

**AMISLAMIC BANK BERHAD
PRINCIPAL TERMS AND CONDITIONS FOR THE SUBORDINATED SUKUK
MUSHARAKAH PROGRAMME**

**PRINCIPAL TERMS AND CONDITIONS OF THE SUBORDINATED SUKUK
MUSHARAKAH PROGRAMME**

BACKGROUND INFORMATION																		
1.	Issuer																	
	(i) Name	Amlslamic Bank Berhad (“ Amlslamic ”)																
	(ii) Address	22 nd Floor, Bangunan AmBank Group No. 55, Jalan Raja Chulan 50200 Kuala Lumpur																
	(iii) Business registration no.	295576-U																
	(iv) Date and place of incorporation	Incorporation date: 14 April 1994. Place of incorporation: Malaysia																
	(v) Date of listing	Not listed on any exchange																
	(vi) Status	Resident-controlled company. <i>Note:</i> <i>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.</i>																
	(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 June 2011)	<table><tr><th>Name of Directors</th><th>Nationality</th></tr><tr><td>Tan Sri Azman Hashim (“TSAH”)</td><td>Malaysian</td></tr><tr><td>Tun Mohammed Hanif bin Omar</td><td>Malaysian</td></tr><tr><td>Tan Sri Datuk Clifford Francis Herbert</td><td>Malaysian</td></tr><tr><td>Dato’ Gan Nyap Liou @ Gan Nyap Liow</td><td>Malaysian</td></tr><tr><td>Dato’ Dr Mahani binti Zainal Abidin</td><td>Malaysian</td></tr><tr><td>Cheah Tek Kuang</td><td>Malaysian</td></tr><tr><td>Ashok Ramamurthy</td><td>Australian</td></tr></table>	Name of Directors	Nationality	Tan Sri Azman Hashim (“ TSAH ”)	Malaysian	Tun Mohammed Hanif bin Omar	Malaysian	Tan Sri Datuk Clifford Francis Herbert	Malaysian	Dato’ Gan Nyap Liou @ Gan Nyap Liow	Malaysian	Dato’ Dr Mahani binti Zainal Abidin	Malaysian	Cheah Tek Kuang	Malaysian	Ashok Ramamurthy	Australian
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	(ix) Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders (as at 30 June 2011)	<p>Amlslamic is a wholly-owned subsidiary of AMMB.</p> <p>The substantial shareholders of Amlslamic as at 30 June 2011 are as follows:</p> <table border="1" data-bbox="716 384 1414 898"> <thead> <tr> <th data-bbox="716 384 1013 422">Name</th><th colspan="2" data-bbox="1013 384 1414 422">No. of AHB shares / %</th></tr> <tr> <th data-bbox="716 422 1013 453"></th><th data-bbox="1013 422 1227 453">Direct</th><th data-bbox="1227 422 1414 453">Indirect</th></tr> </thead> <tbody> <tr> <td data-bbox="716 453 1013 516">AMMB</td><td data-bbox="1013 453 1227 516">403,038,000 / 100%</td><td data-bbox="1227 453 1414 516"></td></tr> <tr> <td data-bbox="716 516 1013 600">TSAH</td><td data-bbox="1013 516 1227 600">-</td><td data-bbox="1227 516 1414 600">403,038,000* / 100%</td></tr> <tr> <td data-bbox="716 600 1013 674">Amcorp Group Berhad</td><td data-bbox="1013 600 1227 674">-</td><td data-bbox="1227 600 1414 674">403,038,000* / 100%</td></tr> <tr> <td data-bbox="716 674 1013 737">Clear Goal Sdn Bhd</td><td data-bbox="1013 674 1227 737">-</td><td data-bbox="1227 674 1414 737">403,038,000* / 100%</td></tr> <tr> <td data-bbox="716 737 1013 800">ANZ Funds Pty Ltd</td><td data-bbox="1013 737 1227 800">-</td><td data-bbox="1227 737 1414 800">403,038,000* / 100%</td></tr> <tr> <td data-bbox="716 800 1013 898">Australia and New Zealand Banking Group Limited</td><td data-bbox="1013 800 1227 898">-</td><td data-bbox="1227 800 1414 898">403,038,000* / 100%</td></tr> </tbody> </table> <p><u>Note:</u></p> <p>* Deemed interested by virtue of his/its interests arising from his/its substantial interests in AMMB</p>	Name	No. of AHB shares / %			Direct	Indirect	AMMB	403,038,000 / 100%		TSAH	-	403,038,000* / 100%	Amcorp Group Berhad	-	403,038,000* / 100%	Clear Goal Sdn Bhd	-	403,038,000* / 100%	ANZ Funds Pty Ltd	-	403,038,000* / 100%	Australia and New Zealand Banking Group Limited	-	403,038,000* / 100%
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	(x) Authorised and paid-up capital (as at 30 June 2011)	<p><u>Authorised share capital</u> RM2,000,000,000 comprising 2,000,000,000 ordinary shares of RM1.00 each</p> <p><u>Paid-up share capital</u> RM403,038,000 comprising 403,038,000 ordinary shares of RM1.00 each</p>																								
2.	PRINCIPAL TERMS AND CONDITIONS																									
(a)	Names of parties involved in the proposed transaction																									
	(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																								

