

BANK MUAMALAT MALAYSIA BERHAD (“ISSUER”)

PROPOSED ISSUANCE OF (I) SENIOR SUKUK WAKALAH (“SENIOR SUKUK WAKALAH”) AND/OR (II) TIER-2 SUBORDINATED SUKUK WAKALAH (“TIER 2 SUKUK WAKALAH”) AND/OR (III) ADDITIONAL TIER-1 CAPITAL SUKUK WAKALAH (“AT-1 SUKUK WAKALAH”) (COLLECTIVELY, “SUKUK WAKALAH”) UNDER A SUKUK WAKALAH PROGRAMME OF RM5.0 BILLION IN NOMINAL VALUE BASED ON THE SHARIAH PRINCIPLE OF WAKALAH BI AL-ISTITHMAR (“SUKUK WAKALAH PROGRAMME”)

Other terms and conditions :

(a) Utilisation of proceeds : **Sukuk Wakalah**

Proceeds from the issuance of the Sukuk Wakalah other than the Sustainability Sukuk Wakalah shall be made available to the Issuer and/or its subsidiaries to finance their respective Islamic financing activities, for their respective working capital requirements or investment activities and/or to refinance/replace their respective Sukuk, Shariah-compliant capital instruments or Shariah-compliant financings.

Sustainability Sukuk Wakalah

The proceeds of the Sustainability Sukuk Wakalah shall be utilised by the Issuer and/or its subsidiaries for the eligible projects that meet the criteria as set out in the Sustainability Sukuk Framework and the applicable Sustainability Guidelines under which such Sustainability Sukuk Wakalah are issued and as further set out in the relevant Sustainability Sukuk Wakalah Issuance Documents, which shall be Shariah compliant.

For the avoidance of doubt, the proceeds raised from the issuance of Sukuk Wakalah under the Sukuk Wakalah Programme shall at all times be for Shariah-compliant purposes.

“**Sustainability Sukuk Framework**” means the sustainability sukuk framework established or to be established by Bank Muamalat before the first issuance of Sustainability Sukuk Wakalah and shall include amendments or revisions thereof from time to time.

(b) Status : **Senior Sukuk Wakalah**

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

Tier 2 Sukuk Wakalah

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

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

AT-1 Sukuk Wakalah

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

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

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

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

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

“**Subordinated Indebtedness**” means all indebtedness which is subordinated, in the event of the winding-up or liquidation of the

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Issuer, in right of payment to the claims of depositors and other unsubordinated creditors of the Issuer, and for this purpose indebtedness shall include all liabilities, whether actual or contingent (other than those whose claims rank or are expressed to rank, by its terms or by operation of law, *pari passu* or junior to the claims of the Tier 2 Sukukholders or the AT-1 Sukukholders, as the case may be).

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

(c) Tenure of the Sukuk Wakalah

: **Senior Sukuk Wakalah**

The Senior Sukuk Wakalah shall have a tenure of at least one (1) year, as may be determined by the Issuer prior to each issuance.

Tier 2 Sukuk Wakalah

The Tier 2 Sukuk Wakalah shall have a tenure of not less than five (5) years, as may be determined by the Issuer prior to each issuance.

AT-1 Sukuk Wakalah

The AT-1 Sukuk Wakalah shall be perpetual.

(d) Form and denomination

: **Form**

The Sukuk Wakalah shall be issued in accordance with the:

- (1) Operational Procedures for Securities Services and Operational Procedures for Malaysian Ringgit Settlement in the Real Time Electronic Transfer of Funds and Securities System issued by BNM or its successor-in-title or successor in such capacity (as amended and/or substituted from time to time);
- (2) Participation Rules for Payment and Securities Services issued by BNM or its successor-in-title or successor in such capacity (as amended and/or substituted from time to time); and
- (3) any other procedures/guidelines/rules issued by the relevant authorities from time to time (as the same may be amended and/or substituted from time to time),

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(collectively, the “**Participation Rules and Procedures**”)

Each Sukuk Wakalah shall be represented by a global certificate (exchangeable for definitive certificates on the occurrence of certain limited events). The global certificate shall be deposited with BNM and shall be in bearer form.

