

Principal Terms and Conditions of the Sukuk Murabahah Programme

2.01 BACKGROUND INFORMATION

(a) Issuer

- (i) **Name** : Public Islamic Bank Berhad (“**PIBB**” or the “**Issuer**”).
- (ii) **Address** : 27th Floor, Menara Public Bank
146, Jalan Ampang
50450 Kuala Lumpur
Malaysia.
- (iii) **Business registration no.** : 14328-V.
- (iv) **Date and place of incorporation** : 5 July 1973/Malaysia.
- (v) **Date of listing, where applicable** : Not applicable.
- (vi) **Status on residence i.e. whether it is a resident controlled company or non-resident controlled company** : Resident-controlled company.
- (vii) **Principal activities** : PIBB is principally engaged in the business of Islamic banking and the provision of related financial services.
- (viii) **Board of directors** : The Board of Directors of PIBB as at 15 March 2014 i.e. the latest practical date (“**LPD**”) are as follows:
- (i) Tan Sri Dato’ Sri Dr. Teh Hong Piow
 - (ii) Dato’ Haji Abdul Aziz bin Dato’ Dr. Omar
 - (iii) Tan Sri Datuk Seri Utama Thong Yaw Hong
 - (iv) Tan Sri Dato’ Sri Tay Ah Lek
 - (v) Dato’ Sri Lee Kong Lam
 - (vi) Dato’ Dr. Mahmood Zuhdi bin Haji Ab Majid
 - (vii) Tang Wing Chew
 - (viii) Lai Wan

- (ix) **Structure of shareholdings and names of shareholders or, in the case of public company, names of all substantial shareholders** : The substantial shareholders of PIBB (holding 5% or more in the issued and paid up capital of the Issuer) according to the Register of Substantial Shareholders as at the LPD are as follows:

Shareholder	Shareholding	
	No. of shares held	%
Public Bank Berhad	200,217,000	100

- (x) **Authorised, issued and paid-up capital** : Authorised capital as at the LPD:
RM500,000,000 comprising 500,000,000 ordinary shares of RM1.00 each.

Issued and paid-up capital as at the LPD:

RM200,217,000 comprising 200,217,000 ordinary 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 law, corporation laws or other laws involving fraud or dishonesty in a court of law, for the past five years prior to the date of the application;** : None.
- **If the Issuer has been subjected to any action by the stock exchange for the breach of the listing requirements or rules issued by the stock exchange, for the past five years prior to the date of the application.** : Not applicable.

2.02 PRINCIPAL TERMS AND CONDITIONS

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

- (i) **Principal adviser** : Public Investment Bank Berhad (Company No. 20027-W) (“PIVB”).
- (ii) **Lead arranger** : PIVB.
- (iii) **Co-arranger** : Not applicable.
- (iv) **Solicitor** : Messrs. Adnan Sundra & Low.
- (v) **Financial adviser** : Not applicable.
- (vi) **Technical adviser** : Not applicable.
- (vii) **Sukuk trustee** : AmanahRaya Trustees Berhad (Company No. 766894-T).
- (viii) **Shariah adviser** : Amanie Advisors Sdn Bhd (Company No. 684050-H).
- (ix) **Guarantor** : Not applicable.
- (x) **Valuer** : Not applicable.
- (xi) **Facility agent** : PIVB.
- (xii) **Primary subscriber (under a bought-deal arrangement) and amount subscribed** : To be determined prior to each issuance in respect of issuance via bought deal arrangement only.
Not applicable for issuance via private placement and book building.
- (xiii) **Underwriter and amount underwritten** : In respect of the first issuance, the Sukuk Murabahah (as defined in item 2.02(c) below) will not be underwritten. For subsequent issuances, PIBB may consider appointing underwriters for the Sukuk Murabahah.
- (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)** : Lead Manager
 PIVB and/or such other party(ies) as may be appointed by the Issuer for any particular issuance.
- Rating Agency
 RAM Rating Services Berhad (Company No: 763588-T) (“**RAM Rating**”).
- (b) **Islamic principles used** : Murabahah (via a Tawarruq arrangement).
- (c) **Facility description** : An Islamic medium term notes programme involving the issuance of Senior Sukuk Murabahah and/or Subordinated Sukuk Murabahah (collectively, the “**Sukuk Murabahah**”) of up to RM5.0 billion in nominal value (“**Sukuk Murabahah Programme**”).
- The Subordinated Sukuk Murabahah issued under the Sukuk Murabahah Programme will qualify as Tier 2 regulatory capital of PIBB in compliance with BNM’s Capital Adequacy Framework for Islamic Banks (Capital Components) (“**CA Framework**”).
- The Sukuk Murabahah will be issued under the Shariah principle of Murabahah based on commodity trading (via a Tawarruq arrangement).
- The issuance of each tranche of the Sukuk Murabahah from time to time under the Sukuk Murabahah Programme shall be effected as follows:
1. The Sukuk Trustee (on behalf of the holders of the Sukuk Murabahah (“**Sukukholders**”)) and PIBB shall enter into a Service Agency Agreement, pursuant to which PIBB (in such capacity, the “**Purchase Agent**”) is appointed as the agent of the Sukukholders for the purchase and sale of Shariah-compliant commodities (“**Commodities**”). The Purchase Agent will then enter into a Facility Agency Agreement to appoint the Facility Agent as the sub-purchase agent (in such capacity, the “**Sub-Purchase Agent**”) for the purchase and sale of Commodities under the Sukuk Murabahah Programme.

2. Pursuant to a Commodities Murabahah Master Agreement, PIBB (in such capacity, the “**Purchaser**”) issues a purchase order (the “**Purchase Order**”) to the Purchase Agent, and subsequently thereafter, the Purchase Agent issues the Purchase Order to the Sub-Purchase Agent. In the Purchase Order, PIBB (acting as purchaser for itself) will request the Purchase Agent, and subsequently, the Purchase Agent will request the Sub-Purchase Agent to purchase the Commodities. The Purchaser will irrevocably undertake to purchase the Commodities from the Sukukholders via the Sub-Purchase Agent at a deferred sale price (“**Deferred Sale Price**”) which shall be the Purchase Price (as defined below) plus the disclosed profit margin.
3. Based on the Purchase Order, the Sub-Purchase Agent (pursuant to the Commodity Trading Participant (“**CTP**”) Purchase Agreement entered into between the Sub-Purchase Agent and the CTP) will purchase on a spot basis the Commodities from commodity vendor(s) in the Bursa Suq Al-Sila’ commodity market (through a CTP) at a purchase price (“**Purchase Price**”) which shall be an amount equivalent to the Sukuk Murabahah proceeds.
4. PIBB (acting as the Issuer) shall issue Sukuk Murabahah whereby the proceeds shall be used to pay for the Purchase Price of the Commodities. The Sukuk Murabahah shall evidence the Sukukholders’ ownership of the Commodities and subsequently, once the Commodities are sold to PIBB (as the Purchaser for itself), the entitlement to receive the Deferred Sale Price.
5. Thereafter, pursuant to the undertaking under the Purchase Order, the Sub-Purchase Agent (acting on behalf of the Purchase Agent) shall sell the Commodities to PIBB (acting as Purchaser for itself) at the Deferred Sale Price under the “**Sale and Purchase Agreement**”.
6. Subsequently thereafter, PIBB (pursuant to the CTP Sale Agreement entered into between PIBB (acting as Purchaser for itself) and the CTP) shall sell the Commodities to Bursa Malaysia Islamic Services Sdn. Bhd. (through the CTP) on a spot basis for an amount equal to the Purchase Price. The CTP Sale Agreement will provide for the CTP to directly sell the Commodities into Bursa Malaysia Islamic Services Sdn. Bhd. upon notice by the Sub-Purchase Agent that the Sale and Purchase Agreement has been completed and executed.
7. During the tenure of the Sukuk Murabahah, PIBB (as part of its obligation to pay the Deferred Sale Price) shall make periodic profit payments (“**Periodic Profit**”

