

**PRINCIPAL TERMS AND CONDITIONS
PROPOSED ISSUANCE OF SUBORDINATED BOND OF RM500 MILLION IN NOMINAL VALUE**

- (a) **Names of parties involved in the proposed transaction (where applicable):**
- (i) **Issuer** : OCBC Bank (Malaysia) Berhad.
 - (ii) **Solicitor** : Messrs Skrine.
 - (iii) **Sole Subscriber and Amount Subscribed** : The Subordinated Bond (as defined in paragraph (b) (*Facility Description*)) shall be fully subscribed by Oversea-Chinese Banking Corporation Limited ("**OCBC Ltd**"), acting in its capacity as holder of the Subordinated Bond ("**Bondholder**").
- (b) **Facility Description** : The subordinated bond ("**Subordinated Bond**") will qualify as Tier 2 Capital of the Issuer in accordance with Bank Negara Malaysia ("**BNM**")'s Capital Adequacy Framework (Capital Components) issued on 9 December 2020 ("**CA Framework**").
- (c) **Issue Size** : A one-time issuance of Subordinated Bond of RM500 million in nominal value.
- (d) **Tenure of Issue** : 10 years from the date of issue ("**Issue Date**"), subject to a call option ("**Call Option**") pursuant to the Optional Redemption (as defined in paragraph (s)(2) (*Optional Redemption*)) to allow the Issuer to redeem (in whole or in part) the Subordinated Bond on any Call Date (as defined below).
- "Call Date"** means any Coupon Payment Date (as defined in paragraph (f) (*Coupon Payment Frequency*)) after a minimum period of five (5) years from the Issue Date. For the avoidance of doubt, the first Call Date shall fall on the fifth anniversary of the Issue Date.
- (e) **Coupon Rate** : The Subordinated Bond shall bear coupon ("**Coupon**") from (and including) the Issue Date up to (but excluding) the maturity date or the date of early redemption (as described in paragraph (s) (*Provisions on Buy-Back and Early Redemption of Subordinated Bond*)), whichever is the earlier. The coupon rate applicable to the Subordinated Bond shall be determined prior to the Issue Date of the Subordinated Bond. For the avoidance of doubt, there shall be no step-up in the coupon rate at any time, including after the first Call Date of the Subordinated Bond, in the event the Call Option is not exercised by the Issuer.
- (f) **Coupon Payment Frequency** : Payable semi-annually in arrear from the Issue Date ("**Coupon Payment Date**") with the last coupon payment to be made on the maturity date or upon an early redemption (as described in paragraph (s) (*Provisions on Buy-Back and Early Redemption of Subordinated Bond*)), whichever is the earlier.
- (g) **Coupon Payment Basis** : Actual number of days in the relevant period divided by 365 days.
- (h) **Security/Collateral (if any)** : None.

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- (i) **Details on utilisation of proceeds by the Issuer** : The proceeds of the Subordinated Bond shall be made available to the Issuer, without limitation, for its working capital, general banking and other corporate purposes, including the redemption of the Issuer's existing redeemable subordinated bond of RM390 million issued on 15 August 2017 and RM110 million issued on 30 September 2017.
- (j) **Sinking Fund and Designated Accounts, where applicable** : Not applicable.
- (k) **Rating** : Unrated.
- (l) **Selling restriction, including tradability, i.e. whether tradable or non-tradable** : The Subordinated Bond shall not be transferable or tradable and shall only be held by the Bondholder.
- (m) **Listing status and types of listing, where applicable** : The Subordinated Bond will not be listed on any stock exchange.
- (n) **Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained** : The issuance of the Subordinated Bond shall be subject to the prior approval of BNM pursuant to Notice 2 of the Foreign Exchange Notices issued by BNM under Section 214 the Financial Services Act 2013, and the Joint Information Note on the Issuance and Subscription of Ringgit and Foreign Currency-Denominated Sukuk and Bonds in Malaysia, jointly issued by the Securities Commission Malaysia and BNM on 1 July 2013.
- (o) **Conditions Precedent** : To include but not limited to the following:
- (i) The Transaction Documents (as defined in paragraph (t)(3) (*Transaction Documents*)) pertaining to the Subordinated Bond have been executed and, where applicable, stamped or endorsed as exempted from stamp duty and, where applicable, presented for registration with the relevant authorities;
 - (ii) A certified true copy of the board resolution(s) of the Issuer authorising, among others, issuance of the Subordinated Bond and the execution of the Transaction Documents; and
 - (iii) Written approval of BNM for the classification of the Subordinated Bond as Tier 2 Capital of the Issuer.
- (p) **Representations and Warranties** : To include but not limited to the following:
- (i) The Issuer (a) has been duly incorporated and deemed registered under the Companies Act 2016 of Malaysia; and (b) has full power and authority to engage in the business of banking and finance in Malaysia and each other jurisdiction where it is so engaged and otherwise to own its properties and conduct its business;

