

## SC LODGEMENT KIT

## RHB ISLAMIC BANK BERHAD

## SUBORDINATED SUKUK MURABAHAH PROGRAMME OF RM5.0 BILLION (UPSIZED FROM RM1.0 BILLION) IN NOMINAL VALUE

## 1.03 Details of Facility / Programme

- |     |  |   |  |
|-----|--|---|--|
| (1) | <b>Name of facility</b>  | : | Subordinated Sukuk Murabahah Programme of RM5.0 billion (upsized from RM1.0 billion) in nominal value.   |
| (2) | <b>One-time issue or programme</b>   | : | Programme.   |
| (3) | <b>Shariah principles (for sukuk)</b>  | : | Murabahah (via Tawarruq arrangement).  |
| (4) | <b>Facility description (for Ringgit-denominated sukuk, to provide description as cleared by the SC)</b> | : | A Subordinated Sukuk Murabahah Programme (" <b>Subordinated Sukuk Murabahah Programme</b> ") for the issuance of up to RM5.0 billion (upsized from RM1.0 billion) in nominal value of Subordinated Sukuk Murabahah (" <b>Subordinated Sukuk</b> ") under the Shariah principle of Murabahah (via Tawarruq arrangement), which is one of the Shariah principles and concepts approved by the Shariah Advisory Council (" <b>SAC</b> ") of the Securities Commission Malaysia (" <b>SC</b> "). |

The Subordinated Sukuk will qualify as Tier 2 capital of the Issuer for purposes of the Capital Adequacy Framework for Islamic Banks (Capital Components) as approved by Bank Negara Malaysia ("**BNM**").

The issuance of the Subordinated Sukuk from time to time under the Subordinated Sukuk Murabahah Programme will be effected as follows:

1. AmanahRaya Trustees Berhad as the Sukuk trustee (the "**Trustee**"), acting on behalf of the holders of the Subordinated Sukuk, and RHB Islamic shall enter into a Service Agency Agreement, pursuant to which RHB Islamic (in such capacity as the "**Agent**") is appointed as the agent/wakeel of the holders of the Subordinated Sukuk, for the purchase and sale of Shariah-compliant commodities ("**Commodities**"). (Note: The Agent shall be a Commodity Trading Participant ("**CTP**") on Bursa Suq Al-Sila' ("**BSAS**").
2. Pursuant to the Commodity Murabahah Master Agreement to be entered into between the RHB Islamic acting as the Purchaser ("**Purchaser**"), the Agent and the Trustee (on behalf of the holders of the Subordinated Sukuk) prior to the date on which the relevant tranche of Subordinated Sukuk is issued, the Purchaser shall issue a purchase order ("**Purchase Order**") in relation to the said tranche to the Agent.

In the Purchase Order, the Purchaser will request the Agent to purchase the Commodities on behalf of the

holders of the Subordinated Sukuk and will irrevocably undertake to purchase the Commodities from the holders of the Subordinated Sukuk via the Agent at a deferred sale price ("**Deferred Sale Price**") which shall be the Purchase Price (as defined below) plus the profit margin.

3. Upon receipt of the Purchase Order, the Agent will purchase on spot basis the Commodities on behalf of the holders of the Subordinated Sukuk from commodity vendor(s) in BSAS commodity market at a certain purchase price ("**Purchase Price**"), which shall be equivalent to the Subordinated Sukuk proceeds and 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 Securities Commission Malaysia ("**SC**") on 9 March 2015 and effective on 15 June 2015 which was revised on 8 November 2017 (as amended and/or substituted from time to time) ("**LOLA Guidelines**").
4. RHB Islamic (acting as the Issuer) shall then issue Subordinated Sukuk to the investors of that tranche of Subordinated Sukuk, the proceeds of which are equal, and used to fund the Purchase Price of the Commodities.

The Subordinated Sukuk shall evidence, amongst others, the ownership of the Commodities by the holders of the Subordinated Sukuk and subsequently once the Commodities are sold to the Purchaser, the entitlement to receive the Deferred Sale Price.

5. Proceeds from the Subordinated Sukuk issuance shall be used to settle the Purchase Price with the commodity vendor.
6. Thereafter, pursuant to the undertaking under the Purchase Order, the Agent (acting on behalf of the holders of the Subordinated Sukuk) shall sell the Commodities to the Purchaser at the Deferred Sale Price under the Sale and Purchase Agreement.
7. Upon completion of such purchase by the Purchaser, the Purchaser shall sell the Commodities to Bursa Malaysia Islamic Services Sdn Bhd ("**BMIS**") on spot basis for an amount equal to the Purchase Price.
8. Proceeds realised from such sale shall be utilised by the Issuer for purposes that are Shariah-compliant.

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9. During the tenor of the Subordinated Sukuk, RHB Islamic shall make periodic payments to the holders of the Subordinated Sukuk as part of its obligation to pay the Deferred Sale Price. Each such payment shall pro tanto reduce the obligation of RHB Islamic on the Deferred Sale Price payable for the Commodities. On the date of maturity of the Subordinated Sukuk, all amounts then outstanding on the Deferred Sale Price shall be paid by RHB Islamic to the holders of the Subordinated Sukuk, for the redemption of the Subordinated Sukuk whereupon the Subordinated Sukuk will be cancelled.

Upon the declaration of an event of default or early redemption upon the exercise of Call Option (as defined at item 1.03(17) below), Regulatory Redemption (as defined at item 1.03(27) below) or Tax Redemption (as defined at item 1.03(27) below), RHB Islamic shall pay amounts outstanding in respect of the Deferred Sale Price of the relevant Subordinated Sukuk upon which the relevant Subordinated Sukuk will be cancelled.

