

AL RAJHI BANKING & INVESTMENT CORPORATION (MALAYSIA) BHD
PRINCIPAL TERMS AND CONDITIONS
SUBORDINATED SUKUK MUDHARABAH PROGRAMME OF UP TO SAUDI RIYAL 300
MILLION IN NOMINAL VALUE
DATE: 31 DECEMBER 2021

1. BACKGROUND INFORMATION OF THE ISSUER

- (i) Name : Al Rajhi Banking & Investment Corporation (Malaysia) Bhd (the “**Issuer**” or “**Mudharib**”)
- (ii) Address : Ground Floor, East Block
Wisma Golden Eagle Realty, 142-B Jalan Ampang
50450 Kuala Lumpur
- (iii) Registration No. : 200501036909 (719057-X)
- (iv) Date and place of incorporation : 22 December 2005 / Malaysia
- (v) Date of listing : Not listed
- (vi) Residence Status : Non-resident controlled company
- (vii) Principal activities : Banking and finance
- (viii) Board of directors (as at 10th of November 2021) : John Roger Winfield
Stefano Paolo Bertamini
Zulkiflee bin Hashim
Lim Jit Jee
Abdulrahman Abdullah Al Fadda
- (ix) Structure of shareholdings and names of shareholders, or in the case of a public company, names of all substantial shareholders : Issuer is a wholly-owned subsidiary of Al Rajhi Banking & Investment Corporation, Kingdom of Saudi Arabia (“**ARBKSA**”)

The substantial shareholders of the Issuer as at 10th of November 2021 are as follows:

Name of substantial shareholders	Number of shares held			
	Direct		Indirect	
	No of shares	%	No of shares	%
ARBKSA	1,000,000,000	100.0	-	

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(as at 10th of
November
2021)

- (x) Issued and : RM1,000,000,000 comprising 1,000,000,000 ordinary shares.
paid-up capital
(as at 10th of
November
2021)

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2. PRINCIPAL TERMS AND CONDITIONS

- (a) Names of parties involved in the proposed transaction, (where applicable)
- (i) Solicitors : Messrs Shearn Delamore & Co.
 - (ii) Sole Subscriber or Investor : Private placement to holding company – Al Rajhi Banking & Investment Corporation (“ARBKSA”) and ARBKSA shall fully subscribe the Subordinated Sukuk.
 - (iii) Shariah Adviser : Al Rajhi Banking & Investment Corporation (Malaysia) Bhd. Please refer to the Shariah approval given by the Shariah Board of the Issuer through issuance of Ruling 110(4).
 - (iv) Discretionary Portfolio Manager : Al Rajhi Capital (“ARC”). A company within Al Rajhi Financial Group. Incorporated in the Kingdom of Saudi Arabia and having its registered office at King Fahad Road | P.O. Box 5561 Riyadh 11432, Kingdom of Saudi Arabia.
- (b) Facility description (including the description of Islamic principles) : Subordinated Sukuk Mudharabah Programme pursuant to which the Issuer may from time to time issue subordinated Sukuk under Shariah principle of Mudharabah (“**Subordinated Sukuk**”) where the maximum aggregate outstanding nominal value of such Sukuk shall not exceed SAR 300.0 million at any one time.
- The Subordinated Sukuk is intended to qualify as Additional Tier 1 capital of the Issuer as per BNM’s Capital Adequacy Framework for Islamic Banks (Capital Components) (“**CAFIB**”).
- The Subordinated Sukuk will be based on the Shariah principles of *Mudharabah* (profit sharing) and *Al-Wakalah* (contract of agency).

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For each issuance of Subordinated Sukuk, the following events shall take place:-

- (i) ARBKSA shall be the sole investor (“**Rabbul mal**”) to enter into Mudharabah arrangement to invest in Shariah compliant money market instruments, Sukuk in the Kingdom of Saudi Arabia and other approved Middle Eastern countries or any other appropriate investments decided by the Issuer (“**Mudharabah Venture**”) with the Issuer as the entrepreneur (“**Mudharib**”) on pre-agreed Profit sharing ratio (may be revised from time to time subject to agreement of the parties).

