

MBSB Bank Berhad (“MBSB Bank” or the “Issuer”)

Sukuk programme of up to RM10.0 billion in nominal value (“Sukuk Wakalah Programme”) under the Shariah principle of Wakalah Bi Al-Istithmar for the issuance of: (i) Senior sukuk wakalah (“Senior Sukuk Wakaah”); and/or (ii) Tier-2 sukuk wakalah (“Tier-2 Sukuk Wakalah”); and/or (iii) Additional Tier-1 capital sukuk wakalah (“AT-1 Sukuk Wakalah”)

Other terms and conditions

(i) Tenure of Issuance : Senior Sukuk Wakalah

Minimum tenure of at least one (1) year.

Tier-2 Sukuk Wakalah

Subject to the Call Option, minimum tenure of at least five (5) years.

AT-1 Sukuk Wakalah

Subject to the Call Option, perpetual tenure.

For the avoidance of doubt, the Senior Sukuk Wakalah and Tier-2 Sukuk Wakalah are not perpetual in nature as each of the Senior Sukuk Wakalah and Tier-2 Sukuk Wakalah shall have finite tenures and maturity dates which are to be determined prior to each issuance of the Senior Sukuk Wakalah and Tier-2 Sukuk Wakalah.

(ii) Utilisation proceeds of : The proceeds from the issuance of the Sukuk Wakalah under the Sukuk Wakalah Programme will be utilised by the Issuer for its Shariah-compliant general banking purposes and to refinance its outstanding capital instruments.

(iii) Dissolution Distribution Amount : Senior Sukuk Wakalah and Tier-2 Sukuk Wakalah

On the Scheduled Dissolution Date:

The Dissolution Distribution Amount shall be equivalent to:

- (i) the nominal value of the Senior Sukuk Wakalah/ Tier-2 Sukuk Wakalah; plus
- (ii) the accrued but unpaid Expected Periodic Distribution Amount (if any), accrued up to the Scheduled Dissolution Date.

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Senior Sukuk Wakalah

On the Dissolution Declaration Date:

The Dissolution Distribution Amount shall be equivalent to:

- (i) the nominal value of the Senior Sukuk Wakalah; plus
- (ii) the accrued but unpaid Expected Periodic Distribution Amount (if any), accrued up to the Dissolution Declaration Date.

Subordinated Sukuk Wakalah

Upon a declaration of an Enforcement Event:

The Dissolution Distribution Amount shall be equivalent to:

- (i) the nominal value of the Subordinated Sukuk Wakalah; plus
- (ii) the accrued but unpaid Periodic Distributions (if any) (in the case of the Tier-2 Sukuk Wakalah) and/or accrued and uncanceled but unpaid Periodic Distributions (if any) (in the case of the AT-1 Sukuk Wakalah) up to the date of Enforcement Event.

On the redemption date pursuant to the Call Option, Tax Redemption or Regulatory Redemption:

The principal amount of the outstanding Subordinated Sukuk Wakalah, together with any accrued but unpaid Periodic Distributions (if any) (in the case of the Tier-2 Sukuk Wakalah) and/or accrued and uncanceled but unpaid Periodic Distributions (if any) (in the case of the AT-1 Sukuk Wakalah) up to (but not including) the redemption date pursuant to the Call Option, Tax Redemption or Regulatory Redemption.

- (iv) **Purchase and selling price/ rental, (where applicable) – compliance with asset pricing requirements** : **Commodity Purchase Price**

In relation to the Commodity Murabahah Investment, the Commodity Purchase Price shall be determined prior to each issuance of the Sukuk Wakalah and shall be priced equivalent to the remaining balance of the Sukuk Proceeds after taking into account the Shariah-compliant Business.

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Deferred Sale Price

In relation to the Commodity Murabahah Investment, the Deferred Sale Price shall be determined prior to each issuance of the Sukuk Wakalah and shall comprise the Commodity Purchase Price plus the profit and shall be payable on a deferred payment basis.

- (i) In respect of the Senior Sukuk Wakalah and Tier-2 Sukuk Wakalah:

The Deferred Sale Price shall be equal to the aggregate of Expected Periodic Distribution Amount and the nominal value of the Senior Sukuk Wakalah or Tier-2 Sukuk Wakalah.

- (ii) In respect of the AT-1 Sukuk Wakalah:

The Deferred Sale Price shall be equivalent to the nominal value of the AT-1 Sukuk Wakalah. For the avoidance of doubt, the Deferred Sale Price for AT-1 Sukuk Wakalah shall be payable for a period of 99 years, and the Issuer shall be given the right to defer such payment upon request made by the Issuer or if required by BNM subject to the issuance notice of deferment.

- (v) **Profit rate/ Coupon/ Rental Rate (fixed or floating) : Senior Sukuk Wakalah**

The Periodic Distribution Rate for the Senior Sukuk Wakalah may be at fixed or floating rate (based on Effective Profit Rate) and shall be determined prior to the issuance of each tranche and is applicable throughout the tenure of the tranche of the Senior Sukuk Wakalah.