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- (ii) The Issuer has the power to enter into the Transaction Documents and exercise its rights to perform its obligations under the Transaction Documents;
- (iii) The constitution 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 Transaction Documents in accordance with their terms;
- (iv) Neither the execution and delivery of any of the Transaction Documents nor the performance of any of the transactions contemplated by the Transaction Documents did or does as at the date this representation and warranty is made or repeated (a) contravene or constitute a default under any provision contained in any agreement, instrument, law, ordinance, decree, judgment, order, rule, regulation, license, permit or consent by which the Issuer or any of its assets is bound or which is applicable to the Issuer or any of its assets, (b) cause any limitation on the Issuer or the powers of its directors, whether imposed by or contained in its constitution or in any agreement, instrument, law, ordinance, decree, order, rule, regulation, judgment or otherwise, to be exceeded, or (c) cause the creation or imposition of any security interest or restriction of any nature on any of the Issuer's assets;
- (v) The Transaction Documents constitute legal, valid, binding and enforceable obligations which are enforceable on and against the Issuer;
- (vi) The audited financial statements of the Issuer for each financial year are prepared on a basis consistently applied in accordance with the Malaysian Financial Reporting Standards ("**MFRS**"), International Financial Reporting Standards and the requirements of the Companies Act 2016 of Malaysia;
- (vii) All registration and payment of any duty or tax or other action which are required or necessary to ensure the legality, validity, enforceability or admissibility in evidence in Malaysia of the Transaction Documents have been duly and unconditionally obtained and remain in full force and effect;
- (viii) No event has occurred which would constitute an Enforcement Event (as defined in paragraph (q) (*Enforcement Events*)) or which with the giving of notice or the lapse of time or other condition would constitute an Enforcement Event; and
- (ix) All consents, approvals, authorisations of any regulatory authorities which are required for the issue of the Subordinated Bond and the performance of the obligations of the Issuer under the Transaction Documents have been obtained and are in full force and effect.

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(q) Enforcement Events : An “**Enforcement Event**” means the occurrence of any of the following events:

(i) Default in payment of any principal or Coupon under the Subordinated Bond on the due date and the Issuer does not remedy such default within a period of seven (7) business days after the Issuer becomes aware or having been notified by the Bondholder of such default; or

(ii) (a) An order is made for the winding up of the Issuer and such order is not stayed or set aside within sixty (60) days of such order being made or, where so stayed, such stay lapses; or

(b) an effective resolution is passed for the winding up of the Issuer,

except where such order is made or such resolution is passed for the purpose of a Permitted Reorganisation (as described in paragraph (t)(2) (*Status*)), the terms of which have been approved by the Bondholder.

Upon the occurrence of event (i) above, subject to the terms of the Subordinated Bond and the Transaction Documents, the sole remedy of the Bondholder shall be to institute proceedings in Malaysia for the winding-up of the Issuer, provided that the Bondholder shall not have the right to enforce payment under or to accelerate payment of the Subordinated Bond upon the occurrence of event (i) above or any non-performance of any condition, provision or covenant under the Subordinated Bond or the Transaction Documents.

Upon the occurrence of event (ii) above, subject to the terms of the Subordinated Bond and the Transaction Documents, the Bondholder may by written notice to the Issuer declare that the Subordinated Bond shall immediately become due and payable at its principal amount together with accrued but unpaid Coupons.

