

## IMPORTANT NOTICE

**THIS OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND ARE OUTSIDE OF THE UNITED STATES.**

**IMPORTANT: You must read the following notice before continuing.** The following notice applies to the attached offering circular following this page (the “**Offering Circular**”), whether received by e-mail, accessed from an internet page or otherwise received as a result of electronic communication, and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Offering Circular. In reading, accessing or making any other use of the Offering Circular, you agree to be bound by the following terms and conditions and each of the restrictions set out in the Offering Circular, including any modifications made to them from time to time, each time you receive any information from Al Rajhi Sukuk Limited (the “**Trustee**”) and Al Rajhi Banking and Investment Corporation (the “**Bank**”) as a result of such access.

**RESTRICTIONS:** NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE CERTIFICATES IN THE UNITED STATES OR IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY CERTIFICATES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE CERTIFICATES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY WITHIN THE UNITED STATES OR TO, OR FOR, THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATIONS) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE AND IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE DISTRIBUTION IN THE UK OF THIS OFFERING CIRCULAR, ANY PRICING SUPPLEMENT (AS DEFINED HEREIN) AND ANY OTHER MARKETING MATERIALS RELATING TO THE SECURITIES IS BEING ADDRESSED TO, OR DIRECTED AT: (A) IF THE DISTRIBUTION OF THE SECURITIES (WHETHER OR NOT SUCH SECURITIES ARE AFIBS) IS BEING EFFECTED BY A PERSON WHO IS NOT AN AUTHORISED PERSON UNDER THE FSMA, ONLY THE FOLLOWING PERSONS: (I) PERSONS WHO ARE INVESTMENT PROFESSIONALS AS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “FINANCIAL PROMOTION ORDER”); (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 49 (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE FINANCIAL PROMOTION ORDER; AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE IN ACCORDANCE WITH THE FINANCIAL PROMOTION ORDER; AND (B) IF THE SECURITIES ARE NOT AFIBS AND THE DISTRIBUTION IS EFFECTED BY A PERSON WHO IS AN AUTHORISED PERSON UNDER THE FSMA, ONLY THE FOLLOWING PERSONS: (I) PERSONS FALLING WITHIN ONE OF THE CATEGORIES OF INVESTMENT PROFESSIONAL AS DEFINED IN ARTICLE 14(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (PROMOTION OF COLLECTIVE INVESTMENT SCHEMES) (EXEMPTIONS) ORDER 2001 (THE “**PROMOTION OF CISS ORDER**”); (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF A PERSON DESCRIBED IN ARTICLE 22 (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE PROMOTION OF CISS ORDER; AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE PROMOTED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”).

FOR A MORE COMPLETE DESCRIPTION OF RESTRICTIONS ON OFFERS AND SALES, SEE “*SUBSCRIPTION AND SALE*”.

The Offering Circular must not be acted on or relied on (i) in the UK, by persons who are not Relevant Persons, and (ii) in any member state of the EEA, by persons who are not Qualified Investors. Any investment or

investment activity to which the Offering Circular relates is available only to (i) in the UK, Relevant Persons, and (ii) in any member state of the EEA, Qualified Investors, and will be engaged in only with such persons.

**CONFIRMATION OF YOUR REPRESENTATION:** In order to be eligible to view the Offering Circular or make an investment decision with respect to the Certificates described therein, (1) each prospective investor in respect of the Certificates being offered outside of the United States in an offshore transaction pursuant to Regulation S must be outside of the United States and (2) each prospective investor in respect of the securities being offered in the UK must be a Relevant Person. By accepting this e-mail and accessing, reading or making any other use of the Offering Circular, you shall be deemed to have represented to the Dealers (as defined in the Offering Circular) that (1) you have understood and agree to the terms set out herein, (2) the electronic mail (or e-mail) address to which, pursuant to your request, the attached Offering Circular has been delivered by electronic transmission is not located in the United States, its territories, its possessions and other areas subject to its jurisdiction; and its possessions include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands, (3) in respect of the Certificates being offered in the UK, you are (or the person you represent is) a Relevant Person, (4) you consent to delivery by electronic transmission, (5) you will not transmit the Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Dealers and (6) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase of any of the Certificates.

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia (the “**Kingdom**”) except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations (the “**Rules on the Offer of Securities and Continuing Obligations**”) issued by the Board of the Capital Market Authority (the “**CMA**”).

The CMA does not make any representation as to the accuracy or completeness of this Offering Circular, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. Prospective purchasers of the Certificates offered hereby should conduct their own due diligence on the accuracy of the information relating to the Certificates. If you do not understand the contents of the Offering Circular you should consult an authorised financial adviser.

The Saudi Central Bank (“**SAMA**”) does not make any representation as to the accuracy or completeness of this Offering Circular and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. In particular, prospective purchasers of the Certificates agree and acknowledge that SAMA assumes no liability whatsoever to any purchaser of the Certificates for any loss arising from, or incurred as a result of, the occurrence of a Non-Viability Event. If you do not understand the contents of this Offering Circular, you should consult an authorised financial adviser. See “*Risk Factors—The circumstances triggering a Write-down are unpredictable*” and “*Risk Factors—The Certificateholders’ right to receive payment of the principal amount of the Tier 2 Certificates will, and the Periodic Distribution Amounts in respect of Tier 2 Certificates may, be written-down (in whole or in part) upon the occurrence of a Non-Viability Event*”.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised, to deliver or disclose the contents of the Offering Circular, electronically or otherwise, to any other person and in particular to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

If you received the Offering Circular by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “**Reply**” function on your e-mail software, will be ignored or rejected. If you receive the Offering Circular by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and a Dealer or any affiliate of the relevant Dealer is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the relevant Dealer or such affiliate on behalf of the Trustee and the Bank in such jurisdiction.

Under no circumstances shall the Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of the attached Offering Circular who intend to subscribe for or purchase the Certificates are reminded that any subscription or purchase may only be made on the basis of the information contained in the final offering circular.

None of the Arrangers, the Dealers or any of their respective affiliates accepts any responsibility whatsoever for the contents of the Offering Circular or for any statement made or purported to be made by any of them, or on their behalf, in connection with the Trustee or any offer.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arrangers, the Dealers, the Trustee, the Bank nor any person who controls or is a director, officer, employee or agent of any Arranger, Dealer, the Trustee, the Bank nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from each Dealer.

**Notification under Section 309(B) of the Securities and Futures Act (Chapter 289) of Singapore (the SFA)** - the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are ‘prescribed capital markets products’ (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and ‘excluded investment products’ (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**PRIIPS regulation / prohibition of sales to EEA retail investors:** If the Pricing Supplement in respect of any Certificates includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended (MiFID II); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**UK PRIIPs regulation / prohibition of sales to UK retail investors:** If the Pricing Supplement in respect of any Certificates includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA, and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Certificates or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**The distribution of the Offering Circular in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Circular comes are required by the Dealers, the Trustee and the Bank, to inform themselves about, and to observe, any such restrictions.**



**Al Rajhi Sukuk Limited**  
(an exempted company incorporated with limited liability in the Cayman Islands)

**U.S.\$4,000,000,000**  
**Trust Certificate Issuance Programme**

Under the U.S.\$4,000,000,000 trust certificate issuance programme (the “**Programme**”) described in this offering circular (the “**Offering Circular**”), Al Rajhi Sukuk Limited (in its capacity as issuer and trustee, as applicable, the “**Trustee**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the “**Certificates**”) denominated in any currency agreed between the Trustee and the Dealers (as defined below). Certificates may only be issued in registered form. The Certificates may be senior certificates (“**Senior Certificates**”) or subordinated certificates (“**Tier 2 Certificates**”). The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.\$4,000,000,000 (or its equivalent in other currencies, calculated as provided for in the Programme Agreement described herein), subject to increase as described herein.

The Certificates may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer(s) appointed under the Programme from time to time by the Trustee and Al Rajhi Banking and Investment Corporation (the “**Bank**” or the “**Obligor**”) (each a “**Dealer**” and together, the “**Dealers**”), which appointment may be for a specific issue of Certificates or on an ongoing basis. References in this Offering Circular to the “**relevant Dealer(s)**” shall, in the case of an issue of Certificates being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Certificates.

**An investment in Certificates issued under the Programme involves certain risks. For a discussion of the principal risk factors that may affect the ability of the Trustee to fulfil its obligations under the Certificates, see “Risk Factors”.**

Each Tranche (as defined in the terms and conditions of the Certificates (the “**Conditions**”)) of Certificates will be constituted by: (i) a master trust deed (the “**Master Trust Deed**”) dated 26 April 2022 entered into by the Trustee, the Bank and Citibank, N.A., London Branch as delegate of the Trustee (in such capacity, the “**Delegate**”); and (ii) a supplemental trust deed (each a “**Supplemental Trust Deed**”) in relation to the relevant Tranche. Certificates of each Series confer on the holders of the Certificates from time to time (the “**Certificateholders**”) the right to receive payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the “**Trust**”).

Application has been made to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Certificates issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the London Stock Exchange’s International Securities Market (“**ISM**”). The ISM is not a regulated market for the purposes of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (withdrawal) Act 2018 (the “**EUWA**”) (the “**UK MiFIR**”).

**The ISM is a market designated for professional investors. Certificates admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority (the “FCA”). The London Stock Exchange has not approved or verified the contents of this Offering Circular.**

References in this Offering Circular to the Certificates being “admitted to trading” (and all related references) shall mean that such Certificates have been admitted to trading on the ISM. The Programme provides that Certificates may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Trustee, the Bank and the relevant Dealer(s). The Trustee may also issue unlisted Certificates and/or Certificates not admitted to trading on any market. The relevant Pricing Supplement (as defined below) will state whether or not the relevant Certificates will be listed and/or admitted to trading and, if so, on which exchange the Certificates are to be listed.

This Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the United Kingdom (“**UK**”) which has been designated as a regulated market for the purposes of UK MiFIR and has not been approved by the FCA pursuant to the Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019.

This Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the European Economic Area (the “**EEA**”) which has been designated as a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, “**MiFID II**”), and has not been approved by the competent authority in any member state of the EEA pursuant to Regulation (EU) 2017/1129.

Investors should also note that the Certificates will be delisted from the ISM and/or any further stock exchanges following the occurrence of a Tangibility Event.

Notice of the aggregate nominal amount of Certificates, profit (if any) payable in respect of such Certificates, the issue price of such Certificates and other information which is applicable to each Tranche of such Certificates will be set out in a pricing supplement (the “**Pricing Supplement**”), which with respect to Certificates to be admitted to trading on the ISM, will be delivered to the London Stock Exchange. Copies of the Pricing Supplement in relation to Certificates to be admitted to trading on the ISM will also be published on the website of the London Stock Exchange through a regulatory information service or may be published in such other manner permitted by the International Securities Market Rulebook effective as of 1 January 2021 (as may be modified and/or supplemented and/or restated from time to time, the “**ISM Rulebook**”).

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, the Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (“**Regulation S**”). For a description of certain restrictions on offers and sales of Certificates and on distribution of this Offering Circular, see “*Subscription and Sale*”.

Each Series of Certificates will initially be represented by a global certificate in registered form (a “**Global Certificate**”). Global Certificates will be deposited on the relevant issue date with, and registered in the name of a nominee for, a common depositary (the “**Common Depositary**”) on behalf of Euroclear Bank SA NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). The provisions governing the exchange of interests in Global Certificates for definitive Certificates are described in “*Summary of Provisions relating to the Certificates while in Global Form*”.

The Bank has been assigned long-term corporate ratings of “BBB+” with a positive outlook by S&P Global Ratings Europe Limited (“S&P”), “A-” with a stable outlook by Fitch Ratings Limited (“Fitch”), “A1” with a stable outlook by Moody’s Investors Service Cyprus Ltd. (“Moody’s”) and “A+” with a stable outlook by Capital Intelligence Ratings Ltd (“Capital Intelligence”). Fitch is established in the UK and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of UK domestic law by virtue of the EUWA (the “UK CRA Regulation”) and is included on the list of registered credit agencies (as of 24 March 2022) on the UK FCA’s Financial Services Register. Fitch is not established in the EEA and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) the “EU CRA Regulation”). The rating issued by Fitch has been endorsed by Fitch Ratings Ireland Limited in accordance with the EU CRA Regulation. Fitch Ratings Ireland Limited is established in the EEA and is registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>). Each of S&P, Moody’s and Capital Intelligence is established in the EEA and is registered under the EU CRA Regulation. As such, each of S&P, Moody’s and Capital Intelligence is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>). S&P is not established in the UK and has not applied for registration under the UK CRA Regulation. The rating issued by S&P has been endorsed by S&P Global Ratings UK Limited and has not been withdrawn. S&P Global Ratings UK Limited is established in the UK and is registered in accordance with the UK CRA Regulation and is included on the list of registered credit agencies (as of 19 April 2022) on the UK FCA’s Financial Services Register. As such, the ratings of S&P may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation. Moody’s is not established in the UK and has not applied for registration under the UK CRA Regulation. The rating issued by Moody’s has been endorsed by Moody’s Investors Service Limited and has not been withdrawn. Moody’s Investors Service Limited is established in the UK and registered under the UK CRA Regulation. As such, the ratings of Moody’s may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation. The rating issued by Capital Intelligence is not certified under the UK CRA Regulation and the rating it has given to the Bank is not endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation.

The Programme is expected to be assigned ratings of “A-” by Fitch and “(P)A1” by Moody’s in respect of the Senior Certificates and “BBB” by Fitch and “(P)Baa2” by Moody’s in respect of the Tier 2 Certificates. Certificates issued under the Programme may be rated or unrated. Where a Series (as defined in the Conditions) of Certificates is rated, such rating, and the credit rating agency issuing such rating, will be disclosed in the Pricing Supplement. Fitch is established in the UK and is registered in accordance with the UK CRA Regulation. Fitch is not established in the EEA and has not applied for registration under the EU CRA Regulation. The rating issued by Fitch has been endorsed by Fitch Ratings Ireland Limited in accordance with the EU CRA Regulation. Fitch Ratings Ireland Limited is established in the EEA and is registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>). Moody’s is established in the EEA and is registered under the EU CRA Regulation. As such, Moody’s is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>). Moody’s is not established in the UK and has not applied for registration under the UK CRA Regulation. The rating issued by Moody’s has been endorsed by Moody’s Investors Service Limited and has not been withdrawn. Moody’s Investors Service Limited is established in the UK and is registered in accordance with the UK CRA Regulation and is included on the list of registered credit agencies (as of 19 April 2022) on the UK FCA’s Financial Services Register. As such, the ratings of Moody’s may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation.

The transaction structure relating to the Certificates (as described in this Offering Circular) has been approved by Al Rajhi Capital Company’s Shari’a Committee (on behalf of Al Rajhi Capital Company as Arranger and the Bank as Obligor) and the Standard Chartered Bank Global Shariah Supervisory Committee. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari’a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari’a* principles. None of the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or any of the Agents makes any representation as to the *Shari’a* compliance of the Certificates and/or any trading thereof.

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia (the “Kingdom”) except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of Saudi Arabia (the “CMA”) pursuant to its Resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017) as amended by its Resolution number 5-5-2022 dated 02/06/1443H (corresponding to 5 January 2022), as amended (the “Rules on the Offer of Securities and Continuing Obligations”). The CMA does not make any representation as to the accuracy or completeness of this Offering Circular and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this Offering Circular, you should consult an authorised financial adviser.

The Saudi Central Bank (“SAMA”) does not make any representation as to the accuracy or completeness of this Offering Circular and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. In particular, prospective purchasers of the Certificates agree and acknowledge that SAMA assumes no liability whatsoever to any purchaser of the Certificates for any loss arising from, or incurred as a result of, the occurrence of a Non-Viability Event. If you do not understand the contents of this Offering Circular, you should consult an authorised financial adviser. See “Risk Factors—The circumstances triggering a Write-down are unpredictable” and “Risk Factors—The Certificateholders’ right to receive payment of the principal amount of the Tier 2 Certificates will, and the Periodic Distribution Amounts in respect of Tier 2 Certificates may, be written-down (in whole or in part) upon the occurrence of a Non-Viability Event”. The distribution of this Offering Circular and the offering, sale and delivery of the Certificates in any jurisdiction other than the Kingdom may be restricted by law.

*Arrangers and Dealers*

**Al Rajhi Capital  
Goldman Sachs International**

**Standard Chartered Bank**

**Citigroup  
J.P. Morgan**

The date of this Offering Circular is 26 April 2022

## IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF CERTIFICATES GENERALLY

This Offering Circular comprises admission particulars for the purpose of the ISM Rulebook. This Offering Circular does not comprise a prospectus for the purposes of either Regulation (EU) 2017/1129 or Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the “**UK Prospectus Regulation**”), and has not been approved as such by the competent authority in any member state of the EEA or the FCA.

The Trustee and the Bank accept responsibility for the information contained in this Offering Circular and the relevant Pricing Supplement for each Series of Certificates issued under the Programme. To the best of the knowledge of the Trustee and the Bank (each having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular should be read and construed together with any amendments or supplements hereto, with any information incorporated by reference herein and, in relation to any Tranche of Certificates, should be read and construed together with the relevant Pricing Supplement.

Certain information under the headings “*Risk Factors*”, “*The Kingdom’s Banking Sector and Regulation*” and “*Business Description of the Bank*” has been extracted from information provided by: (i) the Saudi Central Bank (“**SAMA**”) and the Organization of Petroleum Exporting Countries (“**OPEC**”), in the case of “*Risk Factors*”; (ii) SAMA, in the case of “*The Kingdom’s Banking Sector and Regulations*”; and (iii) SAMA, Saudi Credit Bureau (“**SIMAH**”) in the case of “*Business Description of the Bank*”, and, in each case, the relevant source of such information is specified where it appears under those headings. Each of the Trustee and the Bank confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The language of this Offering Circular is English. Certain technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

None of the Arrangers, the Dealers, the Delegate, the Agents or any of their respective affiliates have authorised the whole or any part of this Offering Circular and none of them makes any representation or warranty (and no such representation or warranty is implied) or accepts any responsibility as to the accuracy or completeness of the information contained in this Offering Circular or any responsibility for any acts or omissions of the Trustee, the Bank or any other person in connection with this Offering Circular or the issue and offering of the Certificates under the Programme.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the Programme or the issue or sale of the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents (each as defined herein). Neither the delivery of this Offering Circular nor any offering or sale of the Certificates shall, under any circumstances, create any implication that there has been no change in the affairs of the Trustee or the Bank since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Trustee or the Bank since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Offering Circular and the offering or sale of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Trustee, the Bank, the Arrangers and the Dealers to inform themselves about and to observe any such restriction. The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in

Regulation S). Each purchaser of the Certificates in making its purchase will be deemed to have made certain acknowledgements, representations and agreements. Prospective purchasers are hereby notified that the offer, sale or delivery of Certificates to it will be made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S. For a description of certain restrictions on offers and sales of Certificates and on distribution of this Offering Circular, see “*Subscription and Sale*”.

The Trustee and the Bank have confirmed to the Dealers named under “*Subscription and Sale*” below that this Offering Circular contains all information which is (in the context of the Programme or the issue, offering and sale of the Certificates) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed in the Offering Circular are honestly held or made; that the Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme or the issue, offering and sale of the Certificates) not misleading in any material respect. Reasonable enquiries have been made to ascertain or verify the foregoing.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Arrangers or Dealers or any affiliate of the Arrangers or Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Arrangers or Dealer or such affiliate on behalf of the Trustee in such jurisdiction.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Trustee, the Bank, the Arrangers or the Dealers to subscribe for, or purchase, any Certificates.

To the fullest extent permitted by law, none of the Arrangers, the Dealers, the Delegate or the Agents accepts any responsibility for the contents of this Offering Circular or for any other statement made, or purported to be made, by the Arrangers, the Dealers, the Delegate, the Agents or on its or their behalf in connection with the Trustee, the Bank or the issue and offering of the Certificates. Each of the Arrangers, the Dealers, the Delegate and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. Neither this Offering Circular nor any other such statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents that any recipient of this Offering Circular or any other such statements should purchase the Certificates. Each potential purchaser of Certificates should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Certificates should be based upon such investigation as it deems necessary. None of the Arrangers, the Dealers, the Delegate or the Agents undertakes to review the financial condition or affairs of the Trustee or the Bank during the life of the arrangements contemplated by this Offering Circular, nor to advise any investor or potential investor in Certificates issued under the Programme of any information coming to the attention of any of the Arrangers, the Dealers, the Delegate or the Agents.

