

**Principal Terms and Conditions**

**ISSUANCE OF UP TO RM150.0 MILLION SUKUK MUDHARABAH (“SUKUK MUDHARABAH”)**

**1. BACKGROUND INFORMATION**

**(a) Issuer**

- i) Name : MNRB Holdings Berhad (“**MNRB**” or “**Issuer**”).
- ii) Address : **Registered Address:**  
12<sup>th</sup> Floor, Bangunan Malaysian Re  
17, Lorong Dungun, Damansara Heights  
50490 Kuala Lumpur.
- Business Address:**  
12<sup>th</sup> Floor, Bangunan Malaysian Re  
17, Lorong Dungun, Damansara Heights  
50490 Kuala Lumpur.
- iii) Business Registration No. : 13487-A
- iv) Date / Place of Incorporation : 30 December 1972 / Kuala Lumpur
- v) Date of Listing : 20 November 1996
- vi) Status :
  - Resident controlled company.
  - Bumiputera controlled company.
- vii) Principal Activities : The principal nature of business carried on by the Issuer is investment holding and provision of management services to its subsidiaries.

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- viii) Board of Directors : The Board of Directors of MNRB as at 31 July 2012 are as follows:

Name	
1.	Sharkawi Alis
2.	Mohd Din Merican
3.	P. Raveenderen
4.	Dato' Syed Ariff Fadzillah Syed Awalluddin
5.	Yusoff Yaacob
6.	Datuk Mohd Khalil Dato' Mohd Noor
7.	Megat Dziauddin Megat Mahmud
8.	Paisol Ahmad

- ix) Structure of shareholdings and names of shareholders or, in the case of a public company, names of all substantial shareholders : The structure of shareholdings and names of all substantial shareholders of MNRB as at 31 July 2012 are as follows:

Substantial Shareholders	Direct Shareholdings (%)
Amanahraya Trustees Berhad (Skim Amanah Saham Bumiputera)	48.96
Permodalan Nasional Berhad	11.70
Amanahraya Trustees Berhad (Amanah Saham Malaysia)	6.10

- x) Authorised and paid-up capital : The authorised and paid-up capital of the Issuer as at 31 July 2012 are as follows:

Share Capital	RM
<b>Authorised:</b> 500,000,000 ordinary shares of RM1.00 each	500,000,000
<b>Issued and fully paid-up:</b> 213,069,500 ordinary shares of RM1.00 each	213,069,500

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**2. PRINCIPAL TERMS AND CONDITIONS**

**(a) Parties involved in the transaction**

- i) Principal Adviser : MIDF Amanah Investment Bank Berhad (23878-X) (“**MIDF Investment**”).
- ii) Lead Arranger : MIDF Investment.
- iii) Co-arranger : Not applicable.
- iv) Solicitors : Messrs. Adnan, Sundra & Low.
- v) Financial Adviser : Not applicable.
- vi) Technical Adviser : Not applicable.
- vii) Trustee : TMF Trustees Malaysia Berhad.
- viii) Guarantor : Not applicable.
- ix) Valuer : Not applicable.
- x) Facility Agent : MIDF Investment.
- xi) Primary Subscriber : Not applicable.  
(under a bought-deal arrangement)  
and amount  
subscribed
- xii) Underwriter and : Not applicable.  
amount  
underwritten
- xiii) Shariah Adviser : MIDF Investment (Backed by MIDF Shariah Committee).
- xiv) Central Depository : Bank Negara Malaysia (“**BNM**”).
- xv) Paying Agent : BNM.
- xvi) Reporting : Not applicable.  
Accountant
- xvii) Calculation agent : Not applicable.

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xviii) Others : **Placee/Subscriber/Investor**  
MIDF Investment

**Obligor**  
MNRB

**Security Trustee**  
TMF Trustees Malaysia Berhad

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- (b) Facility description : An Islamic securities programme ("**Sukuk Mudharabah Programme**") with a programme limit of RM150.0 million in aggregate nominal value.

The Sukuk Mudharabah Programme is based on the Shariah principle of Mudharabah ("**Sukuk Mudharabah**").

Under a Mudharabah transaction, the Issuer (as "**Mudharib**") shall enter into a master Mudharabah contract with the Trustee, acting on behalf of the investor (as "**Rabb al-Mal**").

The investor of the Sukuk Mudharabah (hereinafter referred to as the "**Investor**" or "**Sukukholder**") shall only participate in the Shariah-compliant business activities of the Issuer and its subsidiaries ("**Mudharabah Venture**"). The Issuer and its subsidiaries are mainly involved in the business activities of general reinsurance and managing of the general and family takaful and retakaful funds. However, general reinsurance or other conventional/non-Shariah business will be excluded for the purposes of the Mudharabah Venture.

The Investor shall participate in the Mudharabah Venture by subscribing to the Sukuk Mudharabah to be issued from time to time. Each issuance of the Sukuk Mudharabah represents part of the Mudharabah Venture. The proceeds from the Sukuk Mudharabah represent 100% of the Investor's capital contribution ("**Mudharabah Capital**") in the said Mudharabah Venture. The Issuer on the other hand, as the Mudharib shall have the absolute entrepreneurial authority to manage the Mudharabah Venture and administer the collection of income from the Mudharabah Venture.

The Issuer shall make a declaration of trust over the rights and entitlements under the Mudharabah Venture ("**Trust Assets**") for the benefit of the Investor and itself. The Sukuk Mudharabah hence represents the Investor's undivided proportionate beneficial interests in the Mudharabah Venture.

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Profit generated from the Mudharabah Venture will be shared between the Rabb al-Mal and the Mudharib according to the pre-agreed profit sharing ratio ("**PSR**") of 99:1 while losses will be borne solely by the Rabb al-Mal. The payment of profits (the "**Periodic Payment(s)**") shall be provided by the income (if any) generated by the Mudharabah Venture which shall be distributed to the Investor semi-annually on the date falling on the expiry of each semi-annual period ("**Periodic Payment Date**"). For the avoidance of doubt, whenever a Periodic Payment is made on a particular scheduled Periodic Payment Date, such payment shall comprise the distributable income generated from the Mudharabah Venture ("**Periodic Distribution(s)**") and Advanced Profit Payment(s) (as defined below), if any.

The Rabb al-Mal's share of profits shall be the return expected by the Investor from the Mudharabah Venture ("**Expected Return**") which shall be the yield of the Sukuk Mudharabah up to the respective maturity dates or the date of declaration of an event which dissolves the Mudharabah Venture ("**Dissolution Event**"), as the case may be.