(r) Covenants : Covenants on the part of the Issuer shall include but are not limited to the following:

(i) At all times, comply with all provisions of the Transaction Documents to which the Issuer is a party including but not limited to the terms and conditions of the Subordinated Bond;

(ii) Notify the Bondholder immediately in the event that the Issuer becomes aware of the following:

(a) Any Enforcement Event or where any other right or remedy under the terms, provisions and covenants of any of the Transaction Documents or the terms and conditions of the Subordinated Bond becomes immediately enforceable;

(b) Any circumstance that has occurred that would materially prejudice the Issuer or the ability of the Issuer to perform

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its obligations under the Subordinated Bond;

- (c) Any substantial change in the nature of the business of the Issuer;
 - (d) Any change in the Issuer's withholding tax position or taxing jurisdiction insofar as it affects the payment obligations of the Issuer;
 - (e) Any change in the utilisation of proceeds of the Subordinated Bond other than for the purpose stipulated in the Transaction Documents and the terms and conditions of the Subordinated Bond; and
 - (f) Any other matters that may materially prejudice the interests of the Bondholder;
- (iii) Keep proper books and accounts at all times in compliance with applicable statutory requirements and in accordance with generally accepted accounting principles in Malaysia;
 - (iv) At all times exercise reasonable diligence in carrying out its business in a proper and efficient manner which shall ensure, among others, that all necessary approvals or relevant licences necessary for such business are obtained and maintained;
 - (v) Promptly obtain any further authorisations, consents, rights, licences, approvals and permits (governmental and otherwise) which is or may become necessary to enable it to own its assets, to carry on its business or for the Issuer to enter into or perform its obligations under the Transaction Documents and the terms and conditions of the Subordinated Bond or to ensure the validity, enforceability, admissibility in evidence of the obligations of the Issuer or the rights of the Bondholder under the Transaction Documents and the terms and conditions of the Subordinated Bond;
 - (vi) Redeem in full or in part all outstanding Subordinated Bond if and when they become due to be redeemed in accordance with the terms and conditions of the Subordinated Bond;
 - (vii) Ensure that any further Tier 2 Capital instruments to be issued by the Issuer ("**New Tier 2 Capital**") (if any) contain a provision for the write-off of the New Tier 2 Capital on a pro rata basis with the Subordinated Bond (to the extent permitted by applicable law and/or the relevant regulatory authorities) in the event of the occurrence of a Non-Viability Event (as defined in paragraph (t)(7) (*Loss Absorption at Point of Non-Viability Event*)); and
 - (viii) Comply with the conditions (if any) imposed by the relevant regulatory authorities in connection with the issuance of the Subordinated Bond.

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(s) Provisions on Buy-Back and Early Redemption of Subordinated Bond

- 1) **Buy-back and Cancellation** : Not applicable as the Subordinated Bond shall not be transferable or tradable and shall only be held by the Bondholder.
- 2) **Optional Redemption** : The Issuer may at its option and subject to the Optional Redemption Conditions (as defined below) being satisfied, and by giving not less than 14 days nor more than 60 days prior written notice (which notice shall be irrevocable) to the Bondholder, on a Call Date, exercise the Call Option to redeem in whole or in part, the Subordinated Bond at its principal amount together with Coupons accrued and not cancelled but unpaid to the redemption date.

“Optional Redemption Conditions” means:

- (i) the Issuer is solvent at the time of redemption and immediately thereafter;
 - (ii) the Issuer has obtained the prior written approval of BNM; and
 - (iii) the Issuer shall:
 - (a) replace the called Subordinated Bond 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) demonstrate to the satisfaction of BNM that its capital position is and can be sustained well above the minimum capital adequacy requirements and capital buffer requirements, as imposed by BNM in the CA Framework, after the redemption option is exercised.
- 3) **Regulatory Redemption** If, as a result of:
- (i) a change or proposed change to the relevant laws and/or requirements issued by BNM in relation to the qualification of the Subordinated Bond as Tier 2 Capital of the Issuer; or
 - (ii) any change in the application of the official or generally published interpretation of such relevant laws and/or requirements issued by BNM or any relevant authority, including a ruling or notice issued by BNM or any relevant authority; or
 - (iii) any interpretation or pronouncement by BNM or any relevant authority that provides for a position with respect to such relevant laws and/or requirements issued by BNM, that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written statements made by any authority regarding the qualification of the Subordinated Bond as Tier 2 Capital of the Issuer,