ARBKSA as Rabbul mal shall absorb all general losses of the Issuer and not only losses, if any, arising from the investments made in Shariah compliant money market instruments, Sukuk and any other investments referred to above. For avoidance of doubt, the investments in specific money market instruments and Sukuk shall not restrict Rabbul mal’s capability to absorb all other general losses.

- (ii) ARBKSA/Rabbul mal shall provide the Mudharabah capital into the Mudharabah Venture (by paying the subscription proceeds at 100% of the nominal value of the Subordinated Sukuk subscribed) and the Issuer/Mudharib will be the entrepreneur to manage the Mudharabah Venture. The Issuer/Mudharib shall issue the Subordinated Sukuk to ARBKSA/Rabbul mal to represent ARBKSA’s investment in the Mudharabah Venture. The Subordinated Sukuk shall represent

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ARBKSA/Rabbul mal's interest in the Mudharabah Venture.

- (iii) The Issuer/Mudharib will utilise the Mudharabah capital to invest through appointment of the Discretionary Portfolio Manager i.e. ARC as Wakeel.
- (iv) Unless a non-payment event pursuant to the clause on "Limitation on Payment" has occurred, income from the Mudharabah Venture will be distributed on annual basis (or such other periodic basis as determined prior to each issuance of Subordinated Sukuk) based on the pre-agreed Profit sharing ratio between the Rabb mal and Mudharib out of Distributable Reserves.
- (v) Incentive Fee of certain agreed percentage shall be payable to the Discretionary Portfolio Manager as "*hafiz tashji'e*" from the yield income of the investment in the money market instruments.

Please refer to Appendix 1 for a detail illustration of the Subordinated Sukuk structure.

- (c) Issue/Programme size : The Subordinated Sukuk issued and outstanding under the Programme shall not at any point in time exceed the maximum aggregate nominal amount of SAR300.0 million.
- (d) Tenure of Sukuk / Programme : Both the Sukuk and the Sukuk Programme are perpetual.
- (e) Availability period of Sukuk programme : The programme shall be available commencing on the date of fulfilment of the

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- conditions precedent set out in the Programme Agreement.
- (f) Profit or equivalent rate (%) : Not applicable
- (g) Profit payment frequency : Subject to the Issuer's rights under "Limitation on Payment", profit payments shall be paid on annual basis or such other periodic basis as determined prior to each issuance of Subordinated Sukuk out of Distributable Reserves.
- (h) Profit sharing ratio : The profit sharing shall be on the indicative ratio of 80:20 for the Issuer/Mudharib and ARBKSA/Rabbul mal respectively.
- (i) Security/collateral : The Subordinated Sukuk will be unsecured.
- (j) Details on utilisation of proceeds by Issuer : The proceeds from the Subordinated Sukuk shall be utilised by the Issuer to:
- Invest in SAR denominated Sukuk / Shariah compliant money market instruments issued or guaranteed by the Kingdom of Saudi Arabia.
 - Invest in SAR denominated Shariah compliant money market placements with banks in the Kingdom of Saudi Arabia and other approved Middle Eastern countries.
 - Invest in SAR denominated Sukuk / Shariah compliant money market instruments issued by other GCC countries.
 - Invest in SAR denominated Sukuk / Shariah compliant money market instruments issued by Saudi Arabian Government linked companies and GCC banks. The investment in instruments issued by GCC banks is subject to a minimum BBB+ rating with a maximum of 25% of total Sukuk