Payments) to the Sukukholders. Upon maturity, PIBB shall pay all amounts outstanding in respect of the Deferred Sale Price of the relevant Sukuk Murabahah upon which the relevant Sukuk Murabahah will be cancelled. Upon the declaration of an event of default or early redemption or upon the exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption, subject to item 2.02(v) and 2.02(x) below, PIBB shall pay amounts outstanding in respect of the Deferred Sale Price of the relevant Sukuk Murabahah upon which the relevant Sukuk Murabahah will be cancelled.

Please refer to Appendix I for the illustrative diagram of the Sukuk Murabahah transaction.

- (d) **Identified assets** : Shariah-compliant commodities, which shall include but not limited to crude palm oil or such other acceptable commodities (excluding ribawi items in the category of medium of exchange such as currency, gold and silver) which are provided through the commodity trading platform, Bursa Suq Al-Sila’.
- (e) **Purchase and selling price/rental (where applicable)** : Purchase Price
 The Purchase Price in relation to each purchase of the Commodities shall be equal to the proceeds of the Sukuk Murabahah. The Purchase Price shall comply with the Securities Commission's Shariah Advisory Council (“**SAC**”) asset pricing requirements as provided in the Securities Commission's (“**SC**”) Guidelines on Sukuk effective 8 January 2014 (as may be amended from time to time) (“**Guidelines on Sukuk**”).
- Deferred Sale Price
 The Deferred Sale Price shall comprise the Purchase Price plus the aggregate Periodic Profit Payments on a deferred payment basis and will be determined prior to the sale of the Commodities to the Issuer to be evidenced by the issue of the Sukuk Murabahah.
- (f) **Issue/sukuk programme size** : Up to RM5.0 billion in nominal value.
 The total outstanding Sukuk Murabahah issued under the Sukuk Murabahah Programme shall not at any time exceed the nominal value of RM5.0 billion.
- (g) **Tenure of issue/sukuk programme** : Tenure of the Sukuk Murabahah Programme:
 The tenure of the Sukuk Murabahah Programme shall be thirty (30) years from the date of first issuance of the Sukuk Murabahah under the Sukuk Murabahah Programme.

Tenure of the Senior Sukuk Murabahah:

Each issuance of Senior Sukuk Murabahah shall have a tenure of more than one (1) year from the issue date provided that the Senior Sukuk Murabahah shall mature on or prior to the expiry of the Sukuk Murabahah Programme.

Tenure of the Subordinated Sukuk Murabahah:

Subject to the Call Option, each issuance of Subordinated Sukuk Murabahah shall have a tenure of at least five (5) years from the issue date provided that the Subordinated Sukuk Murabahah mature on or prior to the expiry of the Sukuk Murabahah Programme.

Call Option

The relevant tranche of the Subordinated Sukuk Murabahah are callable on any Periodic Profit Payment Date after a minimum period of five (5) years from the date of issue of that tranche (hereinafter referred to as the “**Call Date**”), at the option of the Issuer.

- (h) Availability period of sukuk programme** : The period from compliance (or waiver, as the case may be) of all conditions precedent for the establishment of the Sukuk Murabahah Programme to the satisfaction of the Lead Arranger up to the expiry of the Sukuk Murabahah Programme provided that the Sukuk Murabahah mature on or prior to the expiry of the Sukuk Murabahah Programme.

The first issuance shall be made within two (2) years from the date of the Securities Commission (“**SC**”)’s approval and authorisation.

- (i) Profit/coupon/rental rate** : To be determined prior to the issuance of the Sukuk Murabahah and the rate shall be applicable throughout the tenure of each issue of the Sukuk Murabahah.

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

- (j) Profit/coupon/rental payment frequency** : Payable semi-annually in arrears from the issue date (“**Periodic Profit Payment Date**”) with the last profit payment to be made on the respective maturity dates or upon the early redemption.

- (k) Profit/coupon/rental payment basis** : Actual number of days elapsed on a 365 day basis, or in any event in accordance with MyClear Procedures (as defined in item 2.02(p) below).

- (l) Security/collateral, where applicable** : None.

- (iii) their replacement thereof (collectively referred to as “**MyClear Rules and Procedures**”) as applicable from time to time.

(q) Selling restriction, including tradability, i.e. whether tradable or non-tradable

: Selling Restrictions At Issuance

The Sukuk Murabahah 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 of the Sukuk Murabahah and to whom the Sukuk Murabahah are issued would fall within:

- (i) Schedule 6 (or Section 229(1)(b));and
- (ii) Schedule 7 (or Section 230(1)(b)) read together with
- (iii) Schedule 9 (or Section 257(3))

of the Capital Markets and Services Act, 2007, as amended from time to time (“**CMSA**”).

Selling Restrictions After Issuance

The Sukuk Murabahah 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 of the Sukuk Murabahah and to whom the Sukuk Murabahah are issued would fall within:

- (i) Schedule 6 (or Section 229(1)(b)) read together with
- (ii) Schedule 9 (or Section 257(3))

of the CMSA.

Tradability

Subject to the Selling Restrictions described above, the Sukuk Murabahah are transferable and tradable.

(r) Listing status and types of listing, where applicable

: The Sukuk Murabahah may be listed under the Exempt Regime maintained by Bursa Malaysia Securities Berhad. The SC will be notified accordingly in the event of such listing.