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which change or amendment,

- (a) subject to (b) below, becomes or would become, effective on or after the Issue Date; or
- (b) in the case of a change or proposed change in the relevant laws and/or requirements issued by BNM, if such change is issued or is expected to be issued by BNM, on or after the Issue Date

(collectively, “**Regulatory Event**”),

- (A) the Subordinated Bond would not qualify as Tier 2 Capital of the Issuer or
- (B) make it unlawful for the Issuer to continue performing its obligations under the Subordinated Bond, the Issuer may at its option and subject to the prior written approval of BNM, by giving not less than 14 days nor more than 60 days prior written notice (which notice shall be irrevocable) to the Bondholder, redeem, on any Coupon Payment Date, in whole or in part, the Subordinated Bond at its principal amount together with Coupons accrued but unpaid to the redemption date.

4) **Tax Redemption**

The Issuer may at its option and subject to the prior written approval of BNM, by giving not less than 14 days nor more than 60 days prior written notice (which notice shall be irrevocable) to the Bondholder, redeem, on any Coupon Payment Date, in whole or in part, the Subordinated Bond at its principal amount together with Coupons accrued but unpaid to the redemption date, if a Tax Event (as defined below) occurs.

“**Tax Event**” means if there is more than an insubstantial risk that:

- (i) the Issuer has or will become obliged to pay any additional taxes, duties, assessments or government charges of whatever nature in relation to the Subordinated Bond; or
- (ii) the Issuer will no longer obtain tax deductions for the purposes of Malaysian corporation tax for any payment in respect of the Subordinated Bond,

as a result of a change in, or amendment to, the laws or regulations of Malaysia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date and the Issuer cannot, by taking reasonable measures available to it, avoid such obligations.

5) **Cancellation of the Certificate of Subordinated Bond**

Upon an early redemption of the Subordinated Bond, the Bondholder shall return the original Certificate of the Subordinated Bond to the Issuer for cancellation.

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(t) **Other Principal Terms and Conditions for the proposal**

1) **Redemption at maturity** Unless previously redeemed on a Call Date, or redeemed pursuant to a Tax Redemption, or a Regulatory Redemption, the Subordinated Bond will be redeemed at its principal amount (together with Coupons accrued but unpaid to the maturity date, under the Subordinated Bond) on the maturity date.

2) **Status** : The Subordinated Bond shall constitute direct, unsecured and subordinated obligations of the Issuer, subordinated in right and priority of payment (in respect of principal and Coupons), to the extent and in the manner provided for in the terms and conditions governing the Subordinated Bond, to the Senior Creditors (as defined below), except all other present and further unsecured and subordinated obligations of the Issuer which by their terms rank pari passu in right of or subordinated to the Subordinated Bond.

Subject to the laws of Malaysia, in the event of a Winding-Up (as defined below) of the Issuer (other than pursuant to a Permitted Reorganisation (as defined below)), the rights of the Bondholder to payment of principal and Coupons on the Subordinated Bond and any other obligations in respect of the Subordinated Bond are expressly subordinated and subject in right of payment to the prior payment in full of all claims of the Senior Creditors. The Subordinated Bond will rank pari passu with all other subordinated debt issued by the Issuer that qualifies as Tier 2 Capital (in accordance with the CA Framework or other relevant requirements of BNM).

“Senior Creditors” means depositors and general creditors of the Issuer other than those whose claims rank or are expressed to rank, by its terms or by operation of law, pari passu with or junior to the claims of the Bondholder.

“Permitted Reorganisation” means a solvent reconstruction, amalgamation, reorganization, merger or consolidation whereby all or substantially all the business, undertaking and assets of the Issuer are transferred to a successor entity which assumes all the obligations of the Issuer under the Subordinated Bond.

“Winding-Up” means a final and effective order or resolution for the bankruptcy, winding up, liquidation, receivership or similar proceedings in respect of the Issuer.

3) **Transaction Documents** The Subordinated Bond shall be evidenced, inter alia, by the following:

- (i) Subscription Agreement;
- (ii) Certificate of the Subordinated Bond; and

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(iii) All other documents or agreements to be executed in connection with or pursuant to any of the above documents or otherwise in relation to the Subordinated Bond, as agreed between the Issuer and the Bondholder.