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- subscription proceeds to be invested in this segment.
- Invest in any other Shariah compliant investment decided by the Issuer.
- (k) Sinking fund and designated accounts (if any) : Not applicable.
- (l) Rating :
- (i) Credit rating(s) assigned : Unrated
- (ii) Name of rating agency : Not applicable
- (m) Mode of issue : The Subordinated Sukuk may be issued in tranches and will be issued only to ARBKSA through private placement under a subscription agreement for each tranche.
- (n) Selling restriction, including tradability (i.e. tradable or non-tradable) : Selling Restrictions at Issuance
The Subordinated Sukuk shall only be offered to, and subscribed by ARBKSA which is an issuance that complies with item 20 of Part 2 of Schedule 5, Part 1 of Schedule 6, Part 1 of Schedule 7, read together with Schedule 8 of the Capital Markets and Services Act 2007 (as amended from time to time).
- Selling Restrictions after Issuance
The Sukuk shall not be offered, sold, transferred or otherwise disposed directly or indirectly to any person.
- Tradability
The Sukuk is non-tradable and non-transferable.
- (o) Loss absorbency mechanism : Conversion into Shares

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The Issuer/Mudharib shall irrevocably, without consent of ARBKSA as the Investor, convert the nominal value of the Subordinated Sukuk (in whole or part thereof) into ordinary shares of the Issuer upon occurrence of a Non-viability Event (as defined herein) or breach of CET1 Capital Ratio (as defined herein) (each a **Trigger Event**). In the latter case, the aggregate amount of the Subordinated Sukuk to be converted into ordinary shares must be at least the amount required to restore the Issuer's CET1 Capital Ratio (whichever is applicable) at a consolidated and entity level to the required level (i.e. at least 5.75%).

If not all the Subordinated Sukuk is converted at the discretion of the Issuer, the remaining Subordinated Sukuk will continue to comply with BNM CAFIB in relation to requirements of an Additional Tier 1 capital instrument.

Conversion of Subordinated Sukuk involves the outstanding value of the Mudharabah capital and profit, if any being consideration in kind for newly issued and fully paid-up ordinary shares of the Issuer and shall be irrevocable.

The terms of the conversion shall be determined by the Issuer and set out in the Programme Agreement.

The exchange rate of Saudi Riyal to Ringgit Malaysia shall be at the spot exchange rate of the Issuer on the Kuala Lumpur business day before issuance of the shares.

All prior approvals from BNM and the shareholder and/or all other relevant authorisation for such conversion shall be obtained prior to an issuance of the Subordinated Sukuk such that the conversion

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shall take place automatically upon the occurrence of a Trigger Event.

For avoidance of doubt, the conversion of the Subordinated Sukuk will not constitute a Cancellation Event (as defined in the Programme Agreement) or trigger any cross-default under the Subordinated Sukuk.

ARBKSA/Rabbul mal agrees to irrevocably waive its right to any profit payment not cancelled but unpaid up to the date of the occurrence of a Trigger Event).

Definition:

“Breach of CET1 Capital Ratio” refers to certain circumstances if the CET-1 Capital Ratio (in accordance with CAFIB) of the Issuer at consolidated and entity level falls below 7.00 %.

“Non-viability Event” shall be the earlier of the following:-

- (i) a Relevant Malaysian Authority notifies Issuer in writing that the Relevant Malaysian Authority is of the opinion that a conversion into ordinary shares is necessary without which the Issuer/Mudharib would cease to be viable; or
- (ii) a Relevant Malaysian Authority publicly announces that a decision has been made by BNM, Malaysia Deposit Insurance Corporation (**PIDM**) or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer/Mudharib without which the

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Issuer/Mudharib would cease to be viable.

“**Relevant Malaysian Authority**” refers to BNM and PIDM.

The conversion must generate Common Equity Tier 1 Capital (“**CET 1 Capital**”) under the Malaysian Financial Reporting Standards; and the Subordinated Sukuk will only receive recognition in Tier 1 Capital up to the minimum level of CET1 Capital generated by a full conversion of the Subordinated Sukuk.