Tier-2 Sukuk Wakalah

The Periodic Distribution Rate for the Tier-2 Sukuk Wakalah shall be determined prior to the issuance of each tranche of the Tier-2 Sukuk Wakalah. The Periodic Distribution Rate applicable to each tranche of the Tier-2 Sukuk Wakalah shall be:

- (i) a fixed rate applicable throughout the tenure of the Tier-2 Sukuk Wakalah; or

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- (ii) a floating rate based on the aggregate of a benchmark rate plus a credit spread (“**Effective Profit Rate**”), subject to a reset of the benchmark rate provided that:
 - (a) the first reset date and frequency of subsequent resets shall be determined prior to each issuance;
 - (b) the credit spread in the profit rate shall be maintained at all times; and
 - (c) the basis for determining the benchmark rate shall be the same throughout the tenure of the Tier-2 Sukuk Wakalah.

The Periodic Distribution Rate for the purpose of calculating the Expected Periodic Distribution Amount on each Periodic Distribution Date herein shall be applicable throughout the tenure of the tranche of the Tier-2 Sukuk Wakalah.

For avoidance of doubt, there is no step-up profit rate after the Call Date of the Tier-2 Sukuk Wakalah, in the event the Call Option is not exercised by the Issuer.

For the avoidance of doubt, where the Periodic Distribution Rate is on floating rate basis, the aggregate Expected Periodic Distribution Amount in determining the Deferred Sale Price is calculated based on the Ceiling Profit Rate, from issuance date up to the Scheduled Dissolution Date. If the Effective Profit Rate is higher than the Ceiling Profit Rate, the Issuer is obliged to make an Expected Periodic Distribution Amount at the Ceiling Profit Rate only.

“**Ceiling Profit Rate**” is a rate to be agreed between the Issuer and the Joint Lead Managers for the purpose of calculating the aggregate Expected Periodic Distribution Amount in determining the relevant Deferred Sale Price for the relevant tranche of the Senior Sukuk Wakalah and Tier-2 Sukuk Wakalah where the Periodic Distribution Rate is on floating rate basis.

AT-1 Sukuk Wakalah

Subject to the section entitled “Limitation on Payment”, the AT-1 Sukuk Wakalah confer a right to receive Periodic Distributions from (and including) the issue date at the applicable Periodic Distribution Rate payable on Periodic

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Distribution Date, out of the Distributable Reserves (as defined in item (vii) of the section entitled “Other terms and conditions”) of the Issuer.

The Periodic Distribution Rate shall be determined prior to the issuance of each tranche of the AT-1 Sukuk Wakalah.

The Periodic Distribution Rate applicable to each tranche of the AT-1 Sukuk Wakalah shall be:

- (i) in respect of the period from (and including) the issue date of that tranche to (but excluding) the First Call Date of that tranche, at either of the following (to be determined prior to issuance):
 - (a) a fixed rate per annum of the nominal value of that tranche; or
 - (b) a floating rate, to be reset semi-annually or such other frequency to be determined prior to issuance, at a rate per annum i.e. at the Initial Spread for Floating Rate (as defined below) above the Relevant Floating Rate Benchmark (as defined below), of the nominal value of that tranche; and
- (ii) in respect of the period from (and including) the First Call Date of that tranche to (but excluding) the immediately following Reset Date (as defined below) of that tranche and every equivalent period thereafter, at either of the following rate (to be determined prior to issuance):
 - (a) a fixed rate at the Relevant Reset Distribution Rate (as defined below) of the nominal value of that tranche; or
 - (b) a floating rate, to be reset semi-annually or such other frequency to be determined prior to issuance, at a rate per annum, i.e. at the Initial Spread for Floating Rate above the Relevant Floating Rate Benchmark, of the nominal value of that tranche.

“Initial Spread for Fixed Rate” means the initial spread for fixed rate to be determined at the point of issuance of the relevant tranche of the AT-1 Sukuk Wakalah, where

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applicable, and expressed as a rate in per cent. per annum, being the initial spread above the profit rate swap rate in per cent. per annum for the relevant Reference Period. The Initial Spread for Fixed Rate shall be calculated at the point of issuance and shall be applicable throughout the tenure of the relevant AT-1 Sukuk Wakalah.

“Initial Spread for Floating Rate” means the initial spread for the floating rate to be determined at the point of issuance of the relevant tranche of the AT-1 Sukuk Wakalah, where applicable, and expressed as a rate in per cent. per annum, being the initial spread above the Relevant Floating Rate Benchmark. The Initial Spread for the Floating Rate shall be calculated at the point of issuance and shall be applicable throughout the tenure of the relevant AT-1 Sukuk Wakalah.

“Reference Period” means, in relation to a tranche of the AT-1 Sukuk Wakalah, a period of time equal to that commencing on the issue date of that tranche and ending on the date immediately before the First Call Date of that tranche (**“Initial Period”**), and being a minimum period of five (5) years and shall also include every subsequent period of time after the First Call Date equivalent to the Initial Period.

“Relevant Floating Rate Benchmark” means Kuala Lumpur Interbank Offered Rates (KLIBOR) for six-months (or such other relevant period) Ringgit deposits.