Under the Mudharabah Venture, the Investor shall agree upfront that they shall receive profits up to the Expected Return. Any amounts in excess of the Expected Return shall be given to the Mudharib as an incentive fee for successfully managing the business.

If, on any Periodic Payment Date, the income generated from the Mudharabah Venture is insufficient to meet the expected Periodic Payments, the Issuer shall make advanced profit payments during the tenor of the Sukuk Mudharabah ("**Advanced Profit Payments**") equal to such deficiency. For the avoidance of doubt any Advanced Profit Payments made by the Issuer shall be offset against the Exercise Price (as defined in item 2(v)(6) below).

Separate from the Mudharabah transaction, MNRB is also acting as the Obligor, who shall grant to the Trustee (acting on behalf of the Investor) a Purchase Undertaking whereby the Obligor shall undertake to purchase the Trust Assets from the Trustee at the Exercise Price only upon the occurrence of the earliest of:

- (i) the respective maturity dates of the Sukuk Mudharabah; or
- (ii) the declaration of a Dissolution Event; or

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- (iii) the respective early redemption dates of the Sukuk Mudharabah;

subject to the terms and conditions as set out in item 2(v)(6).

Upon the occurrence of the events above, the Mudharabah Venture shall terminate. Upon the exercise of the Purchase Undertaking and the payment of the Exercise Price, the Trust Assets shall be dissolved and the Sukuk Mudharabah shall be cancelled.

Please refer to Attachment 1 for the illustrative diagram of the Sukuk Mudharabah transaction structure.

- |     |   |   |   |
|-----|---|---|---|
| (c) | Issue/<br>programme<br>size                                   | : | Nominal value of up to RM150.0 million.   |
| (d) | Tenure of issue/<br>sukuk<br>programme (or<br>facility)       | : | <p>The tenure of the Sukuk Mudharabah Programme shall be five (5) years from the date of first issue of the Sukuk Mudharabah which shall be made within two (2) years from the date of the Securities Commission's ("SC") approval or such other later date as may be approved by the SC.</p> <p>The tenure of the Sukuk Mudharabah shall be more than one (1) year and up to five (5) years as the Issuer may select, provided that the Sukuk Mudharabah mature prior to the expiry of the Sukuk Mudharabah Programme.</p> |
| (e) | Availability<br>period of sukuk<br>programme (or<br>facility) | : | The Sukuk Mudharabah Programme shall be available commencing on the date of fulfilment of the conditions precedent set out in the programme agreement and ending on the close of business in Kuala Lumpur on the date falling five (5) years after the date the first Sukuk Mudharabah is issued.   |
| (f) | Profit/ coupon/<br>rental rate                                | : | The expected Periodic Payment rate shall be determined and agreed prior to each issuance of the Sukuk Mudharabah.   |
| (g) | Profit/ coupon/<br>rental payment<br>frequency                | : | The Periodic Payment shall be made semi-annually with the first payment to be made six (6) months from the date of the issuance of the Sukuk Mudharabah and the last payment payable on the maturity date of the Sukuk Mudharabah or the date of declaration of an Event of Default/ Dissolution Event, as the case may be.   |

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- (h) Profit/ coupon/ rental payment basis : The Periodic Payment will be calculated on the basis of the actual number of days elapsed and 365 days in a year (actual/365 days).
- (i) Security/ collateral :
- (i) Security sharing agreement in respect of the pari passu sharing of the security granted by the Issuer pursuant to the Assignment and Charge Sale Proceeds Account (as defined herein) and the Assignment and Charge Proceeds (as defined herein) in favour of the Security Trustee holding for the benefit of the Sukukholder and Standard Chartered Saadiq Berhad ("**SCSB**") ("**Security Sharing Agreement**");
  - (ii) assignment and charge of all rights, interests, title and benefits in the Sales Proceed Account as stipulated in item 2(k) and the credit balances therein in favour of the Security Trustee for the benefit of the Sukukholder and SCSB ("**Assignment and Charge Sale Proceeds Account**");
  - (iii) assignment and charge of all rights, interests, title and benefits in the Finance Service Reserve Account ("**FSRA**") as stipulated in item 2(k) and the credit balances therein in favour of the Security Trustee for the benefit of the Sukukholder ("**Assignment and Charge FSRA**"); and
  - (iv) assignment and charge of all rights, interests, title and benefits of the proceeds from the part or full disposal of Takaful Ikhlas Sdn Bhd (Company No. 593075-U) ("**Takaful IKHLAS**") in favour of the Security Trustee for the benefit of the Sukukholder and SCSB ("**Assignment and Charge Proceeds**").
- (j) Details on utilisation of proceeds. If proceeds are to be utilised for project or capital expenditure, description of the project or capital expenditure, where applicable. : The proceeds from the Sukuk Mudharabah shall be utilised only for the following Shariah compliant purposes:

Description	Amount (RM ' million)
1. To refinance wholly the Issuer's existing bridging facility of RM120.0 million with MIDF Investment	120.0
2. Working capital requirements.	30.0
<b>Total</b>	<b>150.0</b>



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- (k) Sinking fund and designated accounts (if any) : There is no sinking fund account.

**FSRA**

MNRB shall open and maintain a Shariah-compliant bank account designated as the FSRA which shall be solely operated by the Security Trustee with a bank acceptable to the Lead Arranger and ensure that at all times the balance therein is at least equivalent to all the Expected Return and the nominal value payable under the Sukuk Mudharabah in the following manner:

Minimum Required Balance	Month(s) Before Payment Due Date
50%	3
100%	1

The balance in the FSRA may be withdrawn to make payments under the Sukuk and in the event of such withdrawal any shortfall from the Minimum Required Balance shall be topped up within thirty (30) days from the shortfall.

The Minimum Required Balance shall be deposited into the FSRA in the above described manner from MNRB's own internal funds. In the event the Issuer obtains financing for purposes of redeeming the Sukuk Mudharabah pursuant to paragraph (ii) of the Special Condition (as set out in item 2(v)(1) below), the proceeds from such financing shall also be deposited into the FSRA. In the event that the balance held in the FSRA exceeds the Minimum Required Balance, the excess may be released to the Issuer. The Issuer shall be permitted to invest in the funds held in the FSRA in Permitted Investments (as defined herein), provided that:

- (i) such funds utilised for Permitted Investments shall, where necessary, be remitted back to the FSRA to meet any payment obligations of the Issuer at least five (5) days before such payment obligations are due and payable;
- (ii) such Permitted Investments are to be held and not traded; and
- (iii) shall be denominated in Ringgit Malaysia.