- (p) Limitation on Payment : The Issuer may, at its sole discretion and without prior notice to ARBKSA/Rabbul mal, taking into account its specific financial and solvency condition as well as relevant capital adequacy requirement issued by BNM, elect to cancel any profit payment, in whole or in part, on a non-cumulative basis. ARBKSA acknowledges that any profit payment is at the Issuer’s full discretion and that any profit payment that has been cancelled shall be no longer due and payable at any time by the Issuer and shall not accrue, whether in a winding up situation or otherwise. Cancellation of a profit payment shall not constitute an event of default or Enforcement Event and does not entitle ARBKSA/Rabbul mal to petition for the insolvency or winding-up of the Issuer. If the Issuer does not make a profit payment on any profit payment date (or if the Issuer elects to make a payment of a portion, but not all, of such profit payment), such non-payment or part-payment shall serve as evidence of the Issuer’s exercise of its discretion to cancel such profit payment (or the portion of such profit payment not paid), and accordingly such profit payment (or the portion thereof not paid) shall not be due or payable. If practicable, the Issuer shall provide notice of

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any cancellation of profit payment (in whole or in part) to ARBKSA/Rabbul mal on or prior to the relevant profit payment date. Failure to provide such notice will not have any impact on the effectiveness of, or otherwise invalidate, any such cancellation of profit payment, or give ARBKSA/Rabbul mal any right as a result of such failure.

ARBKSA/Rabbul mal shall not have any claim whatsoever in respect of any profit payment or part thereof cancelled and/or not due or payable as described under the 'Limitation on Payment' clause. Accordingly, such cancelled profit payment or part thereof shall not accrue or accumulate for the benefit of ARBKSA/Rabbul mal or entitle ARBKSA/Rabbul mal to any claim in respect thereof against the Issuer.

- (q) No Set Off : ARBKSA/Rabbul mal shall not be able to exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer in respect of, or arising under or in connection with, the Subordinated Sukuk, and ARBKSA/Rabbul mal shall, by virtue of its holding of any Subordinated Sukuk, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer in relation to the Subordinated Sukuk to the fullest extent permitted by law. If at any time ARBKSA/Rabbul mal receives payment or benefit of any sum in respect of the Subordinated Sukuk (including any benefit received pursuant to any such set-off, deduction, withholding or retention) other than in accordance with the Transaction Documents or the terms and conditions of the Subordinated Sukuk, the payment of such sum or receipt of such benefit shall, to the fullest extent permitted by law, be deemed

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void for all purposes and ARBKSA/Rabbul mal, by virtue of its holding of any Subordinated Sukuk, shall agree as a separate and independent obligation to immediately pay an amount equal to the amount of such sum or benefit so received to the Issuer (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any payment of such sum or receipt of such benefit shall be deemed not to have discharged any of the obligations under the Subordinated Sukuk.

- (r) Distributable Reserves : Any profit payment may only be paid out of Distributable Reserves.

“Distributable Reserves” means, at any time, the amounts for the time being available to the Issuer for distribution as a dividend in compliance with section 131 of the Companies Act, 2016, as amended or modified from time to time, as of the date of the Issuer’s latest audited financial statements provided that if the Issuer reasonably believes that the available amounts as of any Distribution Determination Date (as defined below) are lower than the available amounts as of the date of the Issuer’s latest audited financial statements and are insufficient to pay the profit payment and for payments of any dividends or other distributions in respect of Parity Obligations (as defined below) on the relevant profit payment date, then an authorised signatory of the Issuer shall provide a certificate, on or prior to such Distribution Determination Date, to ARBKSA/Rabbul mal of the available amounts as of such Distribution Determination Date (which certificate of the authorised signatory will be

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binding in the absent of manifest error) and the “Distributable Reserves” as of such Distribution Determination Date for the purposes of such profit payment will mean the available amounts as set forth in such certificate.

“**Distribution Determination Date**” means, with respect to any profit payment date, the day falling two (2) Kuala Lumpur business days prior to that profit payment date.

