

## Pricing Supplement

Date: 28 July 2017

IHSAN SUKUK BERHAD (Company No. 1117716-P)

Islamic Medium Term Notes Programme of Ringgit Malaysia One Billion (RM1,000,000,000.00) in nominal value under the "Sustainable and Responsible Investment Sukuk" framework ("Sukuk Programme")

Prospectus dated 13 July 2017 ("Prospectus") in relation to the proposed issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase of Retail Sukuk Ihsan of up to RM5.0 million in nominal value pursuant to the Sukuk Programme

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### Pricing Supplement No: 2

Terms defined in the Prospectus shall have the same meaning when used in this pricing supplement, unless otherwise indicated or the context otherwise requires. This pricing supplement shall be read together with the Prospectus, as amended or supplemented from time to time if any.

1. *Issuer* : Ihsan Sukuk Berhad (Company No. 1117716-P).
2. *Obligor* : Khazanah Nasional Berhad (Company No. 275505-K)
3. *Issue Date* : 8 August 2017
4. *Nominal Value* : RM5.0 million
5. *Issue Price* : 100.00
6. *Tenure* : Seven (7) years
7. *Periodic Distribution Rate* : 4.60% p.a.
8. *Periodic Distribution Payment Frequency and Periodic Distribution Basis* : Annual and Actual/365 days basis.
9. *Details on Utilisation of Proceeds* :
  - (i) The proceeds raised from the Retail Sukuk Ihsan shall be utilised by the Issuer or the Investment Wakeel to purchase the Sukuk Investments.
  - (ii) Khazanah will use the proceeds from the Sukuk Investments to fund Yayasan AMIR's Trust Schools Programme for 2016 ("Retail Sukuk

**Ihsan Eligible SRI Project”).**

For the avoidance of doubt, the proceeds from the Retail Sukuk Ihsan will be utilised for Shariah-compliant purposes only.

10. *Rating* : The Sukuk Programme has been accorded a final rating of AAA(s) by RAM Rating Services Berhad.
11. *KPIs* : The KPIs for the Retail Sukuk Ihsan Eligible SRI Project are as follows:
- (i) A minimum of twenty (20) schools are selected under Yayasan AMIR’s Trust Schools Programme for 2016 for a five (5)-year intervention period (the “**5-Year Intervention Period**”) during the term of the Retail Sukuk Ihsan (“**Identified Schools**”);
  - (ii) At least fifty per cent. (50%) of the teachers of the Identified Schools are rated at the Establishing level (as described in Section 8.4(b) of the Prospectus) or above in their observations after the end of their respective Identified Schools’ 5-Year Intervention Period;
  - (iii) At least fifty per cent. (50%) of the senior leadership of the Identified Schools are rated at the Establishing level (as described in Section 8.4(c) of the Prospectus) or above in their observations after the end of their respective Identified Schools’ 5-Year Intervention Period; and
  - (iv) (A) At least fifty per cent. (50%) of the students of the Identified Schools are rated at the Establishing level (as described in Section 8.4(d)(i) of the Prospectus) or above in their observations, after the end of their respective Identified Schools’ 5-Year Intervention Period; and (B) the set targets in relation to discipline as well as literacy and numeracy skills for the students at the Identified Schools, as set out in Section 8.4(d)(ii) of the Prospectus, are achieved after the end of their respective Identified Schools’ 5-Year Intervention Period.

The KPIs for the Retail Sukuk Ihsan Eligible SRI Project shall be evaluated one time prior to the maturity date of the Retail Sukuk Ihsan by the

Independent Auditor. The Independent Auditor shall, on a date no later than six (6) months prior to the maturity date of the Retail Sukuk Ihsan, provide a report (hard copy and electronic format) on the KPIs ("**KPI Evaluation Report**") to Khazanah, the Sukuk Trustee and the Facility Agent. Khazanah and the Facility Agent shall then make available the KPI Evaluation Report to the Retail Sukukholders via Bursa Securities and FAST, respectively within three (3) Market Days from the date of receipt of the KPI Evaluation Report. If the KPIs are met, the nominal value in relation to the Dissolution Distribution Amount payable to the Retail Sukukholders will be reduced, regardless of any failure and/or delay of Khazanah and/or the Facility Agent in delivering the KPI Evaluation Report to the Retail Sukukholders. The formula to calculate the Dissolution Distribution Amount is detailed in paragraph (xiv) of Section 4.2 of the Prospectus.

The KPI Evaluation Report shall contain, amongst others, details of each KPI, the evaluation method of each KPI and whether each KPI is met. If the KPI Evaluation Report is unable to provide a complete evaluation of each KPI or if the KPI Evaluation Report is not provided to Khazanah, the Sukuk Trustee and the Facility Agent at least six (6) months prior to the maturity date of the Sukuk Ihsan, the KPIs will be deemed to be not met.

For the avoidance of doubt, the evaluation and opinion of the Independent Auditor shall be conclusive and binding on all the Retail Sukukholders, the Issuer and Khazanah.

12. *Adjustment to Nominal Value or accreted value of the Sukuk Ihsan in the event the KPIs are met* : 3.18% reduction to the Nominal Value.
13. *Other Conditions* : Please refer to the Prospectus and the Conditions for the other terms and conditions applicable to the Retail Sukuk Ihsan and to the Sukuk Programme.