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Permitted Investments shall comprise Shariah-compliant investment products approved by the Shariah Adviser, Shariah Committee, BNM's Shariah Advisory Council ("**SAC**") and/or other recognised Shariah authorities. Permitted Investments are as follows:

- (i) Shariah-compliant bankers acceptance, bills and other money market instruments by licensed financial institutions with a short-term rating of P1 and a minimum long-term rating of AA3, or their equivalent;
- (ii) Mudharabah, wadiah and other deposits under Shariah principles with licensed financial institutions with a short-term rating of P1 and a minimum long-term rating of AA3, or their equivalent in Malaysia;
- (iii) Shariah-compliant treasury bills, money market instruments, and other debt instruments issued by BNM or the Government of Malaysia ("**GOM**");
- (iv) Shariah-compliant debt securities issued by quasi-government or government related entities with a short-term rating of P1 and a minimum long-term rating of AA3, or their equivalent, or debt securities guaranteed by GOM;
- (v) Sukuk issued by corporations with a short-term rating of P1 and a minimum long-term rating of AA3, or their equivalent, or by financial institutions or guaranteed by licensed financial institutions with a short-term rating of P1 and a minimum long-term rating of AA3, or their equivalent;
- (vi) Shariah-compliant protected investments/instruments and Shariah-based deposits placement with entities majority-owned by the Minister of Finance or the GOM; and
- (vii) any Shariah-compliant fund approved by the SC which invests in any of the instruments above.

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**Sale Proceeds Account**

MNRB shall open and maintain a Shariah-compliant bank account designated as the Sale Proceeds Account which shall be solely operated by the Security Trustee with a bank acceptable to the Lead Arranger and ensure that all of the proceeds from the part or full disposal of Takaful IKHLAS are deposited therein. Subject to the Security Sharing Agreement, the monies in the Sale Proceeds Account are for the benefit of the Mudharabah Venture and shall be distributed to the Mudharabah parties in accordance to the agreed PSR. Any surplus thereof in excess of the Expected Return shall be given to the Mudharib as an incentive fee.

Only the proceeds from the part or full disposal of Takaful IKHLAS will be deposited into the Sale Proceeds Account. The Security Trustee shall distribute the monies in the Sale Proceeds Account in accordance with the Security Sharing Agreement and the Assignment and Charge Sale Proceeds Account.

The FSRA and the Sale Proceeds Account shall collectively be referred to as the Designated Accounts.

- (l) Rating :
- Credit rating assigned : The Sukuk Mudharabah is not rated. The Sukuk Mudharabah is non-transferable and non-tradable and the Investor does not require a rating.
  - Name of rating agency : Not applicable.
- (m) Mode of Issue : Via direct placement.

The Sukuk Mudharabah shall be issued in accordance with (i) the "Participation and Operation Rules for Payment and Securities Services" issued by Malaysian Electronic Clearing Corporation Sdn Bhd ("**MyClear**") and (ii) the Operational Procedures for Securities Services issued by MyClear ("**MyClear Procedures**"), as amended or substituted from time to time.

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- (n) Selling restriction, including tradability : Selling Restrictions At Issuance:
- The Sukuk Mudharabah may only be offered, sold, transferred or otherwise disposed directly or indirectly to a person to whom an offer or invitation to subscribe the Sukuk Mudharabah may be made and to whom the Sukuk Mudharabah are issued would fall within Schedule 6 or Section 229(1)(b) of CMSA, Schedule 7 or Section 230(1)(b) of CMSA, Schedule 8 or Section 257(3) read together with Schedule 9 or Section 257(3) of CMSA.
- Selling Restriction Thereafter:
- The Sukuk Mudharabah shall not be transferable and shall not be tradable in the secondary market.
- (o) Listing status and types of listings : The Sukuk Mudharabah will not be listed on Bursa Malaysia Securities Berhad ("**Bursa Malaysia**") or on any other exchanges.
- (p) Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained : None.
- (q) Conditions Precedent : To include but not limited to the following (all having to be in the form and substance acceptable to the Lead Arranger):
- (i) The approval of the SC has been obtained;
  - (ii) Execution, stamping or endorsement as exempted from stamp duty and, where applicable, registration of the relevant documents in connection with the Sukuk Mudharabah (the "**Financing Documents**");
  - (iii) Receipt of copies of all resolutions, authorisations and consents of the Issuer required in connection with the issuance of the Sukuk Mudharabah;
  - (iv) Receipt of the certified true copy of the Issuer's Memorandum and Articles of Association together with the latest Forms 24, 44 and 49;

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- (v) Receipt of the specimen signatures of the authorised signatories, duly certified by the Company Secretary or a Director of the Issuer;
- (vi) Receipt of confirmation from the Issuer that no Event of Default has occurred or will occur as a result of issuance of the Sukuk Mudharabah;
- (vii) Receipt of the relevant company search and winding-up search reports (or the relevant statutory declaration) of MNRB from the Companies Commission of Malaysia and the Insolvency Department of Malaysia respectively;
- (viii) Receipt of a legal opinion from the Solicitors confirming the legality, validity and enforceability of the Financing Documents;
- (ix) Evidence that all fees due and payable under the Sukuk Mudharabah shall have been received by the relevant parties;
- (x) All necessary corporate or other approvals, authorisations and consents relevant to the issuance of the Sukuk Mudharabah on the part of the Issuer have been obtained including but not limited to the consent of the Issuer's lenders (if so required);
- (xi) Evidence that the Designated Accounts have been opened in accordance with the terms set out herein;
- (xii) Receipt of written confirmation from the Solicitors to MIDF Investment that all the conditions precedent have been complied with or waived;
- (xiii) Receipt of an endorsement/approval from the Shariah Adviser in respect of the Sukuk Mudharabah;
- (xiv) Receipt of the Issuer's certification that it is in compliance with all representations and warranties; and
- (xv) Receipt of the following irrevocable and unconditional undertaking from Issuer:
  - a) to remit the proceeds from the part or full disposal of Takaful IKHLAS into the Sale Proceeds Account;