(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 establishment of the Sukuk Murabahah Programme of up to RM5.0 billion in nominal value and to classify the proceeds of the Subordinated Sukuk Murabahah raised under the Sukuk Murabahah Programme as Tier 2 regulatory capital was obtained on 24 March 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

- (i) The Transaction Documents (as defined in item 2.02(y)(G) below) have been signed and, where applicable, stamped and presented for registration.

B The Issuer

- (i) Certified true copies of the Certificate of Incorporation, Form 13 (if applicable) and the Memorandum and Articles of Association of the Issuer;
- (ii) Certified true copies of the latest Forms 24, 44 and 49 of the Issuer;
- (iii) A certified true copy of a board resolution of the Issuer authorising, among others, the execution of the Transaction Documents;
- (iv) A list of the Issuer's authorised signatories and their respective specimen signatures;
- (v) A report of the relevant company search of the Issuer; and
- (vi) 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

- (i) The approval and authorisation from the SC for the establishment of the Sukuk Murabahah Programme;
- (ii) Approval from BNM for the establishment of the Sukuk Murabahah Programme of up to RM5.0 billion in nominal value for the issuance of Subordinated Sukuk Murabahah;
- (iii) A favourable legal opinion from the Solicitor addressed to the Lead Arranger 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;

- (iv) The Issuer shall have received evidence of the confirmation from the Shariah Adviser that the structure and mechanism together with the Transaction Documents of the Sukuk Murabahah Programme are in compliance with Shariah principles;
- (v) The Issuer shall have obtained a long-term rating of AAA for the Senior Sukuk Murabahah and AA₁ for the Subordinated Sukuk Murabahah from RAM Rating;
- (vi) The chairman of the Issuer's Shariah Committee has submitted to BNM a confirmation that the Sukuk Murabahah Programme complies with the Shariah requirements; and
- (vii) Such other conditions precedent as may be advised by the Solicitor for the Lead Arranger (if any).

(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:

- (i) The Issuer has been duly established, valid in existence and has the power and authority to carry out its business;
- (ii) The Issuer has the power to enter into the Transaction Documents and exercise its rights to perform its obligations under the Transaction Documents;
- (iii) The Issuer's entry into and the exercise of the Issuer's rights and obligations under the Transaction Documents do not violate any existing law or regulation;
- (iv) The Transaction Documents are valid, binding and enforceable;
- (v) All necessary actions, authorisations and consents required under the Transaction Documents and the Sukuk Murabahah have been obtained and remain in full force and effect;
- (vi) The audited financial statements of the Issuer are prepared in accordance with generally accepted accounting principles and standards and represent true and fair view;
- (vii) Save as disclosed in the information memorandum (as amended or supplemented from time to time) issued in connection with the Sukuk Murabahah Programme ("**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;

- (viii) 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, under section 176 of the Companies Act, 1965 in respect of the Issuer;
- (ix) There has been no material change in the business or condition (financial or otherwise) of the Issuer since the date of its latest audited financial statements which might have a material adverse effect on the ability of the Issuer to comply with its obligations under the Transaction Documents; and
- (x) Any other representation and warranties as may be advised by the Solicitor.

For the purpose of these principal terms and conditions, "material adverse effect" means the occurrence of any event which materially and adversely affects the ability of the Issuer to perform any of its obligations under any of the Transaction Documents or which materially and adversely affects the business, financial position, shareholders' funds or operating results of the Issuer.

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

: Senior Sukuk Murabahah

Events of Default shall encompass the following:

- (i) the Issuer defaults in payment of any principal or profit under the Senior Sukuk Murabahah on the due date and the Issuer does not remedy such default within a period of seven (7) days after the Issuer became aware or having been notified by the Sukuk Trustee of the default;
- (ii) an order is made for the winding-up of the Issuer and such order is not stayed or set aside within sixty (60) days of such order being made or, where so stayed, such stay lapses, or an effective resolution is passed for winding-up of the Issuer except where such order is made or such resolution is passed for the purpose of a reconstruction or amalgamation the terms of which have been approved by the holders of the Senior Sukuk Murabahah by way of special resolution;
- (iii) a scheme of arrangement under Section 176 of the Companies Act 1965 has been instituted against the Issuer;

- (iv) a receiver has been appointed over the whole or a substantial part of the assets of the Issuer;
- (v) there has been a breach by the Issuer of any obligation under any of the Issuer's existing obligations which may materially and adversely affect the Issuer's ability to perform its obligations under the Transaction Documents, and if in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the breach within a period of fourteen (14) business days after the Issuer became aware of having been notified by the Sukuk Trustee of the failure;
- (vi) any other indebtedness of the Issuer becomes due or payable prior to its stated maturity or where the security created for any other indebtedness becomes enforceable;
- (vii) where there is a revocation, withholding or modification of any license, authorisation, approval or consent which in the opinion of the Sukuk Trustee may materially and adversely impair or prejudice the ability of the Issuer to comply with its obligations under the Transaction Documents;
- (viii) the Issuer fails to observe or perform its obligation under any of the Transaction Documents and in the case of a failure which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of fourteen (14) business days after the Issuer became aware or having been notified by the Sukuk Trustee of the failure;
- (ix) any representations and warranties made or given by the Issuer under the Transaction Documents proves to have been incorrect or misleading in any material respect on or as of the date made or given, and in the case of a failure which in the opinion of the Sukuk Trustee is capable of being remedied, the Issuer does not remedy the failure within a period of fourteen (14) business days after the Issuer became aware or having been notified by the Sukuk Trustee of the failure;
- (x) at any time any of the provisions of the Transaction Documents is or becomes illegal, void, voidable or unenforceable; and
- (xi) such other events of default as advised by Solicitors for the Principal Adviser/Lead Arranger.

Upon the occurrence of any of the above events of default, subject to the terms of the Senior Sukuk Murabahah Trust Deed, the Sukuk Trustee may or shall (if directed to do so by a special resolution of the holders of the Senior Sukuk Murabahah) declare (by giving written notice to the Issuer) that the Senior Sukuk Murabahah together with all other sums

payable under the Senior Sukuk Murabahah shall immediately become due and payable and payable at its nominal value together with the accrued but unpaid profit (if any) notwithstanding the stated maturity of the Senior Sukuk Murabahah.

For the avoidance of doubt, the occurrence of an event of default above for any tranche of the Senior Sukuk Murabahah will trigger the occurrence of the event of default for all tranches of the Senior Sukuk Murabahah outstanding.

Subordinated Sukuk Murabahah

Events of Default shall encompass the following :

- (i) the Issuer defaults in payment of any principal or profit under the Subordinated Sukuk Murabahah on the due date and the Issuer does not remedy such default within a period of seven (7) days after the Issuer became aware or having been notified by the Sukuk Trustee of the default; or
- (ii) an order is made for the winding-up of the Issuer and such order is not stayed or set aside within sixty (60) days of such order being made or, where so stayed, such stay lapses, or an effective resolution is passed for winding-up of the Issuer except where such order is made or such resolution is passed for the purpose of a reconstruction or amalgamation the terms of which have been approved by the holders of the Subordinated Sukuk Murabahah by way of special resolution.