Denomination

The denomination of the Sukuk Wakalah shall be RM1,000.00 or in multiples of RM1,000.00 thereof.

Reopening

The Issuer may, from time to time, without the consent of the Sukukholders, increase the size of an existing Tranche of Sukuk Wakalah by offering for subscription, additional Sukuk Wakalah (“**Reopened Sukuk Wakalah**”) under that Tranche (hereinafter referred to as “**Reopening**”). The Reopened Sukuk Wakalah shall have the same terms and conditions as that particular Tranche of Sukuk Wakalah in all respects (except for the issue date, the issue price and the first Periodic Distribution Date, if applicable) and shall form a single Tranche with that particular Tranche of Sukuk Wakalah. For the avoidance of doubt, Reopening will still be subject to the programme limit of the Sukuk Wakalah Programme.

All references to (i) “**Sukuk Wakalah**” shall upon a Reopening be deemed to include the Reopened Sukuk Wakalah and (ii) “**Sukukholders**” shall upon a Reopening be deemed to include the Sukukholders of the Reopened Sukuk Wakalah.

For purposes of voting, the Sukukholders of the Reopened Sukuk Wakalah shall have the same voting rights as the Sukukholders of the Tranche of Sukuk Wakalah under which the relevant Reopened Sukuk Wakalah is issued.

In relation to the Reopened Sukuk Wakalah, the Investment Wakeel shall execute new and separate contract(s) with the relevant parties to reflect, amongst others, the (i) additional proceeds raised pursuant to the issuance of the Reopened Sukuk Wakalah, (ii) additional Wakalah Investments required for the Reopened Sukuk Wakalah, and (iii) increased obligation of the Issuer pursuant to the increase in the outstanding nominal value of the relevant Reopened Sukuk Wakalah.

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- (e) Profit / coupon / rental rate (fixed or floating) : **Senior Sukuk Wakalah**

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

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

“**Ceiling Profit Rate**” is a rate to be agreed between the Issuer and the joint lead managers (“**JLMs**”) for the purpose of calculating the aggregate Expected Periodic Distribution Amount in determining the relevant Deferred Sale Price for the relevant Tranche of the Senior Sukuk Wakalah and Tier 2 Sukuk Wakalah where the Periodic Distribution Rate is on floating rate basis.

Tier 2 Sukuk Wakalah

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

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

The Periodic Distribution Rate for the purpose of calculating the Expected Periodic Distribution Amount on each Periodic

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Distribution Date herein shall be applicable throughout the tenure of the Tranche of the Tier 2 Sukuk Wakalah.

For avoidance of doubt, there is no step-up profit rate after the Optional Redemption Date (as defined in the paragraph entitled “*Call option and details, if applicable*”) of the Tier 2 Sukuk Wakalah, in the event the Optional Redemption (as described in the paragraph entitled “*Call option and details, if applicable*”) is not exercised by the Issuer.

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

AT-1 Sukuk Wakalah

Subject to the paragraph entitled “*Other terms and condition - Limitation on Payment*” below, the AT-1 Sukuk Wakalah confer a right for the AT-1 Sukukholders to receive Periodic Distributions from (and including) the issue date at the applicable Periodic Distribution Rate payable on Periodic Distribution Date, out of the Distributable Reserves (as defined below) of the Issuer.

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

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

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

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

“**First Call Date**” means the Periodic Distribution Date falling no earlier than the fifth (5th) anniversary of the relevant issue date of the AT-1 Sukuk Wakalah, which will be determined prior to the issuance.

“**Initial Spread for Fixed Rate**” means the initial spread for fixed rate to be determined prior to the issuance of the relevant Tranche of the AT-1 Sukuk Wakalah, where applicable, and expressed as a rate in per cent. per annum, being the initial spread above the relevant benchmark rate to be agreed between the Issuer and the JLMs prior to issuance, expressed in per cent. per annum for the relevant Reference Period. The Initial Spread for Fixed Rate shall be calculated prior to the issuance and shall be applicable throughout the tenure of the relevant AT-1 Sukuk Wakalah.

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

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

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“**Relevant Floating Rate Benchmark**” means Kuala Lumpur Interbank Offered Rates (KLIBOR) for six-months (or such other relevant period) Ringgit deposits or such other applicable rates for such relevant period, to be determined prior to the issuance of the relevant Tranche of the AT-1 Sukuk Wakalah.