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	(vii) Trustee	Pacific Trustees Berhad
	(viii) Guarantor	Not applicable
	(ix) Valuer	Not applicable
	(x) Facility agent	AmlInvestment Bank
	(xi) Primary subscriber (under a bought deal arrangement) and amount subscribed	At least two (2) Primary Subscribers to be determined prior to the issuance in respect of issuance on a bought-deal basis. Primary Subscribers are not applicable for issuance via book building or direct placement. Notwithstanding the mode of issuance, there must be at least two (2) investors at the point of each issuance to form the Musharakah Venture (as defined below).
	(xii) Underwriter and amount underwritten	Not applicable
	(xiii) Shariah adviser	Dr Mohd Daud Bakar
	(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)	<u>Lead Manager(s)</u> AmlInvestment Bank and/or other financial institutions to be appointed (if any) <u>Rating Agency</u> RAM Rating Services Berhad (“RAM Ratings”)
	(xix) <u>Roles undertaken by AmlIslamic in respect of the Musharakah transaction</u>	
	- Issuer	As the Issuer of the Subordinated Sukuk Musharakah (as defined hereinafter).
	- Manager	As the Manager who will manage the Musharakah Venture for the benefit of the Sukukholders upon the issuance of the Subordinated Sukuk Musharakah.

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	- Obligor	As the Obligor, who undertakes to purchase the Trust Assets (as defined herein) from the Trustee at the Exercise Price (as defined herein).
(b)	Facility description (including the description of Islamic principle)	<p>A subordinated Islamic securities ("Subordinated Sukuk Musharakah") issuance programme based on the Shariah principles of Musharakah ("Subordinated Sukuk Musharakah Programme").</p> <p>The Subordinated Sukuk Musharakah will qualify as Tier 2 capital of Amlslamic in compliance with BNM's "Risk-Weighted Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (General Requirements and Capital Components)" in calculating its Risk-Weighted Capital Ratio.</p> <p>Under this transaction, the investors (known as the "Sukukholders") shall from time to time, form a partnership amongst themselves for the purpose of investing in the Shariah-compliant financial services business of Amlslamic ("Musharakah Venture"). Each tranche of the Subordinated Sukuk Musharakah which comprises at least two (2) Sukukholders shall constitute a Musharakah Venture. Any profit derived from the Musharakah Venture will be distributed based on the ratio of capital contribution among the Sukukholders and losses will also be shared based on the Sukukholders' ratio of capital contribution.</p> <p>Amlslamic shall issue Subordinated Sukuk Musharakah to the Sukukholders, in consideration of their capital contribution ("Musharakah Capital"). The Subordinated Sukuk Musharakah represents the Sukukholders' proportionate participation in the said Musharakah Venture.</p> <p>The Issuer shall declare trust over the Trust Assets (as defined herein), which shall be the Shariah-compliant financial services business of the Issuer (including the Profit Reserve Account (as defined)) ("Trust Assets"), for the benefit of the Trustee (acting for the Sukukholders). The Trustee (acting on behalf of the Sukukholders) shall appoint the Issuer as its agent (the "Manager") to manage the Musharakah Venture on behalf of the Sukukholders upon the terms and subject to the conditions therein contained.</p> <p>The Subordinated Sukuk Musharakah shall entitle the Sukukholders to a share in the income generated from the Musharakah Venture in proportion to each Sukukholder's respective contribution of the Musharakah Capital ("Periodic Payment(s)"), which shall be distributed semi-</p>