The Subordinated Sukuk Murabahah Programme transaction diagram is as attached as Appendix I.

(5) **Currency** : Ringgit Malaysia (“RM”).

(6) **Expected facility/programme size (for programme to state the option to upsize)** : Up to RM5.0 billion.

The outstanding nominal value of the Subordinated Sukuk under the Subordinated Sukuk Murabahah Programme shall not at any point in time exceed RM5.0 billion.

#### Option to Upsize

☒ Yes

☐ No

(7) **Tenure of facility/programme** : Perpetual<sup>2</sup>.

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<sup>2</sup> The revision is made to allow the Issuer to issue further Subordinated Sukuk under the Subordinated Sukuk Murabahah Programme.

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- (8) **Availability period of debt or sukuk programme** : The period from completion of documentation and unless waived by the Lead Arranger, compliance of all conditions precedent and other applicable conditions to the satisfaction of the Lead Arranger up to the maturity of the Subordinated Sukuk Murabahah Programme.

The first issuance shall be made within two (2) years from the date of the SC's approval.

- (9) **Clearing and settlement platform** : BNM (or its successors-in-title or successor in such capacity) and/or any other relevant clearing and settlement platform.<sup>3</sup>

- (10) **Mode of issue** : (i) Direct/private placement;  
(ii) Book-building; or  
(iii) Bought deal.

- (11) **Selling restrictions** : Selling restrictions at issuance

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

1. Part 1 of Schedule 6 (or Section 229(1)(b)) or Part 1 of Schedule 7 (or Section 230(1)(b)); read together with
2. Schedule 9 (or Section 257(3)),

of the Capital Markets and Services Act 2007 (Act 671) of Malaysia, as amended from time to time ("**CMSA**").

Selling restrictions after issuance

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<sup>3</sup> The revision is made to update the current clearing and settlement platform, following BNM having assumed the roles of PayNet in respect thereof.

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1. Part 1 of Schedule 6 (or Section 229(1)(b)); read together with
2. Schedule 9 (or Section 257(3)),  
of the CMSA.

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|------|--|--|
| (12) | <b>Tradability and transferability</b>   | : Tradable and transferable.   |
| (13) | <b>Details of security/collateral pledged, if applicable</b>                         | : Unsecured.   |
| (14) | <b>Details of guarantee, if applicable</b>   | : Not guaranteed.  |
| (15) | <b>Convertibility of issuance and details of the convertibility, if applicable</b>   | : Not convertible.   |
| (16) | <b>Exchangeability of Issuance and details of the exchangeability, if applicable</b> | : Not exchangeable.  |
| (17) | <b>Call option and details, if applicable</b>  | : <u>Call Option</u><br>The Subordinated Sukuk are callable on any Periodic Profit Payment Date (as defined at item 1.03(33)(f) below) on or after the fifth (5th) anniversary of the date of issue (hereinafter referred to as the “ <b>Call Date</b> ”), at the option of the Issuer.<br><br>None of the Subordinated Sukuk shall carry a maturity date extending beyond the expiry of the tenure of the Subordinated Sukuk Murabahah Programme. |
| (18) | <b>Put option and details, if applicable</b>   | : No put option.   |
| (19) | <b>Details of covenants</b>  | :  |
|      | <b>(a) Positive Covenants</b>  | : The Issuer shall comply with such applicable positive covenants as may be advised by the solicitors acting for the Lead Arranger and/or which are required in order to comply  |

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with the Trust Deeds Guidelines issued by the SC effective 12 August 2011 ("**Trust Deeds Guidelines**"), including but not limited to the following:

- (i) the Issuer shall keep proper books and accounts at all times and to provide the Trustee and any person appointed by it access to such books and accounts to the extent permitted by law;
- (ii) the Issuer shall at all times maintain its respective corporate legal existence and exercise reasonable diligence in carrying out its respective business and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices and will ensure, amongst others, that all necessary approvals and relevant licences required for it to carry on its business are obtained;
- (iii) the Issuer shall at all times maintain a paying agent with a specified office and who is based in Malaysia; and
- (iv) the Issuer will procure that the paying agent shall notify the Trustee, through the Facility Agent, if the paying agent does not receive payment from the Issuer on the due dates as required under the Trust Deed and the terms and conditions of the Subordinated Sukuk,

**(b) Negative Covenants**

: None.

**(c) Financial Covenants**

: None.

**(d) Information Covenants**

: The Issuer shall comply with such applicable information covenants, to include but not limited to the following:

- (i) the Issuer shall deliver to the Trustee a copy of its annual audited financial statements within 180 days after the end of each of its financial year and any other accounts, balance sheet, report, notice, statement, circular or other documents issued by the Issuer to its shareholders and to the holders of the Subordinated Sukuk;
- (ii) the Issuer shall not later than 180 days after the end of each of its financial year, deliver to the 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 Subordinated Sukuk and

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the other Transaction Documents and that there did not exist and there had not at any time existed, from the issue date of the Subordinated Sukuk, any event of default and if such is not the case, the certificate should specify the same;

- (iii) the Issuer shall promptly provide to the Trustee any information relating to its affairs to the extent permitted by law, as the 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;
- (iv) the Issuer shall immediately notify the Trustee in the event that the Issuer becomes aware of the following:
  - (a) any event of default, or the happening of any event that has caused or could cause one or more of the following: (i) any amount payable under the Subordinated Sukuk become immediately payable; (ii) the Subordinated Sukuk become immediately enforceable; or (iii) any other rights or remedies under the terms and conditions of the Subordinated Sukuk or the Trust Deed to become immediately enforceable;
  - (b) any circumstance or matter whether or not occurred that may materially prejudice: (i) the Issuer; (ii) the interest of the holders of the Subordinated Sukuk; or (iii) the ability of the Issuer to perform its obligations under the Subordinated Sukuk, the Trust Deed or the other Transaction Documents;
  - (c) any substantial change in the nature of the business of the Issuer;
  - (d) any change in the utilisation of proceeds from the Subordinated Sukuk from that set out in the submission to the SC, the Information Memorandum or any of the Transaction Documents which sets out a specific purpose for which proceeds are to be utilised; and
  - (e) any change in the Issuer's withholding tax position or taxing jurisdiction.

