

**PRINCIPAL TERMS AND CONDITIONS
OF THE JUNIOR SUKUK PROGRAMME**

BACKGROUND INFORMATION

1. **Issuer**
- (i) *Name* : CIMB Islamic Bank Berhad (“**CIMB Islamic**” or the “**Issuer**”)
- (ii) *Address* : Correspondence Address
Level 34, Menara Bumiputra-Commerce,
11 Jalan Raja Laut
50350 Kuala Lumpur
- Registered Address
Level 13, Menara CIMB, Jalan Stesen Sentral 2,
Kuala Lumpur Sentral, 50470 Kuala Lumpur
- (iii) *Business Registration No.* : 671380-H
- (iv) *Date /Place of Incorporation* : 2 November 2004 / Malaysia
- (v) *Date of Listing (in case of a public listed company)* : Not applicable
- (vi) *Status* : Resident-controlled company / Bumiputra-controlled company
- (vii) *Principal Activities* : Islamic Banking and related financial services pursuant to the Islamic Financial Services Act 2013
- (viii) *Board of Directors (as at 30 June 2014)* : Datuk Dr. Syed Muhamad Syed Abdul Kadir (*Chairman*)
Encik Badlisyah Abdul Ghani (*Executive Director/Chief Executive Officer*)
Raja Shaharul Niza Raja Abdul Aziz
Cik Habibah Abdul
Puan Rosnah Dato’ Kamarul Zaman
- (ix) *Structure of shareholding and name of shareholder or, in the case of public company, names of all substantial shareholders (as at 30 June 2014)* :
- | | Direct Interest | |
|------------------|------------------------|------|
| | No. of Ordinary Shares | % |
| CIMB Bank Berhad | 1,000,000,000 | 100% |
- (x) *Authorised capital (as at 30 June 2014)* : RM1,800,000,000.00 divided into 1,400,000,000 ordinary shares of RM1.00 each and 100,000,000 preference shares of RM1.00 each and 300,000,000 perpetual preference shares of RM1.00 each

Issued and Paid-up capital (as at 30 June 2014) : RM1,220,000,000.00 divided into 1,000,000,000 ordinary shares of RM1.00 each, 70,000,000 preference shares of RM1.00 each and 150,000,000 perpetual preference shares of RM1.00 each

(xi) *Disclosure of the following:* :

If the Issuer or its board members have been convicted or charged with any offence under the securities laws, corporation laws or other laws involving fraud or dishonesty in a court of law, for the past five years prior to the date of application; and Nil.

If the issuer has been subjected to any action by the stock exchange for any breach of the listing requirements or rules issued by the stock exchange, for the past five years prior to the date of application. Nil.

2. PRINCIPAL TERMS AND CONDITIONS

(a) ***Names of parties involved in the proposed transaction, where applicable***

- (i) *Principal Adviser(s)* : CIMB Investment Bank Berhad (“**CIMB**”)
- (ii) *Lead Arranger(s)* : CIMB
- (iii) *Co-arranger* : Not applicable
- (iv) *Solicitors* : Messrs. Zaid Ibrahim & Co.
- (v) *Financial Adviser* : Not applicable
- (vi) *Technical Adviser* : Not applicable
- (vii) *Sukuk Trustee* : Malaysian Trustees Berhad (“**Sukuk Trustee**”)

- (viii) *Shariah Adviser* : CIMB Islamic Bank Berhad
- (ix) *Guarantor* : Not applicable
- (x) *Valuer* : Not applicable
- (xi) *Facility Agent* : CIMB
- (xii) *Primary Subscribers (under a bought-deal arrangement) and amount subscribed* : To be determined prior to the issuance in respect of issuance via bought deal basis only.
Not applicable for issuance via private placement and book building.
- (xiii) *Underwriter and amount underwritten* : Not applicable
- (xiv) *Central Depository* : Bank Negara Malaysia (“**BNM**”)
- (xv) *Paying Agent* : BNM
- (xvi) *Reporting Accountant* : Not applicable
- (xvii) *Calculation Agent* : Not applicable
- (xviii) *Others (please specify)* :
- (a) *Lead Manager* : CIMB and/or such other party(ies) as may be appointed by the Issuer
- (b) *Islamic principle used* : Each issue of Junior Sukuk will be based on (but not limited to) the Shariah principle of Murabahah (via Tawarruq arrangement).

Where it is proposed to issue any Junior Sukuk based on the Shariah principle which is not listed above, the Issuer will seek prior consultation/approval (as the case may be) from the Securities Commission Malaysia (“**SC**”).

Each issuance of Junior Sukuk shall be endorsed by the Shariah Adviser.
- (c) *Facility description* : The Tier 2 Junior Sukuk (“**Junior Sukuk**”) programme (“**Junior Sukuk Programme**”) of which the Junior Sukuk issued under the Junior Sukuk Programme is intended to qualify as Tier 2 capital of CIMB Islamic for purposes of Capital Adequacy Framework for Islamic Banks (Capital Components)(“**CAF**”) effective 1 January 2013 as approved by BNM.