Admission to trading on the ISM is not to be taken as an indication of the merits of the Trustee, the Bank or the Certificates. The Certificates may not be a suitable investment for all investors. Each potential investor in any Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Certificates, the merits and risks of investing in the relevant Certificates and the information contained in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Certificates and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Certificates, including Certificates where the currency for any Dissolution Distribution Amount or Periodic Distribution Amount (each as defined herein) payments are different from the potential investor’s currency;

- (iv) understands thoroughly the terms of the relevant Certificates and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Certificates unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of such Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Certificates are legal investments for it, (ii) Certificates can be used as collateral for various types of borrowing or raising of finance and (iii) other restrictions apply to its purchase or pledge of any Certificates. The Certificates may not satisfy an investor's requirements or any future legal or industry standards for investment in assets with sustainability characteristics. Investors should conduct their own assessment of the Certificates from a sustainability perspective. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

The Certificates to which this Offering Circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Certificates offered should conduct their own due diligence on the Certificates. If you do not understand the contents of this Offering Circular you should consult an authorised financial adviser.

The proceeds of certain issuances of Certificates may be used by the Bank to achieve objectives set out in the Bank's Sustainable Finance Framework (as defined in "*Use of proceeds*" below). None of the Trustee, the Arrangers, the Dealers, the Delegate or the Agents make any representation as to the suitability or content of the Sustainable Finance Framework and none of the Bank, the Trustee, the Arrangers, the Dealers, the Delegate or the Agents make any representation as to the suitability of the second party opinion to be issued by S&P Global in respect of the Sustainable Finance Framework. Prospective investors should refer to the Bank's Sustainable Finance Framework and the second party opinion (to be published on the Bank's website) and determine for itself the relevance of such information for the purposes of an investment in the Certificates together with any other investigation it deems necessary. Such second party opinion is not a recommendation to buy, sell or hold securities and is only current as of the date it was initially issued. Furthermore, such second party opinion is for information purposes only.

None of the Trustee, the Delegate, the Agents, the Bank, the Arrangers or the Dealers make any representation as to the suitability of the Certificates, including the listing or admission to trading thereof on any dedicated "green", "environmental", "sustainable", "social" or other equivalently-labelled segment of any stock exchange or securities market, or to fulfil any green, social, environmental or sustainability criteria required by any prospective investors.

No advice is given by the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents in respect of taxation or *Shari'a* matters relating to any Certificates or the legality of the purchase of the Certificates by an investor under any applicable law.

**EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN SHARI'A ADVISER, TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO SHARI'A, TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF ANY CERTIFICATES.**

## STABILISATION

**In connection with the issue of any Tranche, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the “Stabilisation Manager(s)”) (or persons acting on behalf of any Stabilisation Manager(s)) in the relevant Pricing Supplement may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the issue date of the relevant Tranche and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the date of the allotment of the relevant Tranche. Any stabilisation action must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**

## MIFID II PRODUCT GOVERNANCE/TARGET MARKET

The relevant Pricing Supplement in respect of any Certificates may include a legend entitled “MiFID II Product Governance”, which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**EU MiFID Product Governance Rules**”), any Dealer subscribing for any Certificates is a manufacturer in respect of such Certificates, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

## UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET

The relevant Pricing Supplement in respect of any Certificates may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Certificates is a manufacturer in respect of such Certificates, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

## PRIIPS REGULATION / PROHIBITION OF SALES TO EEA RETAIL INVESTORS

If the Pricing Supplement in respect of any Certificates includes a legend entitled “Prohibition of Sales to EEA Retail Investors”, the Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended (MiFID II); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPs Regulation**”) for offering or selling the Certificates or otherwise making them available to retail investors in

the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### **UK PRIIPS REGULATION / PROHIBITION OF SALES TO UK RETAIL INVESTORS**

If the Pricing Supplement in respect of any Certificates includes a legend entitled “Prohibition of Sales to UK Retail Investors”, the Tier 2 Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA, and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Certificates or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

### **NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE “SFA”)**

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the “**CMP Regulations 2018**”), unless otherwise specified in the relevant Pricing Supplement, the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### **BENCHMARKS REGULATION**

Profit and/or other amounts payable under the Certificates may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/2011 (the “**Benchmarks Regulation**”) or the Benchmarks Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK Benchmarks Regulation**”). If any such reference rate does constitute such a benchmark, the Pricing Supplement will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of the Benchmarks Regulation or the FCA pursuant to Article 36 (Register of administrators and benchmarks) of the UK Benchmarks Regulation. Administrators of certain benchmarks are not required to be registered by virtue of Article 2 of each of the Benchmarks Regulation and the UK Benchmarks Regulation and transitional provisions in the Benchmarks Regulation and the UK Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the Pricing Supplement. The registration status of any administrator under the Benchmarks Regulation and/or the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Trustee does not intend to update the relevant Pricing Supplement to reflect any change in the registration status of the administrator.

### **VOLCKER RULE**

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits “banking entities” (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining

an ownership interest in or sponsoring a “covered fund”, and (iii) entering into certain relationships with “covered funds”. The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a “banking entity” as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by “banking entities” in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding (a) the status of the Trustee under the Volcker Rule (including whether it is a “covered fund” for their purposes) or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

### **NOTICE TO RESIDENTS IN THE UK**

Any Certificates to be issued under the Programme which do not constitute “alternative finance investment bonds” (“**AFIBs**”) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000, as amended (the “**FSMA**”)) which has not been authorised, recognised or otherwise approved by the UK Financial Conduct Authority. Accordingly, any Certificates to be issued under the Programme must not be marketed in the UK to the general public and this Offering Circular is not being distributed to, and must not be passed on to, the general public in the UK.

The distribution in the UK of this Offering Circular, any relevant Pricing Supplement and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates (whether or not such Certificates are AFIBs) is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Financial Promotion Order**”); (ii) persons falling within any of the categories of persons described in Article 49 (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the “**Promotion of CISs Order**”); (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order.

Persons of any other description in the UK may not receive and should not act or rely on this Offering Circular, any relevant Pricing Supplement or any other marketing materials in relation to any Certificates.

Prospective investors in the UK in any Certificates are advised that all, or most, of the protections afforded by the UK regulatory system will not apply to an investment in such Certificates and that compensation will not be available under the UK Financial Services Compensation Scheme. Any prospective investor intending to invest in any investment described in this Offering Circular should consult its professional adviser and ensure that it fully understands all the risks associated with making such an investment and that it has sufficient financial resources to sustain any loss that may arise from such investment.

### **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain, Certificates issued in connection with this Offering Circular and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain (the “**CBB**”) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in any other currency or such other amount as the CBB may determine.

This Offering Circular does not constitute an offer of securities in Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Offering Circular and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase, nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase Certificates, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of Certificates will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to or made available to the public generally.

### **NOTICE TO RESIDENTS OF SAUDI ARABIA**

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia (“**Saudi Arabia**” or the “**Kingdom**”) except to such persons as are permitted under the rules and regulations issued by the Saudi Arabia Capital Markets Authority (“**CMA**”). Any offer of Certificates to any investor in Saudi Arabia or who is a Saudi person must be made in compliance with Article 8(a)(1) or Article 9 of the Rules on the Offer of Securities and Continuing Obligations (the “**KSA Regulations**”) and Article 10 of the KSA Regulations.

The CMA does not make any representations as to the accuracy or completeness of this Offering Circular, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. Prospective purchasers of Certificates issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Certificates. If you do not understand the contents of this Offering Circular, you should consult an authorised financial adviser.

SAMA does not make any representation as to the accuracy or completeness of this Offering Circular and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. In particular, prospective purchasers of the Certificates agree and acknowledge that SAMA assumes no liability whatsoever to any purchaser of the Certificates for any loss arising from, or incurred as a result of, the subscription of the Certificates. If you do not understand the contents of this Offering Circular, you should consult an authorised financial adviser.

### **NOTICE TO RESIDENTS IN THE STATE OF QATAR**

Any Certificates to be issued under the Programme will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Offering Circular has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar. The Certificates are not and will not be traded on the Qatar Stock Exchange. The Certificates and interests therein will not be offered to investors domiciled or resident in the State of Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

### **NOTICE TO RESIDENTS IN THE CAYMAN ISLANDS**

No invitation, whether directly or indirectly, may be made to the public in the Cayman Islands to subscribe for the Certificates and this Offering Circular shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for any Certificates issued under the Programme.

## **NOTICE TO RESIDENTS OF THE STATE OF KUWAIT**

Unless all necessary approvals from the Kuwait Capital Markets Authority (the “**Kuwait CMA**”) pursuant to Law No. 7 of 2010, and its executive bylaws (each as amended) (the “**CML Rules**”), together with the various resolutions, regulations, directives and instructions issued pursuant thereto, or in connection therewith (regardless of nomenclature) or any other applicable or regulation in the State of Kuwait, have been given in relation to the marketing of, and sale of, the Certificates (the “**Kuwait CMA Approval**”), the Certificates may not be offered for sale, nor sold, in the State of Kuwait.

This Offering Circular is not for general circulation to the public in the State of Kuwait nor will the Certificates be sold by way of a public offering in the State of Kuwait. In the event where the Certificates are intended to be purchased onshore in the State of Kuwait pursuant to a Kuwait CMA Approval, the same may only be so purchased through a licensed person duly authorised to undertake such activity pursuant to the CML Rules. Investors from the State of Kuwait acknowledge that the Kuwait CMA and all other regulatory bodies in the State of Kuwait assume no responsibility whatsoever for the contents of this Offering Circular and do not approve the contents thereof or verify the validity and accuracy of its contents. The Kuwait CMA, and all other regulatory bodies in the State of Kuwait, assume no responsibility whatsoever for any damages that may result from relying (in whole or in part) on the contents of this Offering Circular. Prior to purchasing any Certificates, it is recommended that a prospective holder of any Certificates seeks professional advice from its advisers in respect to the contents of this Offering Circular so as to determine the suitability of purchasing the Certificates.

## **NOTICE TO RESIDENTS IN MALAYSIA**

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase such Certificates in Malaysia may be made, directly or indirectly, and this Offering Circular or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Part I of Schedule 6 or Section 229(1)(b), Part I of Schedule 7 or Section 230(1)(b), read together with Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 (the “**CMSA**”) of Malaysia, as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or the Bank and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Offering Circular.

## PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

### PRESENTATION OF FINANCIAL INFORMATION

#### Historical financial statements

The historical financial statements relating to the Bank and its subsidiaries (collectively referred to as the “**Group**”) and incorporated by reference in this Offering Circular are:

- the audited consolidated financial statements as at and for the year ended 31 December 2021 (the “**2021 Financial Statements**”), which also include comparative financial information as at and for the year ended 31 December 2020; and
- the audited consolidated financial statements as at and for the year ended 31 December 2020 (the “**2020 Financial Statements**”) and together with the 2021 Financial Statements, the “**Financial Statements**”), which also include comparative financial information as at and for the year ended 31 December 2019.

The Financial Statements were prepared (i) in accordance with International Financial Reporting Standards (“**IFRS**”) that are endorsed in Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“**SOCPA**”) and (ii) in compliance with the provisions of Banking Control Law, the Regulations for Companies in Saudi Arabia and bylaws of the Bank.

The Bank’s financial year ends on 31 December and references in this Offering Circular to “**2019**”, “**2020**” and “**2021**” are to the 12 month period ending on 31 December in each such year.

All financial information as at, and for the year ended, 31 December 2021 appearing in this Offering Circular has been derived from the 2021 Financial Statements. All financial information as at, and for the years ended, 31 December 2020 and 31 December 2019 appearing in this Offering Circular has been derived from the 2020 Financial Statements.

#### Auditors and unaudited information

The Financial Statements were jointly audited by KPMG Professional Services (“**KPMG**”) and Ernst & Young Professional Services (Professional LLC) (“**EY**”) in accordance with International Standards on Auditing (“**ISAs**”) that are endorsed in Saudi Arabia. KPMG and EY issued unqualified audit reports on the Financial Statements.

### PRESENTATION OF OTHER INFORMATION

#### Currencies

Unless otherwise indicated, in this Offering Circular, all references to:

- “**riyal**” and “**SAR**” are to the lawful currency of Saudi Arabia;
- “**euro**” and “**€**” are to the currency introduced at the third stage of the European economic and monetary union pursuant to the Treaty Establishing the European Community, as amended; and
- “**U.S. dollars**” and “**U.S.\$**” are to the lawful currency of the United States.

Unless otherwise indicated, the financial information contained in this Offering Circular has been expressed in riyal. The Group’s functional currency is the riyal and the Group prepared the Financial Statements in riyal, rounded to the nearest thousand.

Translations of amounts from riyal to U.S. dollars in this Offering Circular are solely for the convenience of the reader. The riyal has been pegged to the U.S. dollar since 1986 at a fixed rate of SAR 3.75 = US\$1.00 and, unless otherwise stated, all conversions of riyal amounts to U.S. dollar amounts in this Offering Circular have been converted at this rate.

#### Alternative Performance Measures

This Offering Circular includes selected consolidated ratios which have not been prepared in accordance with IFRS and which also constitute alternative performance measures for the purposes of the ESMA Guidelines on Alternative Performance Measures (“APMs”). None of this financial information is subject to any audit or review by independent auditors. These ratios include performance measures, financial ratios, asset quality measures and other ratios, See “*Selected financial information—Selected consolidated ratios*”, which also explains the basis of calculation of each ratio.

The Group believes that the presentation of these ratios is helpful to investors because these and other similar measures are widely used by certain investors, security analysts and other interested parties as supplemental measures of performance and liquidity. However, these ratios are not measures of financial performance under IFRS and should not be considered in isolation or as a substitute for operating profit, cash flow from operating activities or other financial measures of the Group’s results of operations or liquidity computed in accordance with IFRS. Other companies, including those in the Group’s industry, may calculate these ratios differently from the Group. As all companies do not calculate these ratios in the same manner, the Group’s presentation of these ratios may not be comparable to other similarly titled measures of other companies.

### **Third party and market share data**

This Offering Circular contains information regarding the Group’s business and the industry in which it operates and competes, which the Group has obtained from third party sources. The Group and other institutions operating in the banking and financial services industry in Saudi Arabia make available a wide range of financial and operational information to regulatory and market bodies, including SAMA and the CMA. These bodies use certain of the data supplied to publish statistical information, amongst other matters. However, no assurance can be made that the information reported to these bodies by different market participants is, in all cases, directly comparable. Where third party information has been used in this Offering Circular, it has been accurately reproduced and the source of such information has been identified.

In some cases, independently determined industry data is not available. In these cases, any Group market share data included in this Offering Circular is referred to as having been estimated. All such estimates have been made by the Group using its own information and other market information which is publicly available. The Bank believes that these estimates of market share are helpful as they give prospective investors a better understanding of the industry in which the Group operates as well as its position within that industry. Although all such estimations have been made in good faith based on the information available and the Group’s knowledge of the market within which it operates, the Bank cannot guarantee that a third party expert using different methods would reach the same conclusions.

Statistical information relating to Saudi Arabia included in this Offering Circular has been derived from official public sources, including the General Authority for Statistics (“GASTAT”), SAMA, the Ministry of Finance, the Ministry of Economy and Planning, the International Monetary Fund (the “IMF”) and the Organisation for Petroleum Exporting Countries (“OPEC”). All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by the Group to investors who have purchased Certificates issued under the Programme.

Where information has not been independently sourced, it is the Group’s own information.

### **No incorporation of website information**

The Bank’s website is <https://www.alrajhibank.com.sa>. The information on this website or any other website mentioned in this Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Offering Circular, and investors should not rely on it.

### **Definitions**

In this Offering Circular, references to:

- a “billion” are to a thousand million;

- the “GCC” are to the Gulf Cooperation Council (comprising the Kingdom of Bahrain, Kuwait, the Sultanate of Oman, the State of Qatar, Saudi Arabia and the UAE);
- “Government” are to the government of Saudi Arabia;
- “Jordan” are to the Hashemite Kingdom of Jordan;
- the “MENA region” are to the Middle East and North Africa region;
- “Kuwait” are to the State of Kuwait;
- “Saudi Arabia” are to the Kingdom of Saudi Arabia; and
- the “UAE” are to the United Arab Emirates.

In this Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

### **Rounding**

The Financial Statements present the Group’s results in thousands of riyal. Certain financial statement data in this Offering Circular has been expressed in millions of riyal and rounded to one decimal place, with 0.050 being rounded up and 0.049 being rounded down. As a result of such rounding, the totals of financial statement data presented in tables in this Offering Circular may vary slightly from the arithmetic totals of such data. Where used in tables, the figure “0” means that the data for the relevant item has been rounded to zero and the symbol “—” means that there is no data in respect of the relevant item.

In addition, all percentage data in this Offering Circular has been rounded to one decimal place, with 0.050 being rounded up and 0.049 being rounded down.

### **Dates**

Certain dates in this Offering Circular have been referred to in accordance with the Hijri (“H”) calendar and the Gregorian calendar

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Offering Circular may be deemed to be “forward-looking statements”. Forward-looking statements include statements concerning the Bank’s plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Offering Circular, the words “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “aims”, “seeks”, “may”, “will”, “should” and any similar expressions generally identify as forward-looking statements. These forward-looking statements are contained in the sections entitled “*Risk factors*”, “*Description of the Trustee*” and “*Business description of the Bank*” and other sections of this Offering Circular. The Bank has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although the Bank believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise, including those identified below or which the Obligor has otherwise identified in this Offering Circular, or if any of the Bank’s underlying assumptions prove to be incomplete or inaccurate, the Bank’s actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections “*Risk factors*”, “*Description of the Trustee*”, and “*The Kingdom’s banking sector and regulations*”, which include a more detailed description of the factors that might have an impact on the Bank’s business development and on the industry sector in which the Bank operates.

The risks and uncertainties referred to above include:

- macro-economic and financial market conditions (and changes therein);
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions, the impact of provisions and impairments and concentration of the Bank’s portfolio of financing and investing assets;
- the effects of, and changes in laws, regulations or governmental policy affecting the Bank’s business activities;
- removal or adjustment of the peg between the U.S. dollar and the Saudi riyal;
- liquidity risks, including the inability of the Bank to meet its contractual and contingent cash flow obligations or its inability to fund its operations; and
- changes in interest rates and other market conditions.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk factors*”.

These forward-looking statements speak only as at the date of this Offering Circular. Without prejudice to any requirements under applicable laws, the Trustee and the Bank expressly disclaim any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based.

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## **RISK FACTORS**

*Each of the Trustee and the Bank believes that the following factors may affect the Trustee's ability to pay amounts owing under Certificates issued under the Programme and the Bank's ability to satisfy its obligations under the relevant Transaction Documents (as defined in the Conditions). All of these factors are contingencies which may or may not occur. However, should any of these factors occur, it would have the potential to materially adversely affect the Bank's business, results of operations, financial condition and prospects and thereby affect its ability to perform its obligations in respect of the relevant Transaction Documents.*

*Factors which each of the Trustee and the Bank believes may be material for the purpose of assessing the market risks associated with Certificates issued under the Programme are also described below.*

*Each of the Trustee and the Bank believes that the factors described below represent the principal risks inherent in investing in Certificates, but the inability of the Trustee to pay Periodic Distribution Amounts (as defined in the Conditions), Dissolution Distribution Amounts (as defined in the Conditions) or other amounts on or in connection with any Certificates and of the Bank to pay amounts owing under the relevant Transaction Documents may occur for other reasons and neither the Trustee nor the Bank represents that the statements below regarding the risks of holding any Certificates issued under the Programme are exhaustive.*

*Prospective investors should also read the detailed information set out elsewhere in this Offering Circular (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision. Words and expressions defined elsewhere in this Offering Circular shall have the same meanings in this section.*

### **Factors that may affect the Trustee's ability to fulfil its obligations under or in connection with the Certificates**

#### ***The Trustee has no operating history and no material assets***

The Trustee is an exempted company with limited liability incorporated under the laws of the Cayman Islands on 10 January 2022 and has no operating history. The Trustee has not as at the date of this Offering Circular engaged, and will not engage, in any business activity other than the issuance of Certificates under the Programme, the acquisition of Trust Assets as described herein, acting as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be Trust Assets, including the right to receive amounts paid by the Bank under the Transaction Documents. Therefore, the Trustee is subject to all the risks to which the Bank is subject to the extent that such risks could limit the Bank's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents.

The Certificates represent limited recourse obligations of the Trustee and the recourse of the Certificateholders against the Trustee in relation to the Certificates of each Series is limited to the Trust Assets relating to that Series and the proceeds from those Trust Assets.