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		<p>annually ("Periodic Payment Date") to the Sukukholders.</p> <p>For the avoidance of doubt, whenever a Periodic Payment is made on a particular scheduled Periodic Payment Date, such payment shall comprise the distributable income generated from the relevant Musharakah Venture ("Periodic Distribution(s)") and Advance Profit Payment(s) (as defined below), if any.</p> <p>The return expected ("Expected Return") by the Sukukholders from each Musharakah Venture shall be the yield from the relevant tranche of the Subordinated Sukuk Musharakah up to (i) the respective maturity date of the Subordinated Sukuk Musharakah of such tranche ("Maturity Date"; or (ii) the date of declaration of a Dissolution Event (as defined herein); or (iii) the date of Early Redemption (as defined herein) of such tranche, whichever is applicable.</p> <p>The Sukukholders shall also agree upfront that they shall receive return, if any, up to the Expected Return. Any amounts in excess of the Expected Return shall be credited by the Manager to a Profit Reserve Account which may be used to fund future payments of Periodic Payments. Any amount standing to the credit of the Profit Reserve Account on the Maturity Dates or on the date of declaration of a Dissolution Event or the date of Early Redemption (collectively referred to as "Dissolution Date") will be due and payable to the Manager as an incentive fee for managing the Musharakah Venture.</p> <p>The Manager may at any time prior to the Dissolution Date utilise the amounts standing to the credit of the Profit Reserve Account with such amounts being treated as the advance incentive fee ("Advance Incentive Fee") so long as any amounts deducted from the Profit Reserve Account prior to the Dissolution Date are re-credited to fund any shortfall in the amounts of the Periodic Payments.</p> <p>If, on any Periodic Payment Date, the income generated from the Trust Assets and any Advance Incentive Fee re-credited to the Profit Reserve Account are insufficient to meet the expected Periodic Payment(s) on any Periodic Payment Date in full, the Issuer shall make advance profit payments during the tenor of the Subordinated Sukuk Musharakah ("Advance Profit Payment") equal to such deficiency. For the avoidance of doubt, any Advance Profit Payment made by the Issuer shall be off-set against the Exercise Price (as defined herein).</p> <p>The Issuer (as "Obligor") shall also grant to the Trustee</p>
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		<p>(acting on behalf of the Sukukholders) a Purchase Undertaking whereby the Obligor shall undertake to purchase the Trust Assets from the Trustee at the Exercise Price on the respective maturity dates of the Subordinated Sukuk Musharakah, or on the declaration of a Dissolution Event or upon Early Redemption, whichever is earlier. Please refer to item 2(v)(iii) for details of the Purchase Undertaking.</p> <p>In respect of each tranche, upon exercise of the Purchase Undertaking and the payment of the Exercise Price, the relevant Musharakah Venture and declaration of trust will be dissolved and the Subordinated Sukuk Musharakah will be cancelled.</p> <p>Please refer to Appendix I for the illustrative diagram of the Subordinated Sukuk Musharakah transaction.</p>
(c)	Issue/programme size	<p><u>Issue Size</u> Up to RM2.0 billion in nominal value.</p> <p>The aggregate outstanding nominal value of the Subordinated Sukuk Musharakah issued under the Subordinated Sukuk Musharakah Programme at any point in time shall not exceed RM2.0 billion.</p> <p><u>Issue Price</u> Issued at par, at a premium or at a discount at an issue price to be determined prior to issuance.</p> <p>The issue price shall be calculated in accordance with MyClear Rules and Procedures (as defined below).</p>
(d)	Tenure of issue/sukuk programme (or facility)	<p><u>Tenure of the Subordinated Sukuk Musharakah Programme</u> Up to fifteen (15) years from the date of the first issuance under the Subordinated Sukuk Musharakah Programme.</p> <p><u>Tenure of the Subordinated Sukuk Musharakah</u> The Subordinated Sukuk Musharakah shall have a tenure of not less than five (5) years and not more than fifteen (15) years from the issue date ("Maturity Date"), provided that the Subordinated Sukuk Musharakah mature at or prior to the expiry of the Subordinated Sukuk Musharakah Programme.</p> <p><u>Call Option:</u> The Issuer shall have the option to redeem the Subordinated Sukuk Musharakah at par on the Call Date (as defined below).</p> <p>Call Date is defined as "any Periodic Payment Date on or</p>

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		after the 5th year, prior to the Maturity Date”.
(e)	Availability period of sukuk programme (or facility)	<p>The Subordinated Sukuk Musharakah Programme shall be available commencing on the date of fulfilment of the conditions precedent set out in the programme agreement and ending on the date falling fifteen (15) years after the date of the first issuance under the Subordinated Sukuk Musharakah Programme.</p> <p>The date of the first issuance under the Subordinated Sukuk Musharakah Programme shall not be later than two (2) years from the date of approval by the Securities Commission (“SC”).</p>
(f)	Profit/coupon/rental rate	<p>The expected profit rates of the Subordinated Sukuk Musharakah will be determined prior to each issuance.</p> <p>The expected profit rate herein shall be applicable throughout the tenor of each tranche of the Subordinated Sukuk Musharakah.</p>
(g)	Profit/coupon/rental payment frequency	The Periodic Payment(s) shall be made on semi-annual basis with the last Periodic Payment to be made on the Maturity Date or upon the redemption of the Subordinated Sukuk Musharakah, whichever is the earlier.
(h)	Profit/coupon/rental payment basis	Actual days/ 365 days
(i)	Security/collateral (if any)	Unsecured.
(j)	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 Musharakah shall be utilised for the Issuer’s Shariah-compliant general working capital requirements, which shall include refinancing the outstanding Sukuk under its existing RM400.0 Million Subordinated Sukuk Musharakah; funding the growth of its Islamic financial services business; and defraying the issuance expenses for the establishment of the proposed Subordinated Sukuk Musharakah Programme.
(k)	Sinking fund and designated accounts (if any)	Not applicable.

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(l)	Rating (i) Credit rating (s) assigned (ii) Name of rating agency	<p>Initial long-term rating of A1 for the Subordinated Sukuk Musharakah Programme.</p> <p>RAM Ratings.</p>
(m)	Mode of issue	<p>The Subordinated Sukuk Musharakah may be issued via private placement on a best efforts basis (i.e. direct placement or bought-deal) and/or book-building on a best efforts basis without prospectus.</p>
(n)	Selling restriction, including tradability (ie. tradable or non-tradable)	<p>The Subordinated Sukuk Musharakah are tradable. The selling restrictions are as follows:</p> <p><u>At issuance</u> The Subordinated Sukuk Musharakah 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 persons falling 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 Capital Markets and Services Act, 2007 (“CMSA”).</p> <p><u>After issuance</u> The Subordinated Sukuk Musharakah 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 persons falling within Schedule 6 or Section 229(1)(b) and Schedule 9 or Section 257(3) of the CMSA.</p>
(o)	Listing status and types of listing	<p>The Subordinated Sukuk Musharakah may be listed on Bursa Malaysia Securities Berhad under the Exempt Regime. The SC will be notified accordingly in the event of such listing.</p>
(p)	Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify)	<p>The Subordinated Sukuk Musharakah Programme is subject to the approval from BNM for the issuance and classification of the Subordinated Sukuk Musharakah as Tier 2 capital of the Issuer which has been obtained via BNM’s letter dated 28 July 2011.</p>
(q)	Conditions precedent	<p>The availability of the Subordinated Sukuk Musharakah Programme shall be subject to conditions precedent including, but not limited to, the following:-</p> <p>a) Receipt of certified true copies of the Issuer’s Memorandum and Articles of Association and board of directors’ resolutions authorising, amongst others,</p>