The Issuer may issue Junior Sukuk based on but not limited to the Shariah principle identified in clause (b) “*Islamic principle used*” above.

CIMB Islamic shall issue Junior Sukuk to the sukukholders (“**Sukuk holders**” or “**Junior Sukuk holders**” or “**Investors**”) of RM5.0 billion in nominal value which shall be established under the Shariah principle of Murabahah (via Tawarruq arrangement) which is one of the Shariah principles and concepts approved by the SC’s Shariah Advisory Council (“**SAC**”).

1. The Sukuk holders will appoint the Facility Agent (in such capacity, the “**Commodity Agent**”) as its agent (wakeel) to buy and sell Shariah-compliant commodities (“**Commodities**”), from time to time.
2. The Issuer (in such capacity, the “**Purchaser**”) will issue a purchase order (the “**Purchase Order**”) to the Commodity Agent. In the Purchase Order, the Purchaser will, amongst others, irrevocably undertake based on unilateral binding promise to purchase (“**Purchase Undertaking**”) the Commodities from the Sukuk holders at the sale price on deferred payment basis (“**Sale Price**”) which shall be the Purchase Price (as defined hereinafter) plus the applicable profit margin i.e. the aggregate periodic profit payments (“**Periodic Payments**”) based on fixed profit rate to be agreed at the time of issuance (applicable for Junior Sukuk with Periodic Payments) and;

in respect of Junior Sukuk issued at a discount, the Sale Price shall be the Purchase Price plus the Periodic Payments based on fixed rate profit to be agreed at the time of issuance (applicable to Junior Sukuk with Periodic Payments) plus the Discounted Amount (as defined hereinafter) calculated as at the issue date of each relevant Junior Sukuk issuance.

“**Discounted Amount**” means the difference between the nominal value of the relevant Junior Sukuk and the relevant Purchase Price (as defined hereinafter), in the case of Junior Sukuk issued at a discount.

3. Pursuant to the Purchase Order, the Commodity Agent (acting on behalf of Sukuk holders) will purchase on a spot basis the Commodities from commodity vendor(s) in the Bursa Suq Al-Sila’

commodity market (through a Commodity Trading Participant (“**CTP**”)) at a purchase price which shall be an amount equivalent to the Junior Sukuk proceeds (“**Purchase Price**”).

The Purchase Price will be in compliance with the asset pricing requirements as set out in the SC’s Guidelines on Sukuk (revised and effective on 8 January 2014) as may be replaced, substituted or revised from time to time (“**Guidelines on Sukuk**”).

4. The Issuer shall issue the Junior Sukuk to evidence amongst others, the Sukuk holders’ ownership of the Commodities and subsequently once the Commodities are sold to the Purchaser, the Sukuk holders’ entitlement to receive the Sale Price. The Junior Sukuk proceeds received from the Sukuk holders will be used to pay the Purchase Price of the Commodities.
5. Pursuant to the Purchase Undertaking, the Commodity Agent (acting on behalf of the Sukuk holders) shall execute a sale and purchase agreement (“**SPA**”) with the Issuer to sell the Commodities to the Issuer at the Sale Price.
6. Upon completion of such sale, the Issuer shall sell the Commodities to Bursa Suq Al-Sila’ commodity market through a CTP on a spot basis for an amount equal to the Purchase Price.
7. The Issuer (as part of its obligation to pay the Sale Price) shall make Periodic Payments to the Sukuk holders (if applicable). At (i) the maturity date of the relevant Junior Sukuk; or (ii) upon the declaration by the Sukuk Trustee that the Junior Sukuk is accelerated pursuant to the occurrence of a Winding-Up Proceeding (as defined below), whichever is earlier, the Issuer (as part of its obligation to pay the Sale Price) shall pay the Sukuk holders all amounts then outstanding on the Sale Price as final settlement of the same, subject to the Ibra’ (as defined in item (y)(vi) below), upon which the Junior Sukuk will be cancelled.

The **Sale Price** payable for the relevant Junior Sukuk shall be:

(i) **On the Scheduled Redemption Date:**

The Sale Price at issue date less the aggregate

Periodic Payments paid (if any) and the Premium Amount (if applicable).

“**Premium Amount**” means the difference between the relevant Purchase Price and the nominal value of the relevant Junior Sukuk, in the case of Junior Sukuk issued at a premium.

(ii) Upon the declaration by the Sukuk Trustee that the Junior Sukuk is accelerated pursuant to the occurrence of a Winding-Up Proceeding:

The Sale Price at issue date less (a) the aggregate Periodic Payments paid (if any); and (b) the Ibra’ (if applicable).

(iii) On the Call Date:

The Sale Price at issue date less (a) the aggregate Periodic Payments paid (if any); and (b) the Ibra’ (if applicable).

A diagrammatical illustration of the transaction and the other terms and conditions are set out in Appendix 1.