The ability of the Trustee to pay amounts due on Certificates will be dependent upon receipt by the Trustee from the Bank of amounts to be paid under the relevant Transaction Documents (which in aggregate may not be sufficient to meet all claims under the Certificates of any Series and the relevant Transaction Documents). See "*Risks relating to the Bank and its ability to fulfil its obligations under the Transaction Documents*".

### **Risks relating to the Bank and its ability to fulfil its obligations under the Transactions Documents**

***The Group's operations and assets are principally located in Saudi Arabia and, accordingly, the Group is exposed to general economic conditions in Saudi Arabia***

The majority of the Group's assets, operations and interests are located in Saudi Arabia. Accordingly, its business is, and will continue to be, affected by the general economic conditions prevailing from time to time in Saudi Arabia and the Middle East generally as well as by global economic conditions that affect Saudi Arabia's economy generally.

The Government continues to pursue a policy of diversification, including the Saudi Vision 2030 (a strategic framework to reduce Saudi Arabia's dependence on oil, diversify its economy and develop public service sectors) and the National Transformation Program 2020 (an economic action plan implemented as part of the Saudi Vision 2030), to enhance the contribution of the non-oil sector to its real gross domestic product ("GDP"). Nevertheless, oil income will continue to play a pivotal role in economic planning and development in Saudi Arabia. According to GASTAT, the oil sector accounted for 40.4 per cent., 41.5 per cent. and 43.2 per cent. of Saudi Arabia's real GDP and 23.2 per cent., 31.2 per cent. and 33.4 per cent. of its nominal GDP in each of 2020, 2019 and 2018, respectively. In addition, oil exports accounted for 68.7 per cent., 76.6 per cent. and 78.7 per cent. of Saudi Arabia's total exports by value in 2020, 2019 and 2018, respectively and oil revenues accounted for 52.8 per cent., 64.1 per cent. and 67.5 per cent. of total Government revenue in 2020, 2019 and 2018, respectively.

International oil prices have fluctuated significantly over the past two decades, and may remain volatile in the future. For example, in 2018 and 2019 the yearly average OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by OPEC countries) was U.S.\$69.78 and U.S.\$64.04, respectively. In 2020, the yearly average OPEC Reference Basket price was U.S.\$41.47, reflecting a sharp drop in April 2020 (driven by OPEC actions and significantly reduced demand as a result of the coronavirus disease 2019 ("COVID-19") and a slow recovery throughout the remainder of the year. In 2021, the yearly average OPEC Reference Basket price was U.S.\$69.89. The price per barrel of Arabian Light Crude Oil (which is produced by Saudi Arabia and constitutes part of the OPEC Reference Basket) has also generally moved in line with these trends. The Russia and Ukraine geopolitical conflict in 2022 has led to increases in both oil and gas prices. Reflecting the recent conflict affecting Ukraine, the OPEC Reference Basket monthly average price rose to U.S.\$113.48 in March 2022 and oil prices continue to fluctuate significantly.

In 2020, the Bank increased its net impairment charges for expected credit losses ("ECL"), principally reflecting the impact of, and ongoing uncertainty associated with, COVID-19. For example, the aggregate impact of various COVID-19 related adjustments made by Bank contributed an additional ECL of SAR 608 million during 2020. In 2020, the Group also made certain adjustments to the macroeconomic factors and scenario weightings used in its ECL and, to the extent that certain effects could not be fully incorporated into the ECL model, management continued to exercise credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. During 2021, the Group revised the scenario probabilities used for the determination of ECL and, as a result, it recognised overlays of SAR 486 million for corporate as at 31 December 2021.

The impact of COVID-19 on Saudi Arabia's economy has had, and may continue to have, an adverse effect on the Group's credit risk profile. The Group conducts regular stress tests of its customer financing portfolio under scenarios of differing severity in order to identify key vulnerabilities and to measure resultant impacts on asset quality and performance. However, these stress-testing activities do not provide assurance against impacts that may be realised through external shocks and customer defaults may nevertheless occur. The occurrence of these events and a material increase in financing losses could have a material adverse effect on the Group, in particular through increases in the Group's non-performing financing, increased financing loss provisions and reduced demand for financing and other banking services, which could negatively impact the Group's profitability.

In addition, any sustained downturn in oil prices in the future could substantially slow down or disrupt Saudi Arabia's economy, and the banking sector in particular, which could in turn have an adverse impact on the Group and the market price of the Certificates, see "*—Risks relating to the economic, political and regulatory environment in Saudi Arabia—Saudi Arabia's economy remains dependent on its oil revenue*" below.

### ***COVID-19 adversely impacted the Group and may continue to adversely impact the Group***

COVID-19 was first identified in China at the end of 2019. COVID-19 spread rapidly and was declared by the World Health Organisation to be a global pandemic in March 2020.

In response to COVID-19, governments around the world (including in Saudi Arabia) imposed restrictions on travel and on the freedom of movement of people. These measures significantly reduced economic activity in many countries in 2020 and at times in 2021. Restrictive measures continue to different degrees in different countries and the ongoing and longer-term social, economic and political consequences of COVID-19 on global and regional economies are still largely uncertain. In addition, while Saudi Arabia has administered enough vaccinations to fully vaccinate approximately 87 per cent. of the population according to Reuters on 21 February 2022, how the vaccination drive will continue to progress in Saudi Arabia is unclear and difficult to predict.

In its October 2021 World Economic Outlook, the IMF estimated that global real GDP had declined by 3.1 per cent. in 2020 and that real GDP in Saudi Arabia had declined by 4.1 per cent.

Partly in response to the impact of COVID-19, the Bank increased its net impairment charge for financing and other financial assets, net by SAR 393.4 million, or 22.2 per cent., in 2020 compared to 2019.

In 2020, the Group made certain adjustments to the macroeconomic factors and scenario weightings used in its ECL calculation and, to the extent that certain effects could not be fully incorporated into the ECL model calculations, management continued to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. As a result, in 2020, management recognised SAR 608 million of overlays to reflect potential further credit deterioration. In 2021, the Group revised the scenario probabilities used for the determination of ECL and recognised overlays of SAR 486 million for its corporate exposure as at 31 December 2021.

Given the inability to predict the duration of the current precautionary and preventive measures undertaken by Saudi Arabian authorities to prevent the spread of the COVID-19 pandemic, it is difficult for the Group to determine the size and extent of the overall financial impact at this stage. The Group is cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This includes reviewing specific economic sectors, regions, counterparties and collateral protection, taking appropriate customer credit rating actions and initiating the restructuring of financing, where required. The Group has also revised certain inputs and assumptions used for the determination of ECLs. In addition, the Group has conducted additional stress tests, considered additional risk management practices and commenced a review of credit exposure concentrations to manage potential business disruption due to the COVID-19 pandemic.

However, the COVID-19 pandemic and its effects may last for an extended period of time, and could result in significant and continued market volatility, exchange trading suspensions and closures, declines in global financial markets, higher default rates, and a substantial economic downturn or recession among other outcomes. Any or all of the foregoing factors could impair the Group's ability to maintain operational standards and may disrupt the operations of the Group's clients and service providers, adversely affect the value and liquidity of the Group's investments, and negatively impact the Group's performance and any investment in the Certificates. The extent to which COVID-19 will affect the Group's business will depend on future developments, which are highly uncertain and cannot be predicted.

Should the COVID-19 outbreak continue to cause disruption to economic activity globally in 2022, particularly if new vaccine resistant strains emerge, there could be an adverse impact on the Group's financial assets. There could also be an adverse impact on the Group's income due to lower lending and transaction volumes and potentially higher credit losses. Other potential risks include credit rating migration which could negatively impact the Group's risk-weighted assets and capital position, and potential liquidity stress due, among other factors, to increased customer drawdowns and deposit withdrawals, notwithstanding the significant initiatives that governments and central banks have put in place to support funding and liquidity. In addition, lower interest rates globally could negatively impact the Group's gross financing and investment income.

***The Group operates in a region that is subject to ongoing political and security concerns***

The MENA region is subject to a number of geopolitical and security risks. Since 2011, there has been significant political and social unrest in a number of countries in the MENA region, including Tunisia, Algeria, Egypt, Libya, Bahrain, Kuwait, Lebanon, Jordan, Iraq, Yemen and Syria. This unrest has ranged from public demonstrations to armed conflict, civil war, foreign military intervention and the overthrow of existing leadership.

In addition, in March 2015, a coalition of countries, led by Saudi Arabia and supported by the international community, commenced military action against the Al-Houthi rebels in Yemen. The conflict in Yemen has not yet been fully resolved and military operations continue at a reduced scale. Saudi Arabia has been targeted on several occasions by ballistic missiles fired by the Al-Houthi rebels in Yemen since 2017, and, while the majority of these missile attacks were successfully intercepted by Saudi Arabia's defence systems, there can be no assurance that the conflict in Yemen will not continue or re-escalate. Additionally, in September 2019, the Abqaiq processing facility and the Khurais oil field in Saudi Arabia were damaged in a major act of sabotage which resulted in the temporary interruption of Saudi Arabia's oil and gas production. The Al-Houthi rebels claimed responsibility for the act of sabotage, although this claim has not been verified and has been disputed.

In addition, Saudi Arabia has experienced other occasional terrorist attacks in recent years, including incidents in Jeddah, Medina and Qatif in July 2016, oil tanker sabotage and drone strikes on a crude oil pipeline in May 2019, an explosion caused by a projectile which resulted in a fire in a fuel tank at a Saudi Aramco petroleum products distribution terminal in the north of Jeddah in November 2020 and, in March 2021, a drone attack on a Saudi Aramco refinery in Riyadh.

In May 2018, the United States announced its withdrawal from the Joint Comprehensive Plan of Action between the United Nations Security Council's five permanent members plus Germany and Iran that was reached in July 2015, reinstating primary U.S. sanctions on the Iranian regime. In January 2020, the United States carried out a military strike which killed a senior Iranian military commander, leading to retaliatory Iranian strikes at a US base in Iraq. Any continuation of or increase in international or regional tensions regarding Iran, including further attacks on or seizures of oil tankers which disrupt international trade, any impairment of trade flow through the Strait of Hormuz, or any military conflict, could have a destabilising impact on the Gulf region, including Saudi Arabia and its ability to export oil.

These situations have caused significant disruption to the economies of the affected countries, have given rise to increased political uncertainty across the MENA region and have had a destabilising effect on oil and gas prices. There is no certainty that extremists or terrorist groups will not escalate violent activities in the MENA region, or that any currently stable governments in the MENA region will be successful in maintaining the prevailing levels of domestic order and stability. As it is not generally possible to predict the occurrence or impact of events or circumstances, such as war, hostilities or diplomatic rifts, no assurance can be given that the Bank would be able to sustain the profitable operation of its business if adverse political events or circumstances impacting the MENA region were to occur.

Prospective investors should also note that the Group's business and financial performance could be adversely affected by political, economic or related developments outside the MENA region because of inter-relationships within the global financial markets. Moreover, there is no certainty that the governments of the countries to which the Group is particularly exposed will not implement restrictive fiscal or monetary policies or regulations, including changes with respect to interest rates and new legal interpretations of existing regulations, any of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

***The Group is exposed to the credit risk of borrowers and other counterparties due to its financing and investment activities, which could give rise to material losses in future periods***

Credit risk arising from adverse changes in the credit quality and recoverability of financing, securities and amounts due from counterparties are inherent in a wide range of the Group's businesses, principally in its

financing and investment activities. Credit risk could also arise from a general deterioration in local or global economic conditions, or from systemic risks within the financial systems in which the Group operates. In particular, the Group is exposed to the risk that its counterparties may not meet their obligations in respect of financing advanced by the Group and that the collateral (if any) securing the financing advanced may be insufficient, each of which could:

- affect the recoverability and value of the Group's assets;
- result in an increase in non-performing financing; and
- require an increase in the Group's provisions for the impairment of financing and other financial assets.

As at 31 December 2021, the Group's financing, net amounted to SAR 452,830.7 million, its non-performing financing amounted to SAR 3,010.1 million and its provision for financing impairment amounted to SAR 9,198.2 million.

The Group's non-performing financing coverage ratio (calculated by dividing its provision for financing impairment by its non-performing financing) was 305.6 per cent. as at 31 December 2021. The Group's non-performing financing ratio (calculated by dividing its non-performing financing by its gross financing) was 0.65 per cent. as at 31 December 2021.

The Group calculates its ECL in accordance with IFRS 9 rules and guidelines to cover bad and doubtful debts and impaired investments and the Group's portfolio and credit exposures are managed in accordance with the relevant credit policy and customer lending classifications set by SAMA. However, as a result of adverse economic and political developments in recent years (including the impact of COVID-19 since early 2020), adverse changes in consumer confidence levels, reduced consumer spending, volatile liquidity levels and increased bankruptcy rates, among other factors, the ability of certain of the Group's customers and counterparties to repay their financing or other obligations has been, and may continue to be, adversely affected.

If the Group experiences a higher level of customer defaults and its provisions prove to be inadequate for any reason, including because of a further economic downturn or a significant failure of its credit risk management policies and procedures, this could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

***Security interests provided in favour of the Group may not be sufficient to cover all losses and the Group may experience difficulty in enforcing certain types of collateral***

The practice of pledging assets (such as share portfolios and real estate assets) to obtain bank financing is subject to certain limitations and administrative restrictions under Saudi Arabian law. In particular, such security may, in some cases, not be enforced without a court order. Accordingly, the value of any such collateral may decrease over time while the Group seeks to enforce it, and the time and costs associated with enforcing the collateral may also adversely affect the Group's ability to recover its financing losses in full.

***The Group's financing, net, investment securities portfolio and customers' deposits are concentrated in Saudi Arabia***

The Group's financing, net and investment securities portfolio are geographically concentrated in Saudi Arabia. These portfolios together aggregated SAR 528,219.8 million, or 84.7 per cent. of the Group's total assets, as at 31 December 2021. As at 31 December 2021, 97.7 per cent. of the Group's net financing and 91.2 per cent. of its investments, net were based in Saudi Arabia.

The Group's customer deposits aggregated SAR 512,072.2 million, or 92.0 per cent. of its total liabilities, as at 31 December 2021. These deposits are principally sourced in Saudi Arabia.

Accordingly, any deterioration in general economic conditions in Saudi Arabia or any failure by the Group to effectively manage its geographic risk concentrations could have a more significant adverse effect on the

Group's business than on that of a more diversified bank. See "*—The Group's operations and assets are principally located in Saudi Arabia and, accordingly, the Group is exposed to general economic conditions in Saudi Arabia*" above and "*—The Group operates in a region that is subject to ongoing political and security concerns*" above.

### ***The Group has significant customer and sector concentrations***

Consumer financing accounted for SAR 369,787.1 million, or 80.5 per cent. of the Group's financing, net (before 12 month and life time ECL not credit impaired), as at 31 December 2021. Of the remaining, 19.5 per cent., SAR 32,610.1 million, or 7.1 per cent. of the Group's financing, net (before 12 month and life time ECL not credit impaired), was advanced to entities operating in the industrial sector and SAR 32,404.2 million, or 7.1 per cent. of the Group's financing, net (before 12 month and life time ECL not credit impaired), was advanced to entities operating in the commercial sector.

Within its financing and investment securities portfolios, the Group's exposure to the Government and quasi-Government entities accounted for 14.9 per cent. of its financing, net and 80.1 per cent. of its investments, net as at 31 December 2021. The financial condition and ongoing profitability of Government-controlled or Government-related entities largely depends upon Government spending and policy. The Group is therefore exposed to shifts in Government spending and policy and the impact of such shifts on the level of economic activity in Saudi Arabia and in turn, on the Group's Government-related customers, over which it has no control. The Group's failure to adequately foresee and assess any such shifts may have an adverse effect on its business, results of operations, financial condition and prospects.

Concentrations in the corporate loan/financing receivables portfolio of the Group subjects it to risks from default by its larger borrowers, from exposure to particular industry sectors and from the withdrawal of any large deposits. The loans and receivables portfolio of the Group shows industry and borrower concentration.

As a result, a material weakening in the credit quality of, or a default by, any one or more of the Group's large financing counterparties or issuers of debt securities, or any factors which negatively impact any of the sectors to which the Group has significant exposure, could result in the Group having to make significant additional ECL provisions and experiencing reduced gross financing and investment income. Sector specific factors might include:

- low levels of economic growth or a recession in Saudi Arabia which, particularly if coupled with increased levels of unemployment or other factors constraining consumer income, could materially adversely impact the ability of the Group's retail customers to repay their financing;
- prevailing low oil and gas prices which could reduce the liquidity of the Group's Government and quasi-Government borrowers, particularly those that operate in the oil and gas sector or provide products and services to that sector; and
- a significant decline in real estate values which could weaken the credit quality of the Group's construction and real estate borrowers, and could also reduce the value of the real estate collateral which the Group holds.

The Group also has a high concentration of customers' deposits from large institutional depositors. The withdrawal or non-renewal of the Group's customers' deposits by any one or more of its material depositors (including Government-related depositors) could require the Group to obtain replacement funding from other sources which may not be readily available or may be significantly more expensive, which could reduce the Group's margins and adversely impact its operating income and profitability. See "*—The Group is subject to the risk that liquidity may not always be readily available*" below.

***The Group has significant credit-related contingent liabilities and commitments that may lead to potential losses***

As part of its normal banking business, the Group issues letters of guarantee, letters of credit and acceptances which are accounted for off the Group's balance sheet until such time as they are actually funded or cancelled. In addition, the Group makes irrevocable commitments to extend credit to its customers. Although these commitments are contingent, they nonetheless subject the Group to both credit and liquidity risks. As at 31 December 2021, the Group had SAR 25,087.2 million in contingent liabilities and commitments outstanding, equal to 5.3 per cent. of its combined financing, net and contingent liabilities and commitments.

Although the Group anticipates that only a portion of its obligations in respect of these commitments will be triggered and funds itself accordingly, the Group may need to make payments in respect of a greater portion of such commitments, particularly in cases where there has been a general deterioration in market conditions. This could result in the Group needing to obtain additional funding, potentially at relatively short notice, which may not be readily available or may be significantly more expensive, which could reduce the Group's margins and adversely impact its operating income and profitability.

***The Group could be adversely affected by the soundness or the perceived soundness of other financial institutions and counterparties***

Given the high level of interdependence between financial institutions that became most evident during the global financial crisis of 2008 to 2010, the Group is subject to the risk of deterioration in the commercial and financial soundness, or perceived soundness, of other financial institutions. Within the financial services industry, the default of any one institution could lead to significant losses, and potentially defaults, by other institutions. As was experienced in 2008 and 2009, concerns about, or a default by, one institution could also lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions is closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by the Group or other institutions. This risk, often referred to as "systemic risk", may also adversely affect other financial intermediaries, such as clearing agencies, clearing houses, securities firms and exchanges, with whom the Group interacts on a daily basis. Systemic risk, should it materialise, could have a material adverse effect on the Group's ability to raise new funding and on its business generally.

***The Group is subject to the risk that liquidity may not always be readily available***

The Group is exposed to the risk that it will be unable to meet its obligations, including funding commitments, as they become due as a result of maturity mismatches between its assets and liabilities. If the Group's cash flow from its operations is not sufficient to meet its short- and medium-term contractual and contingent payment obligations when they fall due, it could experience liquidity issues, even if it continues to receive new customers' deposits and proceeds from new financings or future revenue streams. Such liquidity mismatches could also arise if there is an unexpected outflow of customers' deposits, if there is a material decline in the value of the Group's liquid securities portfolio or if the Group is unable to secure short-term funding or sell assets to bridge any such funding gap. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, customers' demand deposits or short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. Credit markets worldwide experienced a severe reduction in liquidity in the final quarter of 2008 and the first half of 2009. Since then, financial institutions have continued to experience periods of reduced liquidity.

The perception of counterparty risk between banks has also increased significantly since the final quarter of 2008, which has led at times to reductions in certain traditional sources of liquidity, such as the fixed income securities markets, asset sales and redemption of investments. The Group's access to these traditional sources of liquidity may be restricted or available only at a higher cost and there can be no assurance that the Government

will provide any support to the Saudi Arabian banking sector in the future. See “—*There are no third-party guarantees or other assurances of Government support*” below.

In addition, uncertainty or volatility in the capital and credit markets may limit the Group’s ability to refinance maturing liabilities with long-term funding or may increase the cost to the Group of such funding. The Group’s access to any additional financing it may need will depend on a variety of factors, including market conditions, the availability of credit generally and to borrowers in the financial services industry specifically, and the Group’s financial condition, credit ratings and credit capacity.