Upon the occurrence of item (i) above, subject to the terms of the Subordinated Sukuk Murabahah Trust Deed, the Sukuk Trustee may or shall (if directed to do so by a special resolution of the holders of the Subordinated Sukuk Murabahah) institute proceedings to enforce the payment obligations under the Subordinated Sukuk Murabahah and may institute proceedings in Malaysia for the winding up of the Issuer, provided that neither the Sukuk Trustee nor any of the holders of Subordinated Sukuk Murabahah shall have the right to accelerate payment of the Subordinated Sukuk Murabahah in the case of default in the payment of amount owing under the Subordinated Sukuk Murabahah or any non-performance of any condition, provision or covenant under the Subordinated Sukuk Murabahah Trust Deed.

Upon the occurrence of item (ii) above, subject to the terms of the Subordinated Sukuk Murabahah Trust Deed, the Sukuk Trustee may or shall (if directed to do so by a special resolution of the holders of the Subordinated Sukuk Murabahah) declare (by giving written notice to the Issuer) that the Subordinated Sukuk Murabahah together with all other sums payable under the Subordinated Sukuk Murabahah shall immediately become due and payable and payable at its nominal value together with the accrued but unpaid profit (if

any) notwithstanding the stated maturity of the Subordinated Sukuk Murabahah.

For the avoidance of doubt, the occurrence of event of default (i) above for any tranche of the Subordinated Sukuk Murabahah will not trigger the event of default for other tranches of the Subordinated Sukuk Murabahah outstanding. However, occurrence of event of default (ii) above will trigger event of default for all tranches of the Subordinated Sukuk Murabahah outstanding.

(w) Covenants

The following positive covenants are applicable to both the Senior Sukuk Murabahah and Subordinated Sukuk Murabahah and shall include but not limited to the following:

- (i) The Issuer shall, at all times perform all its obligations and promptly comply with all provisions of the Trust Deeds and the Transaction Documents and the terms and conditions of the Sukuk Murabahah (including but not limited to redeeming the Sukuk Murabahah on the relevant maturity dates or any other dates on which the Sukuk Murabahah are due and payable) and immediately notify the Sukuk Trustee in the event that the Issuer is unable to fulfill or comply with any of the provisions of the Trust Deeds or any of the other Transaction Documents;
- (ii) The Issuer shall deliver to the Sukuk Trustee:
 - (a) a copy of its annual audited financial statements within one hundred and eighty (180) days after the end of its financial year; and
 - (b) any other accounts, balance sheet, report, notice, statement, circular or other documents issued by the Issuer to its shareholders;
- (iii) The Issuer shall no later than one hundred eighty (180) days after the end of each financial year, deliver to the Sukuk Trustee a certificate signed by an authorised signatory of the Issuer, certifying that the Issuer has complied with and performed its obligations under the Trust Deeds and the terms and conditions of the Sukuk Murabahah and the other Transaction Documents and that there did not exist and there had not at any time existed, from the issue date of the Sukuk Murabahah or the date of the previous certificate, as the case may be, any event of default and if such is not the case, the certificate should specify the same;
- (iv) The Issuer shall promptly provide to the Sukuk Trustee any information relating to its affairs to the extent permitted by law or as stipulated in the Trust Deeds as the case may be, as the Sukuk Trustee may from time to time require in order to discharge its duties and

obligations as Sukuk Trustee under the Trust Deeds and the other Transaction Documents;

- (v) The Issuer shall immediately notify the Sukuk Trustee in writing in the event that the Issuer becomes aware of the following:
 - (a) upon the occurrence of any event of default, the Issuer shall take reasonable steps and/or such other steps as may be reasonably requested by the Sukuk Trustee to remedy and/or mitigate the event of default;
 - (b) any circumstance that has occurred or any other matter that may materially prejudice the ability of the Issuer to perform its obligations under the Transaction Documents or in respect of the Sukuk Murabahah;
 - (c) any substantial change in the nature of the business of the Issuer;
 - (d) any change in the utilisation of the proceeds from the Sukuk Murabahah from that set out in the submission to the SC, the Information Memorandum or any of the Transaction Documents which sets out the purpose for which proceeds are to be utilised;
 - (e) any change in the Issuer's withholding tax position or tax jurisdiction; and
 - (f) any other matter that may materially prejudice the interests of the holders of the Sukuk Murabahah.
- (vi) The Issuer shall 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;
- (vii) The Issuer shall comply at all times with any and all requirements and rules, regulations and guidelines as may be issued and/or imposed by the SC and BNM, from time to time and the applicable provisions of the CMSA;
- (viii) The Issuer shall at all times maintain its corporate legal existence and exercise reasonable due diligence in carrying out its business and affairs in a proper and efficient manner and in accordance with sound financial and commercial standards and practices and will ensure, amongst others, that all necessary approvals and relevant licences required for it to carry on its business are obtained other than where the failure to obtain such licences or approvals, would not

have a material adverse effect on the ability of the Issuer to comply with its obligations under the Transaction Documents;

- (ix) The Issuer shall at all times maintain a paying agent with a specified office in Malaysia;
- (x) The Issuer shall procure that the paying agent shall notify the Sukuk Trustee in the event that the paying agent does not receive payment of principal or profit in respect of the Sukuk Murabahah from the Issuer on the due dates and in the manner as required under the Trust Deeds and the terms and conditions of the Sukuk Murabahah; and
- (xi) Such other covenants as may be advised by the Solicitor for the Lead Arranger (if any).

(x) Provisions on buy-back and early redemption of sukuk

Senior Sukuk Murabahah

Buyback of the Senior Sukuk Murabahah

Except as may otherwise be prohibited by any law, regulations or guidelines, the Issuer or any of its subsidiaries (if any) or related corporations or interested person or agent(s) of the Issuer may at any time purchase the Senior Sukuk Murabahah at any price in the open market or by way of private treaty, but these repurchased Senior Sukuk Murabahah shall, if purchased by the Issuer or by its subsidiaries (if any) or by agent(s) of the Issuer who is acting for the purchase, be cancelled and cannot be resold. The Senior Sukuk Murabahah purchased by other related corporations (other than the Issuer's subsidiaries (if any)) or any interested person of the Issuer, which includes the directors, major shareholders and chief executive officer, need not be cancelled but they will not entitle such related corporations or interested person of the Issuer to vote under the terms of the Senior Sukuk Murabahah. For purposes of this item 2.02(x), "interested person" will not include the following major shareholders who hold the shares whether directly or indirectly for the benefit of the public:

- (a) a statutory institution who is managing funds belonging to the general public;
- (b) a closed end fund, unit trust or investment fund (but excluding an investment holding company);
- (c) a licensed institution as defined under the Financial Services Act 2013; and a development financial institution as defined under the Development Financial Institutions Act 2002; and
- (d) in corporation whose activities are regulated by any written law relating to insurance and are subject to

supervision by BNM and the said insurance corporation is managing its insurance funds (together with its own shareholders' funds or otherwise). For the purposes of this item 2.02(x), "insurance funds" has the meaning given in the Financial Services Act 2013.