(d) *Identified assets* : Commodities available at Bursa Suq Al-Sila’ as approved by its Shariah Adviser (excluding ribawi items in the category of medium of exchange such as currency, gold and silver).

For any other principles, the Identified Assets shall be identified at the point of issuance of the Junior Sukuk and the SC will be notified accordingly.

(e) *Purchase and selling price/rental (where applicable)* : The purchase and selling price of the Commodities will be determined prior to each issuance of the Junior Sukuk.

(f) *Issue/sukuk programme size* : The Junior Sukuk Programme shall have a limit of RM5.0 billion in nominal value.

The total outstanding Junior Sukuk shall not at any time exceed the nominal value of RM5.0billion.

(g) *Tenure of the issue/sukuk programme* : Tenure of the Junior Sukuk Programme
The tenure of the Junior Sukuk Programme shall expire 60 years from the date of first issuance under the Junior Sukuk Programme.

Tenure of the Junior Sukuk

Each issuance of the Junior Sukuk under the Junior Sukuk Programme shall have a tenure of not less than five (5) years and up to thirty (30) years from the issue date of each Junior Sukuk. In respect of each issuance of the Junior Sukuk, the maturity of the Junior Sukuk shall not exceed the tenure of the Junior Sukuk Programme.

Call Option

Each issuance of Junior Sukuk under the Junior Sukuk Programme may have a Call Option (to be determined prior to each issuance). Under the Call Option, if applicable for the relevant tranche, the Issuer shall have the option to redeem the Junior Sukuk on the Call Date subject to the requirements set out in paragraph (x) below.

Call Date is defined as the Periodic Payment Date falling on or after the 5th anniversary of the Issue Date, and each subsequent periodic payment date thereafter.

Scheduled Redemption Date is defined as the maturity date of each tranche of Junior Sukuk issuance.

- (h) *Availability period of sukuk : programme* : The Junior Sukuk Programme shall have an availability period of thirty (30) years from the date the conditions precedent are met or waived accordingly under the Junior Sukuk Programme provided that each issuance of the Junior Sukuk shall mature on or prior to the maturity of the Junior Sukuk Programme.
- (i) *Profit rate* : The profit rate of the Junior Sukuk is to be determined prior to the issue date of each issuance ("**Periodic Payment Rate**"). The profit rate herein is applicable throughout the tenure of the relevant Junior Sukuk (i.e. there shall be no step-up profit rate).
- (j) *Profit payment frequency* : The Periodic Payments made during the periodic payment dates shall be on a semi-annual basis with the first payment expected to be made six (6) months from the date of issuance of the Junior Sukuk ("**Periodic Payment Date**") with the last Periodic Payment to be made on the maturity date or upon the relevant Call Date, whichever is earlier.
- (k) *Profit payment basis* : Periodic Payments on any Periodic Payment Date will be calculated based on the actual number of days (actual/actual) or on actual/365 basis. The Profit Payment Basis will be determined upfront prior to issuance.

- (l) *Security / collateral, where applicable* : None.
- (m) *Details on utilisation of proceeds by issuer/obligor and originator (in the case of ABS). If proceeds are to be utilised for project or capital expenditure, description of the project or capital expenditure, where applicable* : The proceeds of the Junior Sukuk shall be made available to the Issuer, without limitation, for its working capital, general banking and other corporate purposes which are Shariah-compliant as approved by the Shariah Adviser and/or if required, the refinancing of any junior sukuk previously issued/to be issued by the Issuer under other programmes established/to be established by the Issuer.
- (n) *Sinking fund and designated accounts, where applicable* : Not applicable
- (o) *Rating* :
 - *Credit ratings assigned and whether the rating is final or indicative. In the case of a sukuk programme where the credit rating is not assigned for the full amount, disclosures set out in paragraph 9.04 of these guidelines must be made.* : The preliminary rating for the Junior Sukuk Programme is AA+(IS)
 - *Name of credit rating agencies* : Malaysian Rating Corporation Berhad (“**Rating Agency**”).
- (p) *Mode of Issue* : The Junior Sukuk may be issued via direct placement on a best effort basis or a bought deal basis or book running on a best effort basis without prospectus. Issuance of the Junior Sukuk shall be in accordance with the (1) the Participation and Operation Rules for Payment Securities Services (“**MyClear Rules**”) issued by Malaysian Electronic Clearing Corporation Sdn Bhd (“**MyClear**”) and (2) the Operational Procedures for Securities Services issued by MyClear (“**MyClear Procedures**”), as amended or substituted from time to time (collectively, “**MyClear Rules and Procedures**”), subject to such variation, amendments or exemptions (if any) from time to time.
- (q) *Selling Restrictions, including tradability, i.e.* : The Junior Sukuk are tradable subject to the following:

whether tradable or non-tradable

Selling Restrictions at Issuance

The Junior Sukuk may only be offered, sold, transferred or otherwise disposed of directly or indirectly to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Junior Sukuk and to whom the Junior Sukuk are issued would fall within Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) of the Capital Markets and Services Act 2007 as amended from time to time ("**CMSA**"), read together with Schedule 9 or Section 257(3) of the CMSA.