The Group meets a significant portion of its funding requirements through short-term funding sources, primarily in the form of customers’ demand deposits. In the past, such customers’ deposits have been a stable source of funding; however, the availability of customers’ demand deposits is subject to fluctuation due to factors outside the Group’s control, including possible loss of consumer confidence and competitive pressures, and this could result in a significant outflow of deposits within a short period of time or may cause the Group to increase the return paid on its deposits to ensure that it retains sufficient deposits. As at 31 December 2021, 73.2 per cent. of the Group’s customers’ deposits did not have a fixed maturity although, as is typical in the Saudi Arabian banking industry, these deposits have generally proved to be sticky in nature and a stable source of funding based on historical behaviour analysis. Nevertheless, they are effectively repayable on demand. In addition, a further 14.6 per cent. of the Group’s customers’ deposits were due to mature within three months and a further 11.0 per cent. were due to mature between three months and one year. The Group may experience outflows of deposits at times when liquidity is constrained generally in Saudi Arabia or when its major depositors experience short- or longer-term liquidity requirements. Particularly if international oil and gas prices experience a sharp fall or remain low for a prolonged period, the Group’s large depositors (including the Government and quasi-Governmental depositors) may start to withdraw part or even all of their deposits with it.

Although the Bank has accessed wholesale funding markets (through bilateral or syndicated loans and the international bond markets) in order to diversify and increase the maturity of its funding sources, these borrowings have not eliminated its contractual asset-liability maturity gaps.

In addition, the Group’s deposits are geographically concentrated and the Group is reliant on certain large deposits from a limited group of customers. See “—*The Group’s financing, net, investment securities portfolio and customers’ deposits are concentrated in Saudi Arabia*” above and “—*The Group has significant customer and sector concentrations*” above.

If a substantial portion of the Group’s depositors, or any of its largest depositors, fail to roll over short-term time deposits upon maturity or withdraw their demand deposits, the Group’s liquidity and financial position could be adversely affected and it may be required to seek other sources of funding from more expensive sources or may have to sell, or enter into sale and repurchase or securitisation transactions over, certain of its assets to meet its funding requirements. No assurance can be given that the Group will be able to obtain additional funding as and when required or at prices that will not affect its ability to compete effectively and, if the Group is forced to sell assets to meet its funding requirements, it may suffer material losses as a result.

In extreme cases, if the Group is unable to refinance or replace such deposits with alternative sources of funding to meet its liquidity needs, through deposits, the interbank markets, the international capital markets or through asset sales, this could have a material adverse effect on its business generally and could, potentially, result in its insolvency.

### ***The Group could be adversely affected by market risks***

The Group could be adversely affected by market risks that are outside its control, including, without limitation, volatility in benchmark interest rates, prices of securities or commodities and currency exchange rates. In particular, an increase in benchmark interest rates generally may decrease the value of the Group’s fixed-income financing and securities and may increase the Group’s funding costs. In addition, fluctuations in benchmark interest rates may result in a pricing gap between the Group’s rate-sensitive assets and liabilities. Benchmark interest rates are sensitive to many factors beyond the Group’s control, including the policies of central banks,

such as SAMA and the U.S. Federal Reserve, political factors and domestic and international economic conditions.

Changes in benchmark interest rate levels and spreads may also affect the Group's future cash flows (by adversely impacting the margin realised between the Group's financing and investment activities and its funding costs). Changes in sukuk, equity and commodity prices may also affect the values of the Group's investment securities.

Although the Group monitors profit and cost rates with respect to its assets and liabilities and seeks to match its profit and cost rate positions, rate movements may lead to mismatches between the rates on its profit-earning assets and cost-bearing liabilities which, in turn, may adversely affect the Group's net financing and investment income. In particular, the Group provides consumer financing and real estate financing on a fixed profit rate basis over the term of the advance (which, as at 31 December 2021, was for an average of 43 months for personal finance and 215 months for real estate finance). The Group's funding, particularly its short-term funding (see "*—The Group is subject to the risk that liquidity may not always be readily available*" above) is more exposed to changes in market conditions. If the Group's cost of funding increases and it is not able to pass the increased costs on to all or a significant portion of its existing financing customers in a timely manner or at all due to market, competitive or other conditions, this could have a material adverse effect on its business, results of operations, financial condition or prospects.

The Group is also exposed to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. This risk includes the possibility that the value of a foreign currency asset or liability will change due to changes in currency exchange rates as well as the possibility that the Group may have to close out any open position in a foreign currency at a loss due to an adverse movement in exchange rates. The Group attempts to match the currencies of its assets and liabilities and open currency positions are maintained within the limits set by SAMA. However, where the Group is not so hedged, it is exposed to fluctuations in foreign exchange rates and any such hedging activity may not in all cases protect the Group against such risks.

The Group enters into derivative transactions, such as Islamic foreign exchange agreements, as part of its business, in order to manage foreign exchange risks. The Group also offers derivative hedging products to its clients. As at 31 December 2021, the Group's derivative contracts had a notional amount of SAR 24,976.7 million and a net positive fair value of SAR 40.9 million. There is no assurance that the Group's derivative contracts will be successful in mitigating its interest rate and foreign exchange rate exposures or that the Group will not experience significant losses on its derivatives contracts from time to time.

Adverse movements in benchmark interest and foreign exchange rates may also adversely impact the revenue and financial condition of the Group's depositors, borrowers and other counterparties which, in turn, may impact the Group's deposit base and the quality of its credit exposures to certain borrowers and other counterparties. Ultimately, there can be no assurance that the Group will be able to protect itself from any adverse effects of a currency revaluation or future volatility in benchmark interest rates or currency exchange rates or from a significant change in the prices of its securities.

***The Group's risk management policies, systems and procedures may leave it exposed to unidentified or unanticipated risks***

There can be no assurance that the Group's risk management and internal control policies and procedures will adequately control, or protect it against, all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by the Group's risk management systems. Some of the Group's methods of managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures which could be significantly greater than historical measures indicate. In addition, certain risks could be greater than the Group's empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Group operates, its clients or other matters that are publicly available or information otherwise accessible to it.

This information may not be accurate, complete, up to date or properly evaluated in all cases. Any material deficiency in the Group's risk management or other internal control policies or procedures may expose it to significant losses as a result of unidentified credit, liquidity, market or operational risks, should they occur.

Although the Group invests substantial time and effort in its risk management systems and believes it has implemented the appropriate policies, systems and procedures to control and mitigate these risks, its risk management techniques may not be consistently implemented or fully effective in mitigating its exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Investors should note that any failure by the Group to identify and/or adequately control these risks, including as a result of any failure to successfully implement new risk management policies, systems and procedures in the future, may have a material adverse effect on the Group's reputation, business, results of operations, financial condition or prospects.

***The Group is exposed to operational risk which could result in damage to its reputation as well as financial losses***

The Group is exposed to a wide range of operational risks, including those arising from external events and natural disasters or from process error (including failure to document transactions properly or to obtain proper internal authorisation), fraud, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failure (including in particular information technology ("IT") related failures), inadequate customer services protocols, inadequate employee skills and performance, poor product development and maintenance, unauthorised activities and inadequate security and physical protection. Although the Group has implemented risk controls and loss mitigation strategies, and has devoted (and continues to devote) substantial resources to developing efficient procedures and to employee training, it is not possible to eliminate entirely each of the potential operational risks that the Group faces. Any losses arising from the materialisation of such risks may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group's employees could engage in misrepresentation, misconduct or improper practice that could expose the Group to direct and indirect financial loss and damage to its reputation. Such practices may include embezzling clients' funds, engaging in corrupt or illegal practices to originate further business, intentionally or inadvertently releasing confidential information about clients or failing to follow internal procedures. It is not always possible to detect or deter these types of misconduct, and the precautions which the Group takes to detect and prevent such misconduct may not be effective in all cases. There can be no assurance that measures undertaken to combat these types of misconduct will be successful. Any such actions by employees could expose the Group to financial losses resulting from the need to reimburse clients, co-investors or other business partners who suffered loss or as a result of fines or other regulatory sanctions, and could damage the Group's reputation.

***The Group is dependent on its IT systems and any disruption to these systems could materially disrupt the Group's business***

The Group depends on its IT systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of the Group's business and operating data. The proper functioning of the Group's financial control, risk management, credit analysis and reporting, accounting, customer service and other IT systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group's business and ability to compete effectively. The Group's business activities would be materially disrupted if there is a partial or complete failure of any of the IT systems or communications networks. Such failures can be caused by a variety of factors some of which are outside the Group's control, including natural disasters, extended power outages, computer viruses and other external electronic attacks as discussed under "*—The Group's business is dependent on its IT systems which are subject to potential cyber-attack*" below. The proper functioning of the Group's IT systems also depends on accurate and reliable data and other system input, which are subject to human error. Any failure or delay in recording or processing the Group's transaction data could subject it to claims for losses and regulatory fines and penalties. There can be no assurance that the Group's IT safeguards will be fully effective in the event of a disaster or that they will protect the Group from all losses that could occur.

### ***The Group's business is dependent on its IT systems which are subject to potential cyber-attack***

In particular, in common with other financial institutions based in Saudi Arabia, the wider GCC and globally, the threat to the security of the Group's information and customer data from security breaches and cyber-attacks presents a real and growing risk to the Group's business. Activists, rogue states and cyber criminals are amongst those targeting IT systems around the world. Risks to technology and cyber-security evolve and change rapidly and require continued focus, monitoring and investment in preventative measures. Given the increasing sophistication and scope of potential cyber-attack, it is possible that future attacks may lead to significant breaches of security. A failure to adequately manage cyber-security risk and continually monitor, review and update current processes in response to new threats could have a number of adverse effects on the Group, including disruption to its business, unauthorised disclosure of confidential information, significant financial and/or legal exposure and damage to its reputation.

### ***The Group may face difficulties raising capital***

As at 31 December 2021, the Group's tier 1 capital adequacy ratio (calculated according to Basel III standards for Pillar 1) was 16.49 per cent. and its total capital adequacy ratio was 17.62 per cent. The Group has been designated as a domestically systemic important bank ("D-SIB") with an additional common equity tier 1 D-SIB surcharge of 0.5 per cent. Accordingly, the Group's total minimum Pillar 1-based capital requirement as at 31 December 2021 was 11.0 per cent., which also included a capital conservation buffer of 2.5 per cent.

The Group is subject to the risk of having insufficient capital resources to meet the minimum regulatory capital requirements applicable to it. Under Basel III, capital requirements are inherently more sensitive to market movements than under previous regimes and capital requirements will increase if economic conditions or negative trends in the financial markets worsen. Any failure of the Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse effect on the Group. In addition, a shortage of available capital might restrict the Group's opportunities for expansion.

A variety of factors affect the Group's capital adequacy levels. For example, a significant increase in lending in 2022 and beyond would be likely to reduce the Group's capital adequacy ratios and any losses experienced by it in future periods would likely have a similar effect. In addition, regulatory requirements in relation to the calculation and required levels of capital adequacy may change from time to time, including as a result of new guidelines issued by the Basel Committee on Banking Supervision. The Group may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies.

If the Group requires additional capital in the future, there can be no assurance that it will be able to obtain this capital on favourable terms, in a timely manner or at all. Moreover, should its capital ratios fall close to regulatory minimum levels or its own internal minimum levels, the Group may need to adjust its business practices, including reducing the risk and leverage of certain activities. If the Group is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase. Any of these factors could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

### ***The Group is a highly regulated entity and changes to, or to the interpretation or enforcement of, applicable laws or regulations, or the failure to comply with such laws or regulations could have an adverse impact on the Group's business***

Members of the Group, including the Bank, are subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of financial institutions, ensure their compliance with economic, social and other objectives and limit their exposure to risk. For example, the Law on the Treatment of Systemically Important Financial Institutions, issued on 11 December 2020 which came into effect in June 2021 (the "SIFI Law"), provides for the relevant regulator to determine whether a financial institution such as the Bank should be deemed to be systemically important. The Bank has been determined by SAMA to be a systemically important financial institution. The objectives of the SIFI Law include the protection of the financial system and sector in Saudi Arabia and minimising dependence on Government support by instead

utilising the resources of the relevant financial institution. The SIFI Law gives the relevant regulator the right to undertake certain protective measures to safeguard the financial system, such as the ability to amend, reduce, cancel or convert into equity the rights of bondholders or certificateholders of the relevant financial institution, which may include holders of certain Certificates issued under the Programme.

These laws, regulations and other rules may limit the activities of members of the Group and increase their cost of doing business. Changes in these laws and regulations (such as those pursuant to Basel III) and the manner in which they are interpreted or enforced may affect the Group's reserves, revenue and performance and may have a material adverse effect on the Group's business, results of operations, financial condition or prospects. In addition, a breach of regulatory guidelines could expose the Group to potential liabilities, sanctions and reputational damage. Although the Group works closely with its regulators and, in particular, continually monitors compliance with SAMA and CMA regulations and policy, future changes in regulation, fiscal or other policies cannot be predicted and are beyond its control.

In order to carry out and expand its businesses, it is necessary for the Group to maintain or obtain a variety of licences, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licences, permits, approvals and consents are often lengthy, complex, unpredictable and costly. If the Group is unable to maintain or obtain the relevant licences, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired.

There is also increased international scrutiny of banks operating in all markets in connection with sanctions, anti-money laundering ("AML"), anti-terrorist financing and other regulations, some of which are international in their operation. These laws and regulations require the Group, amongst other things, to adopt and enforce "know your customer" ("KYC") policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. The Group has adopted KYC and AML policies and procedures and reviews them regularly in light of regulatory and market developments. The Group's ability to comply with all such applicable laws and rules is driven by the robustness of its IT, compliance, audit and reporting systems and procedures, as well as its ability to attract and retain qualified compliance and risk management personnel. In the event of actual or alleged compliance breaches by a Group company, that company may become subject to investigation and judicial or administrative proceedings, which could result in penalties or lawsuits (including by customers) for damages, the loss of its ability to do business in the international banking market or in specific jurisdictions, the loss of its banking licence or material damage to its reputation, each of which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

#### ***The Bank faces increasing competition which may negatively impact its results of operations***

All sectors of the market for financial and banking services in Saudi Arabia are highly competitive. Based on SAMA's website, as at 31 December 2021 there are 26 commercial banks operating in Saudi Arabia, of which 11 are local banks incorporated in Saudi Arabia. The remaining 15 are foreign banks licenced to operate through branches in Saudi Arabia.

The Bank faces intensifying competition in Saudi Arabia both from new entrants to the market and from existing competitors, including Saudi National Bank which was created in early 2021 following the merger of National Commercial Bank and Samba Financial Group, which may increase pressure on the Bank to improve the range and sophistication of its products and services currently offered. Competition in its key areas of operation including, in particular, consumer financing, may limit the Bank's ability to grow its business, increase its client base and expand its operations and/or reduce or reverse its asset growth rate and profit margins on the services it provides. If the Bank experiences increasing margin pressure and rising operating expenses as the banking sector in Saudi Arabia develops and/or the Bank is not able to compete effectively and/or the Bank incurs significant additional costs as it seeks to compete effectively, these factors could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

***There are no third-party guarantees or other assurances of Government support***

Investors should be aware that no guarantee (implicit or explicit) has been given in relation to the financial obligations of the Bank (including in respect of the Certificates) by the Government, the shareholders of the Bank or any other person. Further, and notwithstanding the Bank's status as a D-SIB, there can be no assurance that Government support will be available to the Bank in the event of any future crisis or economic disruption in Saudi Arabia's banking sector. Neither the Government nor any of its related entities are under any obligation to invest in, make customers' deposits with, do business with or otherwise support the Bank.

***The Bank is controlled by certain principal shareholders whose interests may not be aligned with the interests of Certificateholders***

The Bank's principal shareholders, acting together or with other shareholders, have the ability to significantly influence the Bank's business. If circumstances were to arise where the interests of the Bank's principal shareholders conflict with the interests of the Bank's creditors (including Certificateholders), Certificateholders may be disadvantaged by any such conflict.

***The Group's accounting principles and policies are critical to how it reports its financial condition and results of operations and require management to make estimates about matters that are uncertain***

Accounting principles and policies are fundamental to how the Group records and reports its financial position and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies so that they comply with IFRS and its interpretations as issued by the International Accounting Standards Board endorsed in Saudi Arabia and with the other standards and pronouncements that are endorsed by SOCPA.

Management has identified certain key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the notes to its financial statements. These are described in note 2(d) to the 2021 Financial Statements and include the measurement of impairment losses on financial assets and the determination of fair values of financial instruments.

A variety of factors could affect the ultimate value that is obtained either when recognising income or expenses, recovering an asset or reducing a liability. The Group has established policies and control procedures that are intended to ensure that its accounting judgments and estimates are monitored and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the Group's judgments and the estimates pertaining to these matters, no assurance can be given that the Group will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

***The Group's continued success depends on its ability to attract key management and qualified personnel***

The Group's continued success depends, in part, on its ability to continue to attract, retain and motivate suitably qualified and experienced personnel. Although the Group attempts to structure its compensation packages appropriately in order to attract and retain experienced personnel, there is significant competition in the Saudi banking industry for personnel with relevant expertise due to the disproportionately limited number of available and/or qualified individuals relative to the high level of demand.

The loss of certain members of the Group's executive management team or any significant number of its mid-level managers and skilled professionals, or their counterparts within the Bank, or its subsidiaries and associate, may result in a loss of organisational focus, poor execution of operations and corporate strategy or an inability to identify and execute potential strategic initiatives.

Furthermore, the Government has introduced a number of initiatives, which require financial services entities to ensure that certain sensitive roles are held by Saudi nationals. As at 31 December 2021, the Bank's Saudisation level was 97.25 per cent.

Any failure by the Group to manage its personnel needs successfully, including retaining key members of its executive management team and/or recruiting new qualified personnel at a pace consistent with its growth, could impede the implementation of the Group's strategy, hinder the growth of its business and have a material adverse effect on its business, results of operations, financial condition or prospects.

***The Group is exposed to reputational risks related to its operations and industry and its reputation may also be adversely affected if any of its Islamic finance products are deemed to be non-Shari'a compliant***

The Group depends on the trust and confidence of its customers to succeed in its business. The Group is exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not valid, will harm its reputation. The Group's reputation may also be adversely affected by the conduct of third parties over whom it has no control, including entities to which it has advanced financing or in which it has invested. For example, if one of the Group's financing counterparties becomes associated with financial scandals or widely publicised improper behaviour, the Group's own reputation may be affected. The Group is also exposed to adverse publicity relating to the financial services industry as a whole. Financial scandals unrelated to the Group or questionable ethical conduct by a competitor may taint the reputation of the industry and affect the perception of investors, public opinion and the attitude of regulators. Any damage to the Group's reputation could cause existing customers to withdraw their business and lead potential customers to be reluctant to do business with the Group.

The Bank is an Islamic financial institution. All of these products are reviewed and approved by the Al Rajhi Bank Internal Shari'a Supervision Committee. In doing so, each member of the Al Rajhi Bank Internal Shari'a Supervision Committee must employ his interpretative efforts in accordance with methodological rules and/or principles of Islamic jurisprudence. While various Islamic schools of thought agree on the general methodology and the basic principles of interpretation, they may disagree on particular rules. If any issues are called into question relating to the extent of Shari'a compliance of Shari'a authority-approved products offered by the Bank, the Bank's reputation could be negatively affected which may in turn have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

***A negative change in the Bank's credit ratings could adversely affect the Group's ability to access the debt capital markets and may increase its borrowing costs***

The Bank's credit ratings, which are intended to measure its ability to meet its debt obligations as they mature, are an important factor in determining the Group's cost of borrowings.

The Bank's long-term corporate ratings were assessed "BBB+" with a positive outlook by S&P on 20 January 2022, "A-" with a stable outlook by Fitch on 14 February 2022, "A1" with a stable outlook by Moody's on 9 November 2021 and "A+" with a stable outlook by Capital Intelligence on 12 January 2022. A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

There can be no assurance that any of the Bank's ratings will remain the same in the future. Any actual or anticipated changes in the Bank's credit ratings may affect the market value of the Certificates. A downgrade of the Bank's credit ratings (or a negative change of outlook) may increase the Group's cost of borrowing and may also limit the Bank's or any of its subsidiaries' ability to raise capital and funding, each of which could adversely affect the Group's business, results of operations, financial condition and prospects.

According to each of Moody's and Capital Intelligence, the Bank's ratings depend on Saudi Arabia's sovereign ratings and the potential weakening of Saudi Arabia's capacity to provide support to the Bank.

