

Brief explanation on following products used by MBSB Bank Berhad (“MBSB Bank”)

Commodity Murabahah Property Financing-i (“CMPF-i”)

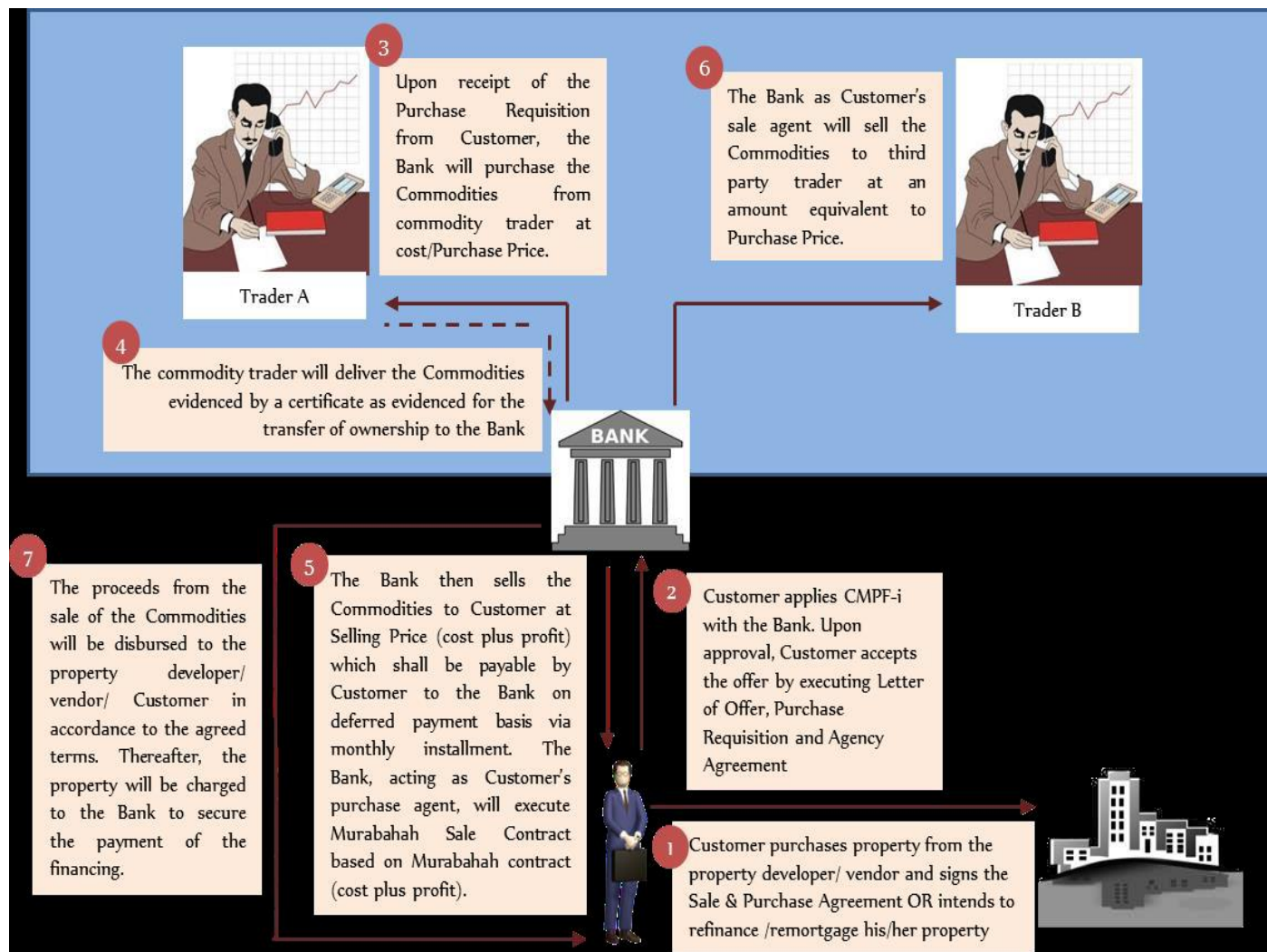
- 1. Standard Home Financing-i (Residential);**
- 2. Standard Home Financing-i (Commercial);**
- 3. Ultimate-i (Residential);**
- 4. Ultimate-i (Commercial);**
- 5. My First Home Scheme-i (Residential).**

A. Shariah Principles and Mechanism

- a. The applicable Shariah contracts is *Tawarruq* which comprises *Murabahah* and *Wakalah* contracts.
- b. *Tawarruq* means the arrangement that involves sale of an asset to the purchaser on a deferred basis and subsequent sale of the asset to a third party to obtain cash.
- c. Under the above products, the *Tawarruq* arrangement shall be as follows:
 - i. MBSB Bank will sell the commodities to Customer on *Murabahah* basis at MBSB Bank’s Selling Price on deferred payment. Under this arrangement, the purchase will be performed by MBSB Bank as Customer’s Purchase Agent.
 - ii. MBSB Bank will then sell the commodities to a third-party Commodity Trader in its capacity as Customer’s Sale Agent at cost price which shall be equivalent to the Financing Amount.
 - iii. The proceeds from the sale of the commodities will be disbursed to Customer as per agreed terms and conditions.
- d. *Murabahah* refers to the selling of goods/assets at a price whereby the costs and profit margin (mark-up) are made known and agreed to by both parties.
- e. *Wakalah* refers to a contract in which a party mandates another party as his agent/wakeel to perform a particular task with or without fee. In this product, Customers will appoint MBSB Bank as his/her Purchase Agent and Sale Agent to perform the *Tawarruq* arrangement.

B. The Product Structure

The CMPF-i product structure and the modus operandi are as follows:



All lawyers are to ensure Customers are made aware of the following principles of Islamic finance:

1. There is no compounding of profit/interest;
2. Prohibition against investing in businesses involved in prohibited activities such as selling alcohol, pork;
3. Speculation (*Maysir*)- any form of speculation or maisir is prohibited in Shariah contracts;
4. Uncertainty or *Gharar*- the rules of Islamic finance forbids involvement in contracts with excessive risk and/or uncertainty.