“**Relevant Reset Distribution Rate**” means a fixed rate per annum equal to the relevant prevailing benchmark rate to be agreed between the Issuer and the JLMs prior to issuance, expressed in per cent. per annum for the relevant Reference Period with respect to the relevant Reset Date, plus the Initial Spread for Fixed Rate.

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

- (f) Limitation on Payment (Applicable to AT-1 Sukuk Wakalah only) : The payment of Expected Periodic Distribution Amount under the AT-1 Sukuk Wakalah shall be at the Issuer’s sole and absolute discretion at all times and is subject to:
- (i) such payment not resulting in a breach of the capital requirements applicable to the Issuer under the relevant BNM’s capital guidelines;
 - (ii) the Issuer is solvent at the time of payment of the Expected Periodic Distribution Amount and the payment of the Expected Periodic Distribution Amount will not result in the Issuer becoming, or likely to become insolvent; and
 - (ii) such payment being made from Distributable Reserves (as defined below) only.

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

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Wakalah Programme or under any other financial indebtedness of the Issuer.

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

“Distribution Determination Date” means, with respect to any Periodic Distribution Date, the day falling five (5) business days prior to that Periodic Distribution Date.

The Issuer may also, at its option, cancel the Expected Periodic Distribution Amount which would otherwise have been payable on such Periodic Distribution Date, where the right of the AT-1 Sukukholders to receive such Expected Periodic Distribution Amount shall be lost and the Issuer shall have no obligation to pay the AT-1 Sukukholders the Expected Periodic Distribution Amount which would otherwise have been payable on such Periodic Distribution Date. If the Issuer does not pay the Expected Periodic Distribution Amount on the relevant Periodic Distribution Date (or if the Issuer elects to make a payment of a portion, but not all, of such Expected Periodic Distribution Amount), such non-payment or part-payment shall serve as evidence of the Issuer's exercise of its discretion to cancel such Expected Periodic Distribution Amount (or the portion of such Expected Periodic Distribution Amount not paid), and accordingly such Expected Periodic Distribution Amount (or the portion thereof not paid) shall not be due and/or accrued, and shall not be payable.

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

Any such cancellation will not constitute or be deemed a default by the Issuer or constitute an Enforcement Event for any purpose whatsoever nor would it trigger a cross-default under any other outstanding AT-1 Sukuk Wakalah issued under the Sukuk Wakalah Programme or under any other financial indebtedness of the Issuer and such cancellation will not result in any restrictions being imposed on the Issuer.

In the event the Issuer cancels the Expected Periodic Distribution Amount (in whole or in part) which would otherwise have been payable on a Periodic Distribution Date pursuant to this paragraph, the AT-1 Sukukholders hereby agree to waive (tanazul) their right to receive such Expected Periodic Distribution Amount (in whole or in part) for such Periodic Distribution Date.

Circumstances for Cumulative Periodic Distribution

Notwithstanding the above, if:

- (i) the AT-1 Sukuk Wakalah or any Tranche thereof no longer qualify as Additional Tier-1 capital of the Issuer (in whole and not in part) for the purposes of BNM’s minimum capital adequacy requirements under any applicable regulations, and such disqualification has been confirmed by BNM in writing; and
- (ii) the Issuer is not in breach of BNM’s minimum capital adequacy ratio requirements applicable to the Issuer,

any Expected Periodic Distribution Amount accrued and payable thereafter, but deferred at the Issuer’s sole and absolute discretion shall start to become cumulative and such deferred amount shall be entitled to earn profit at the relevant Periodic Distribution Rate from (and including) the period beginning the date of notification from BNM of such disqualification (“**Disqualification Date**”) up to the date of actual payment of

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such deferred Expected Periodic Distribution Amount. In such circumstances, the deferred Expected Periodic Distribution Amount, together with additional accrued amounts on the deferred Expected Periodic Distribution Amount will become due and payable no later than ten (10) years from the date the relevant Expected Periodic Distribution Amount were first deferred, or upon redemption of the AT-1 Sukuk Wakalah, whichever is earlier.