Selling Restrictions after Issuance

The Junior Sukuk may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Junior Sukuk would fall within Schedule 6 (or Section 229(1)(b)) of the CMSA read together with Schedule 9 (or Section 257(3)) of the CMSA.

- (r) *Listing status and types of listing, where applicable* : The Junior Sukuk may be listed on Bursa Malaysia Securities Berhad or any other stock exchange for profiling purposes.
- (s) *Other regulatory approvals required in relation to the issue, offer or invitation to subscribe or purchase sukuk and whether or not obtained* : Approval from BNM for the classification of the Junior Sukuk issued under the Junior Sukuk Programme as Tier 2 capital of the Issuer. The said approval from BNM has been obtained on 28 April 2014.
- (t) *Conditions Precedent* : To include but not limited to the following (all of which shall be in form and substance acceptable to the Lead Arranger):

A Main Documentation

1. The Transaction Documents (save for the documents in relation to the relevant issuance of Junior Sukuk) have been signed and, where applicable, stamped and presented for registration.
2. All relevant notices and acknowledgements (where applicable) shall have been made or received as the case may be.

B The Issuer

1. Certified true copies of the Certificate of

Incorporation, and the Memorandum and Articles of Association, of the Issuer.

2. Certified true copies of the latest Forms 24 and 49 of the Issuer.
3. A certified true copy of a board resolution of the Issuer authorising, among others, the execution of the transaction documents.
4. A list of the Issuer's authorised signatories and their respective specimen signatures.
5. A report of the relevant company search of the Issuer.
6. A report of the relevant winding up search or the relevant statutory declaration of the Issuer in form and substance acceptable to the Lead Arranger signed by a director of the Issuer declaring that the Issuer is not wound up and that no winding up petition has been presented against the Issuer.

C General

1. The authorisation and approval from the SC and, where applicable, all other regulatory authorities.
2. Shariah pronouncement from the Shariah Adviser confirming that the structure and mechanism of the Junior Sukuk Programme and the Transaction Documents are in compliance with Shariah principles.
3. The approval from BNM for the Junior Sukuk to be classified as Tier 2 Capital.
4. The Lead Arranger has received from its legal counsel a favourable legal opinion addressed to it and the Sukuk Trustee advising with respect to, among others, the legality, validity and enforceability of the Transaction Documents and a confirmation addressed to the Lead Arranger that all the conditions precedent have been fulfilled.

(u) *Representations and Warranties*

: Representation and warranties will include such representation and warranties customary and standard for a facility of this nature and shall include, but not limited to the following:

- a) The Issuer is duly established and validly in existence and has the power and authority to carry out its business;
- b) the Issuer has the power to enter into the

Transaction Documents (as defined in clause 2(y)(ix) below) and exercise its rights to perform its obligations under the Transaction Documents;

- c) Entry into and the exercise of the Issuer's rights and obligations under the Transaction Documents do not violate any existing law or regulation;
- d) The Transaction Documents are valid, binding and enforceable;
- e) All necessary actions, authorisations and consents required under the Transaction Documents and the Junior Sukuk have been obtained and remain in full force and effect;
- f) The audited accounts of the Issuer are prepared in accordance with generally accepted accounting principles and standards and represent true and fair view;
- g) Save as disclosed in the information memorandum, there is no litigation which would have a material adverse effect on the Issuer's ability to perform its obligations under the Transaction Documents;
- h) Any other representation and warranties as may be advised by the Solicitors.

(v) *Events of default, dissolution event and enforcement event, where applicable*

: An "**Enforcement Event**" means the occurrence of any of the following:

- (i) a default is made in the payment of all amount outstanding on the due date for payment thereof; or
- (ii) a default is made in the payment of any Periodic Payment and such default is not remedied within seven (7) business days of the date due for payment thereof.

If an Enforcement Event occurs, the Sukuk Trustee may institute such proceedings as it chooses to enforce the obligations of the Issuer under the Trust Deed and/or institute proceedings for the winding up of the Issuer, provided that the Sukuk Trustee shall have no right to accelerate payment of the indebtedness in the case of a default in the performance of any covenant of the Issuer under the Trust Deed.

If a Winding-Up Proceeding occurs in respect of the Issuer or an effective resolution of the shareholders of the Issuer is passed for a Winding-Up Proceeding

in respect of the Issuer, the Sukuk Trustee may, by notice in writing to the Issuer, declare that notwithstanding the maturity date of the Junior Sukuk, all outstanding amounts of Periodic Payment and any other amounts due from the Issuer on the Junior Sukuk to be due and immediately payable, whereupon such amounts shall become and be immediately due and payable.

