

Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

1. BACKGROUND INFORMATION

- (i) Name: Amlslamic Bank Berhad (“**Amlslamic**” or the “**Issuer**”).
- (ii) Address: 22nd Floor, Bangunan AmBank Group, No. 55 Jalan Raja Chulan, 50200 Kuala Lumpur.
- (iii) Business registration number: 295576-U.
- (iv) Date and place of incorporation: 14 April 1994 / Malaysia
- (v) Date of listing: Not applicable
- (vi) Status on residence, i.e. whether it is a resident controlled company or non-resident-controlled company: Resident-controlled company.

Note: Although foreign shareholders may hold more than 50% equity in AMMB Holdings Berhad (“**AMMB**”), Amlslamic is deemed a resident-controlled company by virtue of the composition of its board of directors and management. This shareholding structure is a reflection of AMMB’s shareholding in the Issuer, with AMMB being a listed company.
- (vii) Principal activities: Amlslamic provides a range of retail, commercial banking, corporate banking and treasury products and services that are Shariah-compliant in nature.
- (viii) Board of directors: As at 30 September 2013, the Board of Directors of the Issuer are as follows:
1. Tan Sri Azman Hashim
Chairman, Non-Independent Non-Executive Director
 2. Tun Mohammed Hanif bin Omar
Non-Independent Non-Executive Director
 3. Tan Sri Datuk Clifford Francis Herbert
Independent Non-Executive Director
 4. Dato’ Gan Nyap Liou @ Gan Nyap Liow
Independent Non-Executive Director
 5. Loh Chen Peng
Independent Non-Executive Director
 6. Chin Yuen Yin
Independent Non-Executive Director
 7. Christopher Robin Page
Non-Independent Non-Executive Director
 8. Cheah Tek Kuang
Non-Independent Non-Executive Director

Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

9. Ashok Ramamurthy
Non-Independent Non-Executive Director

(ix) Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders: As at 30 September 2013, the shareholders of the Issuer are as follows:

Ordinary Share holders	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
AMMB	462,922,000	100.0	-	-
Tan Sri Azman Hashim	-	-	462,922,000*	100.0
Amcorp Group Berhad	-	-	462,922,000*	100.0
Clear Goal Sdn Bhd	-	-	462,922,000*	100.0
ANZ Funds Pty Ltd	-	-	462,922,000*	100.0
Australia and New Zealand Banking Group Limited	-	-	462,922,000*	100.0

**Note: Deemed interested by virtue of his/its substantial interests in AMMB*

(x) Authorised, issued and paid-up capital: As at 30 September 2013, the authorised, issued and paid-up capital of the Issuer are as follows:

Authorised capital

RM2,000,000,000.00 divided into 2,000,000,000 ordinary shares of RM1.00 each; and

Issued and paid-up capital:

RM462,922,000.00 comprising 462,922,000 ordinary shares of RM1.00 each

(xi) Disclosure of the following:

- If the issuer or its board members have been convicted or charged with any offence under the securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, for the past five years prior to the date of application; and None.

- If the issuer has been subjected to any action by the stock exchange for any breach of the listing requirements or rules issued by the stock exchange, for the past five years prior to the date of application. Not applicable as the Issuer is not a listed company

[the remainder of this page has been intentionally left blank]

2. PRINCIPAL TERMS AND CONDITIONS

(a) Names of parties involved in the proposal, where applicable:

- (i) Principal adviser : AmlInvestment Bank Berhad (“**AmlInvestment Bank**”)
- (ii) Lead arranger : AmlInvestment Bank
- (iii) Co-arranger : Not applicable
- (iv) Solicitor : Messrs. Adnan Sundra & Low
- (v) Financial adviser : Not applicable
- (vi) Technical adviser : Not applicable
- (vii) Sukuk trustee : Malaysian Trustees Berhad
- (viii) Shariah adviser : AmlInvestment Bank (backed by Amlslamic Bank Shariah Committee) and Amanie Advisors Sdn Bhd (collectively the “**Joint Shariah Advisers**”)
- (ix) Guarantor : Not applicable
- (x) Valuer : Not applicable
- (xi) Facility Agent : AmlInvestment Bank
- (xii) Primary Subscriber (under a bought-deal arrangement) and amount subscribed : To be determined prior to the issuance in respect of issuance via bought deal basis only.
Not applicable for issuance via private placement and book building.
- (xiii) Underwriter and amount underwritten : Not applicable
- (xiv) Central depository : Bank Negara Malaysia (“**BNM**”)
- (xv) Paying agent : BNM
- (xvi) Reporting accountant : Not applicable
- (xvii) Calculation agent : Not applicable
- (xviii) Others (please specify) :
 - Lead manager(s) : AmlInvestment Bank and/or such other financial institution(s) to be appointed at point of issuance, at the option of the Issuer.
 - Rating Agency : RAM Rating Services Berhad (“**RAM Ratings**”)

Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

- (b) Islamic principles used : Murabahah (via a Tawarruq arrangement).
- (c) Facility description : A subordinated sukuk (“**Subordinated Sukuk Murabahah**”) issuance programme based on the Shariah principles of Murabahah (“**Subordinated Sukuk Murabahah Programme**”).