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		<p>the execution of the transaction documents;</p> <p>b) Receipt of a list of the Issuer's authorised signatories and their respective specimen signatures;</p> <p>c) Receipt of a report of the relevant winding-up search or the relevant statutory declaration in relation thereto;</p> <p>d) The Issuer shall have obtained the approval from BNM for the Subordinated Sukuk Musharakah to be classified as Tier 2 capital issuance;</p> <p>e) The Issuer shall have obtained the approval from the SC for the Subordinated Sukuk Musharakah Programme;</p> <p>f) The Issuer shall have received the endorsement from the Shariah Adviser in respect of the Subordinated Sukuk Musharakah Programme;</p> <p>g) All the transaction documents shall have been duly executed and endorsed as exempted from stamp duty;</p> <p>h) The Issuer shall have obtained a minimum long-term rating of A1 from RAM Ratings at the point of first issuance;</p> <p>i) Receipt of satisfactory legal opinion from solicitors confirming (a) the validity, legality and enforceability of the transaction documents and any other relevant documents pertaining to the Subordinated Sukuk Musharakah Programme, and (b) that all the conditions precedent in relation to the Subordinated Sukuk Musharakah Programme have been fulfilled or waived, as the case maybe; and</p> <p>j) Such other conditions precedent as may be advised by the solicitors for the Lead Arranger.</p>
(r)	Representations and warranties	<p>Representations and warranties typical and customary for a programme of this nature which shall include, but are not limited to, the following:-</p> <p>a) The Issuer is a company duly incorporated and validly existing under the laws of Malaysia and it has the power and authority to carry on its business and to own its properties and assets;</p> <p>b) The Issuer has the power and capacity to enter into, exercise its rights and perform its obligations under the transaction documents;</p> <p>c) 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;</p> <p>d) The transaction documents create valid and binding obligations which are enforceable on and against the Issuer;</p> <p>e) No litigation or arbitration is current or, to the Issuer's knowledge, is threatened, which if adversely</p>

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		<p>determined would have a material adverse effect on the ability of the Issuer to comply with its obligations under the Subordinated Sukuk Musharakah Programme and/or the transaction documents;</p> <p>f) 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;</p> <p>g) The audited financial statements of the Issuer are prepared in accordance with generally accepted accounting principles and standards in Malaysia and they give a true and fair view of the results of the Issuer's operations for the period to which the financial statements are made up;</p> <p>h) There has been no change in the business or condition (financial or otherwise) of the Issuer or its subsidiaries since the date of its last audited financial statements which might have a material adverse effect on the ability of the Issuer to comply with its obligations under the Subordinated Sukuk Musharakah Programme and/or the transaction documents; and</p> <p>i) Such other representations and warranties as may be advised by the solicitors for the Lead Arranger including, but not limited to, the requirements under the Trust Deed Guidelines.</p>
(s)	Events of default (or enforcement event, where applicable)	<p>The Events of Default or Enforcement Events, each being an event which dissolves the Musharakah Venture (referred to herein as "Dissolution Events") shall have the following meanings:-</p> <p>(a) If the Issuer is unable to pay any principal or profits or any other amount under the Subordinated Sukuk Musharakah and such inability continues for a period of 14 days, the Trustee may, subject to the terms of the Trust Deed, institute proceedings to enforce the payment obligations under the Subordinated Sukuk Musharakah Programme and may institute proceedings in Malaysia for the winding-up of the Issuer, provided that neither the Trustee nor any of the holders of the Subordinated Sukuk Musharakah shall have the right to accelerate payment of the Subordinated Sukuk Musharakah in the case of such default in the payment of amount owing under the Subordinated Sukuk Musharakah Programme or any default in the performance of any condition, provision or covenant under the Subordinated Sukuk Musharakah Programme and/or the transaction documents.</p>