Early Redemption

Subject to the approval of the holders of the Senior Sukuk Murabahah by way of special resolution, the Issuer may early redeem any tranche of the Senior Sukuk Murabahah in whole, but not in part, at the Redemption Amount to be mutually agreed between the Issuer and the holders of the Senior Sukuk Murabahah by way of a special resolution during the tenure of the Sukuk Murabahah Programme and the requirements of the Guidelines on Sukuk on early redemption will be complied with.

Subordinated Sukuk Murabahah

Buyback of the Subordinated Sukuk Murabahah

The Issuer or any of its subsidiaries (if any) or related corporations or interested person may at any time purchase, subject to the prior approval of BNM where applicable (but which approval shall not be required for a purchase done in the ordinary course of business) the Subordinated Sukuk Murabahah at any price in the open market or by private treaty provided no Trigger Event (as defined in item 2.02(y)(N) below) has occurred prior to the date of such purchase. If purchase is made by tender, such tender must (subject to any applicable rules and regulations) be made available to all holders of the relevant tranche of the Subordinated Sukuk Murabahah equally.

Subject to prior approval of BNM (which approval shall not be required for a purchase done in the ordinary course of business), the Subordinated Sukuk Murabahah purchased by the Issuer or its subsidiaries (if any) (or by agents of the Issuer) shall be cancelled and shall not be resold. The Subordinated Sukuk Murabahah purchased by other related corporations (other than the Issuer's subsidiaries (if any)) or any interested person of the Issuer, which includes the directors, major shareholders and chief executive officer, need not be cancelled but they will not entitle such related corporations or interested person of the Issuer to vote under the terms of the Subordinated Sukuk Murabahah subject to any exceptions in the Trust Deeds Guidelines.

For the avoidance of doubt, the Subordinated Sukuk Murabahah held by related corporations and the interested person of the Issuer shall not be counted for the purposes of voting subject to any exceptions in the Trust Deeds Guidelines.

For the purpose of this clause, the term “ordinary course of business” includes those activities performed by the Issuer or any related corporations of the Issuer for third parties and excludes those performed for the funds of the Issuer or such related corporation. Third parties herein refer to the Issuer’s, its subsidiaries’ (if any) and related corporations’ clients.

For the avoidance of doubt, subject always to the requirements of the Trust Deeds Guidelines where the purchase of the Subordinated Sukuk Murabahah by the Issuer or its subsidiaries (if any) or by agents of the Issuer shall be cancelled and shall not be resold, neither the Issuer nor an affiliated party over which it exercises control or significant influence can purchase the Subordinated Sukuk Murabahah, nor can the Issuer directly or indirectly have financed its purchase, failing which the regulatory adjustments as set out in the CA Framework shall apply.

Call Option

For each tranche of the Subordinated Sukuk Murabahah, if Call Option is applicable, the Issuer may, at its option, and subject to the Redemption Conditions (as defined in item 2.02(y)(B) below) being satisfied, redeem that tranche of the Subordinated Sukuk Murabahah (in whole or in part) prior to the maturity on the Call Date of that tranche at their principal amount together with accrued but unpaid profit (if any).

Regulatory Redemption

The Issuer may, at its option, redeem the Subordinated Sukuk Murabahah (in whole, or in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied if a Regulatory Event occurs.

“**Regulatory Event**” means any time there is more than an insubstantial risk, as determined by the Issuer, that:

- (i) the Subordinated Sukuk Murabahah (in whole or in part) will, either immediately or with the passage of time or upon either the giving of notice or the fulfillment of a condition, no longer fully qualify as Tier 2 capital of the Issuer for the purposes of BNM’s capital adequacy requirements under any applicable regulations; or
- (ii) changes in law will make it unlawful to continue performing its obligations under the Subordinated Sukuk Murabahah.

Tax Redemption

If there is more than an insubstantial risk as determined by the Issuer that:

1. the Issuer has or will become obliged to pay any additional taxes, duties, assessments or government

charges of whatever nature in relation to the Subordinated Sukuk Murabahah; or

2. the Issuer would no longer obtain tax deductions for the purposes of Malaysian corporation tax for any payment in respect of the Subordinated Sukuk Murabahah;

as a result of a change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the issue date and the Issuer cannot, by taking reasonable measures available to it, avoid such obligations (“**Tax Event**”), then the Issuer may, at its option, redeem the Subordinated Sukuk Murabahah (in whole or in part) at the Redemption Amount, subject to the Redemption Conditions being satisfied.

In the case of a partial redemption of a tranche of Subordinated Sukuk Murabahah, the selection of the Subordinated Sukuk Murabahah to be redeemed will be made by the Sukuk Trustee on a pro rata basis, by lot or by such other method as the Sukuk Trustee (with the agreement of the Issuer) will deem to be fair and appropriate, although no Subordinated Sukuk Murabahah of RM50 million in original nominal value or less will be redeemed in part.

(y) Other principal terms and conditions

A. Redemption at maturity : Senior Sukuk Murabahah

Unless previously redeemed or repurchased in the open market or by way of private treaty, the Senior Sukuk Murabahah will be redeemed by the Issuer at their nominal amount on the maturity date.

Subordinated Sukuk Murabahah

Unless previously redeemed on the Call Date (if applicable) or redeemed pursuant to a Regulatory Event or a Tax Event or purchased from the market and cancelled, the Subordinated Sukuk Murabahah will be redeemed by the Issuer at their nominal amount on the maturity date.

B. Redemption conditions : “Redemption Conditions” of the Subordinated Sukuk Murabahah mean:

1. the Issuer must have received a written approval from BNM prior to redemption of the tranche of any of the Subordinated Sukuk Murabahah;

2. the Issuer is solvent at the time of redemption of such tranche of the Subordinated Sukuk Murabahah and immediately thereafter;
3. the Issuer is not in breach of BNM's minimum capital adequacy requirements and capital buffer requirements applicable to the Issuer after redemption of such tranche of the Subordinated Sukuk Murabahah; and
4. in respect of a Call Option only, the Issuer shall:
 - (i) replace the called or redeemed tranche of the Subordinated Sukuk Murabahah with capital of the same or better quality and the replacement of this capital shall be done at conditions which are sustainable for the income capacity of the Issuer, or
 - (ii) demonstrate to BNM that its capital position is well above the capital adequacy and capital buffer requirements after redemption of such tranche of the Subordinated Sukuk Murabahah.