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- b) to provide within six (6) months from the fourth (4<sup>th</sup>) anniversary of the first issue date of the Sukuk Mudharabah a copy of the letter of offer and/or other relevant documents evidencing that the Issuer has secured the financing for the purposes of redeeming the Sukuk Mudharabah in the event the part or full disposal of Takaful IKHLAS does not materialise as set out in the Special Condition, under item 2(v)(1).
  - (xvi) Any other conditions as may be advised by the Lead Arranger's solicitors and agreed by the Issuer.
- (r) Representations and warranties : As long as any of the Sukuk Mudharabah remains outstanding the Issuer shall represent and warrant to the the Facility Agent and the Lead Arranger, that:
  - (i) **Status:** The Issuer is a company with limited liability duly incorporated and validly existing under Malaysian law and it has power and authority to enter into the business in which it is or proposes to be engaged and to own its property and assets, and has full beneficial ownership of all its assets;
  - (ii) **Powers:** The memorandum and articles of association of the Issuer incorporate provisions which authorise, and all necessary corporate and other relevant actions have been taken to authorise, and all relevant consents and approvals of any administrative, governmental or other authority or body in Malaysia have been duly obtained and are in full force and effect which are required to authorise, the Issuer to execute and deliver and perform the transactions contemplated in the Financing Documents in accordance with their terms;
  - (iii) **Authorisations:** All necessary actions, authorisations and consents required under the Financing Documents have been taken, fulfilled and obtained and remain in full force and effect;
  - (iv) **Non-violation:** The Issuer's entry into, exercise of its rights under, and performance of the Financing Documents do not and will not violate any existing law or documents to which it is a party;

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- (v) **Binding Obligation:** Each of the Financing Documents is or will when executed and/or issued, as the case may be, be in full force and effect and constitutes, or will when executed or issued, as the case may be, constitute, valid and legally binding obligations of the Issuer enforceable in accordance with its terms;
  - (vi) **Accounts:** The audited financial statements (including the income statement and balance sheet) of the Issuer have been prepared on a basis consistently applied and in accordance with generally accepted accounting principles in Malaysia and give a true and fair view of the results of their operations and the state of their affairs and in particular disclose all material liabilities (actual or contingent) of the Issuer;
  - (vii) **Litigation:** No litigation or arbitration is current or, to the Issuer's knowledge, is threatened, which if adversely determined would have a Material Adverse Effect (as defined herein);
  - (viii) **Tax:** No tax liabilities of any kind are outstanding in payments and all computations and payments should be or should have been made to the Department of Inland Revenue or other relevant authorities have been made within the requisite periods and are up-to-date and made on a proper basis with the Department of Inland Revenue and other relevant authorities;
  - (ix) **Compliance:** The Issuer is in compliance and will comply with any applicable laws and regulations; and
  - (x) Such other representations and warranties as advised by the Lead Arranger's solicitors and agreed by the Issuer.
- (s) Events of Default/ Dissolution Events : The Events of Default/ Dissolution Events shall include but not limited to the following:
- (i) **Non-Payment:** Default in payment in respect of the Sukuk Mudharabah or under any of the Financing Documents on the due date or on demand including but not limited to fees and other charges, if so payable;

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- (ii) **Cross-default:** any indebtedness for borrowed moneys of the Issuer and/or its subsidiaries becomes due or payable or capable of being declared due or payable prior to its stated maturity or any guarantee or similar obligations of the Issuer and/or its subsidiaries are not discharged at maturity or when called and such declaration of indebtedness being due or payable or such call on the guarantee or similar obligations is not discharged or disputed in good faith by the Issuer and/or its subsidiaries in a court of competent jurisdiction within thirty (30) days from the date of such declaration or call, or the Issuer and/or its subsidiaries goes into default under, or commits a breach of, any agreement or instrument relating to any such indebtedness, guarantee or other obligations, or any security created to secure such indebtedness becomes enforceable;
- (iii) **Composition or Winding Up:** The Issuer and/or its subsidiaries convene the meeting of its creditors or proposes or makes any arrangement or composition with, or any assignment for the benefit of, its creditors or a petition is presented or a meeting is convened for the winding up of the Issuer and/or its subsidiaries;
- (iv) **Section 176:** Where a scheme of arrangement under section 176 of the Companies Act 1965 has been instituted in respect of the Issuer's and/or its subsidiaries' debts;
- (v) **Appointment of receiver, legal process:** An encumbrancer takes possession of, or a trustee, liquidator, receiver or similar officer has been appointed over the whole or a substantial part of the assets of the Issuer and/or its subsidiaries;
- (vi) **Failure to satisfy Court Judgement:** The Issuer fails to satisfy any judgement passed against it by any court of competent jurisdiction and no appeal against such judgement or no application for stay of execution has been made to any appropriate appellate court within the time prescribed by law or such appeal or application for a stay of execution has been dismissed;

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- (vii) **Breach of Obligation under Financing Documents:** Where the Issuer fails to observe or perform the obligations under any Financing Documents or any undertaking or covenants or arrangement entered by the Issuer in connection therewith (other than a failure as referred to in item 2(s)(i) above), and, if the failure is capable of being remedied, where there is failure by the Issuer to remedy such failure within thirty (30) days after the Issuer became aware or having been notified by the Trustee of the breach. For the avoidance of doubt, this will include amongst others failure to meet the Minimum Required Balance required of the FSRA within the stipulated remedy period as set out in item 2(k);
- (viii) **Breach of Other Obligations:** there has been a breach by the Issuer of any obligation under any of the Issuer's existing contractual obligations which may have Material Adverse Effect and, if the breach is capable of being remedied, the Issuer does not remedy the breach within a period of thirty (30) days after the Issuer became aware of the breach or having being notified by the Trustee of the breach;
- (ix) **Revocation of license, authorisation, approval, consent, order or exemption:** Any license, authorisation, approval, consent, order or exemption is revoked, withheld or modified or is otherwise not granted or ceases for any reason to remain in full force and effect and that such revocation, withholding, modification, non-granting or cessation may impair or prejudice the Issuer's ability to comply with the terms and conditions of the Sukuk Mudharabah or the provisions of any of the Financing Documents;
- (x) **Misrepresentation:** any representation or warranty made or given by the Issuer under the Financing Documents or which is contained in any certificate, document or statement furnished at any time pursuant to the terms of any of the Financing Documents proves to have been incorrect or misleading in any material respect on or as of the date made or given or deemed made or given;