“Relevant Reset Distribution Rate” means a fixed rate per annum equal to the relevant prevailing profit rate swap rate in per cent. per annum for the relevant Reference Period with respect to the relevant Reset Date plus the Initial Spread for Fixed Rate. The profit rate swap rate shall be determined and notified by the Facility Agent (or any other similar agency) to the Issuer and the AT-1 Sukukholders as published by a recognised industry body or a relevant authority at or about the time prescribed by the recognised industry body or the relevant authority on the second (2nd) business day preceding the relevant Reset Date.

“Reset Date” means each date falling on the first day of each Reference Period after the First Call Date of the relevant tranche of the AT-1 Sukuk Wakalah.

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(vi) Status : Senior Sukuk Wakalah

The Senior Sukuk Wakalah will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking *pari passu* without any preference amongst themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, except those preferred by law.

Tier-2 Sukuk Wakalah

The Tier-2 Sukuk Wakalah will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer ranking *pari passu* without any preference among themselves.

In the event of the winding-up or liquidation of the Issuer, the claims of the Tier-2 Sukukholders against the Issuer in respect of the Tier-2 Sukuk Wakalah will be subordinated in right of payment to the claims of depositors and all other unsubordinated creditors of the Issuer and will rank at least *pari passu* in right of payment with all other Subordinated Indebtedness (as defined below), present and future, of the Issuer. Claims in respect of the Tier-2 Sukuk Wakalah will rank in priority to the rights and claims of holders of subordinated liabilities which by their terms rank or expressed to rank in right of payment junior to the Tier-2 Sukuk Wakalah and all classes of equity securities of the Issuer, including holders of preference shares.

AT-1 Sukuk Wakalah

The AT-1 Sukuk Wakalah will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer ranking *pari passu* without any preference among themselves.

In the event of the winding-up or liquidation of the Issuer, the claims of the AT-1 Sukukholders against the Issuer in respect of the AT-1 Sukuk Wakalah will be subordinated in right of payment to the claims of all Senior Creditors (as defined below, which includes but is not limited to, holders of Tier-2 Capital Instruments (as defined below)) and will rank senior to all Junior Obligations (as defined below). The AT-1 Sukuk Wakalah will rank *pari passu* with Parity Obligations (as defined below).

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“Junior Obligations” means any ordinary share of the Issuer.

“Parity Obligations” means the most junior class of preference shares and any security or other similar obligation issued, entered into or guaranteed by the Issuer that constitutes or could qualify as Additional Tier-1 capital of the Issuer on an unconsolidated or consolidated basis, pursuant to the relevant requirements set out in the BNM CAFIB, or otherwise ranks or is expressed to rank, by its terms or by operation of law, *pari passu* with the AT-1 Sukuk Wakalah.

“Senior Creditors” means (i) creditors of the Issuer (including holders of any security or other similar obligation issued, entered into or guaranteed by the Issuer that constitutes Tier-2 Capital Instruments) other than those whose claims rank or are expressed to rank, by its terms or by operation of law, *pari passu* or junior to the claims of the AT-1 Sukukholders; and (ii) any class of the Issuer’s share capital (excluding the most junior class of preference shares and ordinary shares).

“Subordinated Indebtedness” means all indebtedness which is subordinated, in the event of the winding-up or liquidation of the Issuer, in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer, and for this purpose indebtedness shall include all liabilities, whether actual or contingent (other than those whose claims rank or are expressed to rank, by its terms or by operation of law, *pari passu* or junior to the claims of the AT-1 Sukukholders).

“Tier-2 Capital Instruments” means any Tier-2 capital instrument issued by the Issuer, pursuant to the relevant requirements set out in the BNM CAFIB.

- (vii) **Limitation on Payment (only applicable to AT-1 Sukuk Wakalah)** : The payment of Periodic Distributions under the AT-1 Sukuk Wakalah shall be at the Issuer’s sole and absolute discretion and is subject to:
- (i) such payment not resulting in a breach of the capital requirements applicable to the Issuer under the relevant BNM’s capital guidelines;
 - (ii) the Issuer is solvent at the time of payment of the Periodic Distributions and the payment of the Periodic

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Distributions will not result in the Issuer becoming, or likely to become insolvent; and

- (iii) such payment being made from Distributable Reserves only.

In the event that there is profit for distribution, and the Issuer decided not to distribute the profit pursuant to this paragraph, the AT-1 Sukukholders hereby agree to waive (tanazul) their right to receive Periodic Distributions for such Periodic Distribution Date.

If the Issuer is unable to meet any of the conditions (i), (ii) or (iii) above, the Issuer shall cancel the Periodic Distributions which would otherwise have been payable on such Periodic Distribution Date provided always in the case where conditions (i) and (ii) are met but the Distributable Reserves are insufficient to pay the Periodic Distributions in full, the Issuer may elect to pay a part of the Periodic Distributions up to the amount available from the Distributable Reserves and cancel the other part of the Periodic Distributions which would otherwise have been payable on such Periodic Distribution Date. Any such cancellation will not constitute or be deemed a default by the Issuer or constitute an Enforcement Event for any purpose whatsoever nor would it trigger a cross-default under any other outstanding AT-1 Sukuk Wakalah issued under the Sukuk Wakalah Programme.