The Subordinated Sukuk Murabahah will qualify as Tier 2 capital of Amlslamic in compliance with BNM’s Capital Adequacy Framework for Islamic Banks (Capital Components) (“**Framework**”).

The 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 Subordinated Sukuk Murabahah from time to time under the Subordinated Sukuk Murabahah Programme shall be effected as follows:

1. The Sukuk Trustee (on behalf of the holders of the Subordinated Sukuk Murabahah (“**Sukukholders**”)) and Amlslamic shall enter into a Service Agency Agreement, pursuant to which Amlslamic (in such capacity, the “**Purchase Agent**”) is appointed as the agent of the Sukukholders for the purchase and sale of Shariah-compliant commodities (“**Commodities**”). The Purchase Agent will then enter into a Facility Agency Agreement to appoint the Facility Agent as the sub-purchase agent (in such capacity, the “**Sub-Purchase Agent**”) for the purchase and sale of Commodities under the Subordinated Sukuk Murabahah Programme.
2. Pursuant to a Commodities Murabahah Master Agreement, Amlslamic (in such capacity, the “**Purchaser**”) issues a purchase order (the “**Purchase Order**”) to the Purchase Agent, and subsequently thereafter, the Purchase Agent issues the Purchase Order to the Sub-Purchase Agent. In the Purchase Order, Amlslamic (acting as purchaser for itself) will request the Purchase Agent, and subsequently, the Purchase Agent will request the Sub-Purchase Agent to purchase the Commodities. The Purchaser will irrevocably undertake to purchase the Commodities from the Sukukholders via the Sub-Purchase Agent at a deferred sale price (“**Deferred Sale Price**”) which shall be the Purchase Price (as defined below) plus the profit margin.

3. Based on the Purchase Order, the Sub-Purchase Agent (pursuant to the Commodity Trading Participant (“**CTP**”) Purchase Agreement entered into between the Sub-Purchase Agent and the **CTP**) will purchase on a spot basis the Commodities from commodity vendor(s) in the Bursa Suq Al-Sila’ commodity market (through a CTP) at a purchase price (“**Purchase Price**”) which shall be an amount equivalent to the Subordinated Sukuk Murabahah proceeds.
4. Amlslamic (acting as the Issuer) shall issue Subordinated Sukuk Murabahah whereby the proceeds shall be used to pay for the Purchase Price of the Commodities. The Subordinated Sukuk Murabahah shall evidence, amongst others, the Sukukholders’ ownership of the Commodities and subsequently, once the Commodities are sold to Amlslamic (as the Purchaser for itself), the entitlement to receive the Deferred Sale Price.
5. Thereafter, pursuant to the undertaking under the Purchase Order, the Sub-Purchase Agent (acting on behalf of the Purchase Agent) shall sell the Commodities to Amlslamic (acting as Purchaser for itself) at the Deferred Sale Price under the Sale and Purchase Agreement.
6. Subsequently thereafter, Amlslamic (pursuant to the CTP Sale Agreement entered into between Amlslamic (acting as Purchaser for itself) and the CTP) shall sell the Commodities to Bursa Malaysia Islamic Services Sdn. Bhd. (through the CTP) on a spot basis for an amount equal to the Purchase Price. The CTP Sale Agreement will provide for the CTP to directly sell the Commodities into Bursa Malaysia Islamic Services Sdn. Bhd. upon notice by the Sub-Purchase Agent that the Sale and Purchase Agreement has been completed and executed.
7. During the tenor of the Subordinated Sukuk Murabahah, Amlslamic (as part of its obligation to pay the Deferred Sale Price) shall make Periodic Profit Payments (as defined below) to the Sukukholders. Upon maturity, Amlslamic shall pay all amounts outstanding in respect of the Deferred Sale Price of the relevant Subordinated Sukuk Murabahah upon which the relevant Subordinated Sukuk Murabahah will be cancelled. Upon the declaration of an event of default or early redemption upon the exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption, subject to clauses 2(v)

Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

and 2(x) below, Amlslamic shall pay amounts outstanding in respect of the Deferred Sale Price of the relevant Subordinated Sukuk Murabahah upon which the relevant Subordinated Sukuk Murabahah will be cancelled.

Please refer to Appendix I for the illustrative diagram of the Subordinated Sukuk Murabahah transaction.

(d) Identified assets : 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'.

(e) Purchase price/rental applicable and selling (where applicable) : Purchase Price
The Purchase Price in relation to each purchase of the Commodities shall be equal to the proceeds of the Subordinated Sukuk Murabahah. The Purchase Price shall comply with the Securities Commission's Shariah Advisory Council ("SAC") asset pricing requirements ("Asset Pricing Requirements") as provided in the Securities Commission's ("SC") Guidelines on Sukuk effective 28 December 2012 (as may be amended from time to time) ("Guidelines on Sukuk").

Deferred Sale Price
The Deferred Sale Price shall comprise the Purchase Price plus the aggregate Periodic Profit Payments on a deferred payment basis and will be determined prior to the sale of the Commodities to the Issuer to be evidenced by the issue of the Subordinated Sukuk Murabahah.