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- (xi) **Ineffective or invalid provision:** any material provision of the Financing Documents is or becomes, for any reason, invalid, illegal, void or unenforceable or if any law is brought into effect which would prevent the Issuer from performing any of their obligations thereunder;
- (xii) **Insolvency:** The Issuer and/or its subsidiaries becomes unable to pay its debt within the meaning of section 218(2) of the Companies Act, 1965 or becomes unable to pay its debts as they fall due or suspends or threatens to suspend making payments (whether interest/profit or principal) with respect to all or any class of its debts;
- (xiii) **Change in Condition:** Material adverse change in the condition (financial or otherwise) of the Issuer and/or its subsidiaries that impairs or prejudices the Issuer's ability to comply with the terms and conditions of the Financing Documents; and
- (xiv) **Exercise of Contractual Right by Creditor:** Any creditor of the Issuer exercises a contractual right to take over the financial management of the Issuer and such event in the opinion of the Trustee may have a Material Adverse Effect;
- (xv) **Repudiation:** the Issuer repudiates any of the Financing Documents or the Issuer does or causes to be done any act or thing evidencing an intention to repudiate any of the Financing Documents;
- (xvi) **Seizure, Nationalisation, Expropriation and Compulsory Acquisition:** Any of the assets, undertaking, rights or revenue of the Issuer are seized, nationalised, expropriated or compulsory acquired by or under the authority of any governmental body which in the opinion of the Trustee may have a Material Adverse Effect;
- (xvii) **Occurrence of Events:** Any event or events has or have occurred or a situation exists which in the opinion of the Trustee may have a Material Adverse Effect, and in the case of the occurrence of such event or situation which in the opinion of the Trustee if capable of being remedied, the Issuer does not remedy it within a period of seven (7) days after the Issuer became aware or having been notified by the Trustee of the event or situation;

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- (xviii) **Events of Default/ Dissolution Events:** A declaration of an Event of Default/ Dissolution Events has been made;
- (xix) **Non-compliance with the Special Condition:** The non-compliance with the Special Condition; and
- (xx) Such other events as advised by the Lead Arranger's solicitors and agreed by the Issuer.

Upon occurrence of an Event of Default/ Dissolution Event, the Trustee may or shall (if directed to do so by the Sukukholder) declare (by giving written notice thereof to the Issuer and the Facility Agent) that an Event of Default/ Dissolution Event has occurred. Upon the declaration of an Event of Default/ Dissolution Event by the Trustee, the Trustee (i) shall exercise the Purchase Undertaking and declare that the Exercise Price payable under the Purchase Undertaking is immediately due and payable in full in accordance with the terms of the relevant Financing Documents; (ii) may exercise all rights under the Financing Documents available to it; and (iii) may take such proceedings against the Issuer as it may deem fit to enforce the Financing Documents.

(t) Covenants : **Information Covenants**

To include but not limited to the following:

- (i) the Issuer shall provide to the Trustee and Facility Agent at least on an annual basis, a certificate confirming that it has complied with all its obligations under the Financing Documents and the terms and conditions of the Sukuk Mudharabah and that there does not exist or had not existed, from the date the Sukuk Mudharabah were issued or the date of the last certificate issued as the case may be, any Event of Default/ Dissolution Event, and if such is not the case, to specify the same;
- (ii) the Issuer shall deliver to the Trustee the following:

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- (a) as soon as they become available (and in any event within one hundred and eighty (180) days after the end of each of its financial years) copies of its consolidated financial statements for that year which shall contain the consolidated statement of comprehensive income and consolidated statement of financial position of the Issuer and which are audited by a firm of independent certified public accountants acceptable to the Trustee;
  - (b) as soon as they become available (and in any event within seventy-five (75) days after the end of every quarter) copies of its unaudited quarterly consolidated financial statements for that period which shall contain the consolidated statement of comprehensive income and consolidated statement of financial position of the Issuer which are duly certified by any one of its directors;
  - (c) promptly, such additional financial or other information relating to the Issuer's business and its operations to the extent permitted by law as the Trustee may from time to time reasonably request; and
  - (d) promptly:
    - a copy of all documents issued by the Issuer to all its shareholders (or any class of them) in their capacity as shareholders at the same time as these documents are issued to these shareholders; and
    - a copy of all documents issued by the Issuer to all its creditors (or any class of them) in their capacity as creditors and all notices or other documents received by the Issuer from any of its shareholders or its creditors, which contents may materially and adversely affect the interests of the Sukukholder and which are required to be announced pursuant to the Listing Requirements of Bursa Malaysia.
- (iii) the Issuer shall promptly notify the Trustee of any change in its board of directors and/or controlling shareholders;

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- (iv) the Issuer shall promptly notify the Trustee of any change in its condition (financial or otherwise) and of any litigation or other proceedings of any nature whatsoever being threatened or initiated against the Issuer before any court or tribunal or administrative agency which may materially and adversely affect the ability of the Issuer to perform any of its obligations under any of the Financing Documents;
- (v) the Issuer shall promptly give notice to the Trustee of the occurrence of any Dissolution Event or any event which, upon the giving of notice and/or lapse of time and/or the issue of a certificate and/or the fulfilment of the relevant requirement as contemplated under the relevant Financing Documents would constitute a Dissolution Event ("**Potential Dissolution Event**") forthwith upon becoming aware thereof, and it shall take all reasonable steps and/or such other steps as may reasonably be requested by the Trustee to remedy and/or mitigate the effect of the Dissolution Event or the Potential Dissolution Event;
- (vi) the Issuer shall promptly notify the Trustee of any substantial change in the nature of the business of the Issuer;
- (vii) the Issuer shall promptly notify the Trustee of any circumstances that has occurred that would prejudice the Issuer;
- (viii) the Issuer shall promptly notify the Trustee of any change in the utilisation of proceeds from the Sukuk Mudharabah where any agreement entered into in connection with the issue, offer or invitation sets out a specific purpose for which proceeds are to be utilised;
- (ix) the Issuer shall promptly notify the Trustee of any other matter which may materially prejudice the interests of the Sukukholder; and
- (x) any other covenants as may be advised by the Lead Arranger's solicitors and agreed by the Issuer.

Positive Covenants:

To include but not limited to the following:

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- (i) **Preparation of Accounts:** prepare all the financial statements, maintain an accounting system and keep adequate records in accordance with generally accepted accounting principles in Malaysia;
- (ii) **Conduct of Business:** carry on and operate its business and affairs with due diligence in accordance with accepted commercial standards and practices and ensure that all necessary approvals or relevant licenses are obtained and will ensure all of the same for its subsidiaries;
- (iii) **Obligations:** perform and carry out all and any of its obligations under all the documents relating to the issue of the Sukuk Mudharabah and shall at all times on demand execute all such further documents and do all such further acts reasonably necessary at any time or times to give further effect to the terms and conditions of the Financing Documents;
- (iv) **Compliance:** the Issuer shall promptly comply with all applicable laws and Shariah principles including the provisions of the CMSA and/or the notes, circulars, conditions or guidelines issued by the SC from time to time;
- (v) **Provision of Information:** the Issuer shall give to the Trustee such information or document in the form and content as it may require in order to discharge its duties and obligations as the Trustee under the Financing Documents relating to the Issuer's affairs to the extent permitted by law;
- (vi) **Paying Agent:** maintain a Paying Agent in Malaysia at all times and shall procure the paying agent to notify the Trustee in the event that the paying agent does not receive payment from the Issuer on the due dates as required under the terms and conditions of the Sukuk Mudharabah;
- (vii) **Insurance/Takaful Cover:** at all times arrange for and maintain adequate Insurance/Takaful cover necessary for business of such nature in full force and effect and pay premium upon the same falling due; and
- (viii) such other covenants as advised by the Lead Arranger's solicitors and agreed by the Issuer.