For example, Moody's notes that factors which could lead to a downgrade of the Bank's rating include the lowering of the sovereign rating and a potential re-assessment of the Government's willingness to provide support and Capital Intelligence notes that a downgrade of the Bank's rating would require a downgrade of the sovereign or a change in Capital Intelligence's view of the Government's willingness to provide support. S&P also states that its assessment of the Bank's intrinsic creditworthiness is one notch below S&P's local currency sovereign rating on Saudi Arabia.

Saudi Arabia has been assigned the following credit ratings: A1 (stable outlook) by Moody's, A (stable outlook) by Fitch, A- (stable outlook) by S&P and "A+" (stable outlook) by Capital Intelligence. As a result, if any of the Bank's rating agents were to reduce their ratings, or change the outlook of their ratings, on Saudi Arabia, this could also result in the relevant rating agent lowering its rating, or changing the outlook of its rating, on the Bank. See "*—There are no third-party guarantees or other assurances of Government support*" above.

## **Risks Relating to the Economic, Political and Regulatory Environment in the Kingdom**

### ***Saudi Arabia's economy remains dependent on its oil revenue***

Saudi Arabia's economy remains dependent upon oil revenue. According to OPEC data, global proven crude oil reserves stood at 1,549 billion barrels at the end of 2020, compared to 1,546 billion barrels recorded at the end of 2019 and 1,495 billion barrels recorded at the end of 2018. Proven crude oil reserves in OPEC member countries were 1,237 billion barrels at the end of 2020 compared to 1,233 billion barrels at the end of 2019 and 1,183 billion barrels at the end of 2018. At the end of 2020, global proven natural gas reserves were 206.7 billion standard cubic metres compared to 207.6 billion standard cubic metres at the end of 2019 and 203.0 billion standard cubic metres at the end of 2018. Proven natural gas reserves in OPEC member countries stood at 73.7 billion standard cubic metres at the end of 2020 compared to 74.8 billion standard cubic metres at the end of 2019 and 72.7 billion standard cubic metres at the end of 2018.

As oil is Saudi Arabia's main export, any change in oil prices affects various macroeconomic and other indicators, including, but not limited to, GDP, Government revenues, balance of payments and foreign trade. International oil prices have fluctuated significantly over the past two decades. During the second half of 2008, world oil prices fell approximately 76 per cent., as the OPEC Reference Basket price collapsed from its peak level of U.S.\$140 that it had reached in July 2008 to approximately U.S.\$33 on 24 December 2008. In the following years, oil prices gradually rose and, by 2013, the price of the OPEC Reference Basket recorded an annual average of U.S.\$105.87 per barrel. Thereafter, international oil prices witnessed a significant decline from mid-2014, with the OPEC Reference Basket price declining from a monthly average of U.S.\$107.89 in June 2014 to a monthly average of U.S.\$26.50 in January 2016, before partially recovering to a monthly average of U.S.\$77.18 per barrel in September 2018. Oil prices have continued to be volatile in recent years, with the annual OPEC Reference Basket price averaging U.S.\$64.04 for 2019, U.S.\$41.47 for 2020 (when it was significantly impacted by COVID-19 and other events as discussed below) and U.S.\$69.89 in 2021. The price per barrel of Arabian Light Crude Oil (which is one of the five grades of crude oil produced by Saudi Arabia and constitutes part of the OPEC Reference Basket) has also generally moved in line with these trends.

On 6 March 2020, OPEC members and certain non-OPEC oil producing countries participating in the Declaration of Cooperation, including Russia, failed to reach an agreement to extend the voluntary crude oil production adjustments due to expire on 31 March 2020. Subsequently, Saudi Arabia adjusted its crude oil export prices and increased its crude oil sale allocations for April 2020. The Government also instructed Saudi Aramco to evaluate its requirements and increase its maximum sustained daily production capacity from 12 million barrels to 13 million barrels.

These events, combined with the global challenges posed by the COVID-19 pandemic, caused a sharp drop in oil prices. The OPEC Reference Basket price reached U.S.\$34.71 per barrel on 9 March 2020 and had further fallen to U.S.\$16.85 per barrel by 1 April 2020, compared to a monthly average of U.S.\$66.48 per barrel in December 2019. In mid-April 2021, the countries participating in the Declaration of Cooperation agreed to reduce their overall oil production in stages between 1 May 2020 and 30 April 2022. These measures, together with the gradual easing of restrictions on travel imposed around the world to combat the COVID-19 pandemic, helped prices to generally recover. Factors that may affect the price of oil include, but are not limited to:

- economic and political developments in oil-producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil products;

- the ability of members of OPEC and other crude oil-producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil-producing or consuming countries;
- prices and availability of alternative fuels and new technologies using alternative fuels;
- the impact of pandemic diseases, such as COVID-19; and
- global weather and environmental conditions.

Low oil prices and low demand for oil may have a material adverse effect on Saudi Arabia's economy and revenues, and may give rise to significant budget deficits and a reduction in liquidity and funding in the financial sector. Saudi Arabia has financed past budget deficits by borrowing and utilising its reserves and it may need to do so again. Any reduction in foreign exchange reserves and/or additional borrowing could result in foreign exchange outflows and have a tightening effect on liquidity and credit expansion which may not be mitigated by any adjustments in Government spending aimed at offsetting the adverse effects of any of the foregoing. Any such significant adverse effect on Saudi Arabia's economy could, in turn, have an adverse effect on the Group's business, financial condition and results of operations.

***There can be no assurance that the Government's efforts to diversify Saudi Arabia's economy will be successful and such efforts may have undesirable effects***

In recent years the Government has invested heavily in diversifying Saudi Arabia's economy to reduce its reliance on oil revenues. Measures taken include the National Transformation Program 2020 and Saudi Vision 2030. Through the Saudi Vision 2030, the Government is seeking to implement far-reaching reforms of Saudi Arabia's economy and society. Some of the measures envisaged include the greater participation of Saudi citizens in the private sector, a decrease in certain subsidies historically available to the fuel and energy sectors, as well as the imposition of new taxes and administrative fees. The implementation of these and other similar measures may be a lengthy and complex process, and there can be no assurance that these measures will not have unexpected or undesirable consequences in Saudi Arabia. The implementation of these and other similar measures, in whole or in part, may have a disruptive effect and consequently may have an adverse effect on Saudi Arabia's economic and financial condition.

There can be no assurance that the increased contribution of the non-oil sector to Saudi Arabia's economy will continue in the future or that the non-oil sector will continue to grow at a sufficient extent to achieve effective and adequate diversification of the economy. Furthermore, there can be no assurance that the Government will be able to successfully implement Saudi Vision 2030, and/or the subset of Vision Realization Programmes (a series of programmes which aim to achieve the strategic objectives of the Saudi Vision 2030) in their current form, or that their implementation will be in line with the timelines originally set out. Any amendment to the scope or timing of the implementation of the objectives of Saudi Vision 2030 and/or the subset of Vision Realization Programmes, in whole or in part, may result in the Government being unable to achieve the diversification of the economy and its sources of revenue to the required extent. Additionally, to the extent that a prolonged or further decline in oil prices has an adverse impact on the Government's revenues, this may in turn adversely impact the Government's ability to invest in the diversification of Saudi Arabia's economy. Any failure to diversify Saudi Arabia's economy may result in its economy remaining susceptible to the risks associated with the oil sector. Any material deterioration in Saudi Arabia's economic and financial condition would be likely to also negatively affect its banking sector and could have a material adverse effect on the Group.

***A slowdown in the economies of Saudi Arabia's key trading partners could adversely affect its economy***

Saudi Arabia has strong trading relationships with many countries, particularly major oil-importing economies such as China, the United States, Japan, South Korea, India and a number of states of the European Union. To

the extent that there is a slowdown in the economies of any of these countries, this may have a negative impact on Saudi Arabia's foreign trade and balance of payments, which could have a material adverse effect on its economic and financial condition.

Any sustained market and economic downturn or geopolitical uncertainties in the United States, China or any of Saudi Arabia's other key trading partners may exacerbate the risks relating to Saudi Arabia's trade with those countries which, in turn, may have a negative impact on Saudi Arabia's foreign trade and balance of payments. In particular, demand for crude oil and consequently the price of crude oil may be adversely affected and this may have a material adverse effect on Saudi Arabia's economic and financial condition.

Any material deterioration in Saudi Arabia's economic and financial condition would be likely to also negatively affect its banking sector and could have a material adverse effect on the Group.

***Saudi Arabia's and other GCC legal systems continue to develop and this may create an uncertain environment for investment and business activity***

Saudi Arabia and many of the other GCC countries are in various stages of developing their legal and regulatory institutions that are characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. The courts, judicial committees and adjudicatory bodies in Saudi Arabia (the "Saudi Courts") have a wide discretion as to how laws and regulations are applied to a particular set of circumstances. There is no doctrine of binding precedent in the Saudi Courts, decisions of the Saudi Courts are not routinely published and there is no comprehensive up-to-date reporting of judicial decisions. Bankruptcy procedures also remain largely untested. In some circumstances, it may not be possible to obtain the legal remedies provided under Saudi Arabian law in a timely manner. As a result, the outcome of any legal disputes in Saudi Arabia may be uncertain.

As the legal environment remains subject to continuous development, investors in Saudi Arabia and the other GCC countries may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in Saudi Arabia and the other GCC countries may have a material adverse effect on the rights of Certificateholders or the investments that the Group has made or may make in the future, which may in turn have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

***Saudi Arabia's banking regulatory environment is continually evolving and may change in a manner that is adverse to the Group***

The Bank falls under the supervision of SAMA, which regulates the banking sector in Saudi Arabia. The Bank operates in compliance with SAMA rules, regulations and guidelines, which from time to time may be amended in accordance with economic and political developments in the country. SAMA operates to a standard expected of international regulators and generally follows the recommendations of the Basel Committee. The Group's business could be directly affected by future changes to Saudi Arabia's banking regulatory policies, laws and regulations, such as those affecting the extent to which the Bank can engage in specific businesses, as well as changes to other governmental policies. The Bank cannot provide any assurance that such changes will not adversely affect the Group's business, results of operations, financial condition or prospects nor that it will be able to adapt to all such changes on a timely basis. Failure to comply with the rules, regulations and guidelines of SAMA could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

***The Bank is subject to labour force regulations in Saudi Arabia and any failure to comply with those regulations could have a material adverse effect on the Group***

Companies in Saudi Arabia are in general encouraged by the Ministry of Human Resources and Social Development to ensure that Saudi nationals are prioritised with regards to employment opportunities with strong career progression and development programmes. The Bank has a talent acquisition, learning and development strategy designed to attract and retain Saudi nationals to comply with the relevant regulations, although, in common with other corporate entities in Saudi Arabia, the Bank experiences competition for, and may occasionally find it difficult to recruit and retain, qualified Saudi nationals. Any failure by the Bank to fill

specific regulated roles with Saudi nationals could cause the Bank to be questioned by the regulator for non-compliance with these requirements which could, in turn, have an adverse effect on the Bank's reputation.

In addition, in recent years, Saudi Arabia has tightened controls on the employment of foreign workers, required increased localisation of the operations of foreign investors in Saudi Arabia and introduced amendments to labour laws. There is no guarantee that those changes will not have an impact on the Bank's customers in general, or customers in any particular segment of business which comprises a significant proportion of the Group's credit exposure. If any changes in Saudi Arabia's labour laws negatively affect the Group's borrowers, this could reduce the ability of those borrowers to meet their payment obligations to the Group. The occurrence of any such effect with respect to a major borrower, or a group of borrowers, could have a substantial negative effect on the Group.

***There is uncertainty regarding the future development of Saudi Arabia's banking sector***

The growth rate of Saudi Arabia's banking sector may not be as high and sustainable as it has been in previous years. While it is expected that the banking sector will expand and its number of customers may increase with the growth of Saudi Arabia's economy, population and demographic changes and potential legal and other reforms, the impact on Saudi Arabia's banking sector of certain trends and events, such as the pace of economic growth in Saudi Arabia, is currently not clear. In addition to the potential impact due to COVID-19, lower oil prices in 2020 exerted fiscal and economic pressures on Saudi Arabia's economy and, in turn, the private sector, including the banking sector. Challenging operating conditions, such as those experienced in 2020 in particular, may result in a reduction in customers' deposits, and a rise in the levels of non-performing financing while limiting financing growth. Lending opportunities may diminish with higher levels of sovereign debt issuance. Net income may also decrease due to the increase in total operating expenses on account of higher impairment charges. Credit conditions for the banks may deteriorate leading to increased non-performing financing, credit losses and a decline in profitability. Any slowdown in the growth and development of the banking sector in Saudi Arabia will have an adverse impact on the Group's own growth and, in turn, on its business, results of operations, financial condition or prospects.

***Any alteration to, or abolition of, the foreign exchange "peg" of the Saudi riyal or other regional currencies at a fixed exchange rate to the U.S. dollar will expose the Group to U.S. dollar foreign exchange movements against the Saudi riyal or other such currencies***

The Group maintains its accounts and reports its results in Saudi riyal. The Saudi riyal has been pegged to the U.S. dollar since 1986. In addition, the following oil-producing GCC countries have their currencies pegged to the U.S. dollar: Qatar, the UAE, Oman and the Kingdom of Bahrain. From time to time, oil-producing countries with currencies that have been traditionally pegged to the U.S. dollar have faced pressure to de-peg and, in certain cases, have de-pegged their currencies. For example, Kazakhstan de-pegged the Kazakhstani tenge from the U.S. dollar on 20 August 2015, which was followed on 21 December 2015 by the removal of the U.S. dollar peg against the Azerbaijani manat.

There is a risk that additional countries may choose to unwind their existing currency peg to the U.S. dollar, both in the GCC and the wider region. While the long-term impacts of such actions are uncertain, it is likely that any such de-pegged currency would face a devaluation against the U.S. dollar immediately following the removal of the peg. While it continues to be the policy of the Government and SAMA to maintain the currency peg at its existing level, there can be no assurance that future unanticipated events, including an increase in the rate of decline of the Government's reserve assets, will not lead the Government to reconsider its exchange rate policy.

Any de-pegging or re-evaluation to the current exchange rate either in Saudi Arabia or across the wider region, particularly if the de-pegging or re-evaluation is accompanied by a significant depreciation of the relevant currency against the U.S. dollar or other major currencies, could contribute to higher inflation, increase the burden of servicing external debt and damage investor confidence, resulting in capital outflows and market volatility, each of which could have a material adverse effect on Saudi Arabia's economic and financial condition and, in turn, on the Group's business, results of operations, financial condition or prospects.

***The statistical data contained in this Offering Circular should be treated with caution by prospective investors***

Statistics contained in this document, including in relation to GDP, money supply, inflation and indebtedness of the Government, have been obtained from, amongst other sources, GASTAT, SAMA, the IMF and OPEC. Such statistics, and the component data on which they are based, may not have been compiled in the same manner as data provided by other sources and may be different from statistics published by third parties, reflecting the fact that the underlying assumptions and methodology may vary from source to source. There may also be material variances between preliminary, estimated or projected statistics included in this Offering Circular and actual results, and between statistics included in this Offering Circular and corresponding data previously published by or on behalf of the bodies listed above. Consequently, the statistical data contained in this Offering Circular should be treated with caution by prospective investors.

**Risks relating to the Certificates**

***Basel III reforms and risk of Tier 2 Certificates absorbing losses***

On 13 January 2011, the Basel Committee expanded on the Basel III capital rules with additional non-viability requirements (the “**January 13 Annex**”). The January 13 Annex requires non-common Tier 1 or Tier 2 instruments issued by an internationally active bank to have a provision in their terms and conditions or be included in a statutory legal framework that requires such instruments, at the option of the relevant authority, to either be written off or converted to common equity upon a “trigger event”. A “**trigger event**” is the earlier of: (1) a decision that a write-off, without which the bank would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the bank would have become non-viable, as determined by the relevant authority. SAMA mandated all Saudi banks, including the Bank, to implement the additional requirements imposed by the January 13 Annex from 1 January 2013. The capital treatment of capital instruments issued prior to this date are expected to be phased out over a 10-year period commencing from 1 January 2013. See “*The Certificateholders’ right to receive payment of the principal amount of the Tier 2 Certificates will, and the Periodic Distribution amounts in respect of Tier 2 Certificates may, be written-down (in whole or in part) upon the occurrences of a Non-Viability Event*”.

There can be no assurance that in the future, SAMA will not amend its interpretation and implementation of the January 13 Annex described above. Further, revisions to the January 13 Annex may be implemented in the Kingdom in a manner that is different from that which is currently envisaged, or regulations may be introduced through the introduction of an Applicable Statutory Loss Absorption Regime (as defined in Condition 10) in the Kingdom. If the regulatory requirements for capital instruments applicable to the Bank are modified in the future, it is possible that authorities could use their powers in such a way as to result in the Tier 2 Certificates absorbing losses in the manner other than as described herein. Furthermore, on or after the date on which the Applicable Statutory Loss Absorption Regime becomes effective, the provisions of Condition 10 will lapse and cease to have any effect, except to the extent such provisions are required by the Applicable Statutory Loss Absorption Regime. If, on or after such date, an event occurs which under the Applicable Statutory Loss Absorption Regime would lead to a determination of non-viability by SAMA, in respect of the Bank, SAMA (or the Bank following instructions from SAMA) may take such action in respect of the Tier 2 Certificates as is required or permitted by such Applicable Statutory Loss Absorption Regime. Accordingly, the operation of any such future legislation or implementation of an Applicable Statutory Loss Absorption Regime may have an adverse effect on the position of Certificateholders.

***The Certificateholders’ right to receive payment of the principal amount of the Tier 2 Certificates will, and the Periodic Distribution Amounts in respect of Tier 2 Certificates may, be written-down (in whole or in part) upon the occurrence of a Non-Viability Event***

If a Non-Viability Event (as defined below) occurs at any time on or after the Issue Date of a Series of Tier 2 Certificates and prior to the date on which the Applicable Statutory Loss Absorption Regime becomes effective in respect of such Series (the “**Effective Date**”), the Tier 2 Certificates will be cancelled, the Certificateholders’ rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally cancelled in

whole if so determined by the Financial Regulator and, except in relation to any Periodic Distribution Amounts accrued and unpaid if and only to the extent that such Periodic Distribution Amounts became due and payable to the Certificateholders prior to the date of the Non-Viability Notice (and provided payment of such amounts are not prohibited by the Financial Regulator or the Capital Regulations at such time), all rights of any Certificateholder to payment of any amounts under or in respect of the Tier 2 Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Tier 2 Event as described in Condition 14(b)) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date.

If following the occurrence of a Non-Viability Event, the Financial Regulator determines that a partial Write-down of the Certificates and Trust Assets is required, the face amount of each Certificate and the Trust Assets shall be written-down by the amount so specified in writing by the Financial Regulator, the Tier 2 Certificateholders' rights to the Trust Assets so written-down shall automatically be deemed to be irrevocably and unconditionally cancelled and except in relation to payment of accrued and unpaid Periodic Distribution Amounts if and only to the extent such amounts became due and payable to the Certificateholders prior to the date of the Non-Viability Notice (and provided payment of such amounts are not prohibited by the Financial Regulator or the Capital Regulations at such time), all rights of any Certificateholder for payment of any amounts under or in respect of the proportion of the Tier 2 Certificates so written-down (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Tier 2 Event as described in Condition 14(b)) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date. Accordingly, the Certificateholders may lose some or the entire amount of their investment in the Tier 2 Certificates.

A “**Non-Viability Event**” means that the Financial Regulator has notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without:

- (i) a Write-down of the Certificates (and write-down of any other of the Bank's capital instruments or other obligations constituting Tier 1 Capital and/or Tier 2 Capital of the Bank that, pursuant to their terms or by operation of law, are capable of being written-down and/or converted into equity); or
- (ii) a public sector injection of capital (or equivalent support) provided that such injection of capital is not made (a) by a shareholder of the Bank; or (b) on terms that are more favourable to the Bank than those that would be accepted by private investors in comparable transactions.

***The circumstances triggering a Write-down are unpredictable***

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside of the Bank's control. The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Financial Regulator. As a result, the Financial Regulator may require a Write-down in circumstances that are beyond the control of the Bank and with which the Bank may not agree.

The exercise (or perceived likelihood of exercise) of any such power by the Financial Regulator or any suggestion of such exercise could materially adversely affect the value of any Tier 2 Certificates and could lead to the Certificateholders losing some or all of their investment in the Tier 2 Certificates.

The financial viability of the Bank will also depend in part on decisions made by the Bank in relation to its business and operations, including the management of its capital position. In making such decisions, the Bank will not necessarily have regard to the interests of Certificateholders and, in particular, the consequences for Certificateholders of any such decisions, and there can be no assurance in any such circumstances that the interests of the Bank, its shareholders and the Financial Regulator will be aligned with those of the Certificateholders.