For the avoidance of doubt, any Expected Periodic Distribution Amount payable prior to the Disqualification Date shall be paid or cancelled in accordance with this paragraph entitled “*Limitation on Payment*”. Further, any Expected Periodic Distribution Amount accrued and payable after the Disqualification Date may be deferred at the Issuer’s sole and absolute discretion but shall not be cancelled in accordance with this paragraph.

Upon the occurrence of (i) and (ii) above and the Issuer elects to defer the payment of the Expected Periodic Distribution Amount (the “**Capital Disqualification Event**”), the Wakalah Investments shall be dissolved at the relevant dissolution distribution amount (“**AT-1 Dissolution Distribution Amount**”) which shall be equal to 100% of the nominal value of the AT-1 Sukuk Wakalah together with accrued but unpaid and uncanceled Expected Periodic Distribution Amount. For the avoidance of doubt, the dissolution of the Wakalah Investments shall not constitute the redemption of the AT-1 Sukuk Wakalah.

Mudharabah Venture pursuant to a Capital Disqualification Event, if applicable

The Investment Wakeel shall distribute the relevant portion of the AT-1 Dissolution Distribution Amount to pay for any accrued but unpaid and uncanceled Expected Periodic Distribution Amount prior to the Capital Disqualification Event.

Pursuant thereto and to a Mudharabah agreement to be entered into between the Investment Wakeel (acting on behalf of the Sukuk Trustee who in turn is acting on behalf of the AT-1 Sukukholders) and the Issuer upon occurrence of a Capital Disqualification Event, the Investment Wakeel (acting on behalf of the Sukuk Trustee who in turn is acting on behalf of the AT-1 Sukukholders) will enter into a Mudharabah transaction with the Issuer whereby the Investment Wakeel (acting on behalf of the Sukuk Trustee who in turn is acting on behalf of the AT-1 Sukukholders) irrevocably authorises the Issuer (as “**Mudharib**” (entrepreneur)) to, at its sole discretion, invest the balance of the AT-1 Dissolution Distribution Amount (which is equal to 100% of the nominal value of the AT-1 Sukuk Wakalah) in a certain

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percentage of the Shariah-compliant business activities of Bank Muamalat and/or its subsidiaries under the Mudharabah transaction (“**Identified Assets**”). The Mudharib shall have the right to substitute from time to time any of the Identified Assets with qualified assets of equal value that are Shariah-compliant and approved by the Shariah Adviser. Under the Mudharabah transaction, the Investment Wakeel (acting on behalf of the Sukuk Trustee who in turn is acting for the AT-1 Sukukholders) (as the Rabb al-mal) and the Issuer (as the Mudharib) shall agree to invest in an identified venture comprising the investment in Identified Assets and the Additional Identified Assets (as defined below) (“**Mudharabah Venture**”). Profits generated from the Identified Assets and Additional Identified Assets (where applicable) will be shared and distributed between the AT-1 Sukukholders as the Rabb al-mal and the Issuer as the Mudharib according to a pre-agreed profit sharing ratio to be determined under the Mudharabah transaction. The loss shall be borne solely by the Rabb al-mal.

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

Periodic Distribution on each Periodic Distribution Date

- (a) If the Identified Assets Profit and Additional Identified Assets Profit (where applicable) are equal to or in excess of the relevant Expected Periodic Distribution Amount for the applicable Periodic Distribution period:
 - (i) Full Deferral: The Identified Assets Profit and Additional Identified Assets Profit (where applicable) up to such Expected Periodic Distribution Amount will be applied towards investing in additional identified assets (“**Additional Identified Assets**”).
 - (ii) Partial Deferral: The Identified Assets Profit and Additional Identified Assets Profit (where applicable) up to the Expected Periodic Distribution Amount which is not deferred will be distributed to the AT-1 Sukukholders and the remaining will be applied towards investing in Additional Identified Assets.
 - (iii) Non-Deferral: The Identified Assets Profit and Additional Identified Assets Profit (where applicable) up to such Expected Periodic Distribution Amount due and payable will be distributed to the AT-1 Sukukholders.