(f) Issue/sukuk programme size : The aggregate outstanding nominal value of the Subordinated Sukuk Murabahah under the Subordinated Sukuk Murabahah Programme shall not at any point in time exceed RM3.0 billion.

(g) Tenure of issue/sukuk programme : Tenure of the Subordinated Sukuk Murabahah Programme:
The tenure of the Subordinated Sukuk Murabahah Programme shall be thirty (30) years from the date of first issue under the Subordinated Sukuk Murabahah Programme.

Tenure of the Subordinated Sukuk Murabahah:
Subject to the Call Option, each issuance of Subordinated Sukuk Murabahah shall have a tenure of at least five (5) years from the issue date provided that the Subordinated Sukuk Murabahah mature on or prior to the expiry of the Subordinated Sukuk Murabahah Programme.

Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

Call Option

The relevant tranche of the Subordinated Sukuk Murabahah are callable on any Periodic Profit Payment Date after a minimum period of five (5) years from the date of issue of that tranche (hereinafter referred to as the “**Call Date**”), at the option of the Issuer.

- (h) Availability period of sukuk programme : The period from compliance (or waiver, as the case may be) of all conditions precedent for the establishment of the Subordinated Sukuk Murabahah Programme to the satisfaction of the Lead Arranger up to twenty five (25) years from the date of first issuance under the Subordinated Sukuk Murabahah Programme.

The first issuance shall be made within two (2) years from the date of the Securities Commission (“**SC**”)’s approval.

- (i) Profit/coupon/rental rate : To be determined prior to the issuance of the Subordinated Sukuk Murabahah and the rate shall be applicable throughout the tenure of each issue of the Subordinated Sukuk Murabahah.

For avoidance of doubt, there is no step-up profit rate after the Call Date of the Subordinated Sukuk Murabahah, in the event the Call Option is not exercised by the Issuer.

- (j) 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 dates or upon the early redemption of the Subordinated Sukuk Murabahah.

- (k) Profit/coupon/rental payment : Actual number of days over 365 days basis or over 366 days in the case of a leap year, or in any event in accordance with MyClear Procedures (as defined below).

- (l) Security/Collateral, where applicable : Unsecured.

- (m) Details on utilisation of proceeds by issuer/obligor. If proceeds are to be utilised for project or capital expenditure, description of the project or capital expenditure, where applicable : The proceeds of the Subordinated Sukuk Murabahah shall be made available to the Issuer, without limitation, for its working capital, general banking purposes and refinancing its outstanding capital instruments, all of which shall be Shariah compliant.

- (n) Sinking fund and designated accounts, where applicable : Not applicable.

- (o) Rating
- Credit rating assigned and whether the rating is final or indicative. : Subordinated Sukuk Murabahah AA₃ (preliminary).

Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

- Name of credit rating agencies : RAM Ratings.
- (p) Mode of issue : The Subordinated Sukuk Murabahah may be issued via direct/private placement or bought deal basis or book building on a best efforts basis without prospectus.

The Subordinated Sukuk Murabahah shall be issued in accordance with (1) the Participation and Operation Rules for Payments and Securities Services issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**") ("**MyClear Rules**") and (2) the Operational Procedures for Securities Services and the Operational Procedures for Real Time Electronic Transfer of Funds and Securities (RENTAS) (collectively the "**MyClear Procedures**"), or their replacement thereof (collectively the "**MyClear Rules and Procedures**") applicable from time to time.

- (q) Selling restriction, including tradability (i.e. whether tradable or non-tradable) : Selling Restrictions at Issuance
The Subordinated Sukuk Murabahah 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 Murabahah and to whom the Subordinated Sukuk Murabahah are issued would fall within:

1. Schedule 6 (or Section 229(1)(b)) or 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, ("**CMSA**") as amended from time to time.

Selling Restrictions after Issuance

The Subordinated Sukuk Murabahah 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 Murabahah and to whom the Subordinated Sukuk Murabahah are issued would fall within:

1. Schedule 6 (or Section 229(1)(b)); read together with
2. Schedule 9 (or Section 257(3))

of the CMSA as amended from time to time.

The Subordinated Sukuk Murabahah are tradable and transferable.

Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

- (r) Listing status and types of listing, where applicable : The Subordinated Sukuk Murabahah may be listed on Bursa Malaysia Securities Berhad under the Exempt Regime. The SC will be notified accordingly in the event of such listing.
- (s) Other regulatory approvals required in relation to the issue, offer or invitation to subscribe or purchase sukuk, and whether or not obtained; : Approval from BNM for the establishment of the Subordinated Sukuk Murabahah Programme of up to RM3.0 billion in nominal value for the issuance of Subordinated Sukuk Murabahah was obtained on 21 October 2013.
- (t) Conditions precedent : Conditions precedent for issuance of the Subordinated Sukuk Murabahah, shall include but is not limited to 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.