“Distributable Reserves” means at any time, the amounts for the time being available to the Issuer for distribution as a dividend as of the date of the Issuer's latest audited financial statements in compliance with Section 131 of the Companies Act 2016 (or its equivalent under any successor laws) provided that if the Issuer reasonably believes that the available amounts as of any Distribution Determination Date (as defined below) are lower than the available amounts as of the date of the Issuer's latest audited financial statements and are insufficient to pay the Periodic Distributions and for payments of any dividends or other distributions in respect of other liabilities or obligations of the Issuer which by their terms or by operation of law, rank *pari passu* with the AT-1 Sukuk Wakalah, on the relevant Periodic Distribution Date, then two (2) directors of the Issuer shall provide a certificate to the Sukuk Trustee (acting on behalf of the AT-1 Sukukholders), on or prior to the relevant Periodic Distribution Date, setting out the available amounts as of

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such Distribution Determination Date (which certificate of the two (2) directors will be binding absent of manifest error) and the Distributable Reserves as of such Distribution Determination Date for the purposes of such Periodic Distributions will mean the available amounts as set forth in such certificate.

“Distribution Determination Date” means, with respect to any Periodic Distribution Date, the day falling two (2) business days prior to that Periodic Distribution Date.

If the Issuer does not make a Periodic Distribution on the relevant Periodic Distribution Date (or if the Issuer elects to make a payment of a portion, but not all, of such Periodic Distribution), such non-payment or part-payment shall serve as evidence of the Issuer's exercise of its discretion to cancel such Periodic Distribution (or the portion of such Periodic Distribution not paid), and accordingly such Periodic Distribution (or the portion thereof not paid) shall not be due and/or accrued, and shall not be payable.

If practicable, the Issuer shall provide notice of any cancellation of Periodic Distribution (in whole or in part) to the AT-1 Sukukholders (via the Sukuk Trustee) on or prior to the relevant Periodic Distribution Date. If practicable, the Issuer shall endeavour to provide such notice at least five (5) business days prior to the relevant Periodic Distribution Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of Periodic Distribution, or give the AT-1 Sukukholder any rights as a result of such failure.

Any such cancellation will not constitute or be deemed a default by the Issuer or constitute an Enforcement Event for any purpose whatsoever nor would it trigger a cross-default under any other outstanding AT-1 Sukuk Wakalah issued under the Sukuk Programme.

Circumstances for Cumulative Periodic Distribution

Notwithstanding the above, if (i) the AT-1 Sukuk Wakalah or any tranche thereof no longer qualify as Additional Tier-1 capital of the Issuer (**“Capital Disqualification Event”**), (in whole and not in part) for the purposes of BNM's minimum capital adequacy requirements under any applicable regulations, and such disqualification has been confirmed by BNM in writing, and (ii) the Issuer is not in breach of BNM's

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minimum capital adequacy ratio requirements applicable to the Issuer, any Periodic Distribution payable after the date of notification from BNM of such disqualification (**“Disqualification Date”**) may be deferred, in whole or in part, at the Issuer’s sole and absolute discretion but shall not be cancelled in accordance with the provisions of this paragraph. Any portion of the Periodic Distribution payable on a Periodic Distribution Date occurring after the Disqualification Date, but deferred at the Issuer’s sole and absolute discretion shall start to become cumulative and such deferred amount shall be entitled to earn profit at the Periodic Distribution Rate from (and including) the said Periodic Distribution Date (**“Deferred Periodic Distribution Date”**) up to the date of actual payment of such deferred Periodic Distribution. In such circumstances, the deferred Periodic Distribution, together with accrued amounts will become due and payable no later than ten (10) years from the Deferred Periodic Distribution Date, or upon redemption of the AT-1 Sukuk Wakalah, whichever is earlier.

For the avoidance of doubt, any Periodic Distribution payable prior to the Disqualification Date shall be paid or cancelled in accordance with this section entitled “Limitation on Payment”.

Upon the occurrence of the Capital Disqualification Event, the Wakalah Investments shall be dissolved at a relevant dissolution distribution amount (**“AT-1 Dissolution Distribution Amount”**) which shall be equal to 100% of the nominal value of the AT-1 Sukuk Wakalah together with accrued but unpaid Periodic Distributions. For the avoidance of doubt, the dissolution of the Wakalah Investment shall not constitute the redemption of the AT-1 Sukuk Wakalah.

The Investment Wakeel shall distribute the relevant portion of the AT-1 Dissolution Distribution Amount to pay for any accrued but unpaid Periodic Distributions prior to the Capital Disqualification Event. The AT-1 Sukukholders irrevocably authorise the Investment Wakeel to, in its sole discretion, invest the balance of the AT-1 Dissolution Distribution Amount (which is equal to 100% of the nominal value of the AT-1 Sukuk Wakalah) in identified assets of the Issuer under the Mudharabah transaction (**“Identified Assets”**). Profits generated from the Identified Assets and Additional Identified Assets (where applicable) will be shared and distributed between the AT-1 Sukukholders as the Rabb al-mal and the Issuer as the Mudharib according to a pre-

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agreed profit sharing ratio to be determined. The loss shall be borne solely by the Rabb al-mal.