C. Redemption amount : “**Redemption Amount**” means Deferred Sale Price less the aggregate of Periodic Profit Payments paid (if any).

The Redemption Amount payable by the Issuer on the declaration of an event of default or early redemption or on Call Date (if applicable) or redeemed pursuant to a Regulatory Event or a Tax Event, is an amount as determined by the Facility Agent, which shall be calculated in accordance with the above formula.

D. Issue price : The Sukuk Murabahah shall be issued at par or at a premium (but not at a discount) to nominal value and the issue price shall be calculated in accordance with MyClear Rules and Procedures.

The issue price of the Sukuk Murabahah shall be determined prior to each issuance of the Sukuk Murabahah.

E. Yield to maturity : To be determined prior to the issue date of the Sukuk Murabahah.

F. Status of sukuk : **Senior Sukuk Murabahah**

The Senior Sukuk Murabahah will constitute direct unsecured obligations of the Issuer, to the extent and in the manner provided for in the Senior Sukuk Murabahah and the Transaction Documents and ranks at least pari passu with all other present and future unsecured obligations of the Issuer, except for deposits or such other obligations preferred by law.

Subordinated Sukuk Murabahah

The Subordinated Sukuk Murabahah will constitute direct and unsecured obligations of the Issuer and subordinated in right and priority of payment, to depositors and general creditors of the Issuer, to the extent and in the manner provided in the Subordinated Sukuk Murabahah, ranking pari passu among themselves.

In the event of a winding up or liquidation of the Issuer, the payment obligations of the Issuer under the Subordinated Sukuk Murabahah will 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 subordinate to the Subordinated Sukuk Murabahah.

G. Transaction documents

: The Sukuk Murabahah shall be evidenced by, inter alia, the following:

1. Programme Agreement;
2. Securities Lodgement Form;
3. Senior Sukuk Murabahah Trust Deed;
4. Subordinated Sukuk Murabahah Trust Deed;
5. Service Agency Agreement;
6. Facility Agency Agreement;
7. Commodities Murabahah Master Agreement;
8. Purchase Order;
9. CTP Purchase Agreement;
10. Sale and Purchase Agreement;
11. CTP Sale Agreement; and
12. Any other agreements as may be advised by the Solicitor.

H. Trustee's reimbursement account

The Trustee shall open and maintain, throughout the tenure of the Sukuk Murabahah Programme an account to be named the "Sukuk Trustee's Reimbursement Account for Public Islamic Bank Berhad Sukukholders' Actions" (the "**Account**") with PIBB a sum of RM30,000.00 which amount is to be obtained from the proceeds of issuance of the Subordinated Sukuk Murabahah.

The Account shall be operated solely by the Sukuk Trustee and the money shall be used strictly by the Sukuk Trustee in carrying out its duties in relation to the declaration of an Event of Default in the manner as provided in the Subordinated Sukuk Murabahah Trust Deed.

The monies in the Account may be invested in Shariah-compliant bank deposit or instrument or securities in the manner as provided in the Subordinated Sukuk Murabahah Trust Deed, with profit from the investment to be accrued to the Issuer. The monies in the Account shall be returned to the Issuer upon full redemption of the Subordinated Sukuk

Murabahah in the event there is no declaration of Event of Default.

- I. 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 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.
- J. No further rights to participate in profits and assets** : The holders of the Subordinated Sukuk Murabahah shall have no right or claim and not be conferred any right or claim as regards to participation in the profits and assets of the Issuer.
- K. Voting rights** : The holders of the Subordinated Sukuk Murabahah will not be entitled to receive notice of or attend or vote at any meeting of the ordinary shareholders of the Issuer or participate in the management of the Issuer. No company-shareholder relationship is intended or has been contemplated between the Issuer and the holders of the Subordinated Sukuk Murabahah and as such the relationship between the Issuer and the holders of the Subordinated Sukuk Murabahah shall not be governed by the Memorandum and Articles of Association of the Issuer.
- L. Other conditions** : The Sukuk Murabahah shall at all times be governed by the relevant guidelines issued and to be issued from time to time by the SC and/or BNM over matters pertaining to the Sukuk Murabahah.
- M. Contingent write-off** : **Contingent write-off of the Issuer**

Upon the occurrence of a Trigger Event (as defined in item 2.02(y)(N) below), the Issuer is required to give notice to the holders of the Subordinated Sukuk Murabahah and the Rating Agency in accordance with the terms of the Subordinated Sukuk Murabahah, then as of the relevant write-off date, the write-off shall extinguish the claim of the Subordinated Sukuk Murabahah in liquidation, which will mean that the holders of the Subordinated Sukuk Murabahah written-off will irrevocably waive their rights to receive, and no longer have any rights against the Issuer with respect to, payment of the aggregate principal amount of the respective Subordinated Sukuk Murabahah written-off, the amount paid when a call option is exercised and profit payments on the Subordinated Sukuk Murabahah written-off.

The write-off shall be permanent and the full principal amount of the Subordinated Sukuk Murabahah together with all unpaid profits thereon that are or would be payable upon the relevant maturity date, an early redemption or the occurrence of an Event of Default under item (ii) of the Events of Default for the

Subordinated Sukuk Murabahah under item 2.02(v) will automatically be written-off and such Subordinated Sukuk Murabahah and profits will be immediately and fully cancelled as of such write-off date.

For the avoidance of doubt, (i) the write-off of the respective Subordinated Sukuk Murabahah shall not constitute an event of default or trigger cross-default clauses; and (ii) BNM and Malaysia Deposit Insurance Corporation (“PIDM”) shall have the option to require the entire principal amount of the Subordinated Sukuk Murabahah outstanding, or a part thereof, and all other amount owing under the Subordinated Sukuk Murabahah, be written-off.

For the avoidance of doubt, the exercise of the loss absorption at the point of non-viability shall not constitute an event of default as specified under item 2.02(v) above or trigger cross-default clauses.

Contingent write-off of Public Bank Berhad

The Subordinated Sukuk Murabahah may, at the option of BNM and PIDM, be written-off upon the occurrence of a trigger event in relation to Public Bank Berhad as described in paragraph 32.1 of the Capital Adequacy Framework (Capital Components) issued by BNM dated 28 November 2012 given that the Subordinated Sukuk Murabahah can be recognised in the consolidated total capital of Public Bank Berhad, if the Subordinated Sukuk Murabahah meet the criteria for inclusion.