**(20) Details of designated account(s), if applicable, including:** : No designated account.

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(a) names of account : Not applicable.

(b) parties responsible for opening the account : Not applicable.

(c) parties responsible for maintaining/operating the account : Not applicable.

(d) signatories to the account : Not applicable.

(e) sources and utilisation of funds : Not applicable.

(f) diagram illustrating the flow of monies and conditions for disbursements : Not applicable.

(21) Details of credit rating, if applicable :

Credit Rating Agency	Credit Rating Assigned	Final/ Indicative	Amount Rated
RAM Rating Services Berhad	AA <sub>2</sub> <sup>4</sup>	Final	RM5.0 billion

(22) Conditions precedent : Conditions precedent for the issuance of the Subordinated Sukuk shall include the following (all of which shall be in form and substance acceptable to the Lead Arranger):

A. Main Documentation

1. The Transaction Documents have been executed and, where applicable, stamped or endorsed as exempted from stamp duty under the relevant legislation and presented for registration.

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<sup>4</sup> The revision is made to reflect the prevailing credit rating of the Subordinated Sukuk Murabahah Programme.



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#### B. Issuer

1. Certified true copies of the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer.
2. Certified true copies of the latest Forms 24, 44 and 49 of the Issuer.
3. A certified true copy of the Issuer's board of directors' resolution authorising, amongst others, the establishment of the Subordinated Sukuk Murabahah Programme and the execution of the relevant Transaction Documents.
4. A list of the Issuer's authorised signatories and their respective specimen signatures.
5. A report of the relevant company search of the Issuer.
6. 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.

#### C. General

1. Approval from the SC and where applicable, all other regulatory authorities for the establishment of the Subordinated Sukuk Murabahah Programme.
2. Approval from BNM for the establishment of the Subordinated Sukuk Murabahah Programme of up to RM1.0 billion in nominal value for the issuance of Subordinated Sukuk.
3. Endorsement from the Shariah Adviser that the structure, mechanism and the Transaction Documents in respect of the Subordinated Sukuk Murabahah Programme are in compliance with Shariah.
4. The Subordinated Sukuk Murabahah Programme has received the relevant rating acceptable to the Lead Arranger.
5. Approval from shareholders of the Issuer for the

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Subordinated Sukuk Murabahah Programme (if applicable).

6. Evidence that arrangements have been made for payment of all transaction fees, costs and expenses.
7. The Lead Arranger has received from the solicitors, acceptable legal opinion addressed to it advising with respect to, amongst others, the legality, validity and enforceability of the Transaction Documents and a confirmation addressed to it that all the conditions precedent have been complied or waived as the case may be.
8. Such other conditions precedent as advised by the solicitors of the Lead Arranger and mutually agreed with the Issuer.

- (23) Representations and warranties** : Representations and warranties usual and customary for a programme of this nature, which shall include the following:
1. The Issuer is a company duly incorporated and validly existing under the laws of Malaysia;
  2. The Issuer has the power to enter into, exercise its rights and perform its obligations under the Transaction Documents;
  3. The Issuer's entry into, exercise of its rights under and performance of the Transaction Documents do not and will not violate any existing law or agreements to which it is a party;
  4. The Issuer has all licenses, franchises, permits, authorisations, approvals, orders and other concessions of and from all governmental and regulatory officials and bodies that are necessary to own or lease its properties and conduct its business, other than where the failure to obtain such licenses, franchises, permits, authorisations, approvals, orders and other concessions would not have a material adverse effect on the ability of the Issuer to comply with its obligations under the Transaction Documents;
  5. The Transaction Documents create valid and binding obligations which are enforceable on and against the Issuer;
  6. All necessary actions, authorisations and consents

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required under the Transaction Documents have been taken, fulfilled and obtained and remain in full force and effect;

7. Save as disclosed in the Information Memorandum, no litigation or arbitration is current or, to the Issuer's knowledge, is threatened, which if adversely determined would have a material adverse effect on the ability of the Issuer to comply with its obligations under the Transaction Documents;
8. The audited financial statements of the Issuer are prepared in accordance with generally accepted accounting principles and standards and they fairly represent its financial position;
9. The financial statements and other information supplied are true and accurate in all material aspects and not misleading except that, when the warranted information is a forecast, the warranty will be to the effect that the forecast has been made on the basis of assumptions which were reasonable at the time when they were made and after due enquiry;
10. No step has been taken by the Issuer, its creditors or any of its shareholders or any other person on its behalf nor have any legal proceedings or applications been started or threatened under Section 176 of the Companies Act 1965;
11. There has been no change in the business or condition (financial or otherwise) of the Issuer or its subsidiaries since the date of its last audited financial statements which might have a material adverse effect on the ability of the Issuer to comply with its obligations under the Transaction Documents; and
12. Such other representations and warranties as may be advised by the solicitor acting for the Lead Arranger.