The Issuer shall distribute to the AT-1 Sukukholders the profit generated from the Identified Assets (“**Identified Asset Profit**”) and Additional Identified Assets (“**Additional Assets Profit**”) in the form of Periodic Distribution on the Periodic Distribution Date.

As agreed by the AT-1 Sukukholders, the Issuer may at its sole discretion elect to make payment of all or some of the Expected Periodic Distribution Amount on the Periodic Distribution Date.

If the Issuer does not make a Periodic Distribution on the relevant Periodic Distribution Date (or if the Issuer elects to make a payment of a portion, but not all, of such Periodic Distribution) after the Disqualification Date, such non-payment or part-payment shall serve as evidence of the Issuer’s exercise of its discretion to defer such Periodic Distribution (or the portion of such Periodic Distribution not paid).

If practicable, the Issuer shall provide notice of the deferment of Periodic Distribution (in whole or in part) to the AT-1 Sukukholders (via the Sukuk Trustee) on or prior to the relevant Periodic Distribution Date. If practicable, the Issuer shall endeavour to provide such notice at least five (5) business days prior to the relevant Periodic Distribution Date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such deferment of Periodic Distribution, or give the AT-1 Sukukholders any rights as a result of such failure.

Any such deferment will not constitute or be deemed a default by the Issuer or constitute an Enforcement Event for any purpose whatsoever nor would it trigger a cross-default under any other outstanding AT-1 Sukuk Wakalah issued under the Sukuk Wakalah Programme.

Periodic Distribution on each Periodic Distribution Date

- (a) If the Identified Assets Profit and Additional Identified Assets Profit (where applicable) are equal to or in excess of the relevant Expected Periodic Distribution Amount for the applicable Periodic Distribution period,

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- (i) Full Deferral: The Identified Assets Profit and Additional Identified Assets Profit (where applicable) up to such Expected Periodic Distribution Amount will be applied towards investing in Additional Identified Assets.
- (ii) Partial Deferral: The Identified Assets Profit and Additional Identified Assets Profit (where applicable) up to the Expected Periodic Distribution Amount which is not deferred will be distributed to the AT-1 Sukukholders and the remaining will be applied towards investing in Additional Identified Assets.
- (iii) Non-Deferral: The Identified Assets Profit and Additional Identified Assets Profit (where applicable) up to such Expected Periodic Distribution Amount due and payable will be distributed to the AT-1 Sukukholders.

Any excess will be paid to the Investment Wakeel as an incentive fee.

The Identified Assets and Additional Identified Assets are referring to the investment in the same Shariah-compliant Business of the Issuer. The term “Additional” is used to differentiate the amount to be invested i.e. normal value amount for Identified Assets and the amount of periodic distribution to be deferred in relation to cumulative periodic distribution for Additional Identified Assets.

- (b) If the Identified Assets Profit and Additional Identified Assets Profit (where applicable) is insufficient to pay the relevant portion of the Expected Periodic Distribution Amount for the applicable distribution period, pursuant to a shortfall purchase undertaking granted upfront by the Obligor, the investment in the Identified Assets, (and additional Identified Assets, if applicable) and the Mudharabah venture will be dissolved and a relevant shortfall sale agreement shall be executed to effect the sale of Identified Assets (and Additional Identified Assets, if applicable) by the Investment Wakeel (on behalf of the AT-1 Sukukholders) to the Obligor at the relevant exercise price. The relevant exercise price shall be an amount equal to the outstanding nominal value of the AT-1 Sukuk Wakalah together with accrued but unpaid Periodic Distributions.

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- (i) Full Deferral: The Investment Wakeel shall use the proceeds of the relevant exercise price to invest in another identified asset (“**New Identified Assets**”), which shall not comprise the previous Identified Assets that have been dissolved.
- (ii) Partial Deferral: The Investment Wakeel shall use the proceeds of the relevant exercise price to distribute such Periodic Distributions which are not deferred and the remaining to be applied towards investing in New Identified Assets, which shall not comprise the previous Identified Assets that have been dissolved.
- (iii) Non Deferral: The Investment Wakeel shall use the proceeds of the relevant exercise price to distribute the relevant portion of the Periodic Distributions and the remaining balance will be applied towards investing in New Identified Assets, which shall not comprise the previous Identified Assets that have been dissolved.

The new Mudharabah venture will be created when the proceeds of the relevant exercise price are applied towards investment in the New Identified Assets. The accounting entries associated with the payment of the relevant exercise price pursuant to the shortfall purchase undertaking and investment in the New Identified Assets shall be made in the books of the Issuer as the Mudharib under the Mudharabah transaction.