“Winding Up Proceeding” shall mean either of the following:

- (a) a court or agency or supervisory authority in Malaysia having jurisdiction in respect thereof shall have instituted a proceeding or entered a decree or order for the appointment of a receiver or 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 properties, 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 sixty (60) days; or
- (b) the Issuer shall file a petition to take advantage of any insolvency statute.

(w) *Covenants*

: The Issuer shall comply with such applicable positive covenants as may be advised by the Solicitors and / or which are required in order to comply with the Trust Deed Guidelines, including, but not limited to the following:

- a) Exercise diligence in carrying on its business and keep in force and effect all licenses, consents and rights necessary for the conduct of its business;
- b) Comply with all relevant laws and regulations;
- c) Maintain a paying agent in Malaysia;
- d) Maintain proper books and accounts and deliver financial statements to the Sukuk Trustee on a timely manner;
- e) Inform the Sukuk Trustee any actual or potential Enforcement Event, as the case may be;
- f) Deliver to the Sukuk Trustee a periodic certificate of compliance

There will be no restrictive covenants applicable to the Junior Sukuk.

- (x) *Provisions on buy-back and early redemption of the Junior Sukuk* : Buy-back
 Subject to the approval from BNM, the Issuer may at any time purchase and cancel the Junior Sukuk at any price in the open market or by private treaty. If purchases are made by the Issuer by way of tender, such tender must (subject to any applicable rules and regulations) be made available to all holders of the relevant issuance equally. Such Junior Sukuk purchased by the Issuer shall be cancelled and cannot be reissued or resold.
- Early Redemption
 For each tranche of the Junior Sukuk where a Call Option is applicable, the Issuer may, at its sole discretion and subject to prior approval of BNM, redeem and cancel the Junior Sukuk in part or in whole on the Call Date at its nominal value (together with accrued but unpaid Periodic Payments, subject to Ibra' (if any), under the Junior Sukuk). The optional redemption by the Issue of the Junior Sukuk of one tranche does not trigger the redemption of the Junior Sukuk in other tranches. Such Junior Sukuk redeemed by the Issuer shall be cancelled and cannot be reissued or resold. For the avoidance of doubt, the early redemption may or may not be on a pro-rata basis.
- (y) *Other principal terms and condition*
- (i) *Issue Price* : The Junior Sukuk are to be issued at par, premium or at a discount in accordance with the MyClear Rules and Procedures.
- (ii) *Status of Junior Sukuk* : The Junior Sukuk will constitute direct and unsecured obligations of the Issuer and subordinated in right and priority in payment, to the extent and in the manner provided in the Junior Sukuk, ranking *pari passu* among themselves. The Junior Sukuk, will in the event of winding up or liquidation of the Issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment with or are subordinated to the Junior Sukuk.

The obligation by the Issuer to pay, as the case may be, the Sale Price, includes the Periodic Payments (“**Payment Obligations**”) will constitute direct and unsecured obligations of the Issuer and subordinated in right and priority in payment. The Payment Obligations will in the event of winding up or liquidation of the Issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the Issuer, except in each case to those

liabilities which by their terms rank equally in right of payment with or are subordinated to the Payment Obligations.

- (iii) *Redemption Upon Maturity* : Unless previously redeemed on the Call Date, or purchase from the market and cancelled, the Junior Sukuk will be redeemed in full on maturity upon settlement of the Redemption Amount (as described in clause (y)(viii)).
- (iv) *Regulatory Redemption* : If the Junior Sukuk no longer qualify either in whole or in part as Tier 2 capital of the Issuer for the purposes of BNM's capital adequacy requirements under any regulations applicable to the Issuer or at any time there is more than an insubstantial risk that the Junior Sukuk will no longer qualify as such, the Issuer, may at its option, subject to the approval from BNM, redeem the Junior Sukuk (in whole or in part) at its nominal value together with accrued but unpaid Periodic Payments, subject to *Ibra'* (if any), under the Junior Sukuk.
- (v) *Tax Redemption* : If there is more than an insubstantial risk that:
- I. The Issuer will be obliged to pay any additional taxes, duties, assessments or government charges or whatever nature in relation to the Junior Sukuk; or
 - II. The Issuer would no longer obtain tax deductions on the Periodic Payments under the Junior Sukuk for the purpose of Malaysian corporate tax;
- as a result of change in, or amendment to, the laws or regulations of Malaysia of any political subdivision or any authority thereof having power to tax, or change in the application or official interpretation of such laws or regulation, which such change or amendment becomes effective on or after the date of the issuance and the Issuer cannot, by taking reasonable measures available to it, avoid such obligations, then the Issuer, may at its option, subject to the approval from BNM, redeem the Junior Sukuk (in whole but not in part), at its nominal value together with accrued but unpaid Periodic Payments (if any), subject to *Ibra'* (if any), under the Junior Sukuk.
- (vi) *Ibra'* : *Ibra'* refers to an act of releasing absolutely or conditionally the Sukukholders' rights and claims on any obligation against the Issuer which would result in the latter being discharged of its obligations or liabilities towards the former. The release may be either partially or in full.