The provisions for write-off following the occurrence of a Trigger Event in respect of the Issuer shall apply upon the occurrence of a trigger event in respect of Public Bank Berhad as described in paragraph 32.1 of the Capital Adequacy Framework (Capital Components) issued by BNM dated 28 November 2012 (“**PBB Trigger Event**”), whereupon the occurrence of a PBB Trigger Event, the provisions in relation to “Contingent Write-off of the Issuer” above shall be applicable in its entirety *mutatis mutandis* as if a Trigger Event in respect of the Issuer had occurred except that each reference to a “Trigger Event” therein shall be a reference instead to a trigger event in respect of Public Bank Berhad as described in paragraph 32.1 of the Capital Adequacy Framework (Capital Components) issued by BNM dated 28 November 2012.

N. Trigger event

: A “**Trigger Event**” shall be the earlier of the following:

- (i) BNM and PIDM notify the Issuer in writing that BNM and PIDM are of the opinion that a write-off is necessary, without which the Issuer would cease to be viable; or
- (ii) BNM and PIDM publicly announce 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.

In assessing whether the Issuer would cease to be viable, BNM and PIDM may consider, amongst others, any of the following circumstances exist ("**Non-Viability Event**") in respect of the Issuer:

- (i) the Issuer fails to follow any directive of compliance issued by BNM, which is necessary to preserve or restore its financial soundness;
- (ii) the Issuer fails to meet all or any of its financial obligations as they fall due, that may significantly impair its capital position;
- (iii) the capital of the Issuer has reached a level or is eroding in a manner that may detrimentally affect its depositors, creditors or the public, and the Issuer is unable to re-capitalise on its own;
- (iv) the Issuer's assets are insufficient to provide protection to its depositors and creditors;
- (v) the Issuer has lost the confidence of depositors and the public; or
- (vi) any other state of affairs exists in respect of the Issuer that would put the interest of the depositors or creditors of the Issuer at risk.

For the avoidance of doubt, BNM and PIDM shall have the full discretion to elect not to require a write-off when the Issuer has ceased, or is about to cease, to be viable or when a capital injection or equivalent support has been provided. Even if the option is not exercised, holders of the relevant Subordinated Sukuk Murabahah may still be exposed to losses from the resolution of the Issuer.

O. Governing laws : Laws of Malaysia.

P. Compensation (Ta'widh) : In the event of any delay in payments of the Deferred Sale Price due under the Sukuk Murabahah, the Issuer shall pay to the Sukuk Trustee for the benefit of the Sukukholders compensation (Ta'widh) on such delay in payments at the rate and manner prescribed by the Shariah Advisory Council of the SC from time to time in accordance with the Shariah principles.

Any compensation referred to above which is paid to the Sukukholders, can be treated and/or utilised by the Sukukholders at their absolute discretion in accordance with or determined by their respective Shariah requirements, which

may include donation to any registered charitable organization or any charitable purposes.

Q. Form and denomination

: The Sukuk Murabahah shall be issued in accordance with MyClear Rules and Procedures. The Sukuk Murabahah shall be represented by a global certificate to be deposited with BNM, and is exchanged for a definitive bearer form only in certain limited circumstances. The denomination of the Sukuk Murabahah shall be RM1,000,000 or in multiples of RM1,000,000 at the time of issuance.

R. Ibra'

: Ibra' refers to the act of releasing one's rights and claim, such as a creditor writing off the debts of a debtor either fully or partly. The Sukukholders in subscribing or purchasing the Sukuk Murabahah hereby consent to Ibra' in the following scenarios:

Senior Sukuk Murabahah

The holders of the Senior Sukuk Murabahah in subscribing or purchasing the Senior Sukuk Murabahah hereby consent to grant such rebate if the Senior Sukuk Murabahah is redeemed before maturity i.e. upon the declaration of an event of default or early redemption (if applicable).

The rebate (Ibra') shall be the aggregate Periodic Profit Payments due to the Sukukholders in respect of the period from (and including) the date of full payment by the Issuer of all accrued and unpaid Deferred Sale Price pursuant to the declaration of any event of default or early redemption (if applicable) up to (but excluding) the maturity date of the Senior Sukuk Murabahah.

Subordinated Sukuk Murabahah

The holders of the Subordinated Sukuk Murabahah in subscribing or purchasing the Subordinated Sukuk Murabahah hereby consent to Ibra' in the following scenarios:

- (i) Upon the declaration of an event of default or on exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption. The amount rebate (Ibra') in this instance, shall be the aggregate Periodic Profit Payments due to the holders of the Subordinated Sukuk Murabahah in respect of the period from (and including) the date of full payment by the Issuer of all accrued and unpaid Deferred Sale Price pursuant to the declaration of any event of default or on exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption (as the case may be) up to (but excluding) the maturity date.

or

- (ii) Upon the occurrence of a Trigger Event. The amount of Ibra' shall be the payment of principal amount of the Subordinated Sukuk Murabahah written-off, and profits (including profit accrued but unpaid up to the date of the occurrence of a Trigger Event).