(viii) Distribution Stopper : If, on any Periodic Distribution Date, payment of Periodic Distributions scheduled to be made on such date is not made by reason of the “*Limitation on Payment*” clause, the Issuer shall not:

- (i) declare or pay, any dividends or other distributions in respect of Junior Obligations (or contribute any moneys to a sinking fund for the payment of any dividends or other distributions in respect of any such Junior Obligations);
- (ii) declare or pay, any dividends or other distributions in respect of Parity Obligations the terms of which provide that the Issuer is not required to make payments of such dividends or other distributions in respect thereof

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(or contribute any moneys to a sinking fund for the payment of any dividends or other distributions in respect of any such Parity Obligations);

- (iii) redeem, reduce, cancel, buy-back or acquire, any Junior Obligations (or contribute any moneys to a sinking fund for the redemption, capital reduction, buyback or acquisition of any such Junior Obligations); or
- (iv) redeem, reduce, cancel, buy-back or acquire, any Parity Obligations the terms of which provide that the Issuer is not required to redeem, reduce, cancel, buyback or acquire such Parity Obligations (or contribute any moneys to a sinking fund for the redemption, capital reduction, buy-back or acquisition of any such Parity Obligations),

in each case, until (a) the next scheduled Periodic Distributions to be paid in respect of such number of consecutive Periodic Distribution periods as shall be equal to or exceed twelve (12) calendar months have been paid in full (or an amount equivalent thereto has been paid, or irrevocably set aside in a separately designated trust account for payment to the AT-1 Sukukholders); or (b) the Issuer is permitted to do so by an extraordinary resolution of the AT-1 Sukukholders.

- (ix) **No equity conversion** : The Sukuk Wakalah shall not entitle the Sukukholders to receive any form of equity interest in the Issuer at any point in time and the Issuer is not obliged to allot or issue any shares to or for the account of the Sukukholders upon the occurrence of a Non-Viability Event or otherwise. The Sukukholders shall not be entitled to participate in any distributions or entitlements to the Issuer’s shareholders or to attend or vote at any general meeting of the Issuer.
- (x) **Breach of CET-1 Capital Ratio (only applicable to AT-1 Sukuk Wakalah)** : If the CET-1 Capital Ratio (as determined by the BNM CAFIB) of the Issuer, at the consolidated or entity level (whichever is applicable), falls below 5.125% (or such other percentage as may be prescribed by the BNM CAFIB), the Issuer shall, without the need for the consent of the Sukuk Trustee or the AT-1 Sukukholders, write-off the AT-1 Sukuk Wakalah (in whole or in part).

Details of the Loss Absorption Mechanism are set out below.

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- (xi) Non-Viability Event (only applicable to Subordinated Sukuk Wakalah)** : If a Non-Viability Event occurs, the Issuer shall irrevocably, without the need for the consent of the Sukuk Trustee or the Subordinated Sukukholders, write-off the Subordinated Sukuk Wakalah (in whole or in part) if so required by BNM and/or Malaysia Deposit Insurance Corporation (“PIDM”) at their full discretion.

Such write-off shall not constitute a Dissolution Event, nor would it trigger a cross default under any other outstanding Subordinated Sukuk Wakalah.

A Non-Viability Event shall be deemed to have occurred on the day on which the Issuer received the notification from the Relevant Malaysia Authority (as defined below) or on the day the public announcement is made, as the case may be.

Details of the Loss Absorption Mechanism are set out below.

Upon the occurrence of a Non-Viability Event, the Issuer is required to give notice to the Subordinated Sukukholders (via the Sukuk Trustee) and the rating agency in accordance with the terms of the Subordinated Sukuk Wakalah.

“Non-Viability Event” means the earlier of the following:

- (i) BNM, jointly with PIDM, so long as the Issuer is a Member Institution (as defined in the Malaysia Deposit Insurance Corporation Act 2011), or BNM, if the Issuer is no longer a Member Institution (**“Relevant Malaysian Authority”**) notifying the Issuer in writing that the Relevant Malaysian Authority is of the opinion that a write-off or conversion into ordinary shares 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, 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.

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- (xii) Loss Absorption : (i) Write-off mechanism in the case of a Breach of CET-1 Capital Ratio (only applicable to Subordinated Sukuk Wakalah)**

Upon a breach of the CET-1 Capital Ratio, the aggregate amount of AT-1 Sukuk Wakalah to be written-off must be at least the amount required to restore the Issuer’s and its consolidated CET-1 Capital Ratio to at least 5.75% (or such other percentage as may be prescribed by the BNM CAFIB). If this is not possible, then the full principal value of the AT-1 Sukuk Wakalah will be written-off.

(ii) Write-off mechanism in the case of a Non-Viability Event

Upon the occurrence of a Non-Viability Event, then as of the relevant write-off date:

- (i) the write-off shall reduce:
 - (a) the claim of the Subordinated Sukuk Wakalah in liquidation. The Subordinated Sukukholders will be automatically deemed to irrevocably waive their right to receive, and no longer have any rights against the Issuer with respect to, any payment of the aggregate nominal value of the Subordinated Sukuk Wakalah written off;
 - (b) the amount paid when a call option is exercised; and
 - (c) Periodic Distribution of the Subordinated Sukuk Wakalah; and
- (ii) the write-off shall be permanent and the full or part (as the case may be) of the nominal value of the Subordinated Sukuk Wakalah will automatically be written-off and the whole or part (as the case may be) of the Subordinated Sukuk Wakalah will be cancelled.

Each of the Subordinated Sukukholders hereby irrevocably waives its right to receive payment of the principal amount of the Subordinated Sukuk Wakalah which are written off pursuant to the above, and also irrevocably waives its right to

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any Periodic Distribution (including Periodic Distributions accrued but unpaid up to the date of the occurrence of a Breach of CET-1 Capital Ratio or Non-Viability Event).