- 4) 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 the Government of Malaysia or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall not be required to gross up for any such withholding or deduction.
- 5) No Equity Conversion and No Voting Rights** The Subordinated Bond shall not entitle the Bondholder to receive any form of equity interest in the Issuer at any point in time and the Issuer is not obliged to allot or issue any shares to or for the account of the Bondholder upon the occurrence of a Non-Viability Event or otherwise. The Bondholder shall not be entitled to participate in any distributions or entitlements to the Issuer's shareholders or to attend or vote at any general meeting of the Issuer.
- 6) Waiver of Set-Off** The Bondholder may not exercise, claim or plead any right of set-off, counter-claim, deduction, withholding or retention in respect of any amount owing by it to the Issuer against any amount owing to it by the Issuer under the Subordinated Bond. The Bondholder shall, by virtue of subscribing for the Subordinated Bond, be deemed to have waived all such rights of set-off, counter-claim, deduction, withholding or retention to the fullest extent permitted by law.
- If, at any time, the Bondholder receives payment or benefit of any sum in respect of the Subordinated Bond as a result of the exercise or carrying into effect of any such set-off, counterclaim, deduction, withholding or retention (whether or not such exercise or carrying into effect is mandatory under applicable law), the payment of such sum or receipt of such benefit shall, to the fullest extent permitted by law, be deemed void for all purposes. The Bondholder, by subscribing for the Subordinated Bond, agrees as a separate and independent obligation that any such sum or benefit so received shall be paid or returned by the Bondholder to the Issuer upon demand by the Issuer or, in the event of the winding-up of the Issuer, the liquidator of the Issuer, whether or not such payment or receipt shall have been deemed void hereunder. Any sum so paid or returned shall then be treated for purposes of the Issuer's obligations as if it had not been paid by the Issuer, and its original payment or the original benefit previously received by the Bondholder as a result of any such set-off, counterclaim, deduction, withholding or retention shall be deemed not to have discharged any of the obligations of the Issuer in relation to the Subordinated Bond.
- 7) Loss Absorption at Point of Non-Viability Event** : At the occurrence of a Non-Viability Event (as defined below), the Issuer shall irrevocably, without the consent of the Bondholder, write-off the Subordinated Bond in whole or in part, if so required by BNM and/or Malaysia Deposit Insurance Corporation ("PIDM") at their full discretion.

Upon the occurrence of a Non-Viability Event, the Issuer is required to give notice to the Bondholder in accordance with the terms of the

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Subordinated Bond that as of the relevant write-off date:

- (i) the write-off shall reduce:
 - (a) the claim of the Bondholder in liquidation. The Bondholder will be automatically deemed to irrevocably waive its right to receive, and no longer have any rights against the Issuer with respect to, repayment of the principal amount of the Subordinated Bond written-off;
 - (b) the amount re-paid when a Call Option is exercised; and
 - (c) the Coupons;
- (ii) the write-off shall be permanent and the whole or part (as the case may be) of the principal amount of the Subordinated Bond will automatically be written-off and the whole or part (as the case may be) of the Subordinated Bond will be cancelled; and
- (iii) the write-off of the Subordinated Bond shall not constitute an Enforcement Event or trigger cross-default clauses.

The write-off must generate CET1 Capital under the MFRS; and the Subordinated Bond will only receive recognition in Tier 2 Capital (in accordance with the CA Framework) up to the minimum level of CET1 Capital generated by a full write-off of the Subordinated Bond.

“**Non-Viability Event**” means the earlier of the following:

- (i) BNM, jointly with PIDM, notifying the Issuer in writing that BNM, jointly with PIDM, are of the opinion that a write-off is necessary, without which the Issuer would cease to be viable; or
- (ii) BNM, jointly with PIDM, publicly announcing that a decision has been made by BNM, PIDM or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer would cease to be viable.

- 8) **Governing Laws and Jurisdiction** : The laws of Malaysia and the exclusive jurisdiction of the courts of Malaysia.
- 9) **Other Conditions** : The Subordinated Bond shall at all times be governed by the guidelines issued and to be issued from time to time by BNM and/or any other authority having jurisdiction over matters pertaining to the Subordinated Bond.