**(24) Events of defaults or enforcement events, where applicable, including recourse available to investors**

: The events of default shall be:

- i. if the Issuer defaults in payment of any principal or profit under a tranche of Subordinated Sukuk on the due date and the Issuer does not remedy such default within a period of seven (7) business days after the Issuer became aware or having been notified by the Trustee of the default; or
- ii. an order is made for winding-up the Issuer and such order is not stayed or set aside within thirty (30) days

of such order being made or, where so stayed, such stay lapses, or an effective resolution is passed for winding-up 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 holders of Subordinated Sukuk by way of special resolution.

Upon the occurrence of an event of default under item (i) above, subject to the terms of the Trust Deed, the Trustee may or shall (if directed to do so by a special resolution of the holders of the Subordinated Sukuk) institute proceedings to enforce the payment obligations under that tranche of Subordinated Sukuk and may institute proceedings in Malaysia for the winding-up of the Issuer, provided that neither the Trustee nor any of the holders of that tranche of Subordinated Sukuk shall have the right to accelerate payment of that tranche of Subordinated Sukuk in the case of such default in the payment of amount owing under that tranche of Subordinated Sukuk or any default in the performance of any condition, provision or covenant under that tranche of Subordinated Sukuk or the Trust Deed.

Upon the occurrence of an event of default under item (ii) above, subject to the terms of the Trust Deed, the Trustee may or shall (if directed to do so by a special resolution of the holders of Subordinated Sukuk) declare (by giving written notice to the Issuer) that the Subordinated Sukuk together with all other sums payable under the Subordinated Sukuk shall immediately become due and payable at its nominal value together with the accrued but unpaid profit (if any) notwithstanding the stated maturity of the Subordinated Sukuk.

For the avoidance of doubt, the occurrence of event of default under item (i) above for any tranche of the Subordinated Sukuk will not trigger the event of default for other tranches of the Subordinated Sukuk outstanding. However, occurrence of event of default under item (ii) above will trigger event of default for all tranches of the Subordinated Sukuk outstanding.

- (25) **Governing laws** : The Subordinated Sukuk shall be governed by the laws of Malaysia.
- (26) **Provisions on buy-back, if applicable** : The Issuer or any of its subsidiaries or related corporations or agents(s) of the Issuer may at any time purchase, 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 Subordinated Sukuk at any price in the open market or by private treaty provided no Viability Event (as defined at item 1.03(33)(r) below) has occurred prior to the

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date of such purchase. If purchase is made by tender, such tender must (subject to any applicable rules and regulations) be made available to all holders of the Subordinated Sukuk equally.

Subject to prior approval by BNM (but which approval shall not be required for a purchase done in the ordinary course of business), the Subordinated Sukuk purchased by the Issuer or its subsidiaries or by agent(s) of the Issuer shall be cancelled and shall not be resold. The Subordinated 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 Subordinated Sukuk subject to any exceptions in the Trust Deeds Guidelines.

For the avoidance of doubt, the Subordinated Sukuk held by related corporations and the interested person of the Issuer shall not be counted for the purposes of voting subject to any exceptions in the Trust Deeds Guidelines.

For the purpose of this clause, the term “ordinary course of business” includes those activities performed by the Issuer or any related corporation of the Issuer for third parties (such as clients of the Issuer, the Issuer’s subsidiaries’ and the Issuer’s related corporations) and excludes those performed for the funds of the Issuer or such related corporation.

(27) Provisions on early redemption, applicable if : Early Redemption of Subordinated Sukuk

For each tranche of Subordinated Sukuk, if Call Option is applicable, the Issuer may, at its option, and subject to the Redemption Conditions (as defined below) being satisfied, redeem that tranche of Subordinated Sukuk (in whole, but not in part) on the Call Date at their principal amount together with accrued but unpaid profit (if any).

**“Redemption conditions”** of the Subordinated Sukuk means:

- (i) the Issuer must have received written approval from BNM prior to redemption of the Subordinated Sukuk;
- (ii) the Issuer is solvent at the time of redemption of the Subordinated Sukuk and immediately thereafter;
- (iii) the Issuer is not in breach of BNM's minimum capital adequacy requirements and capital buffer requirements applicable to the Issuer after redemption of the Subordinated Sukuk; and
- (iv) the Issuer shall replace the called or redeemed Subordinated Sukuk with capital of the same or better quality and at conditions which are sustainable for the income capacity of the Issuer and demonstrates that its capital position is well above the capital adequacy and capital buffer requirements after redemption of the Subordinated Sukuk.

Regulatory Redemption

The Issuer may, at its option, redeem the Subordinated Sukuk (in whole, but not in part), subject to the Redemption Conditions being satisfied if a Regulatory Event (as defined below) occurs, at the Redemption Amount (as defined at item 1.03(33)(v) below) (**“Regulatory Redemption”**).

**“Regulatory Event”** means any time there is more than an insubstantial risk, as determined by the Issuer, that:

- (i) the Subordinated Sukuk (in whole or in part) will, either immediately or with the passage of time or upon either the giving of notice or fulfillment of a condition, no longer qualify as Tier 2 capital of the Issuer for the purposes of BNM's capital adequacy requirements under any applicable regulations; or
- (ii) changes in law will make it unlawful to continue performing its obligations under the Subordinated Sukuk.