In the case of write-off of full nominal value, the Subordinated Sukukholders agree to waive their rights on the full/ outstanding Deferred Sale Price and the Investment Wakeel on behalf of the Subordinated Sukukholders agrees to transfer the Subordinated Sukukholders’ interest in the Shariah-compliant Business to the Issuer with no consideration.

Whilst in the case of write-off of partial nominal value, the Subordinated Sukukholders agree to waive their rights on the Deferred Sale Price equivalent to the partial nominal value being written off and Sukukholders shall retain their interest in the Shariah-compliant Business. After write-off of partial nominal value, the remaining portion of the tranche will remain as Subordinated Sukuk Wakalah complying with the BNM CAFIB in relation to requirements of a Tier-2/ Additional Tier-1 capital instrument.

Such write-off shall not constitute a Dissolution Event, nor would it trigger a cross-default under any other outstanding Subordinated Sukuk Wakalah.

(xiii) Identified Assets/ : Trust Assets
Trust Assets

The Trust Assets shall comprise:

- (i) the Sukuk Proceeds;
- (ii) the Wakalah Investments (comprising the Shariah-compliant Business and the Commodity Murabahah Investment); and
- (iii) the rights, title, interest, entitlement and benefit in, to and under the Transaction Documents.

The “**Commodities**” in relation to the Commodity Murabahah Investment shall be Shariah-compliant commodities, which include but are 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 Bursa Suq Al-Sila’ commodity trading platform or such other commodity trading platform acceptable to the Joint Shariah Advisers which will

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be identified from time to time, at or around the time of issuance of the Sukuk Wakalah.

However, if applicable, pursuant to the “*Limitation on Payment*” clause with respect to the Capital Disqualification Event, the following will be part of the identified assets under the Mudharabah transaction.

Identified Assets/ Additional Identified Assets: Shariah-compliant Business of the Issuer.

New Identified Assets: Any financial assets that belong to the Issuer such as Ijarah financing assets, which are not the previous identified assets that have been dissolved.

- (xiv) **Profit/ coupon/ rental payment basis** : Actual number of days over three hundred and sixty five (365) days in the relevant period.
- (xv) **Listing status and types of listing, where applicable** : Not listed.
- (xvi) **Form and Denomination** : The Sukuk Wakalah shall be issued in accordance with:
 - (a) the “Participation and Operation Rules for Payments and Securities Services” issued by PayNet;
 - (b) the “Operational Procedures for Securities Services” issued by PayNet, as amended or replaced from time to time; and
 - (c) any procedures/guidelines/rules issued by the relevant authorities from time to time (as the same may be amended and/or substituted from time to time).

Form

The Sukuk Wakalah shall be represented by global certificate(s) to be deposited with BNM and may be exchanged for definitive bearer form only in certain limited circumstances.

Denomination

The denomination of the Sukuk Wakalah shall be RM1,000.00 or in multiples of RM1,000.00 at the time of issuance.

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(xvii) Transaction Documents : The Transaction Documents shall include but not limited to the following documents:

Senior Sukuk Wakalah

- (i) the Programme Agreement (governing the Sukuk Wakalah);
- (ii) the Senior Sukuk Wakalah Trust Deed;
- (iii) the Securities Lodgement Form (in respect of the Sukuk Wakalah);
- (iv) the Senior Sukuk Wakalah represented by the Global Certificates or the Definitive Certificates;
- (v) relevant Islamic documents; and
- (vi) any other relevant documentation in connection with the Senior Sukuk Wakalah which may be advised by the Solicitors acting for the Joint Principal Advisers (“JPAs”)/Joint Lead Arrangers (“JLAs”) and mutually agreed by the Issuer and JLAs, and includes any amendments, variations and/or supplementals made or entered into from time to time and references to “**Senior Sukuk Wakalah Transaction Documents**” shall mean any one of them.

Tier-2 Sukuk Wakalah

- (i) the Programme Agreement (governing the Sukuk Wakalah);
- (ii) the Tier-2 Sukuk Wakalah Trust Deed;
- (iii) the Securities Lodgement Form (in respect of the Sukuk Wakalah);
- (iv) the Tier-2 Sukuk Wakalah represented by the Global Certificates or the Definitive Certificates;
- (v) relevant Islamic documents; and
- (vi) any other relevant documentation in connection with the Tier-2 Sukuk Wakalah which may be advised by the Solicitors acting for the JPAs/JLAs and mutually

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agreed by the Issuer and JLAs, and includes any amendments, variations and/or supplementals made or entered into from time to time and references to **“Tier-2 Sukuk Wakalah Transaction Documents”** shall mean any one of them.

AT-1 Sukuk Wakalah

- (i) the Programme Agreement (governing the Sukuk Wakalah);
- (ii) the AT-1 Sukuk Wakalah Trust Deed;
- (iii) the Securities Lodgement Form (in respect of the Sukuk Wakalah);
- (iv) the AT-1 Sukuk Wakalah represented by the Global Certificates or the Definitive Certificates;
- (v) relevant Islamic documents; and
- (vi) any other relevant documentation in connection with the AT-1 Sukuk Wakalah which may be advised by the Solicitors acting for the JPAs/JLAs and mutually agreed by the Issuer and JLAs, and includes any amendments, variations and/or supplementals made or entered into from time to time and references to **“AT-1 Sukuk Wakalah Transaction Documents”** shall mean any one of them.