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

The Identified Assets and Additional Identified Assets are referring to the investment in the same Identified Assets. The term “Additional” is used to differentiate the amount to be invested i.e. nominal value of the relevant AT-1 Sukuk Wakalah is the amount invested in the Identified Assets and the amount of Expected Periodic Distribution Amount to be deferred in relation to cumulative periodic distribution is the amount invested in the Additional Identified Assets.

- (b) If the Identified Assets Profit and Additional Identified Assets Profit (where applicable) is insufficient to pay the relevant portion of the Expected Periodic Distribution Amount for the applicable Periodic Distribution period, pursuant to a shortfall purchase undertaking granted upfront by Bank Muamalat as the Obligor to the Mudharib and the Sukuk Trustee (both acting on behalf of the AT-1 Sukukholders) (“**Shortfall Purchase Undertaking**”), the Mudharabah Venture will be dissolved and the Mudharib (acting on behalf of the AT-1 Sukukholders) shall sell the Identified Assets (and Additional Identified Assets, if applicable) to the Obligor at the relevant exercise price. The relevant exercise price shall be an amount equal to the outstanding nominal value of the AT-1 Sukuk Wakalah together with accrued but unpaid and uncanceled Expected Periodic Distribution Amount.
 - (i) Full Deferral: The Mudharib shall use the proceeds of the relevant exercise price to invest in another identified asset (“**New Identified Assets**”), which shall not comprise the previous Identified Assets which have been purchased by the Obligor pursuant to the Shortfall Purchase Undertaking.
 - (ii) Partial Deferral: The Mudharib shall use the proceeds of the relevant exercise price to distribute such Expected Periodic Distribution Amount which are not deferred and the remaining to be applied towards investing in New Identified Assets, which shall not comprise the previous Identified Assets which have been purchased by the Obligor pursuant to the Shortfall Purchase Undertaking.
 - (iii) Non Deferral: The Mudharib shall use the proceeds of the relevant exercise price to distribute the relevant portion of the Expected Periodic Distribution Amount and the remaining balance will be applied towards

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investing in New Identified Assets, which shall not comprise the previous Identified Assets which have been purchased by the Obligor pursuant to the Shortfall Purchase Undertaking.

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

- (g) Dividend and Distribution Stopper (Applicable to AT-1 Sukuk Wakalah only) : If, on any Periodic Distribution Date, payment of Expected Periodic Distribution Amount scheduled to be made on such date is not made in full by the Issuer as a result of the paragraph entitled “*Other terms and conditions - Limitation on Payment*”, the Issuer shall not:
- (i) declare or pay, any dividends or other distributions in respect of Junior Obligations (or contribute any moneys to a sinking fund for the payment of any dividends or other distributions in respect of any such Junior Obligations);
 - (ii) declare or pay, any dividends or other distributions in respect of Parity Obligations the terms of which provide that the Issuer is not required to make payments of such dividends or other distributions in respect thereof (or contribute any moneys to a sinking fund for the payment of any dividends or other distributions in respect of any such Parity Obligations);
 - (iii) redeem, reduce, cancel, buy-back or acquire, any Junior Obligations (or contribute any moneys to a sinking fund for the redemption, capital reduction, buyback or acquisition of any such Junior Obligations); or
 - (iv) redeem, reduce, cancel, buy-back or acquire, any Parity Obligations the terms of which provide that the Issuer is not required to redeem, reduce, cancel, buyback or acquire such Parity Obligations (or contribute any moneys to a sinking fund for the redemption, capital reduction, buy-back or acquisition of any such Parity Obligations),

in each case, until (a) the next scheduled Periodic Distributions to be paid in respect of such number of consecutive Periodic Distribution periods as shall be equal to or exceed twelve (12) calendar months have been paid in full (or an amount equivalent thereto has been paid, or irrevocably set aside in a separately

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designated trust account for payment to the AT-1 Sukukholders); or (b) the Issuer is permitted to do so by an extraordinary resolution of the AT-1 Sukukholders.