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		<p>(b) If:</p> <p>(i) a court or an agency or a regulatory authority in Malaysia having jurisdiction in respect of the same shall have instituted any proceeding or entered a decree or an order for the appointment of a receiver or a liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities, or similar arrangements involving the Issuer or all or substantially all of its property, or for the winding-up of or liquidation of its affairs and such proceeding, decree or order shall not have been vacated or shall have remained in force, undischarged or unstayed for a period of 60 days; or</p> <p>(ii) the Issuer shall file a petition to take advantage of any insolvency statute (which for this purpose includes but is not limited to insolvency-related provisions in the Companies Act 1965),</p> <p>then, upon the occurrence of any one of the events stipulated in paragraph (b) above, the Trustee may and shall, if directed to do so by the Sukukholders, declare such Dissolution Event has occurred and pursuant to the Purchase Undertaking, the Exercise Price shall become immediately due and payable. Upon declaration of the Dissolution Event, the Trustee shall be entitled to institute such proceedings to dissolve the Musharakah Venture and the trusts conferring the undivided beneficial ownership of the Trust Assets. The Trustee shall enforce all payment obligations in relation to the Exercise Price pursuant to the Purchase Undertaking.</p>
(t)	Covenants	<p>These shall include, but not be limited to, the following:</p> <p>a) The Issuer will at all times maintain its corporate legal existence and exercise reasonable diligence in carrying out its business in a proper and efficient manner and in particular, it will ensure, amongst others, that all necessary approvals or relevant licences are obtained;</p> <p>b) The Issuer will at all times perform all its obligations and promptly comply with all provisions of the transaction documents and the Subordinated Sukuk Musharakah Programme;</p>

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		<p>c) The Issuer shall at all times on demand execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the transaction documents;</p> <p>d) The Issuer shall provide the following to the Trustee:</p> <ul style="list-style-type: none"> (i) within 180 days after the end of each financial year, a copy of its annual audited accounts; within 90 days after the end of each half of its financial year, copies of its unaudited consolidated interim financial statements for that half year; and any other accounts, reports, notices, statements, circulars or other documents issued by the Issuer to its shareholders; (ii) annually, a certificate stating that the Issuer has complied with its obligations under the Trust Deed and the terms and conditions of the Subordinated Sukuk Musharakah Programme and that there did not exist or had not existed, from the first issue date or date of previous certificate (as the case may be), any Dissolution Event or enforcement and if such is not the case, to specify the same; and (iii) such information relating to the Issuer's affairs to the extent permitted by law which the Trustee may reasonably require from time to time in order to discharge its duties and obligations. <p>e) The Issuer shall immediately notify the Trustee in writing in the event that the Issuer becomes aware of any of the following:</p> <ul style="list-style-type: none"> (i) the occurrence of any Dissolution Event and the Issuer shall take reasonable steps and/or such other steps as may be reasonably requested by the Trustee to remedy and/or to mitigate the Dissolution Event; (ii) any circumstance that has occurred or any other matter that may have a material adverse effect on the ability of the Issuer to perform its obligations under the Subordinated Sukuk Musharakah Programme and/or the transaction documents; (iii) any substantial change in the nature of the business of the Issuer; (iv) any litigation or other proceedings of any nature whatsoever being threatened or
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		<p>initiated against the Issuer before any court or tribunal or administrative agency which may have a material adverse effect on the ability of the Issuer to comply with its obligations under the Subordinated Sukuk Musharakah Programme;</p> <p>(v) any change in the utilisation of the proceeds from the Subordinated Sukuk Musharakah Programme other than for the purpose stipulated;</p> <p>(vi) of the happening of any event that has caused or could cause one or more of the following: (a) any amount payable under the Subordinated Sukuk Musharakah to become immediately payable; (b) the Subordinated Sukuk Musharakah to become immediately enforceable; or (c) any other rights or remedies under the terms and conditions of the Subordinated Sukuk Musharakah or the Trust Deed to become immediately enforceable;</p> <p>(vii) any change in the Issuer's withholding tax position or taxing jurisdiction of the Issuer (where applicable); and</p> <p>(viii) any other matters that may materially prejudice the interests of the Sukukholders;</p> <p>f) keep proper books and accounts at all times on a basis consistently applied in accordance with the laws of Malaysia and generally accepted accounting principles and standards in Malaysia and information contained therein gives a true and fair view of the Issuer's operations for the period to which the books and accounts are kept and provide the Trustee and any person appointed by it (e.g. auditors) access to such books and accounts to the extent permitted by law;</p> <p>g) The Issuer will maintain a paying agent or its equivalent who is based in Malaysia;</p> <p>h) The Issuer will procure that the paying agent notify the Trustee, through a 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 Musharakah Programme;</p> <p>i) The Issuer shall promptly comply with all applicable provisions of the CMSA and IBA and/or any notes, circulars, conditions and/or guidelines issued by the SC and BNM from time to time; and</p>
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		j) Such other covenants as may be advised by the solicitors for the Lead Arranger including but not limited to the requirements under the Trust Deed Guidelines.
(u)	Provisions on buy-back and early redemption of sukuk (“Early Redemption”)	<p>“<u>Early Redemption</u>” refers to Optional Redemption, Regulatory Redemption and/or Tax Redemption, all as further described below.</p> <p><u>Optional Redemption (“Call Option”):</u> For each tranche of the Subordinated Sukuk Musharakah, the Issuer may, at its sole discretion, and subject to the Redemption Conditions (as defined herein) being satisfied, redeem the Subordinated Sukuk Musharakah in whole on the relevant Call Date at the Exercise Price (as defined herein).</p> <p>The optional redemption of one tranche of the Subordinated Sukuk Musharakah does not trigger the redemption of other tranche(s) of the Subordinated Sukuk Musharakah under the Subordinated Sukuk Musharakah Programme.</p> <p><u>Regulatory Redemption:</u> If the Subordinated Sukuk Musharakah (in whole or in part) no longer qualify as Tier 2 capital of the Issuer for the purposes of BNM’s capital adequacy requirements under any regulations applicable to the Issuer or if, at any time, there is more than an insubstantial risk that the Subordinated Sukuk Musharakah (in whole or in part) will either immediately or with the passage of time or upon either the giving of notice or the fulfilment of a condition, no longer qualify as such, the Issuer may, at its option, redeem the Subordinated Sukuk Musharakah (in whole, but not in part) at the Exercise Price, subject to the Redemption Conditions being satisfied.</p> <p><u>Tax Redemption:</u> If there is more than an insubstantial risk that the Issuer will be required to pay any additional amounts or will no longer be able to deduct profit in respect of the relevant Subordinated Sukuk Musharakah for taxation purposes as a result of a change in any applicable law or regulation which comes into effect on or after the issue dates of the relevant Subordinated Sukuk Musharakah and the Issuer cannot, by taking reasonable measures available to it, avoid the payment of any additional amounts or deduct profit in respect of the relevant Subordinated Sukuk Musharakah, the Issuer may, at its option, redeem the relevant Subordinated Sukuk Musharakah (in whole, but not in part) at the Exercise Price, subject to the</p>