The Senior Sukuk Wakalah Trust Deed, Tier-2 Sukuk Wakalah Trust Deed and AT-1 Sukuk Wakalah Trust Deed shall collectively be referred to as the **“Trust Deeds”**.

The Senior Sukuk Wakalah Transaction Documents, Tier-2 Sukuk Wakalah Transaction Documents and AT-1 Sukuk Wakalah Transaction Documents shall collectively be referred to as the **“Transaction Documents”**.

Tier-2 Sukuk Wakalah Transaction Documents and AT-1 Sukuk Wakalah Transaction Documents shall collectively be referred to as the **“Subordinated Sukuk Wakalah Transaction Documents”**.

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**(xviii) Sukuk Trustees’ : Senior Sukuk Wakalah
Reimbursement
Accounts (“TRAs”)**

The Issuer shall, or the Sukuk Trustee shall on behalf of the Issuer, set up and maintain a profit-bearing Shariah-compliant account (“**Senior Sukuk Wakalah - Sukuk Trustee’s Reimbursement Account**”) with a financial institution with a sum of RM30,000.00 to be deposited therein (which shall be maintained at all times throughout the tenure of the Sukuk Wakalah Programme).

The Senior Sukuk Wakalah - Sukuk Trustee’s Reimbursement Account shall be operated by the Sukuk Trustee and the monies shall only be used strictly by the Sukuk Trustee in carrying out its duties in relation to the occurrence or declaration of a Dissolution Event as provided in the Senior Sukuk Wakalah Trust Deed.

The monies in the Senior Sukuk Wakalah - Sukuk Trustee’s Reimbursement Account may be invested in the manner provided in the Senior Sukuk Wakalah Trust Deed, with profit from the investment to accrue to the Issuer. The monies in the Senior Sukuk Wakalah – Sukuk Trustee’s Reimbursement Account shall be returned to the Issuer upon cancellation of the Sukuk Wakalah Programme.

Tier-2 Sukuk Wakalah

The Issuer shall, or the Sukuk Trustee shall on behalf of the Issuer, set up and maintain a profit-bearing Shariah-compliant account (“**Tier-2 Sukuk Wakalah - Sukuk Trustee’s Reimbursement Account**”) with a financial institution with a sum of RM30,000.00 to be deposited therein (which shall be maintained at all times throughout the tenure of the Sukuk Wakalah Programme).

The Tier-2 Sukuk Wakalah - Sukuk Trustee’s Reimbursement Account shall be operated by the Sukuk Trustee and the monies shall only be used strictly by the Sukuk Trustee in carrying out its duties in relation to the occurrence or declaration of an Enforcement Event as provided in the Tier-2 Sukuk Wakalah Trust Deed.

The monies in the Tier-2 Sukuk Wakalah - Sukuk Trustee’s Reimbursement Account may be invested in the manner provided in the Tier-2 Sukuk Wakalah Trust Deed, with profit from the investment to accrue to the Issuer. The monies in the Tier-2 Sukuk Wakalah – Sukuk Trustee’s Reimbursement Account shall be returned to the Issuer upon cancellation of the Sukuk Wakalah Programme.

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AT-1 Sukuk Wakalah

The Issuer shall, or the Sukuk Trustee shall on behalf of the Issuer, set up and maintain a profit-bearing Shariah-compliant account (“**AT-1 Sukuk Wakalah - Sukuk Trustee’s Reimbursement Account**”) with a financial institution with a sum of RM30,000.00 to be deposited therein (which shall be maintained at all times throughout the tenure of the Sukuk Wakalah Programme).

The AT-1 Sukuk Wakalah - Sukuk Trustee’s Reimbursement Account shall be operated by the Sukuk Trustee and the monies shall only be used strictly by the Sukuk Trustee in carrying out its duties in relation to the occurrence or declaration of an Enforcement Event as provided in the AT-1 Sukuk Wakalah Trust Deed.

The monies in the AT-1 Sukuk Wakalah - Sukuk Trustee’s Reimbursement Account may be invested in the manner provided in the AT-1 Sukuk Wakalah Trust Deed, with profit from the investment to accrue to the Issuer. The monies in the AT-1 Sukuk Wakalah - Sukuk Trustee’s Reimbursement Account shall be returned to the Issuer upon cancellation of the Sukuk Wakalah Programme.

- (xix) Jurisdiction** : The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.
- (xx) Taxation** : All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied or on behalf of the Government of Malaysia or other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law, in which event the payor shall be required to make such additional amount so that the payee would receive the full amount which the payee would have received if no such withholding or deductions are made.
- (xxi) Cost and Expenses** : All legal fees, stamp duties (if any) and reasonable expenses incurred in connection with the Sukuk Wakalah Programme, including professional fees and fees payable to the SC, where applicable, shall be for the account of the Issuer.