

**RHB INVESTMENT BANK BERHAD**  
**Principal terms and conditions of the Sub-Note Programme**

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**1.01 Background Information**

(a) Issuer

- (i) Name : RHB Investment Bank Berhad (“**the Bank**”)
- (ii) Address : Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur
- (iii) Business registration no. : 19663-P
- (iv) Date/place of incorporation : 5 August 1974/ Malaysia
- (v) Date of listing : Listed on the Kuala Lumpur Stock Exchange (currently known as Bursa Malaysia Securities Berhad) on 26 August 1997 and subsequently delisted on 27 November 2002.
- (vi) Status : Bumiputra resident controlled company
- (vii) Principal activities : The Bank is principally involved in merchant banking business, dealing in securities, stock, debt and derivatives, stock-broking business and the business of brokers and dealers in futures and option contracts. The principal activities of the Bank and its subsidiaries consist of merchant banking business, dealing in securities, stock, debt and derivatives stockbroking business and the business of brokers and dealers in futures and options contracts, unit trust management, asset management, research services and provision of nominee services.
- (viii) Board of directors (as at 31 August 2007) :
  - 1. Ybhg. Dato Abdullah Mat Noh (Non-Independent Non-Executive Chairman)
  - 2. Ybhg. Datuk Azlan Mohd Zainol (Non-Independent Non-Executive Director)
  - 3. Ybhg. Dato' Mohamed Khadar Merican (Independent Non-Executive Director)

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4. Ybhg. Dato ' Vaseehar Hassan Abdul Razack  
(Non-Independent Non-Executive Director)
5. Mr. Akira Miyama  
(Non-Independent Non-Executive Director)
6. Mr. Lew Foon Keong  
(Independent Non-Executive Director)
7. Encik Johari Abdul Muid  
(Non-Independent Non-Executive Director)
8. Ybhg. Datin Khamarzan binti Ahmed Meah  
(Independent Non-Executive Director)
9. Mr Patrick Chin Yoke Chung  
(Independent Non-Executive Director)

(ix) Structure of shareholdings and names of shareholders (as at 31 August 2007)

Ordinary Shareholders	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
RHB Capital Berhad	338,646,000	100	-*	-

\* By virtue of Employees Provident Fund Board (EPF) direct substantial interests in RHB Capital Berhad (RHBC), EPF is also deemed to have an indirect interest in the securities of the subsidiaries of RHBC to the extent RHBC has an interest.

(x) Authorised and paid-up capital (as at 31 August 2007)

Type	No. of shares	Par value (RM)	Amount (RM)
<b>Authorised</b> Ordinary Shares	1,000,000,000	1.00	1,000,000,000
<b>Issued and paid-up capital</b> Ordinary Shares	338,646,000	1.00	338,646,000

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**1.02 Principal Terms and Conditions:**

- (a) Names of parties involved in the proposed transaction
- (i) Principal Adviser/ Lead Arranger : RHB Investment Bank Berhad
  - (ii) Arranger(s) : Not applicable
  - (iii) Valuer : Not applicable
  - (iv) Solicitors : Messrs. Kadir, Andri & Partners
  - (v) Financial adviser : Not applicable
  - (vi) Technical adviser : Not applicable
  - (vii) Guarantor : Not applicable
  - (viii) Trustee : Amanah Raya Berhad (Company No. 344986-V)
  - (ix) Facility Agent : RHB Investment Bank Berhad
  - (x) Primary subscriber(s) and amount subscribed : To be determined prior to the issuance in respect of issuance via bought deal basis only. Not applicable for issuance via book building.
  - (xi) Underwriter(s) and amount underwritten : Not applicable
  - (xii) Central Depository : Bank Negara Malaysia (“**BNM**”)
  - (xiii) Paying Agent : BNM
  - (xiv) Reporting Accountant : Not applicable
  - (xv) Others : Rating Agency  
RAM Rating Services Berhad (Company No. 763588-T) (“**RAM Ratings**”)
- (b) Facility description : A Subordinated Note Programme (the “**Sub-Note Programme**”) for the issuance of Subordinated Notes (“**the Notes**”). The Notes will qualify as Tier 2 Capital of the Bank for purposes of Malaysia’s capital adequacy regulations.