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

- (s) Listing status and types of listing : Unlisted.
- (t) Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained : The Subordinated Sukuk is subject to the approval from BNM for the issuance and classification of the Sukuk as Additional Tier 1 Capital of the Issuer.
- (u) Conditions precedent : Conditions precedent usual and customary for utilisation of the Sukuk Programme , which shall include but not be limited to the following:-

1. Main Documentation

The Programme Agreement and the Investment Account Management Agreement have been signed and, where

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applicable, stamped and endorsed as exempted from stamp duty.

2. The Issuer has delivered the following documents to ARBKSA in form and substance satisfactory to ARBKSA:
 - (i) Certified true copies of the Certificate of Incorporation, and its constitution;
 - (ii) Certified true copies of the latest Return for allotment of shares and 49 including Notification of Change in the Register of Directors, Managers and Secretaries of the Issuer;
 - (iii) A certified true copy of a board of directors' resolution, authorising, amongst others, the execution of the Transaction Documents;
 - (iv) A list of the authorised signatories and their respective specimen signatures;
 - (v) A recent report from the Companies Commission of Malaysia in respect of the Issuer; and
 - (vi) A winding up search report in respect of the Issuer from the Director General of Insolvency.
3. General
 - (i) Written approval from BNM for the Subordinated Sukuk issued under the Sukuk Programme to be classified as Additional Tier 1 capital and included in the computation of risk weighted capital ratio;

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- (ii) Confirmation from the Shariah Adviser that the structure, mechanism and Transaction Documents are in compliance with Shariah;
- (iii) Satisfactory legal opinion from Solicitors as required under paragraph 36.1 of the CAFIB; and
- (iv) Such other conditions precedent as advised by the Solicitors and agreed by the Issuer.

The conditions precedent to each issue of the Subordinated Sukuk are that, in respect of that issue-

- (i) all relevant approvals, if required, from BNM, and shareholder of the Issuer, for the issuance of ordinary shares following the occurrence of a Trigger Event have been obtained; and
 - (ii) a Subscription Agreement is executed by the parties.
- (v) Representations and warranties : Representations and warranties usual and customary for an issuance of this nature, which shall include but not limited to the following:-
1. The Issuer (a) has been duly incorporated, and validly exists under the Companies Act 2016 of Malaysia, (b) has full power and authority to engage in the business of Islamic banking in Malaysia and otherwise to own its properties and conduct its business, and (c) is duly qualified to transact business under the laws of Malaysia and each other jurisdiction in which it owns or leases properties, or conduct any business, so as to require such qualification, other than where the

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failure to be so qualified would not have a material adverse effect;

2. The Subordinated Sukuk has been duly authorised, and when issued and delivered pursuant to the Transaction Documents, will have been duly executed, authenticated, will constitute valid and binding obligations of the Issuer subject to the terms of the Programme Agreement;
3. No event has occurred which would constitute an Enforcement Event (as defined below) under the Subordinated Sukuk or which with the giving of notice or the lapse of time or other condition would constitute an Enforcement Event;
4. The Issuer is not in breach of the provisions of any law or regulations governing any approvals, consents, authorisation and/or any licenses and, after due and careful consideration, the Issuer is not aware of any reason why any approval, consent, authorisation and/or license should be withdrawn or cancelled or any conditions attached thereto adversely altered, other than where the absence of such approval, consent, authorisation and/or license would not have a material adverse effect;
5. There are no legal or governmental proceedings pending or, to the knowledge of the Issuer, threatened, to which the Issuer is or may be a party or to which any property or asset of the Issuer is or may be the subject which, if determined adversely to the Issuer, could individually or in the aggregate reasonably be expected to have a material adverse effect;

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6. The Issuer has all licenses, franchises, permits, authorisations, approvals, orders and other concessions of and from all governmental and regulatory officials and bodies that are necessary to own or lease its properties and conduct its business, other than where the failure to obtain such licenses, franchises, permits, authorisations, approvals, orders and other concessions would not have a material adverse effect; and
7. The Issuer and its obligations under Transaction Documents and the Subordinated Sukuk are subject to commercial law and to suit in Malaysia and neither the Issuer nor any of its properties, assets or revenues has any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any court, from set off or counterclaim, from the jurisdiction of any court, or other legal process or proceeding for the giving of any relief or for the enforcement of judgment, with respect to its obligations, liabilities or any other matter under or arising out of or in connection with the Transaction Documents and the Sukuk Programme.