Prospective investors should also be aware that the application of a non-viability loss-absorption feature similar to Condition 10 has not been tested in the Kingdom and therefore uncertainty exists in its application.

***An investor in the Tier 2 Certificates assumes an enhanced risk of loss in the event of a Winding Up Proceeding***

The obligations of the Bank in respect of any Tier 2 Certificates issued under the Programme will be unsecured and subordinated. Upon the occurrence of a Winding Up Proceeding, and subject to the non-viability provisions contained in Condition 10, the obligations of the Bank in respect of the relevant Tier 2 Certificates in relation to amounts payable in respect of the Tier 2 Certificates will rank subordinate to claims in respect of Senior Obligations and no amount will be paid by the Bank in respect of its obligations under the Transaction Documents in relation to the Tier 2 Certificates until all such Senior Obligations have been paid in full. Unless, therefore, the Bank has assets remaining after making all such payments, no payments will be made in respect of its obligations under the Transaction Documents in relation to the Tier 2 Certificates and any such payments that are made will be made at least *pari passu* with any payments made by the Bank in respect of any other obligations it may have under any Parity Obligations. Consequently, although the Tier 2 Certificates may pay a higher return than comparable instruments relating to unsubordinated obligations, there is an enhanced risk that an investor in Tier 2 Certificates will lose all or some of its investment following the occurrence of a Winding-Up Proceeding.

***No limitation on incurrence of Senior Obligations or Parity Obligations***

There is no restriction on the amount of Senior Obligations or Parity Obligations that the Bank may incur. As described above, the incurrence of any such obligations may reduce the amount recoverable by Tier 2 Certificateholders on any dissolution, winding-up or liquidation of the Bank. Accordingly, on such dissolution, winding-up or liquidation, there may not be sufficient amounts to satisfy the amounts owing to Tier 2 Certificateholders in respect of the obligations of the Bank under the Transaction Documents to which it is a party and this may result in an investor in Tier 2 Certificates losing all or some of its investment.

***Limitations relating to the indemnity provisions in the Purchase Undertaking and the Master Trust Deed***

The Bank has undertaken in the Purchase Undertaking and the Master Trust Deed that, in relation to any Series: (i) if, at the time of delivery of an exercise notice in accordance with the provisions of the Purchase Undertaking, the Bank (acting in any capacity) holds any rights, title, interests, benefits or entitlement in or is in actual or constructive possession, custody or control of all or any part of the relevant Wakala Assets, Certificateholder Put Right Wakala Assets or the Tangibility Event Put Right Wakala Assets, as the case may be; and (ii) if, following delivery of an exercise notice in accordance with the provisions of the Purchase Undertaking, the Bank fails to pay the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be, in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify (on an after Tax basis) the Trustee for the purpose of redemption in full of the outstanding Certificates, Certificateholder Put Right Certificates or Tangibility Event Put Right Certificates in respect of which the exercise notice is delivered and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be.

Subject to the satisfaction of the conditions set out in the above paragraph, if the Bank fails to pay the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price in accordance with the Purchase Undertaking, the Delegate may, subject to the matters set out in Condition 14(b) (*Enforcement and Exercise of Rights*) and the terms of the Master Trust Deed, seek to enforce, *inter alia*, the provisions of the Purchase Undertaking and the Master Trust Deed against the Bank by commencing arbitral proceedings. See further “*Risk Factors - Risks Relating to the Trust Assets - There are uncertainties around the choice of English law as the governing law of certain Transaction Documents and around enforcing arbitral awards in the Kingdom*”.

However, investors should note that, in the event that the Bank (acting in any capacity) does not hold any rights, title, interests, benefits or entitlement in or have actual or constructive possession, custody or control of all or any part of the relevant Wakala Assets comprising the Wakala Portfolio at the time of delivery of the exercise

notice in accordance with the provisions of the Purchase Undertaking (for any reason whatsoever, including because the legal nature of such interest as the Bank may have in the Wakala Assets does not amount to rights, title, interests, benefits or entitlement or possession, custody or control in the view of a court or arbitral tribunal), the condition in (i) as described above will not be satisfied and, therefore, no amounts will be payable by the Bank under the separate indemnity provisions. For the avoidance of doubt, limited investigation has been or will be made by the Trustee, the Arrangers, the Dealers or the Delegate as to whether the Bank has or will continue to hold any rights, title, interests, benefits or entitlement in or remain in actual or constructive possession, custody or control of all or any part of the Wakala Assets comprising the Wakala Portfolio.

Accordingly, in such event, the Delegate (on behalf of the Certificateholders) may be required to establish that there has been a breach of contract by the Bank in order to prove for damages. Such breach of contract may be due to: (a) a breach by the Bank of the requirement to purchase the Trustee's interests, rights, title, benefits and entitlements in, to and under the relevant Wakala Assets, Certificateholder Put Right Wakala Assets or the Tangibility Event Put Right Wakala Assets, as the case may be on the relevant Scheduled Dissolution Date or Dissolution Date pursuant to the provisions of the Purchase Undertaking; and/or (b) a breach by the Bank (acting in its capacity as Service Agent pursuant to the provisions of the Service Agency Agreement) of its undertaking to maintain rights, title, interests, benefits or entitlement in or actual or constructive possession, custody or control of all of the Wakala Assets.

As a result, the Delegate (on behalf of the Certificateholders) may not be able to recover, or may face significant challenges in recovering, an amount equal to the relevant Exercise Price, Certificateholder Put Right Exercise Price and Tangibility Event Put Right Exercise Price and, in turn, the amount payable to the Certificateholders upon redemption.

#### ***The Certificates are limited recourse obligations of the Trustee***

The Certificates of a Series are not debt obligations of the Trustee, instead, each Certificate represents an undivided ownership interest in the Trust Assets relating to that Series. Recourse to the Trustee is limited to the Trust Assets of the relevant Series and the proceeds of the Trust Assets of the relevant Series are the sole source of payments on the Certificates of that Series. Upon the occurrence of a Dissolution Event, or in the case of any other dissolution pursuant to the Conditions, the sole rights of the Trustee and/or the Delegate (acting on behalf of the Certificateholders of the relevant Series of Certificates) will be against the Bank to perform its obligations under the Transaction Documents to which it is a party.

Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets), the Delegate or any Agent in respect of any shortfall in the expected amounts due on the Certificates. The Bank is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Trustee and/or the Delegate will have direct recourse against the Bank to recover such payments due to the Trustee pursuant to the Transaction Documents. In addition, no Certificateholder shall be entitled to proceed directly against the Trustee or the Bank unless the Delegate or the Trustee, as the case may be, having become bound so to proceed (i) fails to do so within 30 days or (ii) is unable for any reason (including by reason of an order of a court having competent jurisdiction) to do so, and in each case such failure or inability is continuing.

After enforcing or realising the rights in respect of the Trust Assets in respect of a Series of Certificates and distributing the net proceeds of such Trust Assets in accordance with Condition 5(b) (*Application of Proceeds from Trust Assets*), the Master Trust Deed and the Agency Agreement, the obligations of the Trustee and/or the Delegate in respect of that Series of Certificates shall be satisfied and neither the Trustee nor the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets other than as contemplated in the Purchase Undertaking and the sole right of the Trustee and the Delegate and, through the Delegate, the Certificateholders of the relevant Series of Certificates against the Obligor shall be to enforce the obligation of the Obligor to pay the relevant exercise price under the Purchase Undertaking and otherwise perform its obligations under the Transaction Documents to which it is a party in accordance with the terms thereof. Accordingly, there can be no assurance that the

proceeds of the realisation of, or enforcement with respect to, the Trust Assets (which, as described above, will be by way of enforcing each of the Trustee's and the Bank's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the Certificates of the relevant Series.

In addition, in respect of Tier 2 Certificates only, all claims by the Trustee (or the Delegate acting in the name and on behalf of the Trustee) against the Bank under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Bank under the Transaction Documents) shall be subject to, and shall be superseded by the provisions of Condition 10, irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim, provided that nothing in the Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

***The Certificates may be subject to early redemption and/or delisting***

If the amount payable in respect of the Certificates of any Series is required to be increased to include additional amounts and/or the Bank is required to pay additional amounts pursuant to the Transaction Documents to which it is a party, in each case as a result of certain changes affecting taxation in a Relevant Jurisdiction, the Bank shall be entitled to require the Trustee to redeem the Certificates in whole, but not in part, upon giving notice in accordance with Condition 9(b) (*Early Dissolution for Tax Reasons*) (including prior written approval of the Financial Regulator if and to the extent required at such time, in respect of Tier 2 Certificates only). In addition, if so provided in the relevant Pricing Supplement, a Series may also be redeemed early at the option of the Bank pursuant to Condition 9(c) (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*) subject to Condition 9(k), including prior written approval of the Financial Regulator if and to the extent required at such time. In respect of Senior Certificates only, the Trustee may also exercise its Clean Up (Call) Right to redeem the Certificates early (in whole but not in part) if 75 per cent. of the Certificates of the relevant Series then outstanding have been redeemed in accordance with Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*). Any such early redemption feature of any Certificate is likely to limit its market value.

In respect of Tier 2 Certificates only, in the event that a Capital Disqualification Event occurs and subject to Condition 9(k), including prior written approval of the Financial Regulator if and to the extent required at such time, the Trustee may, following receipt of an exercise notice from the Bank under the Sale and Substitution Undertaking, redeem all but not some only of the Tier 2 Certificates upon giving notice in accordance with the Terms and Conditions of the relevant Certificates.

During any period when the Bank elects to require the Trustee to redeem the Certificates (whether pursuant to Condition 9(b) (*Early Dissolution for Tax Reasons*), Condition 9(c) (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*) (in each case subject to Condition 9(k), including prior written approval of the Financial Regulator if and to the extent required at such time) or (in respect of Senior Certificates only) Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*), the market value of those Certificates generally will not rise substantially above the Dissolution Distribution Amount payable. This also may be true prior to any other Dissolution Date.

In the case of Certificates with an optional dissolution feature pursuant to Condition 9(c) (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*) (including prior written approval of the Financial Regulator if and to the extent required at such time, in respect of Tier 2 Certificates only), the Bank may elect to require the Trustee to redeem such Certificates when its cost of financing is lower than the Profit Rate on the Certificates. At those times, an investor generally would not be able to re-invest the redemption proceeds at an effective profit rate as high as the Profit Rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Prospective investors should consider re-investment risk in light of other investments available at that time.

In respect of Senior Certificates only, if, at any time, the Tangibility Ratio falls below 33 per cent. (such event being a “**Tangibility Event**” in respect of the Senior Certificates) the Certificateholders will be notified that: (a) a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence; (b) as determined in consultation with the Shari’a Adviser, the Certificates shall only be tradeable in accordance with the *Shari’a* principles of debt trading (such as the principle that debt is to be traded (x) at par on a spot settlement basis; or (y) against tangible assets and/or eligible commodities on a spot settlement basis); (c) on the Tangibility Event Delisting Date (as defined in the Conditions), the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading; and (d) the Tangibility Event Put Right Period, during which period the Holder of any Senior Certificates shall have the option to require the redemption of all or any of its Certificates. Upon receipt of such notice, the Certificateholders may elect to redeem all or any of their Certificates in accordance with the Conditions.

In respect of Tier 2 Certificates only, if, at any time, the Tangibility Ratio falls to 50 per cent. or less the Service Agent shall take any and all reasonable steps as may be required by the Shari’a Adviser to ensure that such Tangibility Ratio is restored to more than 50 per cent. within the time period determined by the Shari’a Adviser (the “**Tangibility Remediation Period**”), and if, at any time, the Tangibility Ratio falls below 33 per cent, the Certificateholders will be notified in respect of (a) the Tangibility Remediation Period; and (b) as determined in consultation with the Shari’a Adviser, the Certificates shall only be tradeable in accordance with the *Shari’a* principles of debt trading (such as the principle that debt is to be traded (x) at par on a spot settlement basis; or (y) against tangible assets and/or eligible commodities on a spot settlement basis), unless and until the Tangibility Ratio is restored to more than 50 per cent. within the Tangibility Remediation Period. If the Service Agent fails to restore the Tangibility Ratio to more than 50 per cent. within the Tangibility Remediation Period (such event being a “**Tangibility Event**” in respect of the Tier 2 Certificates) the Certificateholders will be notified that (a) a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence; and (b) on the Tangibility Event Delisting Date (as defined in the Conditions), the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading. If the Tangibility Ratio is restored to more than 50 per cent. within the Tangibility Remediation Period, from the date that the Tangibility Ratio is so restored, the requirement to trade the Certificates only in accordance with *Shari’a* principles of debt trading shall cease to apply to the Certificates and the Certificateholders will be notified in respect of the same.

Accordingly, a Tangibility Event may have a significant adverse effect on the liquidity and market value of the Certificates.

***Limited remedies for non-payment when due or enforcement of any other obligations in respect of Tier 2 Certificates***

It will only be possible to accelerate payment of any amounts payable by the Bank pursuant to its obligations under the Transaction Documents to which it is a party in relation to amounts payable in respect of the Tier 2 Certificates upon the occurrence of a Winding-Up Proceeding of the Bank as described in Condition 14(b). Subject as provided in Condition 14(b), the Trustee or the Delegate in the name and on behalf of the Trustee may then claim or prove in the winding-up, dissolution or liquidation for and on behalf of Certificateholders in respect of the resulting amounts due and payable by the Bank under the Transaction Documents.

Certificateholders may direct the Delegate to bring proceedings against the Bank, other than in respect of any payment obligation it may have under the Transaction Documents, but the Bank will not have any obligation by virtue of the institution of any such proceedings to pay any amount or amounts sooner than such amount(s) would otherwise have been payable under the Transaction Documents. This is the case whether such proceedings are instituted in respect of any default by the Bank in payment or otherwise. The only remedy of Certificateholders on any default by the Bank in payment under any Transaction Document will be to direct the Delegate to bring proceedings in respect of such defaulted payment for the Bank’s winding-up, dissolution or liquidation as described in Condition 14(b) and, on such winding-up, dissolution or liquidation, to accelerate payment of any remaining amounts payable by the Bank and prove in the winding-up, dissolution or liquidation in accordance with Condition 14(b).

No remedy other than those described above will be available to any of the Trustee, the Delegate or Certificateholders in respect of the obligations of the Bank under the Transaction Documents to which it is a party in relation to the Tier 2 Certificates, whether for the recovery of amounts owing pursuant to such obligations due to Certificateholders or in respect of any breach by the Bank of any of its obligations under the Transaction Documents in relation to the Tier 2 Certificates, and none of the Trustee, the Delegate or Certificateholders will be able to take any further or other action to enforce, claim or prove for any payment by the Bank in respect of such obligations.

***Investors must make their own determination as to Shari'a compliance***

Al Rajhi Capital Company's Shari'a Committee (on behalf of Al Rajhi Capital Company as Arranger and the Bank as Obligor) and the Standard Chartered Bank Global Shariah Supervisory Committee have each confirmed that the Transaction Documents and the issue and trading of the Certificates of any Series are, in their view, in compliance with *Shari'a* principles as applicable to, and interpreted by, them. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates of any Series will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars. None of the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents makes any representation as to the *Shari'a* compliance of the Transaction Documents or the issue and trading of the Certificates of any Series and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Potential investors should not rely on the above pronouncements in deciding whether to make an investment in the Certificates and should obtain their own independent *Shari'a* advice as to whether the Transaction Documents, the Certificates and the issue and trading of the Certificates will meet their individual standards of compliance with *Shari'a* principles, and should also make their own determination as to the future tradability of the Certificates on any secondary market. In addition, none of the Delegate, the Arrangers, the Dealers or the Agents will have any responsibility for monitoring or ensuring compliance with any *Shari'a* principles of debt trading referred to in Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*) nor shall any of them be liable to any Certificateholder or any other person in respect thereof. Questions as to the *Shari'a* permissibility of the Transaction Documents or the issue and trading of the Certificates of any Series may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents would be, if in dispute, the subject of arbitration under the Rules. In such circumstances, the arbitrator should apply the governing law of the relevant Transaction Document in determining the obligations of the parties.

***Shari'a requirements in relation to interest awarded by an arbitrator***

In accordance with applicable *Shari'a* principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any arbitrator in connection with any dispute under any of the Transaction Documents to which it is a party. Should there be any delay in the enforcement of an arbitral award against the Bank, interest may well accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest. Certificateholders should note that the Trust Assets specifically exclude any rights which have been expressly waived by the Trustee in any of the Transaction Documents (which, to the extent applicable, would extend to any award of interest made in favour of the Trustee by an arbitrator in respect of a dispute).

***There can be no assurance as to the impact of a change in the laws governing the Certificates or the Transaction Documents***

The structure of each issue of Certificates under the Programme is based on English law and Saudi Arabian law and administrative practices in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English or Saudi Arabian law or administrative practices in any such jurisdiction after the date of this Offering Circular, nor can any assurance be given as to whether any such change could adversely affect the ability of the Bank to make payments under the Transaction Documents to which it is a party and/or the Trustee to make payments under any Series of Certificates, or the

ability of the Trustee or the Bank to otherwise comply with their respective obligations under the Certificates and the Transaction Documents to which they are a party.

***Certificates are subject to modification by a majority of the Certificateholders of a Series without the consent of all of the Certificateholders***

The Master Trust Deed contains provisions for calling meetings of the Certificateholders (including by way of conference call or by use of a telephony or electronic platform or facility) to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. In addition, the Master Trust Deed contains provisions for obtaining written resolutions on matters relating to the Certificates from holders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates of the relevant Series for the time being outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Certificates are held in global form in the clearing systems, the Trustee, the Bank and the Delegate (as the case may be) will be entitled to rely upon:

- (a) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Trustee, the Bank or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates of the relevant Series for the time being outstanding; and
- (b) where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, the Bank or the Delegate (as the case may be) by (a) accountholders in the clearing systems with entitlements to such global certificate or (b), where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries). For the purposes of establishing the entitlement to give any such consent or instruction, the Trustee, the Bank and the Delegate (as the case may be) shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the “**relevant clearing system**”) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above.

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Certificateholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Certificateholders satisfying the special quorum in accordance with the provisions of the Master Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held.

These provisions permit defined majorities to bind all of the Certificateholders of the relevant Series (including Certificateholders who did not attend or vote at the relevant meeting, Certificateholders who did not sign a written resolution, Certificateholders who do not participate in any electronic consents sought by the Trustee as well as Certificateholders who voted in a manner contrary to the majority).

The Master Trust Deed also provides that the Delegate may (or in the case of paragraph (b) shall), without the consent or sanction of Certificateholders (a) agree to any modification of the Trust Deed (including the Conditions) or any other Transaction Document or the Trustee’s memorandum and articles of association that (in the opinion of the Delegate) is of a formal, minor or technical nature, or is made to correct a manifest error, (b) agree to any modification to the Trust Deed (including the Conditions) or any other Transaction Document to effect any Benchmark Amendments (in the circumstances and as set out in Condition 8(d) (*Periodic Distribution Amounts - Benchmark Discontinuation*)), or (c)(i) give its consent under the Transaction Documents and agree to any other modification of the Trust Deed (including the Conditions) or any other Transaction Document or the Trustee’s memorandum and articles of association, or to any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed or any of the other

Transaction Documents or (ii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in each case that such modification, consent, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates of the relevant Series then outstanding and, in the case of modifications referred to in paragraph (c)(i) above, other than in respect of a matter which requires a special quorum resolution (as defined in the Master Trust Deed). Any such modification, consent, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Delegate may determine and shall be binding on the Certificateholders and shall be notified by the Trustee to the Certificateholders in accordance with Condition 19 (*Notices*) as soon as practicable thereafter.

***The Delegate may request that the Certificateholders provide an indemnity and/or security and/or pre-funding to its satisfaction***

Pursuant to the Conditions and the Master Trust Deed, the Delegate may, in certain circumstances, request the Certificateholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action on behalf of Certificateholders. The Delegate shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may have an impact on when such actions can be taken.

***Credit Ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to the Bank, the Programme or the Certificates. The ratings may not reflect the potential impact of all risks related to the transaction structure, the market, the additional factors discussed above, or any other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction may also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Certificates changes, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EU or the UK, as applicable, and the Certificates may have a different regulatory treatment. This may result in relevant regulated investors selling the Certificates which may impact the value of the Certificates and any secondary market.

### ***Interest or profit rate risks***

Investment in Fixed Rate Certificates involves the risk that if market interest or profit rates subsequently increase above the Profit Rate paid on the Fixed Rate Certificates, this will adversely affect the value of the Fixed Rate Certificates.