The Sukukholder(s) in subscribing or purchasing the Junior Sukuk consent to grant an Ibra' to the Issuer, if the Junior Sukuk are redeemed on the Call Date or upon the declaration by the Sukuk Trustee that the Junior Sukuk is accelerated pursuant to the occurrence of a Winding-Up Proceeding or upon the declaration of Non-Viability Event(s).

The "Ibra'" shall be calculated as follows:

- (i) in the case of Junior Sukuk with Periodic Profit Payments and issued at a discount, the aggregate of unearned Periodic Profit Payments and the unearned discounted amount;
- (ii) in the case of Junior Sukuk without Periodic Profit Payments and issued at a discount, the unearned discounted amount;
- (iii) in the case of Junior Sukuk with Periodic Profit Payments and issued at par, the unearned Periodic Profit Payments; and
- (iv) in the case of Junior Sukuk with Periodic Profit Payments issued at a premium, the unearned Periodic Profit Payments.

The Ibra' in relation to clauses 2(y)(v)(i), (ii) (iii) and (iv) above shall be calculated from the date of the declaration of an Event of Default up to the Sukuk Murabahah's respective maturity date(s).

For avoidance of doubt, Ibra' shall be the Sale Price outstanding as at the Issue Date less (a) the aggregate Periodic Payments paid (if any) and (b) the Redemption Amount (as defined below) of the relevant Junior Sukuk at the Call Date, or upon the declaration by the Sukuk Trustee that the Junior Sukuk is accelerated pursuant to the occurrence of a Winding-Up Proceeding.

Upon the occurrence of the Non Viability Event(s), Ibra' shall be the full amount of the Sale Price outstanding as at the date of occurrence of the Non Viability Event(s).

(vii) *Redemption Amount* : Means:

- (i) the nominal value of the relevant Junior

Sukuk; plus

- (ii) accrued but unpaid Periodic Payments (if applicable).

For the avoidance of doubt, any double counting shall be disregarded and the total Redemption Amount payable shall not exceed the relevant Sale Price on issue date for each Junior Sukuk.

- (viii) *Compensation for late and default payments (“Ta’widh”)* : In the event of any delay in the payment of the Sale Price, the Issuer shall pay to the Sukuk Trustee (for the benefit of the Sukuk holders) compensation (*Ta’widh*) on such overdue amount at the rate and manner prescribed by the SC’s SAC from time to time.
- (ix) *Voting Rights* : The Sukuk holders shall have no voting rights in CIMB Islamic.
- (x) *Transaction Documents* : The Junior Sukuk shall be evidenced by, inter alia, the following:
1. Programme Agreement;
 2. Trust Deed;
 3. Facility Agency Agreement;
 4. Commodity Murabahah Master Agreement;
 5. Sale and Purchase Agreement;
 6. Purchase Order;
 7. Securities Lodgement Form; and
 8. Any other relevant agreements as advised by the Solicitors
- (xi) *Taxation* : All payments by the Issuer shall be made subject to 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 any authority thereof having power to tax, and the Issuer shall not be required to gross up in connection with such withholding or deduction on these payments or distributions.
- (xii) *Waiver of Interest* : For the avoidance of doubt and notwithstanding any other provisions contained in this Principal Terms and Conditions, the Issuer, Junior Sukuk holders and/or other relevant parties under this Junior Sukuk Programme recognise that the receipt and payment of interest is not permitted under Shariah and accordingly agree that if any claims for amounts due under any Transaction Documents are made in a court of law and that court, by applying the laws and regulations of its legal system, imposes an obligation to pay interest on the amounts being claimed, the Issuer, Junior Sukuk holders and/or other relevant parties under this Junior Sukuk Programme hereby

irrevocably and unconditionally expressly waive and reject any entitlement to recover such interest.

(xiii) *Governing Laws* : Laws of Malaysia.

(xiv) *Non Viability Loss Absorption*

Non-Viability Event for CIMB Islamic

Following the occurrence of the following trigger events (each a “**Non-Viability Event for CIMB Islamic**”), whichever is the earlier:

- (i) BNM and the Malaysia Deposit Insurance Corporation (“**PIDM**”) have notified the Issuer in writing that they are of the view that the principal write off of the Junior Sukuk, together with the conversion or write off of any other Tier 2 Instruments and Tier 1 Instruments which, pursuant to their terms or by operation of law, are capable of being converted into equity or written off at that time, is an essential requirement to prevent the Issuer from becoming non-viable; or
- (ii) BNM and PIDM 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.

BNM shall have the option to require the entire principal outstanding under the Sale Price, or such portion thereof, and all other amount due and payable under the Junior Sukuk be written off, and if BNM elects to exercise such option, subject to and as of the date of the occurrence of the Non-Viability Event for CIMB Islamic (as defined above), each of the holders of the Junior Sukuk hereby irrevocably waives its right to the principal amount of the Junior Sukuk and also irrevocably waives its right to any returns (including any amount due but unpaid up to the date of the occurrence of a Non-Viability Event for CIMB Islamic) under the concept of Ibra’.