(w) Events of default (or Enforcement Event, where applicable) : There is no event of default under the Subordinated Sukuk.

An Enforcement Event means any of the following:-

1. If the Issuer is unable to pay any amount under the Subordinated Sukuk when due and payable and such inability continues for a period of 14 days; for avoidance of doubt, no profit payment will be due and payable if such profit payment or part

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thereof has been cancelled or is deemed cancelled (in each case, in whole or in part) as described under "Limitation on Payment" and accordingly, no failure of payment will have occurred or be deemed to have occurred in such circumstances;

2. If:
- (i) a court or an agency or regulatory authority in Malaysia having jurisdiction in respect of the same shall have instituted any proceeding or entered a decree or order for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities, or similar arrangements involving the Issuer or all or substantially all of its property, or for the winding up of or liquidation of its affairs and such proceeding, decree or order shall not have been vacated or shall have remained in force, undischarged or unstayed for a period of 60 days; or
 - (ii) the Issuer shall file a petition to take advantage of any insolvency statute (which for this purpose includes under any insolvency related provisions in any companies statute).

Upon the occurrence of paragraph (1) above, subject to the terms of the Transaction Documents, the sole remedy of ARBKSA/Rabbul mal shall be to institute proceedings in Malaysia to enforce the payment obligations, provided that the ARBKSA/Rabbul mal shall not have the right to enforce payment or to accelerate payment of the relevant Subordinated Sukuk in the case of paragraph (1) above or any non-

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performance of any condition, provision or covenant in the Transaction Documents.

Upon the occurrence of paragraph (2) above, subject to the terms of the Transaction Documents, ARBKSA/Rabbul mal may by written notice to the Issuer declare that the principal of, and its share of the profits (if any) from, the Subordinated Sukuk shall immediately become due and payable.

- (x) Covenants : The Issuer shall comply with such applicable covenants as may be advised by the Solicitors including but not limited to the following:
1. At all times comply with the provisions of and the terms and conditions of the Transaction Documents;
 2. At all times keep proper books and accounts;
 3. Notify ARBKSA in the event that the Issuer becomes aware of the following:
 - (i) any Enforcement Event or that such other right or remedy under the terms, provisions and covenants of the Subordinated Sukuk and the Transaction Documents have become immediately enforceable;
 - (ii) any circumstance that has occurred that would materially prejudice the Issuer or its ability to perform its obligations under the Transaction Documents;
 - (iii) any substantial change in the nature of the business of the Issuer;

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(iv) any change in the utilisation of proceeds from the Subordinated Sukuk other than for the purpose stipulated in the Programme Agreement; and

(v) of any other matter that may materially prejudice the interest of the Investor.

(y) Provisions on buy-back and early redemption of Sukuk

: Optional Redemption:

The Issuer may, at its sole discretion, and subject to the Redemption Conditions (as defined herein) being satisfied, redeem any entire issue of the Subordinated Sukuk in whole at par on an Optional Redemption Date (as defined below).

The optional redemption of one issue of the Subordinated Sukuk does not trigger the redemption of other tranche(s) of the Subordinated Sukuk under the Sukuk Programme.

Any payment of Mudharabah capital by the Issuer through the optional redemption exercise or otherwise shall be with the prior written approval from BNM. The Issuer has no obligation to redeem any part of the Subordinated Sukuk, and gives no assurance that BNM approval will be given.