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- (c) Issue size (RM) : Up to RM245.0 million in nominal value.  
The aggregate outstanding Notes proposed to be issued under the Sub-Note Programme shall not at any one time exceed RM245.0 million in nominal value.
- (d) Issue price (RM) : At par or at a discount.
- (e) Tenor of the facility/issue : Up to 15 years from the date of first issuance.

Maturity of the Notes

Ranging from ten (10) to fifteen (15) years and callable after a minimum period of 5 years (hereinafter referred to as the “**Call Date**”) from date of issue, at the option of the Issuer.

- (f) Interest/coupon (%) : To be determined prior to the issuance of the Notes. Unless the Notes are fully redeemed on the Call Date, the Noteholders will be entitled to a step-up in the coupon rate from (and inclusive of) the Call Date and annually thereafter until the final redemption of the Notes.  
The step-ups in coupon rates will be confirmed closer to the time of issuance.
- (g) Interest/coupon payment frequency : Semi-annually in arrears.
- (h) Interest/coupon payment basis : Actual number of days elapsed on a 365-days basis.
- (i) Yield to maturity (%) : To be determined upon issuance.
- (j) Security/collateral : Nil.
- (k) Details on utilisation of proceeds : The proceeds raised from the Sub-Note Programme shall be utilised for the Bank’s general working capital purposes.
- (l) Sinking fund : Nil.
- (m) Rating : Final long-term rating of A<sub>3</sub> assigned by RAM Ratings.

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(n) Form and denomination : The Notes shall be issued in accordance with –

1. the Code of Conduct and Market Practices for the Malaysian Corporate Bond Market issued by Institut Peniaga Bon Malaysia and approved by BNM (“**IPBM Code**”);
2. the Rules on Scripless Securities under the Real Time Electronic Transfer of Funds and Securities (“**RENTAS**”) System issued by BNM (“**RENTAS Rules**”); and
3. the Rules on Fully Automated System for Issuing/Tendering (“**FAST**”) issued by BNM (“**FAST Rules**”)

or their replacement thereof (collectively the “**Codes of Conduct**”) applicable from time to time.

The RENTAS Rules shall prevail to the extent of any inconsistency between the RENTAS Rules and the IPBM Code. The Notes shall be in minimum denomination of RM1,000 each or such other denomination as determined or allowed by BNM and in multiples of RM1,000 and will be represented at all times by a Global Certificate to be deposited with BNM, and is exchangeable for definitive bearer form only in certain limited circumstances.

(o) Mode of issue : Private placement (via bought deal or book building) without prospectus.

(p) Selling restriction : Selling Restrictions at Issuance

The Notes may not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than to a person to whom an offer or invitation to subscribe for the Notes and to whom the Notes are issued would fall within Schedule 6 or section 229(1)(b) or Schedule 7 or section 230(1)(b), and Schedule 9 or section 257(3) of the CMSA.

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Selling Restrictions after Issuance

The Notes may not be offered, sold or delivered, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia other than to a person to whom an offer or invitation to subscribe for the Notes and to whom the Notes are issued would fall within Schedule 6 or section 229(1)(b) and Schedule 9 or section 257(3) of the CMSA.

- (q) Listing status : The Notes will not be listed on the Bursa Malaysia Securities Berhad and on any stock exchange.
- (r) Minimum level of subscription : 100% of the value issued.
- (s) Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained : (i) Approval from BNM for proposed issuance of RM245.0 million of subordinated notes under the Sub-Note Programme and classification of the subordinated notes as Tier 2 Capital of the Bank for inclusion in the computation of the Bank's Risk Weighted Capital Ratio ("**RWCR**"); and
- BNM's approval was obtained via its letter dated 12 September 2007.
- (ii) Approval from SC on the waiver from having to comply with any restrictive covenants as set out in the SC's Guidelines on the Minimum Contents Requirements for Trust Deeds in respect of the Notes to be issued under the Sub-Note Programme and the HT1 Securities.
- SC's approval was obtained via its letter dated 22 August 2007.
- (t) Conditions precedent : Conditions precedent customary for an issue of this nature which shall include but not limited to the following:-
- (i) Approval from BNM for the Notes to be classified as Tier 2 Capital;
- (ii) Approval from the SC for the Issue;