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### Negative Covenants:

The Issuer shall not undertake the following without the prior written consent of the Trustee:

- (i) **Negative Pledge:** save and except for:
  - (a) the existing security interest created to secure the existing facilities and disclosed in the Financing Documents;
  - (b) liens or right of set off arising in the normal course of trading arising from the operation of law and not by way of contract;
  - (c) security interest arising out of liabilities which are preferred solely by Malaysian law, and
  - (d) security interest to be created for the purposes to secure any financing/borrowing which proceeds will be used to redeem/purchase the Issuer's outstanding Islamic medium term notes issued under its existing RM200 million Islamic medium term notes programme, create or permit to subsist any encumbrance, mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment by way of security, trust arrangement for the purpose of providing security or other security interest of any kind including, without limitation, title transfer and/or retention arrangements, having a similar effect or any agreement to create the foregoing;
- (ii) **Share Capital:** reduce its authorised and/or issued shares save and except for any decrease in its issued capital resulting from purchases or cancellation of its own shares pursuant to Section 67A of the Companies Act 1965;
- (iii) **Change of business:** change or threaten to change the nature or scope of a substantial part of its business, or suspend or threaten to suspend or cease or threaten to cease the operation of a substantial part of its business which it now conducts directly or indirectly and such change or suspension or cessation may have a Material Adverse Effect;

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- (iv) **Constitutional Documents:** add to, delete, vary or amend its memorandum and/or articles of association in any manner which would be inconsistent with the Financing Documents save and except where such addition, deletion, variation or amendment is required and/or recommended by any law, regulation or requirement of any stock exchange or any other regulatory authority;
- (v) **Financing/Advances etc.:**
  - (i) make or grant any financing or advance or provide or extend any credit or accommodation or give a guarantee, indemnity or assurance against loss to or for the benefit of any person or act as surety or otherwise assume any liability, whether actual or contingent other than:
    - (a) financing given to employees or directors of the Issuer and/or any of its group of companies as part of their terms of employment; and/or
    - (b) financing, advance, credit or accommodation or guarantee, indemnity or assurance made, granted or given to or for the benefit of the Issuer or any of its group of companies;
  - (ii) obtain or permit to exist any financing or advances from its shareholders, subsidiaries or association companies unless these financings and advances are subordinated to the Sukuk Mudharabah.
  - (iii) incur, assume or permit to exist any borrowing/financing (except hire purchase or financing/borrowing which proceeds will be used to redeem/purchase the Issuer's outstanding Islamic medium term notes issued under its existing RM200 million Islamic medium term notes programme).

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- (vi) **Payments:** make any payments (whether in relation to principal, interest or otherwise) to its shareholders, subsidiaries or associated companies in connection with any loans/financings or advances from its shareholders, subsidiaries or associated companies save and except the Issuer may make payment of interest/profit on such loans/financings or advances if any amount due and payable under any outstanding Sukuk Mudharabah or any other borrowings/financings arrangements of the Issuer have been paid in full and such payment of interest/profit will not adversely affect the ability of the Issuer to perform its obligations under any outstanding Sukuk Mudharabah or any other borrowings/financings arrangements of the Issuer;
- (vii) **Transaction:** enter into any transaction with any interested person except on ordinary commercial terms and on the basis of arm's length arrangements where the transaction will not have a Material Adverse Effect;
- (viii) **Surrender rights etc.:** surrender, transfer, assign, relinquish or otherwise dispose any of its rights and interest under the Financing Documents;
- (ix) **Other Businesses:** undertake or acquire any other business or subsidiaries where such undertaking or acquisition would have a Material Adverse Effect;
- (x) **Disposal:** save and except for the proposed disposal of Takaful IKHLAS, sell, transfer, encumber, lease or otherwise dispose of the whole or any part of the Issuer's and its subsidiaries' undertaking, business or assets (including but not limited to the Issuer's shareholdings in its subsidiaries) if such sale transfer encumbrance lease or disposal would have a Material Adverse Effect;
- (xi) **Distribution and Repayment:** declare or pay any dividends or make any distribution whether income or capital in nature to its shareholders or repay any advances from its shareholders or directors (either profit/interest or principal) if:
  - (a) an Event of Default/ Dissolution Event has occurred, is continuing and has not been waived, or if following such payment or distribution an Event of Default/ Dissolution

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Event would occur; or

(b) any money payable in respect of the Sukuk Mudharabah Programme is overdue and unpaid.

(xii) **Render void:** do or suffer to be done any act, matter or thing whereby any insurance may be rendered void, voidable or incapable of being effected, maintained or renewed which may have a Material Adverse Effect;

(xiii) **Utilisation of Proceeds:** use the proceeds other than for the purposes set out in this Principal Terms & Conditions; and

(xiv) any other covenants as may be advised by the Lead Arranger's solicitors and agreed by the Issuer.

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

: **Buy-back**

The Sukuk Mudharabah shall not be transferable and tradable in the secondary market as such, the Issuer or any its subsidiaries or agent(s) of the Issuer may not purchase the Sukuk Mudharabah in the open market or by way of private treaty.

### **Early Redemption**

The Investor in subscribing or purchasing the Sukuk Mudharabah hereby grant the Issuer the option to redeem the Sukuk Mudharabah, in whole or in part (on a pro rata basis), prior to maturity dates provided that, inter alia, the following conditions are fulfilled:

- (i) notice period of at least thirty (30) days and not more than sixty (60) days is given to the Trustee and Facility Agent;
- (ii) redemption is made on a Periodic Payment Date; and
- (iii) profit is to be calculated up to the date of full redemption of the Sukuk Mudharabah.

Pursuant to the early redemption, the Sukuk Mudharabah shall be cancelled and cannot be re-issued.

Prepayment penalty will not be imposed pursuant to any early redemption of the Sukuk Mudharabah if the above

Principal Terms and Conditions

conditions are satisfied.