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#### Tax Redemption

If there is more than an insubstantial risk that:

- (i) the Issuer has or will become obliged to pay any additional taxes, duties, assessments or government charges of whatever nature in relation to the Subordinated Sukuk;
- (ii) the Issuer would no longer obtain tax deductions for the purposes of Malaysian corporation tax for any payment in respect of the Subordinated Sukuk,

as a result of a change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the issue date and the Issuer cannot, by taking reasonable measures available to it, avoid such obligations (“**Tax Event**”), then the Issuer may, at its option, redeem the Subordinated Sukuk (in whole, but not in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied (“**Tax Redemption**”).

- (28) **Voting** : Voting by the holders of the Subordinated Sukuk shall be carried out on a “per tranche” basis and not on a collective basis.
- (29) **Permitted Investments, if applicable** : No permitted investment.
- (30) **Ta’widh** : In the event of any delay in payments of the Deferred Sale Price under the Subordinated Sukuk, RHB Islamic shall pay Ta’widh (compensation) on such delayed payments at the rate and manner prescribed by the SAC of SC from time to time.
- (31) **Ibra’** : Ibra’ refers to:
  - (a) in respect of Subordinated Sukuk issued before the Effective Date (as defined below), withdrawing of rights to collect payment from a party who has the obligation to repay a borrowed amount. Ibra’ may be in the form of a rebate or relinquishing of rights to receive the amount obligated to be repaid; and
  - (b) in respect of Subordinated Sukuk issued after the Effective Date, an act of releasing absolutely or conditionally one’s rights and claims on any obligation against another party which would result in

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the latter being discharged of his/its obligations or liabilities towards the former. The release may be either partially or in full.

For the avoidance of doubt, Ibra' will be applicable in the following situations:

- (i) Ibra' may be granted at the absolute discretion of the holders of the Subordinated Sukuk of any tranche.

In subscribing or purchasing the Subordinated Sukuk, holders of the Subordinated Sukuk hereby consent to grant such Ibra' if the relevant tranche of Subordinated Sukuk is redeemed before maturity (i.e. upon the declaration of an event of default or early redemption upon the exercise of Call Option, Regulatory Redemption or Tax Redemption).

In respect of an event of default or early redemption upon the exercise of Call Option, Regulatory Redemption or Tax Redemption, the Ibra' shall be the aggregate periodic profit payments due to the holders of the relevant tranche of Subordinated Sukuk in respect of the period from (and including) the date of full payment by the Issuer of all accrued and unpaid Deferred Sale Price, up to (but excluding) the maturity date; or

- (ii) In respect of a write-off, the holders of Subordinated Sukuk irrevocably relinquish their rights (Ibra') to receive the unpaid Deferred Sale Price.

**"Effective Date"** means, the date of execution of the relevant supplemental Transaction Documents to reflect the upsizing of the limit of the Subordinated Sukuk Murabahah Programme, and such date is a date after obtaining BNM's approval for the said upsizing.

(32) Kafalah : Not applicable.

(33) Other terms and conditions

- (a) Other regulatory approvals required in the relation to the issue, offer or invitation to subscribe or purchase sukuk, and whether or not obtained
  - (i) Approval from BNM for the establishment of the Subordinated Sukuk Murabahah Programme of up to RM1.0 billion in nominal value for the issuance of Subordinated Sukuk was obtained on 20 December 2013.
  - (ii) Approval from BNM for the upsizing of the Subordinated Sukuk Murabahah Programme from up to RM1.0 billion to up to RM5.0 billion in nominal value for the issuance of Subordinated Sukuk was obtained



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on 22 May 2018.

- (b) **Details on Utilisation of Proceeds by the Issuer** : Proceeds raised by the Issuer from the Subordinated Sukuk issued under the Subordinated Sukuk Murabahah Programme shall be utilised, without limitation, for its working capital and general banking purposes, including but not limited to repayment of its financing facility(ies) and any Subordinated Sukuk provided always that any such utilisation shall be for Shariah-compliant purposes.
- (c) **Upsizing of the programme limit** : The Issuer shall have the option to upsize the aforesaid programme limit, subject to obtaining the relevant regulatory approvals (including those from the SC and BNM). For the avoidance of doubt, the holders of the Subordinated Sukuk hereby consent to any such upsizing of the programme limit.
- (d) **Tenure of issue / sukuk programme** : Tenure of the Subordinated Sukuk  
Each issuance of the Subordinated Sukuk shall have a tenure ranging from ten (10) years and not more than twenty (20) years and subject to Call Option.
- (e) **Profit / Coupon / Rental Rate (fixed or floating)** : The profit rate shall be a fixed rate which is to be determined prior to the issuance of the Subordinated Sukuk and the rate shall be applicable throughout the tenure of each issue of the Subordinated Sukuk.  
  
For the avoidance of doubt, there is no step-up profit rate after the Call Date of the Subordinated Sukuk, in the event the Call Option is not exercised by the Issuer.
- (f) **Profit / coupon / rental payment frequency** : Payable semi-annually in arrears from the issue date (“**Periodic Profit Payment Date**”) with the last profit payment to be made on the respective maturity date or upon redemption of the Subordinated Sukuk, whichever is the earlier.
- (g) **Profit / coupon / rental payment basis** : Actual number of days over 365 days basis or in any event in accordance with BNM<sup>5</sup> Procedures (as defined at item 1.03(33)(j) below).
- (h) **Issue Price** : The Subordinated Sukuk are to be issued at par in accordance with BNM<sup>6</sup> Rules and Procedures (as defined at
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<sup>5</sup> The revision is made to update the replacement of the MyClear Rules and Procedures with the BNM Rules and Procedures, following BNM having assumed the roles of PayNet in respect thereof.

<sup>6</sup> Ibid.

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item 1.03(33)(j) below).