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		<p>Redemption Conditions being satisfied.</p> <p><u>Final Redemption:</u> Unless previously redeemed pursuant to Optional Redemption or Regulatory Redemption or Tax Redemption, or purchased from the market and cancelled, the Subordinated Sukuk Musharakah shall be fully redeemed on the respective Maturity Date(s) at the Exercise Price.</p> <p><u>Redemption Conditions mean:</u></p> <ul style="list-style-type: none"> (i) the Issuer is solvent at the time of any redemption of the Subordinated Sukuk Musharakah and immediately thereafter; (ii) the Issuer is not in breach of BNM's minimum capital adequacy ratio requirements applicable to the Issuer; (iii) the Issuer has obtained the written approval of BNM prior to the redemption of the Subordinated Sukuk Musharakah.
(v)	Other principal terms and conditions for the issue	
(i)	Form and denomination	<p><u>Form</u> The Subordinated Sukuk Musharakah shall be represented by Global Certificates in bearer form (exchangeable for definitive certificates in limited circumstances) in accordance with the "Operational Procedures for the Real Time Electronic Transfer of Funds and Securities ("RENTAS")" issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("MyClear") effective 16 February 2011, and the "Operational Procedures for Securities Services" and the "Participation and Operation Rules for Payments and Securities Services" both issued by MyClear and effective 17 February 2011, as amended and substituted from time to time (collectively the "MyClear Rules and Procedures") and/or any other procedures/guidelines issued by the relevant authority(ies). No physical delivery of the Subordinated Sukuk Musharakah is permitted. The Global Certificates will be deposited with BNM acting as the Central Depository.</p> <p><u>Denomination</u> RM1,000 (unless required to be in such other denominations in accordance with MyClear Rules and Procedures and/or any other relevant guidelines).</p>
(ii)	Profit Reserve Account	<p>The Manager shall open a profit reserve account, into which shall be credited any excess income from the Trust Assets and, if applicable, re-credited any Advance Incentive Fee, which will be used to fund payments of the Periodic Payment(s) from time to time to the extent that</p>

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		there is insufficient income from the Trust Assets to make such Periodic Payment(s).
(iii)	Purchase Undertaking	<p>In respect of each tranche of the Subordinated Sukuk Musharakah, the Obligor shall grant an undertaking to the Trustee (acting on behalf of the Sukukholders) whereby the Obligor shall undertake to purchase the Trust Assets from the Trustee at the “Exercise Price” upon the occurrence of the earlier of any of the following events:</p> <ol style="list-style-type: none"> 1. the respective Maturity Dates of the Subordinated Sukuk Musharakah; or 2. the declaration of a Dissolution Event; or 3. the Early Redemption date <p>The Exercise Price shall be determined based on the following formula:</p> <p><u>On the respective Maturity Dates of the Subordinated Sukuk Musharakah:</u> Exercise Price = Musharakah Capital <u>plus</u> Expected Return <u>less</u> total Periodic Distribution(s) paid up to the Maturity Dates.</p> <p><u>On declaration of a Dissolution Event:</u> Exercise Price = Musharakah Capital <u>plus</u> Expected Return up to such date the Dissolution Event was declared <u>less</u> aggregate of Periodic Distribution(s) paid and to be adjusted to be equivalent to the accreted value (if applicable) plus accrued but unpaid Periodic Payments (if any) up to such Dissolution Date and such calculation of the Exercise Price shall be in accordance with MyClear Rules and Procedures.</p> <p><u>On Early Redemption:</u> Exercise Price = Musharakah Capital <u>plus</u> Expected Return on Early Redemption date <u>less</u> aggregate of Periodic Distribution(s) paid and to be adjusted to be equivalent to the accreted value (if applicable) plus accrued but unpaid Periodic Payments (if any) up to the Early Redemption date and such calculation of the Exercise Price shall be in accordance with MyClear Rules and Procedures.</p> <p>On any payment of the Exercise Price, the Obligor will be entitled to deduct the aggregate of the Advance Profit Payments in relation to the portion of the Subordinated Sukuk Musharakah outstanding from the Exercise Price.</p>