(v) Other principal terms and conditions for the issue

(1) Special Condition

- : (i) If at any time during the tenure of the Sukuk Mudharabah, the Issuer ceases to be a subsidiary of PNB or a subsidiary of any company within the group of companies of PNB or any scheme managed by PNB together with the direct shareholdings of PNB cease in aggregate to hold at least fifty percent (50%) plus one (1) share of the total and paid-up share capital of the Issuer, then the Sukukholder may decide if such change of control is acceptable to the Sukukholder and if the Sukukholder is not agreeable to such change of control, the Issuer shall upon its receipt of notice from the Sukukholder, redeem the outstanding Sukuk Mudharabah and pay any profit payments due under the Sukuk Mudharabah calculated until the date of full redemption by way of exercising the Purchase Undertaking.
- (ii) In the event that part or full disposal of Takaful IKHLAS does not materialise by the fourth (4<sup>th</sup>) anniversary of the first issue date of the Sukuk Mudharabah or such disposal is less than the amount outstanding under the Sukuk Mudharabah (including all accrued Periodic Payments) at the time the disposal is made, MNRB shall obtain financing for the purposes of redeeming the Sukuk Mudharabah within six (6) months from the fourth (4<sup>th</sup>) anniversary of the first issue date of the Sukuk Mudharabah.

(2) Ranking/ Status of the Sukuk Mudharabah

: The Sukuk Mudharabah shall constitute trust obligations of the Issuer in relation to and represent the Investor's undivided proportionate interest in the Mudharabah Venture.

The Sukuk Mudharabah will constitute direct, unconditional and secured obligations of the Issuer and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and pari passu with all other present and future secured and unsubordinated obligations of the Issuer, subject to those preferred by law and the Financing Documents.

The Sukuk Mudharabah will also constitute the obligations of MNRB as Obligor in relation to the Purchase Undertaking arrangement.

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MNRB's obligations pursuant to the Purchase Undertaking shall constitute direct, unconditional and secured obligations of MNRB and shall at all times rank pari passu, without discrimination, preference or priority amongst themselves and pari passu with all other present and future secured and unsubordinated obligations of MNRB, subject to those preferred by law and the Financing Documents.

- (3) Redemption : The Sukuk Mudharabah shall be redeemed by the Issuer at 100% of their nominal value on their respective maturity dates if not redeemed earlier.
- (4) Material Adverse Effect : In relation to an event or circumstance, the occurrence or effect of which (in the opinion of the Trustee) may have a material adverse effect on:
- (i) the business or condition (financial or otherwise) or prospects of the Issuer and/or its subsidiaries taken as a whole, or
  - (ii) the ability of the Issuer to perform any of its obligations under any provision of the Financing Documents, or
  - (iii) the legality, validity, binding effect or enforceability of the Sukuk Mudharabah Programme or the Financing Documents; or
  - (iv) the rights of or remedies available to the Trustee and/or the Investor under any provision of the Financing Documents.
- (5) Compensation for late and/ or Default Payment (s) (Ta'widh) : In the event of any overdue payments of any amounts due under the Purchase Undertaking, the Obligor shall pay to the Trustee for the benefit of the Sukukholder compensation on such overdue amounts at an amount and manner prescribed by the SC's Shariah Advisory Council from time to time in accordance with the Shariah principles.
- (6) Purchase Undertaking and Exercise Price : Separate from the Mudharabah transaction, in respect of each series of the Sukuk Mudharabah, the Obligor shall grant an undertaking to the Trustee (acting on behalf of the Sukukholder) pursuant to which the Obligor shall purchase the Trust Assets from the Trustee at the Exercise Price only upon the occurrence of the earliest of any of the following events:

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- (i) the maturity dates of such series of the Sukuk Mudharabah; or
- (ii) the declaration of a Dissolution Event of such series of the Sukuk Mudharabah; or
- (iii) the respective early redemption dates of the Sukuk Mudharabah.

The Exercise Price shall be determined based on the following formula:

**On the maturity dates of such series of the Sukuk Mudharabah:**

the Exercise Price shall be the purchase of the Trust Assets which is at an amount equal to the Mudharabah Capital plus Expected Return less total Periodic Distributions paid.

**On declaration of a Dissolution Event of such series of the Sukuk Mudharabah:**

the Exercise Price shall be the purchase price of the Trust Assets which is at an amount equal to the Mudharabah Capital plus Expected Return less aggregate of Periodic Distribution(s) made and received and to be adjusted to be equivalent to the accreted value plus accrued but unpaid Periodic Distribution(s) (if any) up to the date of declaration of a Dissolution Event and shall be in accordance with the MyClear Procedures.

**On the early redemption dates of such series of the Sukuk Mudharabah:**

the Exercise Price shall be the purchase price of the Trust Assets which is at an amount equal to the Mudharabah Capital plus Expected Return less aggregate of Periodic Distribution(s) made and received and to be adjusted to be equivalent to the accreted value plus accrued but unpaid Periodic Distribution(s) (if any) up to the date of early redemption and shall be in accordance with the MyClear Procedures.

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- (7) Adverse Market : From the date of provision of a formal offer by the Lead Arranger until the first issue date of the Sukuk Mudharabah and, for subsequent issuance of the Sukuk Mudharabah, prior to the respective issuance dates, the Lead Arranger retains the right to amend, withdraw and/or terminate the offer if there occurs any event or circumstance which, in the reasonable opinion of the Lead Arranger, may materially and adversely affect any of the domestic money, capital or syndicated loan markets, the business activities of the Issuer and/or any of its subsidiaries and/or associated companies, and/or the social, political, financial and/or economic situation in Malaysia.
- (8) Clear Market : From the date of acceptance of the Lead Arranger's mandate letter to the date of the execution of the documentation, the Issuer shall ensure that no other borrowings/financings, debt instruments or securities issued and/or guaranteed by the Issuer or any of its subsidiaries are mandated, syndicated or privately placed which might, in the opinion of Lead Arranger have the effect of prejudicing the successful completion of this transaction.
- (9) Change In Circumstances : If as a result of any change in applicable law, regulation or regulatory requirement or in the interpretation or application thereof or if compliance by the Lead Arranger for the Sukuk Mudharabah with any applicable direction, request or requirement (whether or not having the force of law) will be imposed on the Lead Arranger, any material condition, burden or obligation then the commitment of the Lead Arranger to the Sukuk Mudharabah will end upon notice to the Issuer of the happening of such events after becoming aware thereof.
- (10) Fees and Expenses : All expenses incurred in connection with the negotiation and preparation of the Sukuk Mudharabah including all legal, trustee and Shariah Adviser fees, out-of-pocket expenses, printing and other costs, professional fees for accountants, valuers (if applicable), and other professionals engaged for purposes of independent opinions and reporting on the behalf of the Lead Arranger shall be for the account of the Issuer.
- (11) Financing Documents : The Sukuk Mudharabah shall be evidenced by the Programme Agreement, Trust Deed, Assignment and Charge Sale Proceeds Account, Assignment and Charge FSRA, Assignment and Charge Proceeds and Security Sharing Agreement other relevant documents pertaining to the Sukuk Mudharabah.