- (i) **Yield to Maturity (%)** : To be determined prior to the issue date of the Subordinated Sukuk.

The Subordinated Sukuk will be priced on the basis of yield to the first Call Date.

- (j) **Form and Denomination** : The Subordinated Sukuk shall be issued in accordance with BNM<sup>7</sup> Rules and Procedures. The Subordinated Sukuk shall be represented by a global certificate to be deposited with BNM, and is exchanged for a definitive bearer form only in certain limited circumstances. The denomination of the Subordinated Sukuk shall be RM1,000 or in multiples of RM1,000 at the time of issuance.

The Subordinated Sukuk shall be issued in accordance with (1) the Participation Rules for Payments and Securities Services issued by BNM ("**BNM Rules**") and (2) the Operational Procedures for Securities Services and the Operational Procedures for Malaysian Ringgit (MYR) Settlement in the Real Time Electronic Transfer of Funds and Securities System (RENTAS) issued by BNM (collectively the "**BNM Procedures**"), or their replacement thereof (collectively the "**BNM Rules and Procedures**") applicable from time to time.

- (k) **Status** : The Subordinated Sukuk will constitute direct, unconditional and unsecured obligations of the Issuer, subordinated in right and priority in payment, to the extent and in the manner provided for in the Subordinated Sukuk, ranking pari passu among themselves.

In the event of winding-up and liquidation of the Issuer, the Subordinated Sukuk will be subordinated in right of payment to all deposit liabilities and other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment with or are subordinated to the Subordinated Sukuk.

- (l) **Trustee's Reimbursement Account** : The Trustee shall open and maintain, throughout the tenure of the Subordinated Sukuk Murabahah Programme, an Islamic deposit account to be named the "Trustee's Reimbursement Account for Sukukholders' Actions" (the "**Account**") with a bank which is acceptable to the Issuer with a sum of Ringgit Malaysia Thirty Thousand (RM30,000.00),

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<sup>7</sup> Ibid.

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which amount is to be obtained from the proceeds of issuance of the Subordinated Sukuk.

The Account shall be operated solely by the Trustee and the money shall be used strictly by the Trustee in carrying out its duties in relation to the declaration of an Event of Default in the manner as provided in the Trust Deed.

The moneys in the Account may be invested in bank deposit or instrument or securities in the manner as provided in the Trust Deed, with profit from the investment to be accrued to the Issuer. The moneys in the Account shall be returned to the Issuer upon full redemption of the Subordinated Sukuk in the event there is no declaration of Event of Default.

- (m) **Taxation** : All payments by the Issuer shall be made without withholding or deductions for or on account of any present and future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia unless such withholding or deduction is required by law, in which event the Issuer shall not be required to gross up in connection with such withholding or deduction on these payments or distributions.
- (n) **No Further Rights to Participate in Profits and Assets** : The holders of the Subordinated Sukuk shall not be conferred any right or claim as regards to participation in the profits and assets of the Issuer.
- (o) **Voting Rights** : Holders of the Subordinated Sukuk will not be entitled to receive notice of or attend or vote at any meeting of the ordinary shareholders of the Issuer or participate in the management of the Issuer. No company-shareholder relationship is intended or has been contemplated between the Issuer and the holders of the Subordinated Sukuk and as such the relationship between the Issuer and the holders of the Subordinated Sukuk shall not be governed by the Memorandum and Articles of Association of the Issuer.
- (p) **Transaction Documents** : The Transaction Documents shall include the following:
- (i) Trust Deed;
  - (ii) Commodity Murabahah Master Agreement;
  - (iii) Service Agency Agreement;
  - (iv) Subordinated Sukuk Murabahah Programme Agreement;
  - (v) Subscription Agreement (if applicable);
  - (vi) Securities Lodgement Form;
  - (vii) Transaction documents relating to the Commodity Murabahah trade transaction for the respective tranche of Subordinated Sukuk;
  - (viii) Relevant supplemental agreements to reflect the

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- upsizing; and
      - (ix) Any other agreements as may be advised by the solicitors.
- (q) **Contingent Write-off** : Upon the occurrence of a Trigger Event (as defined at item 1.03(33)(r) below), the Issuer is required to give notice thereof to the holders of the Subordinated Sukuk and the rating agency in accordance with the terms of the Subordinated Sukuk, then as of the relevant write-off date, the holders of the Subordinated Sukuk hereby irrevocably relinquish their right (Ibra') to receive the unpaid Deferred Sale Price and;
  - (i) the write-off shall reduce:
    - (a) the claim of the Subordinated Sukuk in liquidation;
    - (b) the amount re-paid when a Call Option is exercised; and
    - (c) profit payments on the Subordinated Sukuk;
  - (ii) the write-off shall be permanent and the full principal amount of the Subordinated Sukuk will automatically be written down to zero and the Subordinated Sukuk will be cancelled; and
  - (iii) the write-off of the Subordinated Sukuk shall not constitute an event of default or trigger cross-default clauses.
- (r) **Trigger Event** : A **"Trigger Event"** shall be the earlier of the following:
  - (i) the Relevant Malaysian Authority (the **"Relevant Malaysian Authority"** means BNM, jointly with the Malaysia Deposit Insurance Corporation (**"PIDM"**)) notifies the Issuer in writing that the Relevant Malaysian Authority is of the opinion that a write-off is necessary, without which the Issuer would cease to be viable; or
  - (ii) the Relevant Malaysian Authority publicly announces that a decision has been made by BNM, the PIDM, or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer would cease to be viable.