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(iv)	Compensation for Late and Default Payments (“Ta’widh”) (applicable to the Purchase Undertaking only)	In the event of any overdue payments of any amounts due under the Purchase Undertaking, the Obligor shall pay to the 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.
(v)	Status	<p>The Subordinated Sukuk Musharakah will constitute unsecured obligations of the Issuer, subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Sukuk Musharakah, 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 <i>pari passu</i> in right of and priority with or subordinated to the Subordinated Sukuk Musharakah. The Subordinated Sukuk Musharakah will, in the event of a distribution of assets in the winding-up or liquidation of the Issuer, rank senior to the share capital of the Issuer and be subordinated in right of payments to the claims of Senior Creditors (as defined below). The Subordinated Sukuk Musharakah will rank <i>pari passu</i> with all subordinated debt issued.</p> <p>“Senior Creditors” means depositors and all other creditors of the Issuer other than those creditors whose claims are expressed to rank <i>pari passu</i> with or junior to the claims of the Sukukholders. Senior Creditors shall include the holders of the senior Sukuk issued under the Issuer’s RM3.0 billion Senior Sukuk Musharakah Programme.</p>
(vi)	Open Market Acquisition and Cancellation	<p>The Issuer or any of its related corporations (within the meaning of the Companies Act 1965) may at any time purchase the Subordinated Sukuk Musharakah for its or their own account at any price in the open market or by way of a private treaty, provided:</p> <p>(a) Where such Subordinated Sukuk Musharakah are purchased by the Issuer or its subsidiary(ies) or by agent(s) of the Issuer or its subsidiary(ies) who is/are acting in respect of such purchase,</p> <p>(i) such Subordinated Sukuk Musharakah shall be cancelled and cannot be resold or reissued; and</p> <p>(ii) the Issuer shall have obtained the approval of BNM for the cancellation of such Subordinated Sukuk Musharakah prior to their purchase by the Issuer or, as the case may be, its subsidiary(ies);</p>

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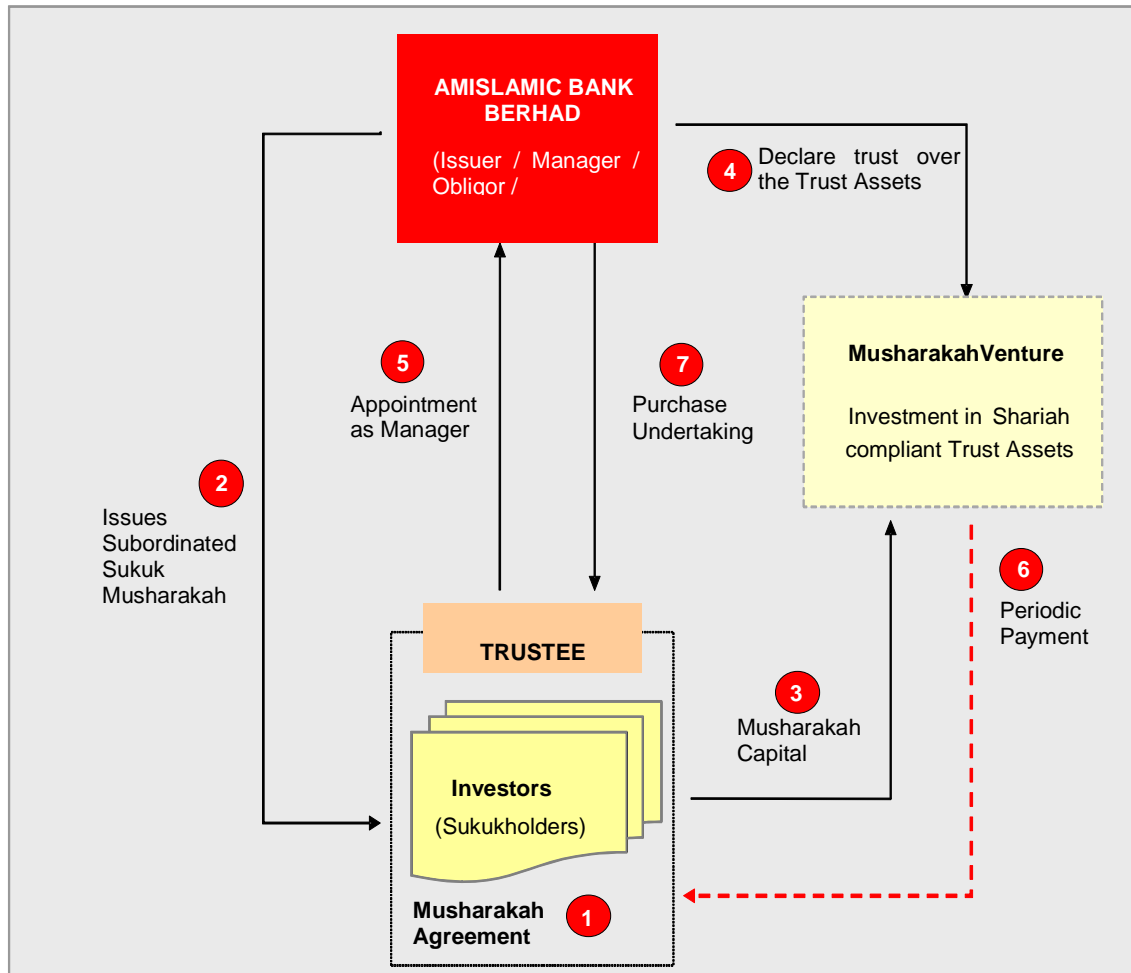
		<p>(b) Where such Subordinated Sukuk Musharakah are purchased by any related corporation(s) of the Issuer which is/are not the Issuer's subsidiary(ies) ("Other Related Corporations"), such Subordinated Sukuk Musharakah need not be cancelled but will not entitle the Other Related Corporations to vote at any meetings of the Sukukholders and will not be deemed to be outstanding for the purpose of determining the total votes exercisable by the Sukukholders whenever such determination is required under the Trust Deed.</p>
(vii)	Changes of Circumstances	<p>If, as a result of any change in applicable law, regulation or regulatory requirement or in the interpretation or application thereof or if compliance by the Lead Arranger / Facility Agent / Primary Subscriber(s) / investor(s) (collectively the "Transaction Parties") with the applicable direction, request or requirement (whether or not having the force of law) will impose on the Transaction Parties any condition, burden or obligation, then, upon written notice to the Issuer after becoming aware of such occurrence or within such reasonable period as may be permitted by law or the authorities:</p> <p>(a) where the change, interpretation or application makes it unlawful for the Transaction Parties to make available the Subordinated Sukuk Musharakah, without breaching such law or regulation, the Transaction Parties shall terminate their obligations in respect of the Subordinated Sukuk Musharakah Programme; and</p> <p>(b) where the change, interpretation or application causes the Transaction Parties to incur additional costs or be required to make further payments, then the Issuer shall compensate the Transaction Parties for the additional cost incurred or payments made.</p>
(viii)	Adverse Market	<p>At any time prior to the first issuance under the Subordinated Sukuk Musharakah Programme, the Transaction Parties reserve the right to withdraw / terminate the arrangement of the Subordinated Sukuk Musharakah Programme if there occurs any change in the national or international financial, political or economic conditions, including but not limited to adversities in international/domestic money, capital or syndicated financing markets, the business activities or financial position of the Issuer which in the opinion (which opinion shall be final and binding upon the Issuer) of the</p>