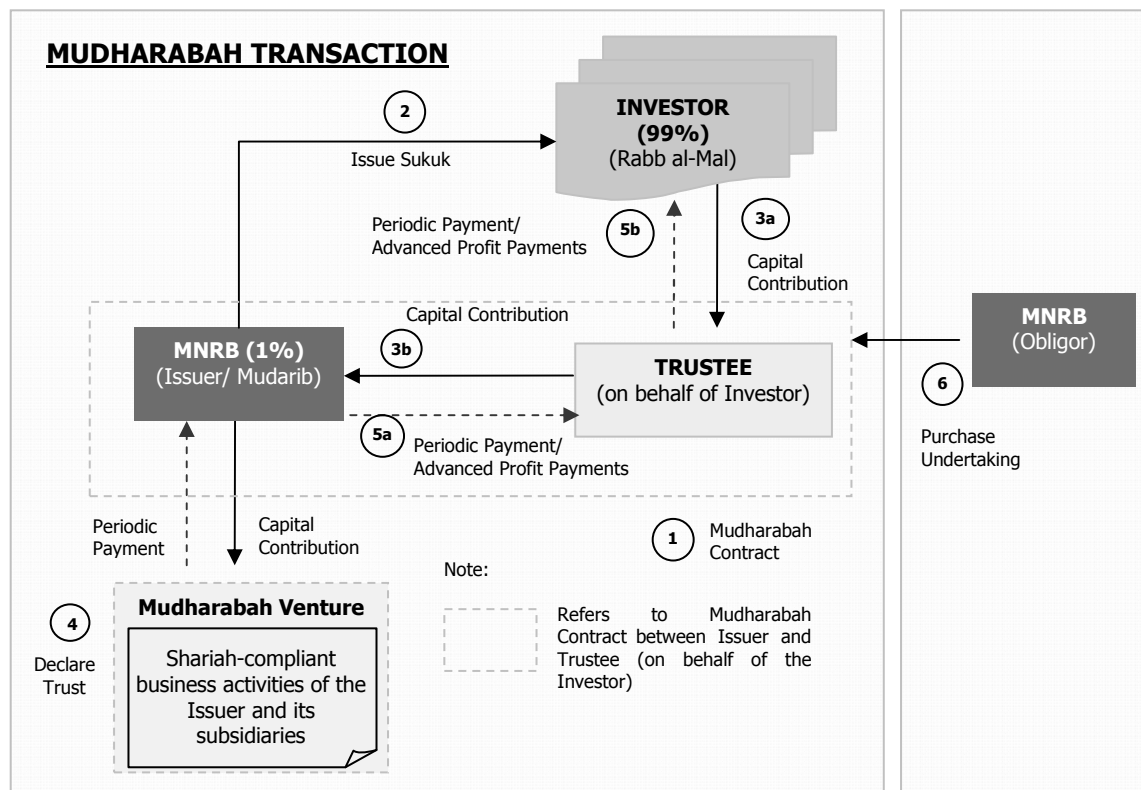
**Principal Terms and Conditions**

- (12) 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, in which event the payer shall be required to make such additional amount so that the payee would receive the full amount which the payee would have received if no such withholding or deductions are made.
- (13) Jurisdiction : The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdiction of the courts of Malaysia.
- (14) Other Conditions : The Sukuk Mudharabah shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and MyClear, having jurisdiction over matters pertaining to the Sukuk Mudharabah.
- (15) Other Expenses : All reasonable costs, charges and expenses including trustee fees, legal and other professional fees, abortive fees, stamp duties (if any), penalties, BNM and SC fees, and other incidental costs, charges and expenses shall be borne by the Issuer, even if the Sukuk Mudharabah Programme is subsequently aborted for any reason whatsoever.
- (16) Governing Laws : The laws of Malaysia.

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## Principal Terms and Conditions

Attachment 1



1	The Issuer (as Mudharib) will enter into a Mudharabah contract with the Trustee on behalf of the Investor (as Rabbal-Mal) to participate in the Shariah-compliant business activities of the Issuer and its subsidiaries (" <b>Mudharabah Venture</b> "). The Issuer and its subsidiaries are mainly involved in the business activities of general reinsurance and managing of the general and family takaful and retakaful funds.
2 3(a) 3(b)	The Issuer will issue the Sukuk Mudharabah to the Investor who will make 100% capital contribution in the said Mudharabah Venture.
4	The Issuer shall declare a trust over the rights and entitlement under the Mudharabah Venture (" <b>Trust Assets</b> ") for the benefit of the Investor and itself. The Sukuk Mudharabah hence represents the Investor's undivided proportionate beneficial interests in the Mudharabah Venture.



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5(a) 5(b)	Any profit generated from the Mudharabah Venture will be shared and distributed between the Rabb al-Mal and the Mudharib according to the pre-agreed profit sharing ratio (“ <b>PSR</b> ”) of 99:1, while losses will be borne solely by the Rabb al-Mal. The Rabb al-Mal’s share of the profits (“ <b>Periodic Payments</b> ”) shall be distributed semi-annually to the Investor on the date falling on the expiry of each semi-annual period (“ <b>Profit Payment Date</b> ”). If, on any Periodic Payment Date, the income generated from the Mudharabah Venture is insufficient to meet the expected Periodic Payments, the Issuer shall make advanced profit payments during the tenor of the Sukuk Mudharabah (“ <b>Advance Profit Payments</b> ”) equal to such deficiency. Any amounts in excess of the the Rabb al-Mal’s share of profits expected by the Investor from the Mudharabah Venture (“ <b>Expected Return</b> ”) shall be given to the Mudharib as an incentive fee for successfully managing the business.”
6	Separate from the Mudharabah transaction, MNRB, as the Obligor, shall undertake to purchase the Trust Assets from the Trustee via a Purchase Undertaking only upon the occurrence of the earliest of the respective maturity dates of the Sukuk Mudharabah, the declaration of a Dissolution Event or the respective early redemption dates of the Sukuk Mudharabah.