Non-Viability Event for CIMB Bank Berhad (“CIMB Bank”)

Following the occurrence of the following trigger events (each a “**Non-Viability Event for CIMB Bank**”), whichever is the earlier:

- (i) BNM and the Malaysia Deposit Insurance Corporation (“**PIDM**”) have notified CIMB Bank in writing that they are of the view that the

principal write off of the Junior Sukuk, is an essential requirement to prevent CIMB Bank from becoming non-viable; or

- (ii) BNM and PIDM 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 CIMB Bank, without which CIMB Bank would cease to be viable.

BNM shall have the option to require the entire principal outstanding under the Sale Price, or such portion thereof, and all other amount due and payable under the Junior Sukuk be written off, and if BNM elects to exercise such option, subject to and as of the date of the occurrence of the Non-Viability Event for CIMB Bank (as defined above), each of the holders of the Junior Sukuk hereby irrevocably waives its right to the principal amount of the Junior Sukuk and also irrevocably waives its right to any returns (including any amount due but unpaid up to the date of the occurrence of a Non-Viability Event for CIMB Bank).

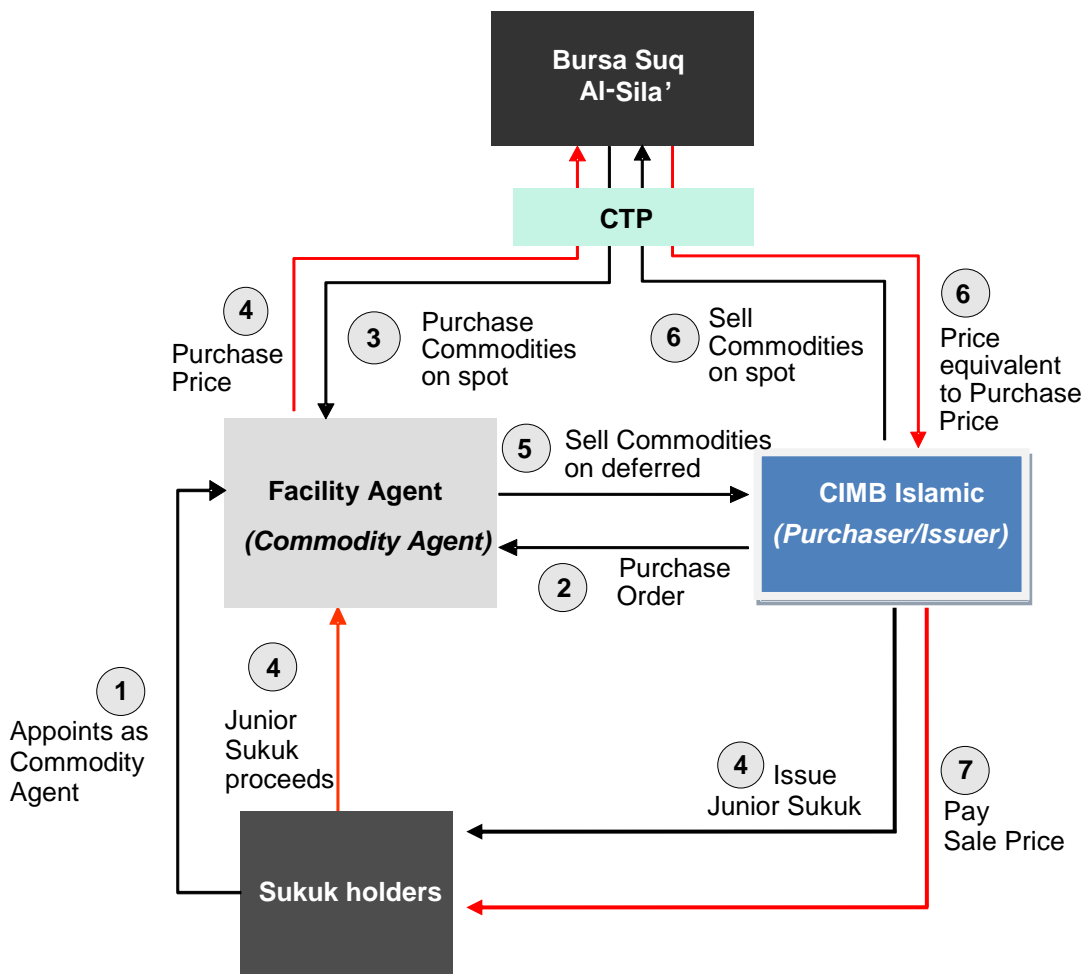
Non-Viability Event for CIMB Islamic and Non-Viability Event for CIMB Bank are collectively known as “**Non-Viability Event(s)**”.