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		Transaction Parties, will materially affect the offering and distribution of the Subordinated Sukuk Musharakah under the Subordinated Sukuk Musharakah Programme in the secondary market upon successful completion of the arrangement of the same.
(ix)	Trust Deed	The Subordinated Sukuk Musharakah Programme shall be constituted by a trust deed, which shall be administered by the Trustee, who shall act on behalf of the Sukukholders.
(x)	Taxation	All payments by the Issuer in respect of the Subordinated Sukuk Musharakah Programme 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 by or on behalf of Malaysia or Malaysian law, unless such withholding or deduction is required by law, in which event, the Issuer shall not gross up for any such withholding or deduction.
(xi)	Further Issues	The Issuer may, from time to time, raise additional subordinated Sukuk provided that such subordinated Sukuk ranks pari passu in right and priority of payment with or are subordinated to the Subordinated Sukuk Musharakah in case of liquidation or winding-up of the Issuer.
(xii)	Currency	Ringgit Malaysia (“ RM ”).
(xiii)	Documentation	Standard documentation satisfactory to all parties concerned incorporating clauses normal and customary for a financing of this nature and/or as advised by the Lead Arranger’s solicitors and/or the Shariah Adviser.
(xiv)	Governing Law	The laws of Malaysia.
(xv)	Jurisdiction	The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.

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APPENDIX I



1	The Investors (hereinafter referred to as the “ Sukukholders ”) shall from time to time, form a partnership amongst themselves to participate in Amlslamic Bank Berhad (“ Amlslamic ”)’s Islamic financial services business (“ Musharakah Venture ”).
2 & 3	Amlslamic (the “ Issuer ”) shall issue Subordinated Sukuk Musharakah to the Sukukholders in consideration of their capital contribution. The Subordinated Sukuk Musharakah represents the Sukukholders’ proportionate participation in the said Musharakah Venture.
4	The Issuer shall declare a trust over the Trust Assets for the benefit of the Trustee (acting on behalf of the Sukukholders). The Trust Assets will comprise Amlslamic’s Islamic financial services business and the Profit Reserve Account.
5	The Trustee (acting on behalf of the Sukukholders) shall appoint the Issuer as its agent (the “ Manager ”) to manage the Musharakah Venture.
6	Income generated from the Musharakah Venture will be shared and distributed periodically (as the case may be) amongst the Sukukholders according to the ratio of their capital contribution. Any losses will also be shared amongst the Sukukholders in proportion to their capital contribution

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7	The Issuer, (as the “ Obligor ”), shall also grant to the Trustee (acting on behalf of the Sukukholders) a Purchase Undertaking whereby the Obligor shall undertake to purchase the Trust Assets from the Trustee upon maturity of the Subordinated Sukuk Musharakah or the declaration of a dissolution event or upon Early Redemption.
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