : There are no events of default under the Sukuk.
However, there will be enforcement events applicable to the T2 Sukuk Murabahah and AT1 Sukuk Wakalah respectively.

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including
recourse
available
investors

to

The “**Enforcement Event**” means the occurrence of any of the following:-

- (i) a default is made in payment of any principal amount or any periodic payment on the due date and the Issuer does not remedy such default within a period of seven (7) business days; or
- (ii) an order is made for the winding up of the Issuer and such order is not stayed or set aside within sixty (60) days of such order being made or, where so stayed, such stay lapses, or an effective resolution is passed for winding up of the Issuer except where such order is made or such resolution is passed for the purpose of a reconstruction or amalgamation, the terms of which have been approved by the Sukukholders by way of special resolution.

Upon the occurrence of item (i) above, subject to the terms of the Trust Deed, the Sukuk Trustee may or shall (if so directed by a special resolution of the relevant Sukukholders) institute proceedings to enforce the obligations of the Issuer for payment due under the relevant T2 Sukuk Murabahah or AT1 Sukuk Wakalah (as the case may be) and may institute proceedings in Malaysia for the winding up of the Issuer, provided that neither the Sukuk Trustee nor any of the Sukukholders shall have the right to accelerate payment of the relevant T2 Sukuk Murabahah or AT1 Sukuk Wakalah (as the case may be) in the case of a default in the payment of any amount owing under the relevant T2 Sukuk Murabahah or AT1 Sukuk Wakalah (as the case may be) or any non-performance of any condition, provision or performance of any covenant under the Trust Deed.

Upon occurrence of item (ii) above, subject to the terms of the Trust Deed, the Sukuk Trustee may or shall (if directed to do so by a special resolution of the relevant Sukukholders), by notice in writing to the Issuer, declare that notwithstanding the maturity date of the T2 Sukuk Murabahah or AT1 Sukuk Wakalah (as the case may be), all outstanding amounts due from the Issuer on the T2 Sukuk Murabahah or AT1 Sukuk Wakalah (as the case may be) shall become due and immediately payable.

For the avoidance of doubt, the occurrence of an Enforcement Event (i) above for any tranches of the T2 Sukuk Murabahah or AT1 Sukuk Wakalah (as the case may be) will not trigger an Enforcement Event for other tranches of the T2 Sukuk Murabahah or AT1 Sukuk Wakalah (as the case may be) outstanding. However, occurrence of an Enforcement Event (ii) above will trigger an Enforcement Event for all tranches of the T2 Sukuk Murabahah or AT1 Sukuk Wakalah (as the case may be) outstanding.

In relation to the AT1 Sukuk Wakalah, for the avoidance of doubt, no Periodic Distribution shall be due and payable if such Periodic Distribution or part thereof has been (i) cancelled or is deemed cancelled (in each case, in whole or in part) under the paragraph entitled “Other terms and conditions – Limitation on Payment of Distribution” or (ii) deferred by the Issuer pursuant to the provision on the “Circumstances for Cumulative Distribution” under the paragraph entitled “Other terms and conditions – Limitation on Payment of Distribution”.

In respect of the AT1 Sukuk Wakalah, the Enforcement Event Purchase Undertaking will be triggered pursuant to an Enforcement Event.

Pursuant to the Enforcement Event Purchase Undertaking, the Trust Assets would be dissolved.

(27) Governing laws

: **For Sukuk issued in Malaysia**

The Sukuk will be governed by, and shall be construed in accordance with the laws of Malaysia.

For Sukuk issued outside Malaysia

The laws of such jurisdiction as shall be agreed upon by the Issuer and the Lead Manager.

(28) Provisions
buy-back

on

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Subject to the prior approval of BNM (but which approval shall not be required for a purchase done in the ordinary course of business), the Issuer or any of its subsidiaries or agents of the Issuer may at any time purchase the Sukuk or part thereof at any price in the open market or by private treaty provided no Non-Viability Event (as defined in the paragraph entitled “Other terms and conditions

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– Non Viability Loss Absorption”) has occurred prior to the date of such purchase. If purchase is made by tender, such tender must (subject to any applicable rules and regulations) be made available to (i) in the case of the T2 Sukuk Murabahah, all Murabahah Sukukholders equally and (ii) in the case of the AT1 Sukuk Wakalah, all Wakalah Sukukholders equally. The Sukuk purchased by the Issuer or its subsidiaries or agents of the Issuer (other than in the ordinary course of business) shall be cancelled and shall not be resold.