“Optional Redemption Date” means, in respect of each issue of Subordinated Sukuk, any Business Day after the fifth (5th) anniversary of its issue date as determined by the Issuer.

Redemption Conditions means:

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- (i) the Issuer is solvent at the time of any redemption of the Subordinated Sukuk and immediately thereafter;
- (ii) the Issuer is not in breach of BNM's minimum capital adequacy ratio requirements applicable to the Issuer;
- (iii) the Issuer has obtained the written approval of BNM prior to the redemption of the Subordinated Sukuk;
- (iv) no incentives or step-ups granted to the Issuer to exercise the Optional Redemption;
- (v) the Issuer must not do anything which creates an expectation that the redemption will be exercised;
- (vi) the redemption must not be exercised by the Issuer unless (a) the redeemed Subordinated Sukuk shall be replaced with capital of the same or better quality and the replacement of this capital is done at conditions which are sustainable for the income capacity of the Issuer; or (b) the Issuer able to demonstrate that its capital position is above the minimum capital adequacy requirements and capital buffer requirements as per BNM requirements after the redemption is exercised, and/or any other condition that BNM imposes for such redemption;

Regulatory Redemption:

If the Subordinated Sukuk (in whole or in part) no longer qualify as Additional Tier 1 capital of the Issuer for the purposes of BNM's capital

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adequacy requirements under any regulations applicable to the Issuer or if, at any time, there is more than an insubstantial risk that the Subordinated Sukuk (in whole or in part) will either immediately or with the passage of time or upon either the giving of notice or the fulfilment of a condition, no longer qualify as such, the Issuer may, at its option, redeem the Subordinated Sukuk (in whole, but not in part), subject to the Redemption Conditions being satisfied.

Tax Redemption:

If there is more than an insubstantial risk that the Issuer will be required to pay any additional amounts or will no longer be able to deduct profit in respect of the relevant Subordinated Sukuk for taxation purposes as a result of a change in any applicable law or regulation which comes into effect on or after the issue dates of the relevant Subordinated Sukuk and the Issuer cannot, by taking reasonable measures available to it, avoid the payment of any additional amounts or deduct profit in respect of the relevant Subordinated Sukuk, the Issuer may, at its option, redeem the relevant Subordinated Sukuk (in whole, but not in part), subject to the Redemption Conditions being satisfied.

(z) Other principal terms and conditions for the issue

- | | | | |
|------|-------------------------------------------------------|---|---------------------------------------------------------------------------------------------------------------------------------------------------|
| (i) | Form and denomination | : | The Subordinated Sukuk will be denominated in Saudi Riyal. Each issue of the Subordinated Sukuk shall be represented by a definitive certificate. |
| (ii) | Issue of, offer for subscription or purchase of Sukuk | : | Only to ARBKSA on the terms of a Subscription Agreement |

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- (iii) Suspension event : Not applicable
- (iv) Identified assets : Not applicable
- (v) Purchase and selling price/rental : Not applicable
- (vi) Compensation ("Ta'widh") : There will be no provision in the documentation relating to the Subordinated Sukuk for compensation to be paid on any overdue payments of any amounts due under the Subordinated Sukuk.
- (vii) Status : The Subordinated Sukuk will constitute unsecured obligations of the Issuer/Mudharib, subordinated in right and priority of payment to all other liabilities of the Issuer/Mudharib except all other present and future unsecured and subordinated obligations of the Issuer/Mudharib which by their terms rank *pari passu* in right of and priority with, or after, the Subordinated Sukuk.

The Subordinated Sukuk will, in the event of a distribution of assets in the winding-up or liquidation of the Issuer, rank senior to the share capital of the Issuer/Mudharib and be subordinated in right of payments to all deposit liabilities and other liabilities of the Issuer/Mudharib.