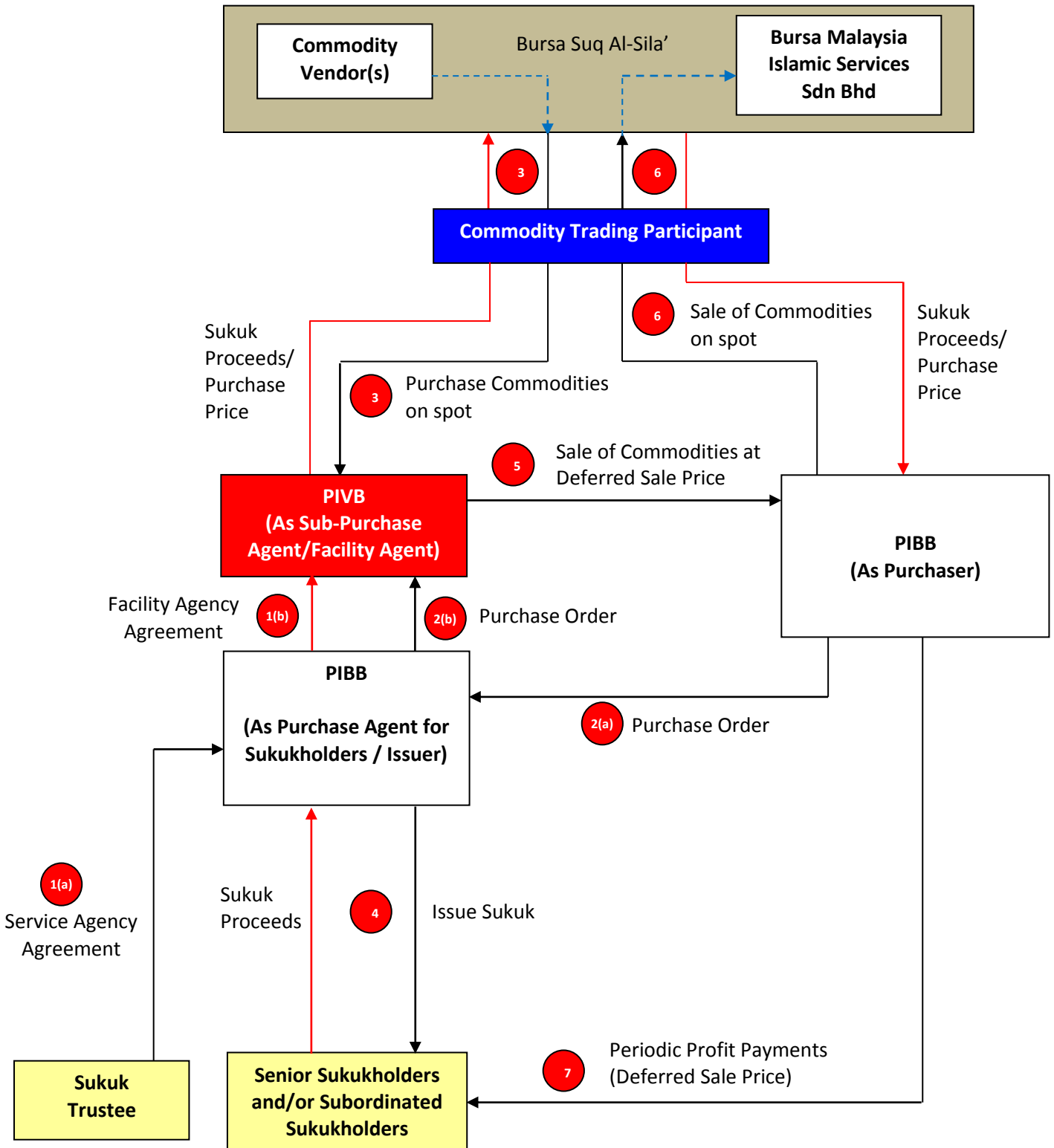
S. *No payment of interest*

: For the avoidance of doubt and notwithstanding any other provision to the contrary herein, it is hereby agreed and declared that nothing in these principal terms and conditions and the Transaction Documents shall oblige or entitle any party nor shall any party pay or receive or recover interest on any amount due or payable to another party pursuant to the principal terms and conditions or the Transaction Documents and the parties hereby expressly waive and reject any entitlement to recover such interest.

It is further acknowledged that the principle of the payment of interest is repugnant to Shariah and accordingly, to the extent that any legal system would (but for the provisions of this item) impose (whether by contract, statute or court order) any obligation to pay interest, the relevant parties shall agree to waive and reject any entitlement to recover interest from each other. It is further agreed that any payment pursuant to the principal terms and conditions or the Transaction Documents shall not be construed as payments of interest.

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Commodity Murabahah Structure



Steps	Description of the Sukuk Murabahah Structure
1	<p>The Sukuk Trustee (on behalf of the holders of the Sukuk Murabahah (“Sukukholders”)) and PIBB shall enter into a Service Agency Agreement, pursuant to which PIBB (in such capacity, the “Purchase Agent”) is appointed as the agent of the Sukukholders for the purchase and sale of Shariah-compliant commodities (“Commodities”).</p> <p>The Purchase Agent will then enter into a Facility Agency Agreement to appoint the Facility Agent as the sub-purchase agent (in such capacity the “Sub-Purchase Agent”) for the purchase and sale of Commodities under the Sukuk Murabahah Programme.</p>
2	<p>Pursuant to a Commodities Murabahah Master Agreement, PIBB (in such capacity, the “Purchaser”) issues a purchase order (the “Purchase Order”) to the Purchase Agent, and subsequently thereafter, the Purchase Agent issues the Purchase Order to the Sub-Purchase Agent. In the Purchase Order, PIBB (acting as purchaser for itself) will request the Purchase Agent, and subsequently, the Purchase Agent will request the Sub-Purchase Agent to purchase the Commodities. The Purchaser will irrevocably undertake to purchase the Commodities from the Sukukholders via the Sub-Purchase Agent at a deferred sale price (“Deferred Sale Price”) which shall be the Purchase Price (as defined below) plus the disclosed profit margin.</p>
3	<p>Based on the Purchase Order, the Sub-Purchase Agent (pursuant to the Commodity Trading Participant (“CTP”) Purchase Agreement entered into between the Sub-Purchase Agent and the CTP) will purchase on a spot basis the Commodities from commodity vendor(s) in the Bursa Suq Al-Sila’ commodity market (through a CTP) at a purchase price (“Purchase Price”) which shall be an amount equivalent to the Sukuk Murabahah proceeds.</p>
4	<p>PIBB (acting as the Issuer) shall issue Sukuk Murabahah whereby the proceeds shall be used to pay for the Purchase Price of the Commodities. The Sukuk Murabahah shall evidence the Sukukholders’ ownership of the Commodities and subsequently once the Commodities are sold to PIBB (as the Purchaser for itself), the entitlement to receive the Deferred Sale Price.</p>
5	<p>Thereafter, pursuant to the undertaking under the Purchase Order, the Sub-Purchase Agent (acting on behalf of the Purchase Agent) shall sell the Commodities to PIBB (acting as Purchaser for itself) at the Deferred Sale Price under the Sale and Purchase Agreement.</p>
6	<p>Subsequently thereafter, PIBB (pursuant to the CTP Sale Agreement entered into between PIBB (acting as Purchaser for itself) and the CTP) shall sell the Commodities to Bursa Malaysia Islamic Services Sdn. Bhd. (through the CTP) on a spot basis for an amount equal to the Purchase Price. The CTP Sale Agreement will provide for the CTP to directly sell the Commodities into Bursa Malaysia Islamic Services Sdn. Bhd. upon notice by the Sub-Purchase Agent that the Sale and Purchase Agreement has been completed and executed.</p>
7	<p>During the tenure of the Sukuk Murabahah, PIBB (as part of its obligation to pay the Deferred Sale Price) shall make Periodic Profit Payments to the Sukukholders. Upon maturity, PIBB shall pay all amounts outstanding in respect of the Deferred Sale Price of the relevant Sukuk Murabahah upon which the relevant Sukuk Murabahah will be cancelled. Upon the declaration of an event of default or early redemption or upon the exercise of Call Option or occurrence of Tax Redemption or occurrence of Regulatory Redemption, subject to item 2.02(v) and 2.02(x) of the PTC, PIBB shall pay amounts outstanding in respect of the Deferred Sale Price of the relevant Sukuk Murabahah upon which the relevant Sukuk Murabahah will be cancelled.</p>