B. The 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 a board resolution of the Issuer 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 conducted on 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) The approval and authorisation from the SC 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 RM3.0 billion in nominal value for the issuance of Subordinated Sukuk Murabahah.
- 3) The Issuer shall have received evidence of the confirmation from the Joint Shariah Advisers that the structure and mechanism together with the transaction documents of the Subordinated Sukuk Murabahah Programme are in compliance with Shariah principles.
- 4) The Issuer shall have obtained a minimum long-term rating of AA₃ for Subordinated Sukuk Murabahah from RAM Ratings for the first issuance.
- 5) Evidence that arrangements have been made for payment of all transaction fees, costs and expenses.
- 6) 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.
- 7) Such other conditions precedent as advised by the solicitors of the Lead Arranger and mutually agreed with the Issuer.

(u) Representations and warranties

and : Representations and warranties typical and customary for a programme of this nature, which shall include but not limited to the following:

- (i) The Issuer is a company duly incorporated and validly existing under the laws of Malaysia;
- (ii) The Issuer has the power to enter into, exercise its rights under and perform its obligations under the Transaction Documents;
- (iii) The Issuer's entry into, exercise of its rights under and performance of the Transaction Documents do not and will not violate any existing laws or agreements to which it is a party;
- (iv) The Issuer has all licences, 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 licences, permits, authorisations, approvals, orders and other concessions would not

have a Material Adverse Effect (as defined below);

- (v) The Transaction Documents create valid and binding obligations which are enforceable on and against the Issuer;
- (vi) All necessary actions, authorisations and consents required under the Transaction Documents have been taken, fulfilled and obtained and remain in full force and effect;
- (vii) 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;
- (viii) 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;
- (ix) 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;
- (x) 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;
- (xi) 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; and
- (xii) Such other representations and warranties as may be advised by the solicitor acting for the Lead Arranger.

For the purposes of this PTC, "**Material Adverse Effect**" means, any material adverse effect on the business or condition (financial or otherwise) in relation to the Issuer or its results or operations or the ability of the Issuer to perform or comply with any of its obligations under any of the Transaction Documents (to which it is a party).

- (v) Events of default, dissolution : The Events of Default shall encompass the following:-
event and enforcement event,
where applicable
- (i) if the Issuer defaults in payment of any principal or profit under that tranche 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 Sukuk Trustee of the default; or
 - (ii) an order is made for the winding-up of 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 the 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 a special resolution.

Upon the occurrence of item (i) 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 Sukukholders) institute proceedings to enforce the payment obligations under that tranche of Subordinated Sukuk Murabahah and may institute proceedings in Malaysia for the winding-up of the Issuer, provided that neither the Sukuk Trustee nor any of the Sukukholders of that tranche of Subordinated Sukuk Murabahah shall have the right to accelerate payment of that tranche of Subordinated Sukuk Murabahah in the case of such default in the payment of amount owing under that tranche of Subordinated Sukuk Murabahah or any default in the performance of any condition, provision or covenant under that tranche of Subordinated Sukuk Murabahah or the Trust Deed.

Upon the 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 Sukukholders) declare (by giving written notice to the Issuer) that the Subordinated Sukuk Murabahah together with all other sums payable under the Subordinated Sukuk Murabahah 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 Murabahah.

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

tranches of the Subordinated Sukuk Murabahah outstanding.

(w) Covenants

(i) Positive Covenants

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

1. The Issuer shall deliver to the Sukuk Trustee a copy of its annual audited financial statements within 180 days after the end of each of its financial year, its semi-annual unaudited financial statements within 90 days after the end of each half 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 Murabahah;
2. The Issuer shall not later than 180 days after the end of each of its 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 Subordinated Sukuk Murabahah 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 Subordinated Sukuk Murabahah, any event of default and if such is not the case, the certificate should specify the same;
3. The Issuer shall promptly provide to the Sukuk Trustee any information relating to its affairs to the extent permitted by law, as the Sukuk Trustee may from time to time reasonably require in order to discharge its duties and obligations as Sukuk Trustee under the Trust Deed and the other Transaction Documents;
4. The Issuer shall immediately notify the Sukuk Trustee in the event that the Issuer becomes aware of the following:
 - a) the occurrence of any event of default; or the occurrence of any event that has caused or could cause one or more of the following: (a) any amount payable under the Subordinated Sukuk Murabahah becomes immediately payable; (b) the Subordinated Sukuk Murabahah become immediately enforceable; or (c) any other rights or

remedies under the terms and conditions of the Subordinated Sukuk Murabahah or the Trust Deed to become immediately enforceable;

- b) 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 Subordinated Sukuk Murabahah;
 - 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 Murabahah 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;
 - e) any change in the Issuer's withholding tax position or taxing jurisdiction; and
 - f) any other matters that may materially prejudice the interests of the Sukukholders;
5. The Issuer shall keep proper books and accounts at all times and to provide the Sukuk Trustee and any person appointed by it access to such books and accounts to the extent permitted by law;
6. 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;
7. The Issuer shall at all times maintain a paying agent with a specified office in Malaysia; and
8. The Issuer will procure that the paying agent shall notify the Sukuk 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 Murabahah.

There will be no restrictive covenants applicable to the Subordinated Sukuk Murabahah.

Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

(x Provisions on buy-back and early redemption of sukuk:

- (i) Buy-back of the Subordinated Sukuk Murabahah
- The Issuer or any of its subsidiaries or related corporations 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 Murabahah at any price in the open market or by private treaty provided no Non-Viability Event (as defined below) 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 all Sukukholders 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 Murabahah purchased by the Issuer or its subsidiaries or by agents of the Issuer shall be cancelled and shall not be resold. The Subordinated Sukuk Murabahah purchased by other related corporations (other than the Issuer's 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 Murabahah subject to any exceptions in the Trust Deeds Guidelines.

For the avoidance of doubt, the Subordinated Sukuk Murabahah held by related corporations and any 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, any of the Issuer's subsidiaries or any other related corporations 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.

For the avoidance of doubt, subject always to the requirements of the Trust Deeds Guidelines where the purchase of the Subordinated Sukuk Murabahah by the Issuer or its subsidiaries or by agents of the Issuer shall be cancelled and shall not be resold, neither the Issuer nor an affiliated party over which it exercises control or significant influence can purchase the Subordinated Sukuk Murabahah, nor can the Issuer directly or indirectly have financed its purchase, failing which the regulatory adjustments as set out in the Framework shall apply.

- (ii) Call Option of the Subordinated Sukuk Murabahah : For each tranche of the Subordinated Sukuk Murabahah, 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 Murabahah (in whole or in part) prior to the maturity on the Call Date of that tranche at their principal amount together with accrued but unpaid profit (if any).

In the case of a partial redemption of Subordinated Sukuk Murabahah of a tranche, the selection of the Subordinated Sukuk Murabahah to be redeemed will be made by the Sukuk Trustee on a pro rata basis, by lot or by such other method as the Sukuk Trustee (with the agreement of the Issuer) will deem to be fair and appropriate, although no Subordinated Sukuk Murabahah of RM10,000,000 in original nominal value or less will be redeemed in part.

- (iii) Redemption at maturity : 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 Murabahah will be redeemed at the Redemption Amount (as defined below) on the maturity date.

- (iv) Redemption Conditions of the Subordinated Sukuk Murabahah : Redemption Conditions of the Subordinated Sukuk Murabahah mean:

1. the Issuer must have received a written approval from BNM prior to redemption of the tranche of any of the Subordinated Sukuk Murabahah;
2. the Issuer is solvent at the time of redemption of such tranche of the Subordinated Sukuk Murabahah and immediately thereafter;
3. the Issuer is not in breach of BNM's minimum capital adequacy requirements and capital buffer requirements applicable to the Issuer after redemption of such tranche of the Subordinated Sukuk Murabahah; and
4. in respect of a Call Option only, the Issuer shall:
 - (i) replace the called or redeemed tranche of the Subordinated Sukuk Murabahah with capital of the same or better quality and the replacement of this capital shall be done at conditions which are sustainable for the income capacity of the Issuer, or
 - (ii) demonstrate to BNM that its capital position is well above the capital adequacy and capital buffer requirements after redemption of such tranche of the Subordinated Sukuk Murabahah.

- (v) Regulatory redemption of the Subordinated Sukuk Murabahah : The Issuer may, at its option, redeem the Subordinated Sukuk Murabahah (in whole or in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied if a Regulatory Event (as defined below) occurs.

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

- (i) all or any part of the Subordinated Sukuk Murabahah will, either immediately or with the passage of time or upon either the giving of notice or fulfilment 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 for the Issuer to continue performing its obligations under all or any part of the Subordinated Sukuk Murabahah.

- (vi) Tax redemption of the Subordinated Sukuk Murabahah : If there is more than an insubstantial risk as determined by the Issuer that:

- 1. 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 Murabahah; or
- 2. the Issuer would no longer obtain tax deductions for the purposes of Malaysian corporation tax for any payment in respect of the Subordinated Sukuk Murabahah;

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 Murabahah (in whole, but not in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied.

- (vii) Redemption Amount

“Redemption Amount” means Deferred Sale Price less the aggregate of Periodic Profit Payments paid (if any).

The Redemption Amount payable by the Issuer on the declaration of an event of default or on Call Date (if applicable) or redeemed pursuant to a Regulatory Event or a Tax Event, is an amount as determined by the Facility Agent, which shall be calculated in accordance with the above formula.

Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

(y) Other principal terms and conditions for the proposal

1. Issue Price : The Subordinated Sukuk Murabahah shall be issued at par or at a premium (but not at a discount) to nominal value and the issue price shall be calculated in accordance with MyClear Rules and Procedures.

The issue price of the Subordinated Sukuk Murabahah shall be determined prior to each issuance of the Subordinated Sukuk Murabahah.

2. Yield to Maturity (%) : To be determined prior to the issue date of the Subordinated Sukuk Murabahah.

3. Compensation (Ta'widh) : In the event of any overdue payments of the Deferred Sale Price due under the Subordinated Sukuk Murabahah, the Issuer shall pay to the Sukuk Trustee for the benefit of the Sukukholders compensation (Ta'widh) on such overdue amounts at the rate and manner prescribed by the Shariah Advisory Council of the SC from time to time in accordance with the Shariah principles.