- (h) No Equity Conversion (Applicable to AT-1 Sukuk Wakalah only) : The Sukuk Wakalah shall not entitle the Sukukholders to receive any form of equity interest in the Issuer at any point in time and the Issuer is not obliged to allot or issue any shares to or for the account of the AT-1 Sukukholders upon the occurrence of a Non-Viability Event or otherwise. The Sukukholders shall not be entitled to participate in any distributions or entitlements to the Issuer’s shareholders or to attend or vote at any general meeting of the Issuer.
- (i) Breach of CET-1 Capital Ratio (Applicable to AT-1 Sukuk Wakalah only) : If the CET-1 Capital Ratio (as determined by the CAFIB) of the Issuer, at the consolidated or entity level (whichever is applicable), falls below 5.125% (or such other percentage as may be prescribed by the CAFIB) as determined and confirmed by BNM and/or the Issuer (as the case may be), as of the relevant quarterly reporting date where the quarterly unaudited consolidated financial results of the Issuer are published, announced and made publicly available or in Pillar 3 disclosures, the Issuer shall, without the need for the consent of the Sukuk Trustee or the AT-1 Sukukholders, write-off the AT-1 Sukuk Wakalah (in whole or in part).

Details of the Loss Absorption Mechanism are set out in the paragraph entitled “*Other terms and conditions – Loss Absorption Mechanism*” below.

- (j) Non-Viability Event (Applicable to the Tier 2 Sukuk Wakalah and AT-1 Sukuk Wakalah only) : If a Non-Viability Event occurs, the Issuer shall irrevocably, without the need for the consent of the Sukuk Trustee or the holders of Tier 2 Sukuk Wakalah or AT-1 Sukuk Wakalah, write-off the relevant Tier 2 Sukuk Wakalah or AT-1 Sukuk Wakalah (in whole or in part) if so required by the Relevant Malaysian Authority (as defined below) at its full discretion.

Such write-off shall not constitute or deemed a default by the Issuer or constitute an Enforcement Event for any purpose whatsoever, nor would it trigger a cross default under any other outstanding Tier 2 Sukuk Wakalah or AT-1 Sukuk Wakalah or any other financial indebtedness of the Issuer.

A Non-Viability Event shall be deemed to have occurred on the day on which the Issuer received the notification from the Relevant Malaysian Authority.

Details of the Loss Absorption Mechanism are set out below.

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Upon the occurrence of a Non-Viability Event, the Issuer is required to give notice to the holders of Tier 2 Sukuk Wakalah or AT-1 Sukuk Wakalah (via the Sukuk Trustee) and the Credit Rating Agency in accordance with the terms of the Tier 2 Sukuk Wakalah or AT-1 Sukuk Wakalah.

“**Non-Viability Event**” means following the occurrence of the following, whichever is earlier:

- (i) BNM, jointly with the Malaysia Deposit Insurance Corporation (“PIDM”), where the Issuer is a Member Institution (as prescribed under the Malaysia Deposit Insurance Corporation Act 2011), or BNM, where the Issuer is not a Member Institution (BNM, jointly with PIDM shall be referred to as “**Relevant Malaysian Authority**”) has notified the Issuer in writing that the Relevant Malaysian Authority is of the opinion that a write-off is necessary, without which the Issuer would cease to be viable; or
- (ii) The Relevant Malaysian Authority publicly announces that a decision has been made by BNM, PIDM or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer would cease to be viable.

(k) Loss Absorption Mechanism

(Applicable to the Tier 2 Sukuk Wakalah and the AT-1 Sukuk Wakalah only)

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

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

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

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

(i) the write-off shall reduce:

- (a) the claim of the Tier 2 Sukuk Wakalah and/or AT-1 Sukuk Wakalah in liquidation. The holders of Tier 2 Sukuk Wakalah and/or the AT-1 Sukukholders will

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be automatically deemed to irrevocably waive their right to receive, and no longer have any rights against the Issuer with respect to, any payment of the aggregate nominal value of the Tier 2 Sukuk Wakalah and/or AT-1 Sukuk Wakalah written off;

- (b) the amount re-paid when a redemption is exercised pursuant to the Optional Redemption, Regulatory Redemption and Tax Redemption; and
 - (c) the Expected Periodic Distribution Amount payable under the Tier 2 Sukuk Wakalah and AT-1 Sukuk Wakalah; and
- (ii) the write-off shall be permanent and the full or part (as the case may be) of the nominal value of the Tier 2 Sukuk Wakalah and AT-1 Sukuk Wakalah will automatically be written-off to zero and the whole or part (as the case may be) of the Tier 2 Sukuk Wakalah and AT-1 Sukuk Wakalah will be cancelled.