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- (iii) Legal counsel opinion as to, inter alia, the validity and enforceability of the Notes and facility agreements and compliance with all conditions precedent;
  - (iv) The Notes have been accorded a minimum rating of A<sub>3</sub> by RAM Ratings;
  - (v) Such other conditions precedent as advised by the legal counsel of the Lead Arranger.
- (u) Representations and warranties : Representations and warranties typical and customary for a programme of this nature, which shall include but is 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 Notes and the facility agreements;
  - (iii) The Notes qualify as Tier 2 Capital under the capital adequacy regulations of Malaysia;
  - (iv) The Issuer's entry into, exercise of its rights under and performance of the facility agreements do not and will not violate any existing law or agreements to which it is a party;
  - (v) The Issuer has all licenses, franchises, permits, authorisations, approvals, orders and other concessions of and from all governmental and regulatory officials and bodies that are necessary to own or lease its properties and conduct its business, other than where the failure to obtain such licenses, franchises, permits, authorisations, approvals, orders and other concessions would not have a material adverse effect on the Issuer;

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- (vi) The facility agreements create valid and binding obligations which are enforceable on and against the Issuer;
- (vii) All necessary actions, authorisations and consents required under the facility agreements have been taken, fulfilled and obtained and remain in full force and effect;
- (viii) Save as disclosed by the Issuer, no event has occurred which, if the Notes had already been issued, would constitute an Enforcement Event under the facility agreements;
- (ix) The audited accounts of the Issuer are prepared in accordance with generally accepted accounting principles and standards and they fairly represent its financial position;
- (x) No litigation or arbitration is current or, to the Issuer's knowledge, is threatened, which if adversely determined would have a material adverse effect on the ability of the Issuer to comply with the facility agreements;
- (xi) 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;
- (xii) There is no contravention of Section 62 of the Banking and Financial Institutions Act, 1989;
- (xiii) 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

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176 of the Companies Act 1965;

- (xiv) 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
  - (xv) such other representations and warranties as may be advised by the appointed legal counsel.
- (v) Events of Default : There are no events of default under the Sub-Note Programme. Please refer to Enforcement Events: Limited Rights to Accelerate under clause (x)(ii) below.
- (w) Principal terms and conditions for warrants : Not applicable
- (x) Other principal terms and conditions for the issue
- (i) Covenants : These shall include but not limited to the following:

The Issuer shall:

1. At all times perform all its obligations and promptly comply with all provisions of the facility agreements and the terms and conditions of the Notes (including but not limited to redeeming the Notes on the relevant maturity dates or any other dates on which the Notes are due and payable);
2. Deliver to the Trustee a copy of its annual audited accounts within 180 days after the end of each financial year and any other accounts, report, notice, statement or circular or other documents issued by the Issuer to its shareholders;
3. Deliver to the Trustee annually a certificate that the Issuer has complied with its obligations under the Trust Deed and the terms and conditions of the Notes and that there did not exist or had not existed, from the Issue date,

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- any Enforcement Event and if such is not the case, to specify the same;
4. Provide to the Trustee such information which the Trustee may reasonably require for the purpose of the discharge of its duties, powers, trusts, authorities and discretions vested in it to the extent permitted by law;
  5. Immediately notify the Trustee in the event that the Issuer becomes aware of the following:
    - a) the occurrence of any Enforcement Event or such other right or remedy under the terms, provisions and covenants of the Notes and the facility agreements which have become enforceable and the Issuer shall take reasonable steps and/or such other steps as may be reasonably requested by the Trustee to remedy and/or mitigate the Enforcement Event;
    - b) any circumstance that has occurred or any other matters that may materially prejudice the ability of the Issuer to perform its obligations under the Notes or any security included in or created by the Notes or the Trust Deed;
    - c) any substantial change in the nature of the business of the Issuer;
    - d) any change in the utilisation of the proceeds from the Notes other than for the purpose stipulated;
    - 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 Noteholders.
  6. At all times keep proper books and accounts on a basis consistently applied in accordance with the laws of Malaysia and generally accepted accounting principles and standards in

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Malaysia;

7. At all times maintain its corporate legal existence and exercise reasonable diligence in carrying out its business in a proper and efficient manner which should ensure, amongst others, that all necessary approvals or relevant licences are obtained;
8. At all times maintain a paying agent with a specified office in Malaysia;
9. Procure that the paying agent shall notify the Trustee in the event that 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 Notes; and
10. Such other covenants deemed necessary or as may be advised by the legal counsel for the Lead Arranger.