Any compensation referred to above which is paid to the Sukukholders, can be treated and/or utilised by the Sukukholders at their absolute discretion in accordance with or determined by their respective Shariah requirements, which may include donation to any registered charitable organization or any charitable purposes.

4. Form and Denomination : The Subordinated Sukuk Murabahah shall be issued in accordance with MyClear Rules and Procedures. The Subordinated Sukuk Murabahah 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 Murabahah shall be RM1,000 or in multiples of RM1,000 at the time of issuance.

5. Status : The Subordinated Sukuk Murabahah will constitute direct, unconditional and unsecured obligations of the Issuer, subordinated in right and priority in payment, to depositors and general creditors of the Issuer, to the extent and in the manner provided for in the Subordinated Sukuk Murabahah, ranking *pari passu* and without any preference among themselves.

In the event of winding-up and liquidation of the Issuer, the payment obligations of the Issuer under the Subordinated Sukuk Murabahah 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 Murabahah.

Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

6. Sukuk Trustee's Reimbursement Account : The Sukuk Trustee shall open and maintain, throughout the tenure of the Subordinated Sukuk Murabahah, an account to be named the "Sukuk 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), which amount is to be obtained from the proceeds of issuance of the Subordinated Sukuk Murabahah.

The Account shall be operated solely by the Sukuk Trustee and the money shall be used strictly by the Sukuk 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 Shariah compliant bank deposits or Shariah compliant instruments 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 Murabahah in the event there is no declaration of an event of default.

7. 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.

8. No Further Rights To Participate in Profits and Assets : The Sukukholders of the Subordinated Sukuk Murabahah shall have no right or claim and not be conferred any right or claim as regards to participation in the profits and assets of the Issuer.

9. Voting Rights : Sukukholders 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 Sukukholders and as such the relationship between the Issuer and the Sukukholders shall not be governed by the Memorandum and Articles of Association of the Issuer.

10. Transaction Documents : The Transaction Documents shall include the following:
- (i) Trust Deed;
 - (ii) Programme Agreement;
 - (iii) Subscription Agreement (where applicable);
 - (iv) Securities Lodgement Form;
 - (v) Service Agency Agreement;

- (vi) Facility Agency Agreement;
- (vii) Commodities Murabahah Master Agreement;
- (viii) Purchase Order;
- (ix) CTP Purchase Agreement;
- (x) Sale and Purchase Agreement;
- (xi) CTP Sale Agreement; and
- (xii) Any other agreements as may be advised by the solicitors.

11. Contingent Write-off : Upon the occurrence of a Trigger Event (as defined below), the Issuer is required to give notice to the Sukukholders and RAM Ratings in accordance with the terms of the Subordinated Sukuk Murabahah. Each of the Sukukholders, via the Sukuk Trustee, undertakes that, as of the relevant write-off date, the write-off shall extinguish the claim of the Subordinated Sukuk Murabahah in liquidation, which will mean that the Sukukholders will irrevocably waive their right to receive, and no longer have any rights against the Issuer with respect to, payment of the aggregate principal amount of the respective Subordinated Sukuk Murabahah written-off, the amount paid when a call option is exercised and profit payments on the Subordinated Sukuk Murabahah written-off.

The write-off shall be permanent and the full principal amount of the Subordinated Sukuk Murabahah together with all unpaid profits thereon that are or would be payable upon the relevant maturity date, an early redemption or the occurrence of an Event of Default under clause 2(v)(ii) will automatically be written-off and such Subordinated Sukuk Murabahah and profits will be immediately and fully cancelled as of such write-off date.

For the avoidance of doubt, (i) the write-off of the respective Subordinated Sukuk Murabahah shall not constitute an event of default or trigger cross-default clauses; and (ii) BNM shall have the option to require the entire principal amount of the Subordinated Sukuk Murabahah outstanding, or a part thereof, and all other amount owing under the Subordinated Sukuk Murabahah Programme, be written-off.

No Conversion into Equity

For avoidance of doubt, The Subordinated Sukuk Murabahah will under no circumstances be converted into equity of the Issuer and Sukukholders will have to absorb losses pursuant to the terms specified herein.

No Event of Default or Cross Default

For the avoidance of doubt, the exercise of the loss absorption at the point of non-viability shall not constitute

an event of default as specified under Clause 2 (v) above or trigger cross-default clauses.

12. Trigger Event : A “**Trigger Event**” shall be the earlier of the following:
- (i) BNM and Malaysia Deposit Insurance Corporation (“**PIDM**”) notify the Issuer in writing that BNM and PIDM are of the opinion that a write-off is necessary, without which the Issuer would cease to be viable; or
 - (ii) BNM and PIDM publicly announce that a decision has been made by BNM, 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, BNM may consider, amongst others, any of the following circumstances exist (“**Non-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 re-capitalise 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, Sukukholders may still be exposed to losses from the resolution of the Issuer.

No Conversion into Equity

Notwithstanding the powers of BNM, the Subordinated

Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

Sukuk Murabahah will under no circumstances be converted into equity of the Issuer and Sukukholders will have to absorb losses pursuant to the terms specified herein.