Certificates with variable Profit Rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

### ***The Certificates may be subject to exchange rate risks and exchange controls***

Neither the Trustee nor the Bank has any control over factors that generally affect exchange rate risks, such as economic, financial and political events, and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in future.

The Trustee will pay all amounts due on any Certificates, and the Bank will make any payments pursuant to the Transaction Documents to which it is a party, in the Specified Currency. If an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency, such investor may therefore bear certain exchange rate risks. These include the risks that: (a) exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency); and (b) authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. Any appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (i) the Investor's Currency-equivalent yield on the Certificates; (ii) the Investor's Currency-equivalent value of the Dissolution Distribution Amount payable in respect of the Certificates; and (iii) the Investor's Currency-equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate as well as the availability of a specified foreign currency at the time of any payment of any amounts on a Certificate. As a result, investors may receive less than expected, or no payment at all. Even if there are no actual exchange controls, it is possible that the Specified Currency for any particular Certificate would not be available at such Certificate's maturity.

### ***A secondary market may not develop or be maintained for the Certificates***

There is no assurance that a market for the Certificates of any Series will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of such Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates easily or at prices that will provide a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in Certificates must be prepared to hold the relevant Certificates for an indefinite period of time or until their maturity. Whilst an application has been made for certain Series issued under the Programme to be admitted for trading on the ISM, there can be no assurance that any such admission will occur or will enhance the liquidity of the Certificates of the relevant Series.

***Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade***

In relation to any issue of Certificates which have a denomination consisting of the minimum Specified Denomination plus a higher integral multiple of another smaller amount, it is possible that the Certificates may be traded in amounts in excess of such minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case, a Certificateholder who, as a result of trading such amounts, holds a face amount of less than the minimum Specified Denomination, would need to purchase an additional amount of Certificates such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

A Certificateholder who holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to at least a Specified Denomination in order to be eligible to receive a definitive Certificate. If definitive Certificates are issued, holders should be aware that definitive Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may also be illiquid and difficult to trade.

***Investors in the Certificates must rely on Euroclear and Clearstream, Luxembourg procedures***

Each Series of Certificates issued under the Programme will be represented on issue by a Global Certificate that may be deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in each Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the interests in each Global Certificate held through it. While the Certificates of each Series are represented by a Global Certificate, investors will be able to trade their interests only through the relevant clearing systems and their respective participants, and the Trustee will discharge its payment obligations under the relevant Series of Certificates by making payments through the relevant clearing systems. A holder of an interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the relevant Series of Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, interests in any Global Certificate. Holders of interests in a Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

***The use of proceeds of any issue of Certificates identified as Sustainable Certificates in the relevant Pricing Supplement may not meet investor expectations or requirements or be suitable for an investor's investment criteria***

The Bank intends to use an amount at least equal to the net proceeds from each issue of Certificates identified as Sustainable Certificates (“**Sustainable Certificates**”) in the relevant Pricing Supplement (the “**equivalent amount**”) in achieving objectives set out in the Sustainable Finance Framework (as defined in “*Use of proceeds*” below). See “*Use of proceeds*”.

The Bank will exercise its judgement and sole discretion in determining the businesses and projects that will be financed or refinanced by the equivalent amount. If the use of the proceeds of Sustainable Certificates is a factor in any potential investor's decision to invest in Sustainable Certificates, that investor should carefully consider the disclosure in “*Use of proceeds*” and the Sustainable Finance Framework to be published on the Bank's website and consult with its legal or other advisers and make any other investigation such investor deems necessary before making an investment in Sustainable Certificates. In particular, no assurance is given by the Bank, the Trustee, the Arrangers, the Dealers or any other person that the use of the equivalent amount for any

Eligible Sustainable Projects (as defined in the Sustainable Finance Framework) will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. In addition, the Sustainable Finance Framework is subject to change at any time without notice.

Furthermore, notwithstanding the Bank's intention stated above, potential investors should be aware that the Bank has no contractual obligation to use the equivalent amount as stated in, or to provide the reports described in, "*Use of proceeds*". Any failure by the Bank to use the equivalent amount as stated or to provide the reports will not constitute a dissolution event under Condition 14 (*Dissolution Events*) of the Certificates with respect to Sustainable Certificates but may affect the value and/or the trading price of Sustainable Certificates and/or have adverse consequences for certain investors with portfolio mandates to invest in green assets.

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or an equivalently labelled project or as to what precise attributes are required for a particular project to be defined as "green" or such other equivalent label and no assurance can be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not change significantly.

Accordingly, no assurance or representation is or can be given (whether by the Trustee, the Bank, the Arrangers, Dealers, the Delegate, the Agents or any other person) that the use of the equivalent amount to finance or refinance Eligible Sustainable Projects will satisfy or meet, whether in whole or in part, investor expectations or requirements regarding such "green", "social", "sustainable" or other similar labels (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called "**EU Taxonomy**") or Regulation (EU) 2020/852 as it forms part of UK domestic law by virtue of the EUWA), as regards any investment criteria or guidelines with which such investor or its investments are required to comply or that any adverse environmental, social and/or other impacts will not occur during the implementation of any Eligible Sustainable Projects. Each prospective investor should have regard to the factors described in the Bank's Sustainable Finance Framework and the relevant information contained in this Offering Circular and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the Certificates before deciding to invest.

The EU Taxonomy is subject to a phased implementation, may provide some definition for such "green", "sustainable" or other similar topics in the European Union or the United Kingdom. However, the full scope and applicability of the EU Taxonomy, as well as exactly when it will take effect, remains uncertain. Accordingly, no assurance is or can be given (whether by the Bank, the Trustee, the Arrangers, the Dealers or any other person) to investors that: (a) any projects or uses the subject of, or related to, any Eligible Sustainable Projects will meet any or all investor expectations regarding such "green" or other equivalently labelled performance objectives; (b) any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Sustainable Projects; or (c) the Sustainable Finance Framework will be aligned with the EU Taxonomy or any other present or future sustainability framework or guidelines.

The Sustainable Finance Framework is intended to be aligned with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines published by the International Capital Markets Association from time to time (the "**ICMA Principles**"), which as at the date of this Offering Circular are the Green Bond Principles 2021 (<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>), the Social Bond Principles 2021 (<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf>) and the Sustainability Bond Guidelines 2021 (<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>) and the Green Loan Principles and Social Loan Principles published by the Loan Market Association from time to time (the "**LMA Principles**"), which as at the date of this Offering Circular are the Green Loan Principles 2021 (<https://www.lsta.org/content/green-loan-principles/>) and the Social Loan Principles 2021 (<https://www.lsta.org/content/social-loan-principles-slp/>). The Bank has appointed S&P Global to assess its Sustainable Finance Framework and its alignment with the ICMA Principles and the LMA Principles, and to issue a second party opinion in respect thereof (the "**Second Party Opinion**"). This

second party opinion will be published on the Bank's website. None of the Bank, the Trustee, the Arrangers, the Dealers or any other person makes any representation or gives any assurance as to the Sustainable Finance Framework's compliance or alignment with the ICMA Principles and the LMA Principles. These principles may be subject to change at any time without notice. Furthermore, none of the Sustainable Finance Framework, the ICMA Principles or the LMA Principles or any associated reports, verification assessments or the contents of the above websites are incorporated in or form part of this Offering Circular.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any report, assessment, opinion or certification of any third party (whether or not solicited by the Bank or the Trustee) which may or may not be made available in connection with the issue of Sustainable Certificates (including, for the avoidance of doubt, the entry of the details of Eligible Sustainable Projects into the Sustainable Financing Register) and in particular with any of the businesses and projects funded with the equivalent amount to fulfil any green, environmental, sustainability, social and/or other criteria (including the Second Party Opinion). For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Offering Circular. Any such report, assessment, opinion or certification is not, nor should it be deemed to be, a recommendation by the Bank, the Trustee, the Arrangers or any other person to buy, sell or hold Sustainable Certificates. Any such report, assessment, opinion or certification is only current as at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such report, assessment, opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in Sustainable Certificates. The providers of such reports, assessments, opinions and certifications are not subject to any specific oversight or regulatory or other regime or oversight.

If Sustainable Certificates are at any time listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Bank, the Trustee, the Arrangers, the Dealers or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any of the businesses and projects funded with the proceeds from any Sustainable Certificates. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Bank, the Trustee, the Arrangers, the Dealers or any other person that any such listing or admission to trading will be obtained in respect of any Sustainable Certificates or, if obtained, that any such listing or admission to trading will be maintained during the life of the Sustainable Certificates concerned.

While it is the Bank's intention to apply the equivalent amount and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in Sustainable Finance Framework and "*Use of proceeds*", there can be no assurance (whether by the Bank, the Trustee, the Arrangers, the Dealers or any other person) that the Bank will be able to do this. Nor can there be any assurance that any Eligible Sustainable Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Bank.

Any such event as described in the last sentence of the preceding paragraph or failure by the Bank to apply the equivalent amount for any Eligible Sustainable Projects or to obtain and publish any such reports and opinions, will not give rise to any claim in contract of a holder of Sustainable Certificates against the Bank, the Trustee, any Manager or any other person. The withdrawal of any such report or opinion, or any report, assessment, opinion or certification attesting that the Bank is not complying in whole or in part with any matters for which that report, assessment, opinion or certification is reporting, assessing, opining or certifying, and/or Sustainable Certificates no longer being listed or admitted to trading on any stock exchange or securities market, as aforesaid, may have a material adverse effect on the value of Sustainable Certificates concerned and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

An Eligible Sustainable Project may become not satisfying the eligibility criteria set out in the Sustainable Finance Framework during the life of the project, due to changes of the Sustainable Finance Framework and/or circumstances of the project or any other reasons. The reallocation of such proceeds to new Eligible Sustainable Project may not be possible or may be delayed. No representation or assurance is given or made by the Trustee, the Bank, the Arrangers, the Dealers, the Agents, the Delegate or any other person that the equivalent amount used for financing or refinancing of Eligible Sustainable Projects will always satisfy the eligibility criteria.

The net proceeds of the issue of Sustainable Certificates which, from time to time, are not earmarked towards Eligible Sustainable Projects are intended by the Bank to be invested in cash, cash equivalents and/or marketable securities, in accordance with the Group's cash management policies and excluding investments covered by the exclusions referenced in " *Use of proceeds*" below. While the Bank intends to place the net proceeds of the issue of any Sustainable Certificates in a segregated account, there can be no assurance that the Sustainable Certificates or the proceeds therefrom will not be used to absorb any and all losses of the Bank, regardless of whether or not such losses stem from green, sustainable or other assets, in the same way as the Bank's other instruments not classified as Sustainable Certificates which may be called upon to cover all losses on the balance sheet.

No Arranger or Dealer makes any representation as to (i) the suitability of any Sustainable Certificates to fulfil any environmental, social and/or sustainability criteria required by prospective investors, (ii) whether the net proceeds of the issuance of any such Certificates will be used to finance and/or refinance relevant Eligible Sustainable Projects, including their green, social and/or sustainability criteria, as applicable or (iii) the characteristics of relevant Eligible Sustainable Projects or businesses to whom the proceeds of such Certificates are to be allocated, including their green, social and/or sustainability characteristics, as applicable. No Dealer involved in the issue of a specific Tranche of such Certificates has undertaken, nor is responsible for, any assessment of or due diligence in respect of the Sustainable Finance Framework, the Eligible Projects or the eligibility criteria, any verification of whether the Eligible Sustainable Projects meet the eligibility criteria, or the monitoring of the use of proceeds. Investors should refer to the Banks's website, annual report and Second Party Opinion for information and should determine for themselves the relevance of the information contained in this Offering Circular regarding the use of proceeds and its investment in any Sustainable Certificates should be based upon such investigation as it deems necessary.

#### **Risks related to Certificates which are linked to "benchmarks"**

##### ***The regulation and reform of benchmarks may adversely affect the value of Certificates referencing such benchmarks***

Reference rates and indices, including profit rate benchmarks, which are used to determine the amounts payable under financial instruments or the value of such financial instruments ("**Benchmarks**"), have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated. This has resulted in regulatory reform and changes to existing Benchmarks, with further changes anticipated. These reforms and changes may cause a Benchmark to perform differently than it has done in the past or to be discontinued. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on any Certificates referencing or linked to such Benchmark.

Investors should be aware that, if a benchmark were discontinued or otherwise unavailable, the rate of profit on Floating Rate Certificates which reference such benchmark will be determined for the relevant period by the fall-back provisions applicable to such Certificates set out in the Conditions. Where Screen Rate Determination not Referencing SOFR or SONIA is specified as the manner in which the Profit Rate in respect of Floating Rate Certificates is to be determined, the Conditions provide that the Profit Rate shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available. Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Profit Rate to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent. Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such original Reference

Rate), the Profit Rate may ultimately revert to the Profit Rate applicable as at the last preceding Profit Rate Determination Date before the original Reference Rate was discontinued. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Certificates.

Where the relevant Pricing Supplement specifies that paragraph (ii) of Condition 8(d) (*Periodic Distribution Amounts - Benchmark Discontinuation*) is applicable, the Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if an original Reference Rate and/or any page on which an original Reference Rate may be published, becomes unavailable, or if the Bank, the Calculation Agent, any Paying Agent or any other party responsible for the calculation of the Profit Rate (as specified in the relevant Pricing Supplement) is no longer permitted lawfully to calculate profit on any Certificates by reference to such an original Reference Rate.

Such fallback arrangements include the possibility that the Profit Rate could be set by reference to a Successor Rate or an Alternative Reference Rate, with or without the application of an Adjustment Spread (as defined in the Conditions) and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser, acting in good faith and following consultation with the Bank, or the Bank (acting in good faith and in a commercially reasonable manner), as applicable. The application of an Adjustment Spread may result in the Conditions performing differently (which may include payment of a lower Profit Rate) than they would do if the original Reference Rate were to continue to apply in its current form. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Profit Rate. The use of a Successor Rate or Alternative Reference Rate to determine the Profit Rate is also likely to result in any Certificates linked to or referencing an original Reference Rate performing differently (which may include payment of a lower Profit Rate) than they would if the original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate, Alternative Reference Rate or Adjustment Spread is determined by the Independent Adviser or the Bank, the Conditions provide that the Bank may vary the Trust Deed, the Agency Agreement and the Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Reference Rate, without any requirement for consent or approval of the Certificateholders.

In addition, the market (if any) for Certificates linked to any such Successor Rate or Alternative Reference Rate may be less liquid than the market for Certificates linked to the original Reference Rate. Prospective investors should note that neither the Bank nor any Independent Adviser appointed pursuant to the Conditions shall, in the absence of bad faith, wilful default or fraud have any liability whatsoever to the Delegate, the Principal Paying Agent, the Paying Agents, or the Certificateholders for any determination made by it pursuant to the Conditions.

The choice of replacement benchmark is uncertain and could result in the use of risk free rates such as SOFR (see “—*The market continues to develop in relation to risk free rates (including SONIA and SOFR) as reference rates for Floating Rate Certificates*” below) and/or in the replacement Benchmark being unavailable or indeterminable.

In the case of Floating Rate Certificates which reference SOFR where paragraph (ii) of Condition 8(d) (*Periodic Distribution Amounts - Benchmark Discontinuation*) is specified as applicable in the relevant Pricing Supplement where the Bank determines that a SOFR Benchmark Event and its related Benchmark Replacement Date have occurred, a Benchmark Replacement (as determined in accordance with paragraph (ii) of Condition 8(d) (*Periodic Distribution Amounts - Benchmark Discontinuation*)) will replace the then-current Benchmark for all purposes relating to such Certificates in respect of all determinations on such date and for all determinations on all subsequent dates. Such Benchmark Replacement may result in the Certificates behaving differently (which may include payment of a lower Profit Rate).

Where ISDA Determination is specified as the manner in which the Profit Rate in respect of Floating Rate Certificates is to be determined, the Conditions provide that the Profit Rate in respect of the Certificates shall

be determined by reference to the relevant Floating Rate Option in the 2006 ISDA Definitions or 2021 ISDA Interest Rate Derivatives Definitions. Where the Floating Rate Option specified is an “IBOR” Floating Rate Option, the Profit Rate may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Profit Rate that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Certificates.

***The Bank may be unable to appoint an Independent Adviser or the Independent Adviser may not be able to determine a Successor Rate or Alternative Reference Rate in accordance with the terms and conditions of the Certificates***

Where the Bank is unable to appoint an Independent Adviser in accordance with paragraph (i) of Condition 8(d) (*Periodic Distribution Amounts - Benchmark Discontinuation*) or the Independent Adviser appointed by the Bank fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and (in either case) the applicable Adjustment Spread, prior to the relevant IA Determination Cut-off Date, the Bank (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, failing which an Alternative Reference Rate and, in either case, an Adjustment Spread, by no later than five Business Days prior to the Profit Rate Determination Date relating to the next Periodic Distribution Period for which the Profit Rate (or any component part thereof) is to be determined by reference to the original Reference Rate.

Where the Bank has been unable to appoint an Independent Adviser or, the Independent Adviser has failed, to determine a Successor Rate or Alternative Reference Rate in respect of any given Periodic Distribution Period, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Profit Rate Determination Date and/or to determine a Successor Rate or Alternative Reference Rate to apply the next succeeding and any subsequent Periodic Distribution Periods, as necessary.

If the Trustee or the Bank, as the case may be, is unable to appoint an Independent Adviser, or fails to determine a Successor Rate or Alternative Reference Rate for the life of the relevant Certificates the initial Profit Rate, or the Profit Rate as at the last preceding Periodic Distribution Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the Floating Rate Certificates, in effect, becoming fixed rate Certificates.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of the calculation of the Profit Rate for the relevant immediately following Periodic Distribution Period may result in the Profit Rate for the last preceding Periodic Distribution Period being used. This may result in Certificates linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Profit Rate) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Reference Rate could be determined. If the Bank is unable to appoint an Independent Adviser or, the Independent Adviser (or the Bank) fails to determine a Successor Rate or Alternative Reference Rate for the life of the relevant Certificates, the initial Profit Rate, or the Profit Rate for the last preceding Periodic Distribution Period, will continue to apply to maturity. This will result in the Floating Rate Certificates, in effect, becoming fixed rate Certificates. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

***The market continues to develop in relation to risk free rates (including SONIA and SOFR) as reference rates for Floating Rate Certificates***

Investors should be aware that the market continues to develop in relation to risk-free rates, such as the Sterling Overnight Index Average (“SONIA”) and the Secured Overnight Financing Rate (“SOFR”), as reference rates in the capital markets for sterling or U.S. dollar bonds, as applicable, and their adoption as alternatives to the relevant interbank offered rates. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain

risk-free rates (which seek to measure the market's forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. For example, on 2 March 2020, the Federal Reserve Bank of New York, as administrator of SOFR, began publishing the SOFR Compounded Index and on 3 August 2020, the Bank of England, as the administrator of SONIA, began publishing the SONIA Compounded Index.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to Certificates that reference such risk-free rates issued under this Programme. The Trustee may in the future also issue Certificates referencing SONIA or SOFR that differ materially in terms of profit determination when compared with any SONIA or SOFR referenced Certificates issued by it under this Programme. The development of risk-free rates for the international debt capital markets could result in reduced liquidity or increased volatility, or could otherwise affect the market price of any Certificates that reference a risk-free rate issued under this Programme from time to time.

In addition, the manner of adoption or application of risk-free rates in the international debt capital markets may differ materially compared with the application and adoption of risk-free rates in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, sukuk loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of Certificates referencing such risk-free rates.

The use of risk-free rates as reference rates in the international debt capital markets is nascent, and may be subject to change and development in terms of the methodology used to calculate such rates, the development of rates based on risk-free rates and the development and adoption of market infrastructure for the issuance and trading of sukuk referencing risk-free rates. In particular, investors should be aware that several different methodologies have been used in sukuk linked to such risk-free rates issued to date and no assurance can be given that any particular methodology, including the compounding formula in the terms and conditions of the Certificates, will gain widespread market acceptance. In addition, the methodology for determining any overnight rate index used to determine the Profit Rate in respect of certain Certificates could change during the life of such Certificates.

Certificates referencing risk-free rates may also have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for sukuk referencing such risk-free rates, such as the spread over the index reflected in profit rate provisions, may evolve over time, and trading prices of such Certificates may be lower than those of later-issued indexed debt securities as a result. Further, if the relevant risk-free rates do not prove to be widely used in securities like the Certificates, the trading price of such Certificates linked to such risk-free rates may be lower than those of Certificates referencing indices that are more widely used. Investors in such Certificates may not be able to sell such Certificates at all or may not be able to sell such Certificates at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

Certain administrators of risk-free rates have published hypothetical and actual historical performance data. Hypothetical data inherently includes assumptions, estimates and approximations and actual historical performance data may be limited in the case of certain risk-free rates. Investors should not rely on hypothetical or actual historical performance data as an indicator of the future performance of such risk-free rates.