For the avoidance of doubt, upon the occurrence of a Non-Viability Event(s) as described above, where the Issuer is required by BNM to write off or convert a portion of all the Tier 2 Instruments and Tier 1 Instruments of the Issuer which, pursuant to their terms or by operation of law, are capable of being converted into equity or written off at that time, the Issuer shall first convert or write off the relevant Tier 1 Instruments, to be followed by the write off or conversion of the relevant Tier 2 Instruments, including the Junior Sukuk, on a *pari passu* basis.

For avoidance of doubt, such write off shall not constitute an enforcement event, nor would it trigger any cross-default under the Junior Sukuk.

A Non-Viability Event(s) shall be deemed to have occurred on the day on which the Issuer or CIMB Bank (as the case may be) received the notification from the BNM as per the clause herein where the Issuer shall immediately inform the Sukuk Trustee as well as the Rating Agency of the same.

Junior Sukuk Murabahah (via Tawarruq arrangement) transaction flow:



Step 1	The Sukuk holders will appoint the Facility Agent (in such capacity, the “ Commodity Agent ”) as its agent (wakeel) to buy and sell Shariah-compliant commodities (“ Commodities ”), from time to time.
Step 2	The Issuer (in such capacity, the “ Purchaser ”) will issue a purchase order (the “ Purchase Order ”) to the Commodity Agent. In the Purchase Order, the Purchaser will, amongst others, irrevocably undertake based on unilateral binding promise to purchase (“ Purchase Undertaking ”) the Commodities from the Sukuk holders at the sale price on deferred payment basis (“ Sale Price ”) which shall be the Purchase Price (as defined hereinafter) plus the applicable profit margin i.e. the aggregate Periodic Payments (as defined above) based on fixed profit rate to be agreed at the time of issuance (applicable for Junior Sukuk with Periodic Payments) and, in respect of Junior Sukuk issued at a discount, plus the Discounted Amount (as defined hereinafter) calculated as at the issue date of each relevant Junior Sukuk issuance. “ Discounted Amount ” means the difference between the nominal

	value of the relevant Junior Sukuk and the relevant Purchase Price (as defined hereinafter), in the case of Junior Sukuk issued at a discount.
Step 3	<p>Pursuant to the Purchase Order, the Commodity Agent (acting on behalf of Sukuk holders) will purchase on a spot basis the Commodities from commodity vendor(s) in the Bursa Suq Al-Sila' commodity market (through a Commodity Trading Participant (“CTP”)) at a purchase price which shall be an amount equivalent to the Junior Sukuk proceeds (“Purchase Price”).</p> <p>The Purchase Price will be in compliance with the asset pricing requirements as set out in the SC’s Guidelines on Sukuk (Guidelines on Sukuk) (revised and effective on 8 January 2014) as may be replaced, substituted or revised from time to time (“Guidelines on Sukuk”).</p>
Step 4	The Issuer shall issue the Junior Sukuk to evidence amongst others, the Sukuk holders’ ownership of the Commodities and subsequently once the Commodities are sold to the Purchaser, the Sukuk holders’ entitlement to receive the Sale Price. The Junior Sukuk proceeds received from the Sukuk holders will be used to pay the Purchase Price of the Commodities.
Step 5	Pursuant to the Purchase Undertaking, the Commodity Agent (acting on behalf of the Sukuk holders) shall execute a sale and purchase agreement (“ SPA ”) with the Issuer to sell the Commodities to the Issuer at the Sale Price.
Step 6	Upon completion of such sale, the Issuer shall sell the Commodities to Bursa Suq Al-Sila' commodity market through a CTP on a spot basis for an amount equal to the Purchase Price.
Step 7	<p>The Issuer (as part of its obligation to pay the Sale Price) shall make Periodic Payments to the Sukuk holders (if applicable). At (i) the maturity date of the relevant Junior Sukuk; or (ii) upon the declaration by the Sukuk Trustee that the Junior Sukuk is accelerated pursuant to the occurrence of a Winding-Up Proceeding, whichever is earlier, the Issuer (as part of its obligation to pay the Sale Price) shall pay the Sukuk holders all amounts then outstanding on the Sale Price as final settlement of the same, subject to the Ibra' (as defined in item (y)(V)above), upon which the Junior Sukuk will be cancelled.</p> <p>The Sale Price payable for the relevant Junior Sukuk shall be:</p> <p>(i) On the Scheduled Redemption Date: The Sale Price at issue date less the aggregate Periodic Payments paid (if any) and the Premium Amount (if applicable).</p> <p>“Premium Amount” means the difference between the relevant Purchase Price and the nominal value of the relevant Junior Sukuk, in the case of Junior Sukuk issued at a premium.</p> <p>(ii) Upon the declaration by the Sukuk Trustee that the Junior</p>

Sukuk is accelerated pursuant to the occurrence of a Winding-Up Proceeding:

The Sale Price at issue date less (a) the aggregate periodic profit payments paid (if any); and (b) the Ibra' (if applicable).

(iii) On the Call Date:

The Sale Price at issue date less (a) the aggregate Periodic Payments paid (if any); and (b) the Ibra' (if applicable).