In the case the Tier 2 Sukuk Wakalah and/or AT-1 Sukuk Wakalah are written-off at the point of Non-Viability Event or upon a Breach of CET-1 Capital Ratio (in whole or in part), the Tier 2 Sukukholders and/or the AT-1 Sukukholders shall waive their rights to the payment of the outstanding Deferred Sale Price due from the Buyer and shall agree to grant an Ibra' at such amount corresponding to the aggregate principal amount and the Expected Periodic Distribution Amount of the Tier 2 Sukuk Wakalah and/or AT-1 Sukuk Wakalah required to be written off. Please refer to the section entitled “Ibra”.

Further, the Tier 2 Sukukholders and/or the AT-1 Sukukholders shall also waive (*tanazul*) their rights to the Shariah-compliant Business (in whole or in part, as the case may be) and:

- (i) in the case of write off of the full nominal value, the Sukukholders agree for the entire Shariah-compliant Business to be transferred back to the Issuer at no consideration; and
- (ii) in the case of partial write off of the nominal value, the Sukukholders agree for a particular portion of the Shariah-compliant Business to be transferred to the Issuer at no consideration.

Such write-off shall not constitute or deemed a default by the Issuer or constitute an Enforcement Event, nor would it trigger a cross-default under any other outstanding Tier 2 Sukuk Wakalah

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and AT-1 Sukuk Wakalah or of any financial indebtedness of the Issuer.

In the event where no hierarchy of write-off is provided, all AT-1 Sukuk Wakalah shall absorb losses proportionately.

- (l) Profit / coupon / rental payment frequency : The frequency of Periodic Distributions shall be on a quarterly or semi-annual basis, or such other payment frequency to be determined prior to each issuance of the Sukuk Wakalah (each a “**Periodic Distribution Date**”).
- (m) Profit / coupon / rental payment basis : The Periodic Distribution basis shall be on an actual/365 days basis.
- (n) Yield to Maturity (Applicable to the Senior Sukuk Wakalah and the Tier 2 Sukuk Wakalah only) : To be determined prior to each issuance of the relevant Senior Sukuk Wakalah and Tier 2 Sukuk Wakalah.
- (o) Issue Price : The Senior Sukuk Wakalah shall be issued at par, at a premium or at a discount to the nominal value (to be determined prior to each issuance) while the Tier 2 Sukuk Wakalah and the AT-1 Sukuk Wakalah shall be issued at par to the nominal value. The issue price shall be calculated in accordance with the BNM Rules and Procedures.

The issue price of each Reopened Sukuk Wakalah shall take into consideration, where applicable, accrued Periodic Distributions from and including the original issue date or the last Periodic Distribution Date whichever is later of the Tranche of Sukuk Wakalah to which such Reopened Sukuk Wakalah relate, to and excluding the date of the Reopening, except when the date of the Reopening falls on a Periodic Distribution Date.

- (p) Taxation : All payments by the Issuer shall be made without withholding or deductions for or on account of any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of Malaysia or any other applicable jurisdictions, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. The Issuer shall not be required to gross up in connection with such withholding or deductions.
- (q) Transaction documents : The Transaction Documents for the establishment of the Sukuk Wakalah Programme shall include the following:
- (i) the Programme Agreement;

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- (ii) each Trust Deed;
- (iii) the Securities Lodgement Forms;
- (iv) the Islamic agreements in relation to the Sukuk Wakalah Programme; and
- (v) all other legal documents relating to the Sukuk Wakalah Programme as advised by the Solicitors.

The Transaction Documents for each issuance of Sukuk Wakalah under the Sukuk Wakalah Programme shall include the following:

- (a) each Subscription Agreement;
- (b) the Islamic agreements in relation to the Sukuk Wakalah; and
- (c) all other legal documents relating to the Sukuk Wakalah as advised by the Solicitors.

For the avoidance of doubt, all Transaction Documents referred to above are collectively referred to as the “**Transaction Documents**”.

(r) Identified asset/ Trust asset : **Trust Assets**

The Trust Assets shall comprise (i) the Sukuk Proceeds, (ii) the relevant Wakalah Investments and (iii) the rights, title, interest, entitlement and benefit in, to and under the Transaction Documents.