- (ii) Enforcement Events Limited Rights to Accelerate : Enforcement Events means the occurrence of any of the following:
- (i) the Issuer defaults in payment of any principal or coupon under the Notes on the due date and the Issuer does not remedy such default within a period of 14 days after the Issuer became aware or having been notified by the Trustee of the default;
  - (ii) an order is made for winding-up the Issuer and such order is not stayed or set aside within thirty (30) days of such order being made or, where so stayed, such stay lapses, or an effective resolution is passed for winding-up the Issuer except where such order is made or such resolution is passed for the purpose of a reconstruction or amalgamation the terms of which have been approved by the Noteholders by way of special resolution.

Upon the occurrence of item (i) above, subject to the terms of the Trust Deed, the Trustee may or shall (if directed to do so by a special resolution of the Noteholders)

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institute proceedings to enforce the payment obligations under the Notes that are in default and may institute proceedings in Malaysia for the winding up of the Issuer, provided that neither the Trustee nor any of the Noteholders shall have the right to accelerate payment of the other Notes in the case of default in the payment of amount owing under the Notes that are in default or any default in the performance of any condition, provision or covenant under the Notes or the Trust Deed.

Upon the occurrence of item (ii) above, subject to the terms of the Trust Deed, the Trustee may or shall (if directed to do so by a special resolution of the Noteholders) declare (by giving written notice to the Issuer) that the Notes together with all other sums payable under the Notes shall immediately become due and payable.

- (iii) Status of Notes : The Notes will constitute direct unsecured obligations of the Issuer, subordinated in right and priority of payment, to the extent and in the manner provided for in the Notes, to all deposit liabilities and other liabilities of the Issuer except all other present and future unsecured and subordinated obligations of the Issuer which by their terms rank pari passu in right of and priority of payment with or subordinated to the Notes. The Notes will in the event of the winding-up or liquidation of the Issuer, be subordinated in right of payments to the claims of depositors and all other creditors of the Issuer other than claimants in respect of the Issuer's unsecured and subordinated obligations which by their terms rank pari passu in right of and priority of payment with or subordinated to the Notes.
- (iv) Redemption Price : At par together with accrued interest due on the redemption date.
- (v) Optional redemption : The Issuer, may, at its option, subject to the prior approval of BNM, redeem the Notes in whole, but not in part, on the relevant Call Date and at any anniversary dates thereafter.

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- (vi) Financing Documents : The Notes shall be evidenced inter-alia, by the following documents:-
- (i) Note Issuance Agreement;
  - (ii) Depository & Paying Agency Agreement;
  - (iii) Trust Deed; and
  - (iv) any other legal documentations as advised by the legal counsel for the Lead Arranger.
- (vii) Taxation : All payments shall be made free and clear of all present and future taxes, duties, withholdings or other deductions whatsoever imposed by the Government or any political sub-division or tax authority thereof. In the event that any such taxes are in future imposed or if such withholding or deduction is required by law, the Issuer must make such additional payments as are necessary to cause the Noteholders to receive the net amount that they would otherwise have received.
- (viii) Further issues : The Issuer may from time to time raise additional subordinated debt which contains greater rights for the holders thereof including acceleration rights provided that such subordinated debt ranks pari passu in right of priority of payment with or subordinated to the Notes issued hereunder in the case of any distribution of assets in any winding up of the Issuer.
- (ix) Transferability : Transferable, but subject to the Selling Restrictions stated herein.
- (x) Other Conditions : The Notes shall contain all such terms as required by BNM to qualify as Tier 2 Capital and shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and/or any other authority in Malaysia having jurisdiction over matters pertaining to the Notes, and the Codes of Conduct.

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- (xi) Governing Law : The laws of Malaysia.
- (xii) Jurisdiction : The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.