13. Ibra' : Ibra' refers to the act of surrendering one's claims and rights, such as a creditor writing off the debts of a debtor either fully or partly. The Sukukholders in subscribing or purchasing the Subordinated Sukuk Murabahah hereby consent to Ibra' in the following scenarios:

i) Upon the declaration of an event of default or on exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption. The amount of Ibra' or rebate in this instance, shall be the aggregate Periodic Profit Payments due to the Sukukholders in respect of the period from (and including) the date of full payment by the Issuer of all accrued and unpaid Deferred Sale Price pursuant to the declaration of any event of default or on exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption (as the case may be) up to (but excluding) the maturity date.

The Ibra' clause may be stated in the main agreement of the sukuk contract which is based on uqud mu'awadat (contract of exchange). However, the Ibra' clause in the main agreement shall be separated from the part related to the price of the transacted asset. The Ibra' clause shall only be stated under the section for mode of payment or settlement in the said agreement; or

ii) Upon the occurrence of a Non-Viability Event. The amount of Ibra' shall be the payment of principal amount of the Subordinated Sukuk Murabahah written-off, and profits (including profit accrued but unpaid up to the date of the occurrence of a Non-Viability Event).

14. No payment of interest : For the avoidance of doubt and notwithstanding any other provision to the contrary herein, it is hereby agreed and declared that nothing in these principal terms and conditions and the Transaction Documents shall oblige or entitle any party nor shall any party pay or receive or recover interest on any amount due or payable to another party pursuant to the principal terms and conditions or the Transaction Documents and the parties hereby expressly waive and reject any entitlement to recover such interest.

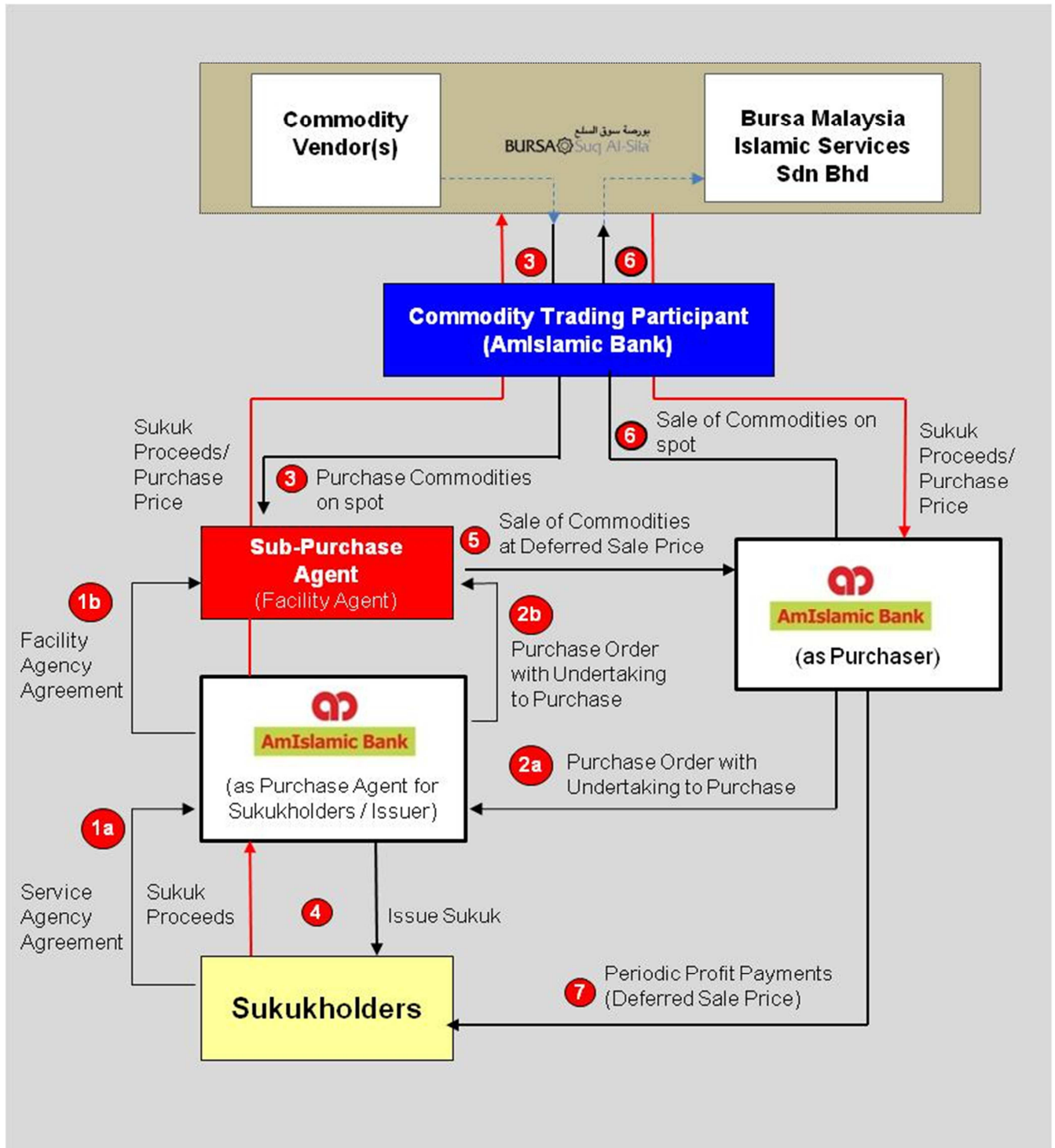
It is further acknowledged that the principle of the payment of interest is repugnant to Shariah and accordingly, to the extent that any legal system would (but for the provisions of this item) impose (whether by contract, statute or court order) any obligation to pay interest, the relevant parties