ARBKSA/Rabbul mal as the Investor irrevocably waive its rights to the extent necessary to give effect to the subordination provisions. In order to give effect to such subordination provisions, the Issuer/Mudharib and ARBKSA/Rabbul mal agree that in the event a winding up proceeding shall have occurred and be continuing, any amounts that would be due and payable to them will be applied to:-

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- (i) first, to the payment in full of each claim of a depositor and all each other obligation of the Issuer/Mudharib ranking senior in the right of payment to the Subordinated Sukuk (including any amount in respect of any claim accruing after the date of commencement of such winding-up proceeding); and
- (ii) thereafter, to the payment of each amount owing in respect of the Subordinated Sukuk and all obligations of the Issuer ranking equally in right of payment with the Subordinated Sukuk.

Issuer/Mudharib may exercise its right of converting the Subordinated Sukuk into ordinary shares in accordance with CAFIB requirements.

- (viii) Open Market Acquisition and Cancellation : Not applicable
- (ix) Changes of 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 Issuer or Sole Subscriber/Investor (collectively the **“Transaction Parties”**) with the applicable direction, request or requirement (whether or not having the force of law) will impose on the Transaction Parties any condition, burden or obligation, then, upon written notice to the Issuer after becoming aware of such occurrence or within such reasonable period as may be permitted by law or the authorities:
 - (i) where the change, interpretation or application makes it unlawful for the Transaction Parties to make available

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the Subordinated Sukuk, without breaching such law or regulation, the Transaction Parties may (subject to prior written approval of BNM) terminate their obligations in respect of the Sukuk Programme; and

- (ii) where the change, interpretation or application causes the Transaction Parties to incur additional costs or be required to make further payments, then the Issuer shall compensate the Transaction Parties for the additional cost incurred or payments made.

- (x) Adverse Market : At any time prior to the first issuance under the Sukuk Programme, the Transaction Parties reserve the right to cancel/withdraw /terminate the Sukuk Programme if there occurs any change in the national or international financial, political or economic conditions, including but not limited to adversities in international/domestic money, capital or syndicated financing markets, the business activities or financial position of the Issuer which in the opinion (which opinion shall be final and binding upon the Issuer) of the Transaction Parties, will materially affect the offering of the Subordinated Sukuk under the Sukuk Programme.
- (xi) Trust Deed : Not applicable
- (xii) Taxation : All payments by the Issuer in respect of the Subordinated Sukuk 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 the Government of Malaysia, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law in which event the Issuer shall not make any additional payments on account

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- of such withholdings or deductions. The Issuer will convert any ringgit amount to SAR at its spot rate on the day such conversion is required.
- (xiii) Currency : Saudi Riyal (“SAR”)
- (xiv) Documentation : The relevant transaction documents will be, inter alia, the following:-
1. Programme Agreement;
 2. Subscription Agreement(s);
 3. Investment Account Management Agreement entered into with ARC; and
 4. Any other agreement as may be advised by the Solicitors.
- (xv) Governing law : Laws of Malaysia.
- (xvi) Jurisdiction : The Issuer shall unconditionally and irrevocably submit to the exclusive jurisdictions of the courts in Malaysia.
- (xvii) Appointment of Al Rajhi Capital as Discretionary Portfolio Manager : The Issuer/Mudharib shall invest the proceeds from Subordinated Sukuk in the Shariah compliant money market Instruments and Sukuk issued / guaranteed by Kingdom of Saudi Arabia, Sukuk / money market instruments issued by other GCC countries, Saudi Arabian Government Linked Companies (GLC) and GCC Banks, and any other investment decided by the Issuer. For this purpose, Issuer/Mudharib will establish country limits and counter-party limits with a GLC’s and banks with good credit ratings in Saudi Arabia and the GCC. The Issuer/Mudharib will appoint ARC to manage the investments on behalf of the Issuer/Mudharib.

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For avoidance of doubt and to comply with BNM requirement, the proceeds shall not be placed back with ARBKSA/Rabbul mal.

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APPENDIX 1
 Sukuk Mudharabah Structure