The relevant Wakalah Investments comprise the Shariah-compliant Business and the Commodity Murabahah Investment.

Identified Assets/ Additional Identified Assets

If applicable, the following assets will be part of the identified assets under the Mudharabah transaction pursuant to a Capital Disqualification Event.

The identified assets under the Mudharabah transaction are a certain percentage of the Shariah-compliant business activities of Bank Muamalat and/or its subsidiaries under the Mudharabah transaction. The Wakalah Investments under the relevant AT-1

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Sukuk Wakalah would be dissolved upon the Capital Disqualification Event and the AT-1 Sukukholders will use the relevant portion of the AT-1 Dissolution Distribution Amount to invest under the Mudharabah transaction.

The Additional Identified Assets refer to such assets to be invested by the Mudharib with the amount of Expected Periodic Distribution Amount to be deferred in relation to cumulative periodic distribution upon a Capital Disqualification Event.

New Identified Assets

The New Identified Assets refer to such assets belonging to the Issuer which do not form part of the Identified Assets, and which are to be invested by the Mudharib with the exercise price payable by Bank Muamalat pursuant to a Shortfall Purchase Undertaking, in the event the profit generated from the Identified Assets and the Additional Identified Assets are not sufficient to pay the relevant portion of the Expected Periodic Distribution Amount for the applicable Periodic Distribution period.

The terms AT-1 Dissolution Distribution Amount, Additional Identified Assets, Mudharib, Capital Disqualification Event, New Identified Assets, Shortfall Purchase Undertaking and Identified Assets shall have the respective meanings as set out in the paragraph entitled “*Other terms and conditions - Limitation on Payment*”.

(s) Purchase and selling price/ rental, where applicable – compliance with asset pricing requirements

Commodity Purchase Price

In respect of the Commodity Murabahah Investment, the Commodity Purchase Price shall be at a purchase price equivalent to the remaining balance of the Sukuk Proceeds (after investment into the Shariah-compliant Business) and shall be in line with the asset pricing requirements stipulated under the ICMPS Guidelines.

Deferred Sale Price

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

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

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The Deferred Sale Price shall be equal to the sum of the aggregate Expected Periodic Distribution Amount and 100% of the nominal value of the relevant Senior Sukuk Wakalah or Tier 2 Sukuk Wakalah.

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

The Deferred Sale Price shall be equal to the sum of 100% of the nominal value of the AT-1 Sukuk Wakalah. For the avoidance of doubt, the Deferred Sale Price for AT-1 Sukuk Wakalah shall be payable 99 years after the relevant issue date, and the Issuer shall be given the right to defer such payment upon request made by the Issuer or if required by BNM subject to the Issuer providing the Sukuk Trustee with a notice of deferment of the payment of such Deferred Sale Price or on the Early Redemption Date or on the Enforcement Event Dissolution Date, whichever is the earliest.

- (t) Jurisdiction : The Issuer irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Malaysia.
- (u) Sukuk Trustee’s Reimbursement Accounts : Shariah-compliant accounts designated as “Sukuk Trustee’s Reimbursement Accounts for Sukukholders’ Actions” shall be set up either by the Issuer or by the Sukuk Trustee for and on behalf of the Issuer for each the (i) Senior Sukuk Wakalah; (ii) Tier 2 Sukuk Wakalah; and (iii) AT-1 Sukuk Wakalah, as required under the Trust Deeds Guidelines, in which a sum of RM100,000.00 is to be deposited in each account (which shall be maintained at all times throughout the tenure of the Sukuk Wakalah Programme).

The Sukuk Trustee’s Reimbursement Accounts shall be operated solely by the Sukuk Trustee and the monies shall only be used strictly by the Sukuk Trustee in carrying out its duties in relation to the occurrence of a Dissolution Event or an Enforcement Event, as the case may be or enforcement of any rights and remedies of the Sukuk Trustee in respect of the Sukuk Wakalah under the Transaction Documents. Any balance in the Sukuk Trustee’s Reimbursement Accounts shall be returned to the Issuer upon the termination or cancellation of the Sukuk Wakalah Programme.