shall agree to waive and reject any entitlement to recover interest from each other. It is further agreed that any payment pursuant to the principal terms and conditions or the Transaction Documents shall not be construed as payments of interest.

15. Governing Law : The Subordinated Sukuk Murabahah shall be governed by the laws of Malaysia.
16. Other Conditions : The Subordinated Sukuk Murabahah shall at all times be governed by the guidelines issued and to be issued from time to time by the SC and/or BNM, where applicable.

Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

Appendix 1



Amlslamic Bank Berhad
Principal Terms and Conditions of the Subordinated Sukuk Murabahah Programme

Steps	Description of the Sukuk Murabahah Structure
1	<p>The Sukuk Trustee, on behalf of the holders of the Subordinated Sukuk Murabahah (“Sukukholders”) and Amlslamic Bank Berhad (“Amlslamic”) shall enter into a Service Agency Agreement, pursuant to which Amlslamic (in such capacity, the “Purchase Agent”) is appointed as the agent of the Sukukholders for the purchase and sale of Shariah compliant commodities (“Commodities”).</p> <p>The Purchase Agent will then enter into a Facility Agency Agreement to appoint the Facility Agent as the sub-purchase agent (in such capacity the “Sub-Purchase Agent”) for the purchase and sale of Commodities under the Subordinated Sukuk Murabahah Programme.</p>
2	<p>Pursuant to a Commodities Murabahah Master Agreement, Amlslamic (in such capacity, the Purchaser) issues a purchase order (the “Purchase Order”) to the Purchase Agent, and subsequently thereafter, the Purchase Agent issues the Purchase Order to the Sub-Purchase Agent. In the Purchase Order, Amlslamic (acting as purchaser for itself) will request the Purchase Agent, and subsequently, the Purchase Agent will request the Sub-Purchase Agent to purchase the Commodities. The Purchaser will irrevocably undertake to purchase the Commodities from the Sukukholders via the Sub-Purchase Agent at a deferred sale price (“Deferred Sale Price”) which shall be the Purchase Price plus the profit margin.</p>
3	<p>Based on the Purchase Order, the Sub-Purchase Agent (pursuant to the Commodity Trading Participant (“CTP”) Purchase Agreement entered into between the Sub-Purchase Agent and the CTP) will purchase on a spot basis the Commodities from commodity vendor(s) in the Bursa Suq Al-Sila’ commodity market (through a CTP) at a purchase price (“Purchase Price”) which shall be an amount equivalent to the Subordinated Sukuk Murabahah proceeds.</p>
4	<p>Amlslamic (acting as the Issuer) shall issue Subordinated Sukuk Murabahah whereby the proceeds shall be used to pay for the Purchase Price of the Commodities. The Subordinated Sukuk Murabahah shall evidence amongst others, the Sukukholders’ ownership of the Commodities and subsequently once the Commodities are sold to Amlslamic (as the Purchaser for itself) the entitlement to receive the Deferred Sale Price.</p>
5	<p>Thereafter, pursuant to the undertaking under the Purchase Order, the Sub-Purchase Agent (acting on behalf of the Purchase Agent) shall sell the Commodities to Amlslamic (acting as Purchaser for itself) at the Deferred Sale Price under the Sale and Purchase Agreement</p>
6	<p>Subsequently thereafter, Amlslamic (pursuant to the CTP Sale Agreement entered into between Amlslamic (acting as Purchaser for itself) and the CTP) shall sell the Commodities to Bursa Malaysia Islamic Services Sdn. Bhd. (through the CTP) on a spot basis for an amount equal to the Purchase Price. The CTP Sale Agreement will provide for the CTP to directly sell the Commodities into Bursa Malaysia Islamic Services Sdn. Bhd. upon notice by the Sub-Purchase Agent that the Sale and Purchase Agreement has been completed and executed.</p>

7	<p>During the tenure of the Subordinated Sukuk Murabahah, Amlslamic (as part of its obligation to pay the Deferred Sale Price) shall make Periodic Profit Payments to the Sukukholders. Upon maturity, Amlslamic shall pay all amount outstanding in respect of the deferred Sale Price of the relevant Subordinated Sukuk Murabahah upon which the relevant Subordinated Sukuk Murabahah will be cancelled. Upon the declaration of an event of default or early redemption upon the exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption, Amlslamic shall pay all amounts outstanding in respect of the Deferred Sale Price of the relevant Subordinated Sukuk Murabahah upon which the relevant Subordinated Sukuk Murabahah will be cancelled.</p>
---	--