The Sukuk purchased by other related corporations (other than its subsidiaries) or any interested person of the Issuer, which includes the directors, major shareholders and chief executive officer, need not be cancelled but they will not entitle such related corporations or interested person of the Issuer to vote under the terms of the Sukuk subject to any exceptions in the Trust Deeds Guidelines.

- (29) Provisions on early redemption : Please see the paragraph entitled “Call Option”.
- (30) Voting : Voting by the Sukukholders shall be carried out on a "per tranche" basis and not on a collective basis.
The Sukukholders shall have no voting rights in any way whatsoever that are of an equivalent nature to those of the shareholders of the Issuer unless converted to ordinary shares pursuant to the terms of the AT1 Sukuk Wakalah.
- (31) Permitted investments : No permitted investments
- (32) Ta'widh (for sukuk) : **T2 Sukuk Murabahah**
In the event of delay in any amount payable under the T2 Sukuk Murabahah, the Issuer shall pay Ta'widh (compensation) to the Sukuk Trustee (acting on behalf of the Murabahah Sukukholders) on such overdue amounts at the rate and in the manner prescribed by SC's SAC from time to time.
- AT1 Sukuk Wakalah**
In the event of delay of any realised Periodic Distribution (unless all or some of the Periodic Distribution Amount has been deferred in the case when the AT1 Sukuk Wakalah is disqualified as Additional Tier 1 capital of the Issuer), and/or delays in the payment of the redemption amount pursuant to the exercise of the Enforcement Event Purchase Undertaking or Call Option Sale Undertaking (as the case may be), the Issuer shall pay to the Sukuk Trustee (acting on behalf of the Wakalah Sukukholders) Ta'widh (compensation) on such overdue amounts at the rate and in the manner prescribed by SC's SAC from time to time.
- (33) Ibra' (for sukuk) : **T2 Sukuk Murabahah**
Ibra' refers to an act of releasing absolutely or conditionally the Murabahah Sukukholders' rights and claims on any obligation against the Issuer which would result in the latter being discharged of its obligations or liabilities towards the former. The release may be either partial or in full. With respect to the Murabahah contract, Ibra' refers to the release of rights on debts/amounts due and payable under the said contract.
The Murabahah Sukukholders in subscribing to or purchasing the T2 Sukuk Murabahah consent to grant an Ibra':
(i) If the T2 Sukuk Murabahah is redeemed before the maturity date of the relevant T2 Sukuk Murabahah, i.e. upon the acceleration of the T2 Sukuk Murabahah pursuant to an Enforcement Event or the exercise of Call Option (whichever is applicable), the Ibra' shall be the unearned profit due to the Murabahah Sukukholders and calculated from the date of redemption of T2 Sukuk Murabahah upon the acceleration of the T2 Sukuk Murabahah

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pursuant to an Enforcement Event or the exercise of Call Option (whichever is applicable) up to the T2 Sukuk Murabahah’s respective maturity date(s); or

(ii) In respect of write-off at the point of a Non-Viability Event, the Murabahah Sukukholders shall waive their rights (*lbra'*) to the payment of up to the outstanding Deferred Sale Price due from the Purchaser, and such amount shall be equivalent to the aggregate outstanding principal amount and the accrued but unpaid periodic profits of the T2 Sukuk Murabahah required to be written off.

lbra' shall be applicable to T2 Sukuk Murabahah with periodic profit payments issued at a discount, par or premium.

lbra' for redemption upon an Enforcement Event or the exercise of Call Option (whichever is applicable) shall be calculated as follows:

(i) in the case of T2 Sukuk Murabahah with periodic profit payments and issued at a discount:

The aggregate of unearned expected periodic profit payments;

(ii) in the case of T2 Sukuk Murabahah with periodic profit payments and issued at par:

The aggregate of unearned expected periodic profit payments;

(iii) in the case of T2 Sukuk Murabahah with periodic profit payments and issued at a premium:

The aggregate of unearned expected periodic profit payments.

The *lbra'* in relation to (i), (ii) and (iii) above, shall be calculated from the date of redemption of T2 Sukuk Murabahah upon the acceleration of the T2 Sukuk Murabahah pursuant to an Enforcement Event or the exercise of Call Option (whichever is applicable) up till the remaining period to pay the Deferred Sale Price.

AT1 Sukuk Wakalah

Not applicable.

(34) Kafalah sukuk (for : Not applicable.