In assessing whether the Issuer would cease to be viable, the Relevant Malaysian Authority may consider, amongst others, whether any of the following circumstances exist

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(“**Viability Event**”) in respect of the Issuer:

- (1) the Issuer fails to follow any directive of compliance issued by BNM, which is necessary to preserve or restore its financial soundness;
- (2) the Issuer fails to meet all or any of its financial obligations as they fall due, that may significantly impair its capital position;
- (3) the capital of the Issuer has reached a level or is eroding in a manner that may detrimentally affect its depositors, creditors or the public, and the Issuer is unable to recapitalise on its own;
- (4) the Issuer’s assets are insufficient to provide protection to its depositors and creditors;
- (5) the Issuer has lost the confidence of depositors and the public; or
- (6) any other state of affairs exists in respect of the Issuer that would put the interest of the depositors or creditors of the Issuer at risk.

For the avoidance of doubt, BNM shall have the full discretion to elect not to require a write-off when the Issuer has ceased, or is about to cease, to be viable or when a capital injection or equivalent support has been provided. Even if the option is not exercised, holders of the Subordinated Sukuk may still be exposed to losses from the resolution of the Issuer.

Notwithstanding the powers of BNM, the Subordinated Sukuk will under no circumstances be converted into equity of the Issuer and will only absorb losses pursuant to the terms specified herein.

Where the Subordinated Sukuk are included as capital at the consolidated level of RHB Bank Berhad, the Subordinated Sukuk may, at the option of the Relevant Malaysian Authority, be written-off upon the occurrence of a Trigger Event in relation to RHB Bank Berhad.

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| <b>(s) Listing status and types of listing, where applicable</b> | <b>:</b> | The Subordinated Sukuk will not be listed on Bursa Malaysia Securities Berhad or any other stock exchange.  |
| <b>(t) Identified assets</b>                                     | <b>:</b> | Shariah-compliant commodities (excluding ribawi items in the category of medium of exchange such as currency, gold and silver) which will be identified, from time to time, at or |

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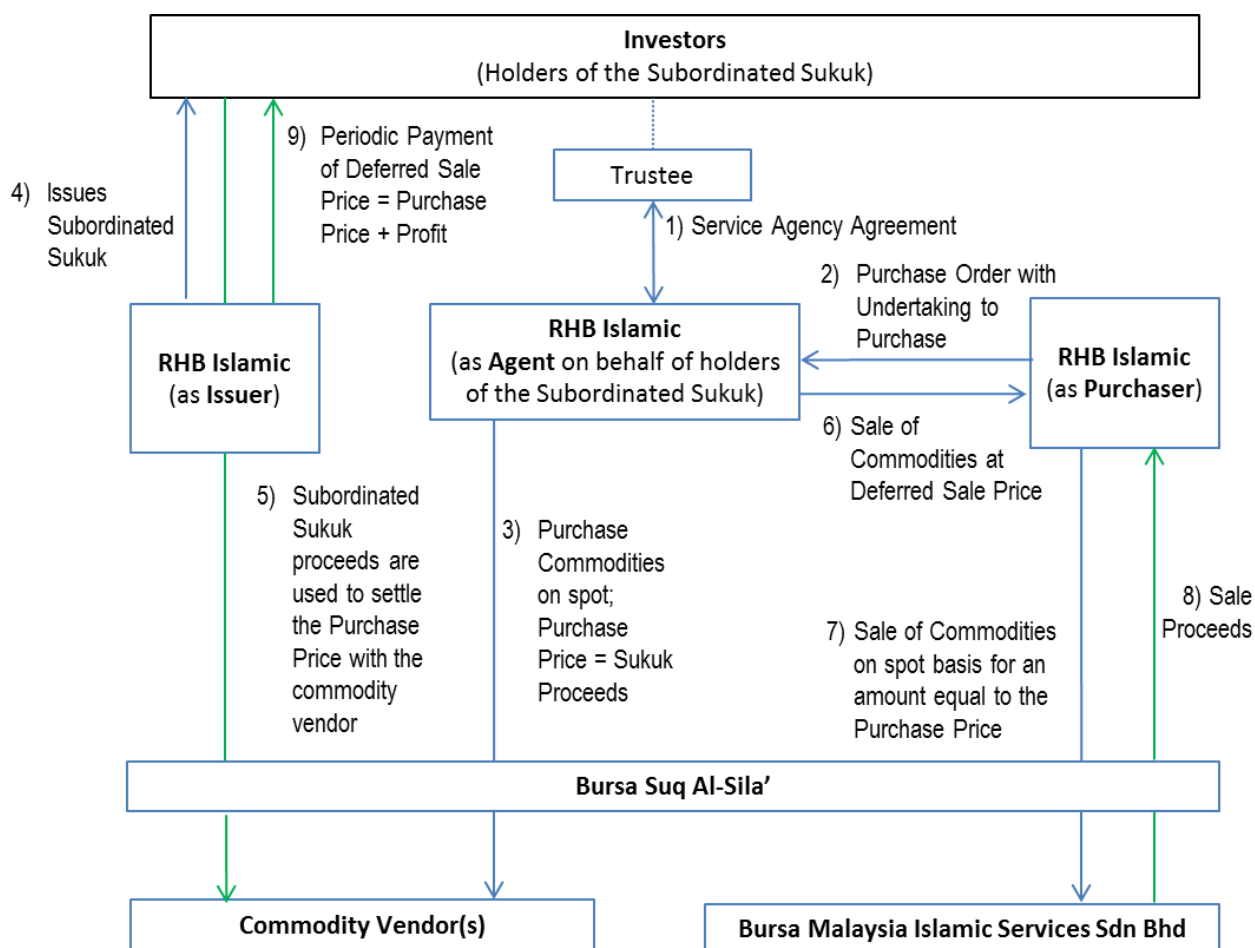
around the time of issuance of the Subordinated Sukuk.

- (u) **Purchase and selling price/rental (where applicable)** : The purchase price will be the amount to be disbursed to purchase the Commodities (the “**Purchase Price**”) and shall comply with the asset pricing requirements under the LOLA Guidelines.
- (v) **Redemption at maturity** : The Deferred Sale Price will represent the Purchase Price and the profit margin which is equivalent to the yield to maturity at the time of issuance of the relevant Subordinated Sukuk.  
Unless previously redeemed on a Call Date (if applicable) or redeemed pursuant to a Regulatory Event or a Tax Event or purchased from the market and cancelled, the Subordinated Sukuk will be redeemed at the Redemption Amount (as defined below) on the maturity date.
- “**Redemption Amount**” means an amount equal to 100% of the face value together with accrued but unpaid profit (if any) relating to the then current profit period (if any) up to (and excluding) the date on which the Subordinated Sukuk are redeemed.
- (w) **Other Conditions** : The Subordinated Sukuk shall at all times be governed by the guidelines issued and to be issued from time to time by the SC and BNM over matters pertaining to the Subordinated Sukuk.

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APPENDIX I

THE SUBORDINATED SUKUK MURABAHAH PROGRAMME TRANSACTION DIAGRAM



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(1)	The Trustee, acting on behalf of the holders of the Subordinated Sukuk, and RHB Islamic shall enter into a Service Agency Agreement, pursuant to which RHB Islamic (in such capacity as the “ <b>Agent</b> ”) is appointed as the agent/wakeel of the holders of the Subordinated Sukuk, for the purchase and sale of Shariah-compliant commodities (“ <b>Commodities</b> ”). (Note: The Agent shall be a Commodity Trading Participant (“ <b>CTP</b> ”) on Bursa Suq Al-Sila’ (“ <b>BSAS</b> ”).)
(2)	<p>Pursuant to the Commodity Murabahah Master Agreement to be entered into between RHB Islamic acting as purchaser (“<b>Purchaser</b>”), the Agent and the Trustee (on behalf of the holders of the Subordinated Sukuk) prior to the date on which the relevant tranche of Subordinated Sukuk is issued, the Purchaser shall issue a purchase order (“<b>Purchase Order</b>”) in relation to the said tranche to the Agent.</p> <p>In the Purchase Order, the Purchaser will request the Agent to purchase the Commodities on behalf of the holders of the Subordinated Sukuk and will irrevocably undertake to purchase the Commodities from the holders of the Subordinated Sukuk via the Agent at a deferred sale price (“<b>Deferred Sale Price</b>”) which shall be the Purchase Price (as defined below) plus the profit margin.</p>
(3)	Upon receipt of the Purchase Order, the Agent will purchase on spot basis the Commodities on behalf of the holders of the Subordinated Sukuk from commodity vendor(s) in BSAS commodity market at a certain purchase price (“ <b>Purchase Price</b> ”), which shall be equivalent to the Subordinated Sukuk proceeds and 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 Securities Commission Malaysia (“ <b>SC</b> ”) on 9 March 2015 and effective on 15 June 2015 which was revised on 8 November 2017 (as amended and/or substituted from time to time) (“ <b>LOLA Guidelines</b> ”).
(4)	<p>RHB Islamic (acting as the Issuer) shall then issue Subordinated Sukuk to the investors of that tranche of Subordinated Sukuk, the proceeds of which are equal, and used to fund the Purchase Price of the Commodities.</p> <p>The Subordinated Sukuk shall evidence, amongst others, the ownership of the Commodities by the holders of the Subordinated Sukuk and subsequently once the Commodities are sold to the Purchaser, the entitlement to receive the Deferred Sale Price.</p>
(5)	Proceeds from the Subordinated Sukuk issuance shall be used to settle the Purchase Price with the commodity vendor.
(6)	Thereafter, pursuant to the undertaking under the Purchase Order, the Agent acting on behalf of the holders of the Subordinated Sukuk shall sell the Commodities to the Purchaser at the Deferred Sale Price under the Sale and Purchase Agreement.
(7)	Upon completion of such purchase by the Purchaser, the Purchaser shall sell the Commodities to Bursa Malaysia Islamic Services Sdn Bhd (“ <b>BMIS</b> ”) on spot basis for an amount equal to the Purchase Price.
(8)	Proceeds realised from such sale shall be utilised by the Issuer for purposes that are Shariah-compliant.



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(9)	<p>During the tenor of the Subordinated Sukuk, RHB Islamic shall make periodic payments to the holders of the Subordinated Sukuk as part of its obligation to pay the Deferred Sale Price. Each such payment shall pro tanto reduce the obligation of RHB Islamic on the Deferred Sale Price payable for the Commodities. On the date of maturity of the Subordinated Sukuk, all amounts then outstanding on the Deferred Sale Price shall be paid by RHB Islamic to the holders of the Subordinated Sukuk, for the redemption of the Subordinated Sukuk whereupon the Subordinated Sukuk will be cancelled.</p> <p>Upon the declaration of an event of default or early redemption upon the exercise of Call Option, Regulatory Redemption or Tax Redemption (all as defined under section 1.03 – Details of Facility / Programme above), RHB Islamic shall pay amounts outstanding in respect of the Deferred Sale Price of the relevant Subordinated Sukuk upon which the relevant Subordinated Sukuk will be cancelled.</p>
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