Investors should consider these matters when making their investment decision with respect to any Certificates which reference SONIA or SOFR.

***Risk-free rates differ from interbank offered rates in a number of material respects and have a limited history***

Risk-free rates may differ from interbank offered rates in a number of material respects, including (without limitation) by being backwards-looking in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank

financing. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as reference rates for the Certificates.

SONIA and SOFR are, in the case of SONIA, recently reformed and in the case of SOFR, newly established risk-free rates. Therefore, such risk-free rates offered as alternatives to interbank offered rates also have a limited history. For that reason, future performance of such rates may be difficult to predict based on their limited historical performance. The level of such rates during the term of the Certificates may bear little or no relation to historical levels. Prior observed patterns, if any, in the behaviour of market variables and their relation to such rates such as correlations, may change in the future. For example, since publication of SOFR began, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

Furthermore, profit on Certificates which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Periodic Distribution Payment Date. It may be difficult for investors in Certificates which reference such risk-free rates to reliably estimate the amount of profit which will be payable on such Certificates, and some investors may be unable or unwilling to trade such Certificates without changes to their IT systems, both of which could adversely impact the liquidity of such Certificates. Further, in contrast to Certificates linked to interbank offered rates, if Certificates referencing backwards-looking SONIA or SOFR become due and payable or are otherwise redeemed early on a date which is not a Periodic Distribution Date, the final Profit Rate payable in respect of such Certificates shall be determined by reference to a shortened period ending immediately prior to the date on which the Certificates become due and payable or are scheduled for redemption.

***Any of the administrators of SONIA or SOFR may make changes that could change the value of SONIA or SOFR or discontinue SONIA or SOFR, respectively***

As SONIA and SOFR are published and calculated by third parties based on data received from other sources, the Trustee and the Bank have no control over their determination, calculation or publication. There can be no guarantee that SONIA and/or SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Certificates linked to or which reference SONIA or SOFR (or that any applicable benchmark fallback provisions provided for in the Conditions will provide a rate which is economically equivalent for Certificateholders). The Bank of England or the Federal Reserve Bank of New York (or their successors) as administrators of SONIA or SOFR, respectively, may make methodological or other changes that could change the value of these risk-free rates and/or indices, including changes related to the method by which such rates and/or indices are calculated, eligibility criteria applicable to the transactions used to calculate such rates and/or indices, or timing related to the publication of SONIA or SOFR. In addition, an administrator may alter, discontinue or suspend calculation or dissemination of SONIA or SOFR, in which case a fallback method of determining the profit rate on the Certificates will apply in accordance with the Conditions (see *“The regulation and reform of benchmarks may adversely affect the value of Certificates referencing such benchmarks”*). An administrator has no obligation to consider the interests of Certificateholders when calculating, adjusting, converting, revising or discontinuing any such risk-free rate. If the manner in which such risk-free rate is calculated is changed, that change may result in a reduction of the amount of profit payable on such Certificates and the trading price of such Certificates.

### **Risks Relating to Certificates Denominated in Renminbi**

Set out below is a description of the principal risks which may be relevant to an investor in Certificates denominated in Renminbi:

***Renminbi is not completely freely convertible; there are significant restrictions on remittance of Renminbi into and outside the People’s Republic of China (“PRC”) and this may adversely affect the liquidity of Certificates denominated in Renminbi.***

Renminbi is not completely freely convertible at present. The government of the PRC (the **“PRC Government”**) continues to regulate conversion between Renminbi and foreign currencies.

However, there has been significant reduction in control by the PRC Government in recent years, particularly over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although on 1 October 2016, Renminbi was added to the Special Drawing Rights basket created by the IMF and policies for further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were issued, there is no assurance that the PRC Government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Trustee and the Obligor to source Renminbi to finance their obligations under Certificates denominated in Renminbi.

***There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Certificates denominated in Renminbi and the Trustee's and the Obligor's ability to source Renminbi outside the PRC to service such Certificates***

As a result of the restrictions imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited.

Whilst the People's Bank of China (the "PBOC") has established Renminbi clearing and settlement mechanisms for participating banks in various countries, through settlement agreements on the clearing of Renminbi business (the "Settlement Agreements") with financial institutions in a number of financial centres and cities (each, a "Renminbi Clearing Bank"), the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the Renminbi Clearing Banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future, which will have the effect of restricting the availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of Certificates denominated in Renminbi. To the extent the Trustee and/or the Obligor is required to source Renminbi outside the PRC to service Certificates denominated in Renminbi, there is no assurance that the Trustee and/or the Obligor will be able to source such Renminbi on satisfactory terms, if at all.

***An investment in Certificates denominated in Renminbi is subject to exchange rate risks***

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. Dollar

to take into account market-maker quotes before announcing the daily midpoint. This change, amongst others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. In May 2017, the PBOC further decided to introduce counter-cyclical factors to offset the market pro-cyclicality, so that the midpoint quotes could adequately reflect the PRC's actual economic performance. However, the volatility in the value of the Renminbi against other currencies still exists. All payments of profit and principal with respect to Certificates denominated in Renminbi will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of an investment in Certificates denominated in Renminbi in U.S. dollar or other applicable foreign currency terms will decline.

***An investment in Certificates denominated in Renminbi is subject to interest or profit rate risks***

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions. Certificates denominated in Renminbi may carry a fixed profit rate. Consequently, the trading price of such Certificates will vary with fluctuations in Renminbi interest rates. If a holder of Certificates denominated in Renminbi tries to sell such Certificates before their maturity, they may receive an offer that is less than the amount invested.

***Payments for Certificates denominated in Renminbi will only be made to investors in the manner specified for such Certificates in the Conditions***

Investors may be required to provide certification and other information (including Renminbi account information) in order to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in a number of financial centres and cities. Except in the limited circumstances stipulated in Condition 11(f) (*Renminbi Currency Event*) (as set out in the Renminbi provisions below), all Renminbi payments to investors in respect of Certificates denominated in Renminbi will be made solely: (i) for so long as such Certificates are represented by a Global Certificate held with the common depositary, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures or those of such alternative clearing system; or (ii) for so long as such Certificates are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than as described in the Conditions, the Trustee and/or the Obligor cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

***Gains on the transfer of Certificates denominated in Renminbi may become subject to income taxes under PRC tax laws***

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Certificates denominated in Renminbi by non-PRC resident enterprise or individual holders may be subject to PRC enterprise income tax ("EIT") or PRC individual income tax ("IIT") if such gain is regarded as income derived from sources within the PRC. The PRC Enterprise Income Tax Law levies EIT at the rate of 20 per cent. of the gains derived by such non-PRC resident enterprise or individual Certificateholder from the transfer of Certificates denominated in Renminbi but its implementation rules have reduced the enterprise income tax rate to 10 per cent. The PRC Individual Income Tax Law levies IIT at a rate of 20 per cent. of the gains derived by such non-PRC resident or individual Certificateholder from the transfer of Certificates denominated in Renminbi.

However, uncertainty remains as to whether the gain realised from the transfer of Certificates denominated in Renminbi by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Certificateholders who are residents of Hong Kong, including enterprise Certificateholders and individual Certificateholders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Certificates.

Therefore, if non-PRC enterprise or individual resident holders are required to pay PRC income tax on gains derived from the transfer of Certificates denominated in Renminbi, unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Certificates denominated in Renminbi reside that reduces or exempts the relevant EIT or IIT, the value of their investment in Certificates denominated in Renminbi may be materially and adversely affected.

### ***Investment in Certificates denominated in Renminbi may be subject to PRC tax***

In considering whether to invest in the Certificates denominated in Renminbi, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the Certificateholders' investment in the Certificates denominated in Renminbi may be materially and adversely affected if the Certificateholder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Certificates.

## **Risks relating to the Trust Assets**

### ***Ownership of Wakala Assets***

The *Shari'a* analysis is as follows: an ownership interest in the Wakala Assets comprised within the relevant Wakala Portfolio should pass to the Trustee under the Master Purchase Agreement, as supplemented by the relevant Supplemental Purchase Agreement (together, the "**Purchase Agreement**"). The Trustee will declare a trust in respect of the Wakala Assets and the other Trust Assets in favour of the Certificateholders of the relevant Series pursuant to the Master Trust Deed, as supplemented by the relevant Supplemental Trust Deed. Accordingly, from a *Shari'a* perspective, Certificateholders should, through the ownership interest obtained by the Trustee pursuant to the terms of the Purchase Agreement, have an undivided ownership interest in the relevant Wakala Assets.

Limited investigation and enquiry will be made and limited due diligence will be conducted in respect of any Wakala Assets. The Wakala Assets will be selected by the Bank, and none of the Certificateholders, the Trustee or the Delegate will have any ability to influence such selection. Only limited representations will be obtained from the Bank in respect of the Wakala Assets (such representations not forming part of the Trust Assets) and the precise terms or the nature of the Wakala Assets sold or held will not be disclosed (including whether there are any restrictions on transfer of, or any further obligations required to be performed by the Bank to give effect to the title in, such Wakala Assets). As such, no investigation has been or will be made as to whether any interest in any Wakala Assets may be transferred as a matter of the law governing the Transaction Documents, the law of the jurisdiction where such Wakala Assets are located or any other relevant law and no investigation will be made to determine if any Purchase Agreement will have the effect of transferring an interest in the relevant Wakala Assets. No steps (including registration, if necessary) are intended to be taken to perfect the legal title in the Wakala Assets with any relevant regulatory authority in Saudi Arabia or otherwise give notice to any lessee or obligor in respect thereof and limited investigation will be made as to whether the Bank holds any rights, title, interests, benefits or entitlement in or is in actual or constructive possession, custody or control of any of the Wakala Assets at any time. Therefore, Certificateholders shall not have any legal interest in any Wakala Assets which require perfection in order to legally transfer any ownership interest therein.

Further, although the *Shari'a* analysis is such that an ownership interest in the Wakala Assets should pass to the Trustee under the Purchase Agreement, the Certificateholders will not have any rights of enforcement as against

the Wakala Assets and their rights are limited to enforcement against the Bank of its obligation to purchase all (or the applicable portion thereof, as the case may be) of the Wakala Assets pursuant to the terms of the Transaction Documents.

However, the Bank has covenanted in the Purchase Undertaking and the Master Trust Deed that, subject to satisfaction of certain conditions as described above (see “*Limitations relating to the indemnity provisions in the Purchase Undertaking and the Master Trust Deed*”) if the Bank fails to pay the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Put Right Exercise Price, as the case may be, in accordance with the Purchase Undertaking for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates or the relevant Certificates to be redeemed on the relevant date, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Certificateholder Put Right Exercise Price or the Tangibility Event Put Right Exercise Price, as the case may be.

If the Bank fails to purchase all (or the applicable portion thereof, as the case may be) of the Wakala Assets in accordance with the Purchase Undertaking, the Delegate (on behalf of the Certificateholders) may, subject to the matters set out the Conditions and the terms of the Master Trust Deed, seek to enforce, *inter alia*, the provisions of the Purchase Undertaking and the Master Trust Deed against the Bank by commencing arbitration proceedings to be administered by the LCIA pursuant to the rules of the LCIA. The LCIA should respect the choice of English law as the governing law of the Purchase Undertaking and the Master Trust Deed. See “-*Risks relating to Enforcement - There are uncertainties around the choice of English law as the governing law of certain Transaction Documents and around enforcing arbitral awards in the Kingdom*”.

### **Risks relating to Enforcement**

#### ***There are uncertainties around the choice of English law as the governing law of certain Transaction Documents and around enforcing arbitral awards in the Kingdom***

The Certificates and the Transaction Documents (other than the Master Purchase Agreement, each Supplemental Purchase Contract, each Sale Agreement entered into pursuant to the Purchase Undertaking and each Sale Agreement entered into pursuant to the Sale and Substitution Undertaking, together the “**Saudi Law Transaction Documents**”) are expressed to be governed by English law, and provide for the resolution of disputes through arbitration in London under the LCIA Arbitration Rules. The Bank is a Saudi Arabian company and is incorporated in and has its operations and the majority of its assets located in Saudi Arabia.

Saudi Arabia is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”). Any foreign arbitral award, including an LCIA award, should therefore be enforceable in Saudi Arabia in accordance with the terms of the New York Convention, subject to filing a legal action for recognition and enforcement of foreign arbitral awards with the Enforcement Departments of the General Courts. Under the New York Convention, Saudi Arabia has an obligation to recognise and enforce foreign arbitral awards unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Saudi courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of Saudi Arabia. In addition, the Enforcement Departments of the General Courts (which have jurisdiction over commercial disputes) may decline to enforce foreign arbitral awards if the requirements of enforcing foreign arbitral awards are not met. These requirements include that: (a) the arbitral award does not conflict with public policy in Saudi Arabia; (b) there is reciprocity in the enforcement of arbitral awards between the courts of Saudi Arabia and the country in which the award was made; (c) the courts of Saudi Arabia do not have jurisdiction over the dispute and the award has been issued in accordance with the jurisdictional rules of the country in which such award was made; (d) the respective parties to the dispute were present, duly represented and able to defend themselves; (e) the award was final in accordance with the rules of the court; and (f) the award is not conflicting with any ruling or order issued by a court of competent jurisdiction on the same matter in Saudi Arabia. There can therefore be no assurance that the Saudi courts will enforce a foreign arbitral award in accordance with the terms of the New York Convention (or any other multilateral or bilateral

enforcement convention). In addition, even if such requirements were met, Certificateholders should also be aware that if any terms of the Certificates or the Transaction Documents were found to be inconsistent with *Shari'a*, they would not be enforced by the Enforcement Departments of the General Courts.

The courts and judicial committees of Saudi Arabia may not recognise the choice of English law or the submission to arbitration in the Certificates and the Transaction Documents and may elect to apply the laws of Saudi Arabia instead. Accordingly, in any proceedings relating to the Certificates in Saudi Arabia, *Shari'a*, as interpreted in Saudi Arabia, may be applied by the relevant court or judicial committee. The courts and judicial committees of Saudi Arabia have the discretion to deny the enforcement of any contractual or other obligations, if, in their opinion, the enforcement thereof would be contrary to the principles of *Shari'a*.

In addition to the above, courts in Saudi Arabia may not enforce a foreign judgment without re-examining the merits of the claim. Moreover, provisions of foreign law which are deemed contrary to public policy, order or morals in Saudi Arabia (including *Shari'a* law and principles), or to any mandatory law of, or applicable in, Saudi Arabia, are unlikely to be enforceable in Saudi Arabia.

Saudi Arabian government authorities and state-owned companies are required to work to select Saudi Arabia as the seat of arbitration at the Saudi Centre of Commercial Arbitration in contracts entered into by them with foreign investors pursuant to the High Order No. 28004 dated 22/5/1440H (corresponding to 25/1/2019) (“**High Order 28004**”). While the High Order 28004 appears to be advisory in nature and does not impose a hard obligation on such authorities and companies to so comply, Saudi Arabian courts might take a contrary view and in turn deem the selection of a seat of arbitration outside Saudi Arabia as void. It is noteworthy that the High Order 28004 does not clarify whether it would apply to wholly or partially owned state-owned companies.

***The choice of forum clause may not be upheld by a Saudi Arabian judicial body***

The choice of forum clause in relation to the Certificates and the Transaction Documents may not be upheld by a Saudi Arabian court. Under Saudi Arabian law, only a court will finally determine the appropriate adjudicating forum for the dispute, notwithstanding the contractual election of the parties to the agreement. However, the Arbitration Law issued by Royal Decree No M/34, dated 24/5/1433 AH (corresponding to 16 April 2012) provides that a Saudi Arabian court must dismiss a claim if the defendant raises an arbitration agreement as its first defence in the case.

***There are uncertainties around the choice of the Committee for the Resolution of Securities Disputes to hear certain disputes***

Certain of the Transaction Documents are expressed to be governed by Saudi law and provide for the resolution of disputes through proceedings before the Committee for the Resolution of Securities Disputes (the “**CRSD**”). However, whilst the CRSD is responsible for the settlement of disputes arising under the Capital Market Law and its implementing regulations, under Saudi Arabian law, only a court in its application of the law will finally determine the appropriate adjudicating forum for the dispute, notwithstanding the contractual election of the parties to an agreement. There is therefore a risk that other courts or judicial committees will have jurisdiction to hear relevant disputes. Any provision in an agreement that purports to preclude any party from invoking the jurisdiction of a particular Saudi Arabian court or judicial committee where the parties have referred a dispute to any other Saudi Arabian court or judicial committee may not be enforceable.

***The interpretation of the compliance of the Certificates and Transaction Documents with Shari'a principles may differ amongst Saudi courts and judicial committees***

The Saudi Law Transaction Documents will be governed by, and will be construed in accordance with, the laws of Saudi Arabia. Prospective Certificateholders should note that the various courts and judicial committees of Saudi Arabia applying Saudi law, and, in particular, the relevant principles of Islamic law are generally construed and applied pursuant to the teachings of the Hanbali school of jurisprudence, which may interpret or enforce, or reinterpret, any Saudi Law Transaction Document other than in accordance with its terms. There are majority and minority views within the Hanbali school of jurisprudence either of which may be applied in any particular case. In this regard, the courts and judicial committees of Saudi Arabia may decline to enforce

any contractual or other obligations (including any provisions relating to the payment of profit) if it is their view that the enforcement thereof would be contrary to principles of *Shari'a*.

Prospective Certificateholders should note that to the best of the Trustee's and the Bank's knowledge, no securities of a similar nature to the Certificates have previously been the subject of adjudicatory interpretation or enforcement in Saudi Arabia. Accordingly, it is uncertain exactly how and to what extent the Transaction Documents to which the Bank is a party (or any of them), would be enforced by the CRSD and the Appeal Panel or any other adjudicatory authority in Saudi Arabia.

Prospective Certificateholders should note that different *Shari'a* advisers and courts and judicial committees in Saudi Arabia may form different opinions on identical issues and therefore prospective Certificateholders should consult their own legal and *Shari'a* advisers to receive an opinion, as to the compliance or otherwise of the Certificates and the Transaction Documents with *Shari'a* principles (see "*Investors must make their own determination as to Shari'a compliance*" below). Prospective Certificateholders should also note that although Al Rajhi Capital Company's *Shari'a* Committee (on behalf of Al Rajhi Capital Company as Arranger and the Bank as Obligor) has approved the transaction structure relating to the Certificates (as described in this Offering Circular), and the Standard Chartered Bank Global Shariah Supervisory Committee has confirmed that the Certificates and the Transaction Documents are in compliance with *Shari'a* principles, such approvals and confirmations would not bind a court or judicial committee in Saudi Arabia, including in the context of any insolvency or bankruptcy proceedings relating to the Bank, and any court or judicial committee in Saudi Arabia will have the discretion to make its own determination about whether the Transaction Documents comply with the laws of Saudi Arabia and *Shari'a* principles and therefore are enforceable in Saudi Arabia.

#### ***Courts and judicial committees in Saudi Arabia may not give effect to unilateral promises***

Under Islamic law there are different opinions amongst scholars with respect to the enforceability of a unilateral promise which can be divided into three distinct positions: (i) a unilateral promise will be enforceable in all circumstances; (ii) a unilateral promise will not be enforceable in any circumstances; and (iii) a unilateral promise will be enforceable where a breach would cause harm to the promisee. In addition, the absence of both a doctrine of binding precedent in Saudi Arabia and a public centralised index of previous judgments of courts and judicial committees allow judges notable interpretative discretion and thus render it difficult to predict which of the above positions would be followed by a court or judicial committee in Saudi Arabia. As a result, such a unilateral promise may not create an obligation which would be enforceable before the courts and judicial committees of Saudi Arabia. The Purchase Undertaking is a unilateral promise from the Bank to the Trustee and the Delegate. Accordingly, prospective Certificateholders should be aware that its terms may not be enforceable before the courts and judicial committees of Saudi Arabia and, as a consequence, Certificateholders may not receive the relevant Dissolution Distribution Amounts due to them under the Certificates.

***There are concerns as to the effectiveness under Saudi Arabian law of any transfer of an interest in an asset in Saudi Arabia, or on the return of investment of any activity in Saudi Arabia, to a Saudi Arabian company on behalf of foreign nationals unless a corporate presence is formed in Saudi Arabia and the relevant licensing requirements have been met***

The Foreign Investment Law issued under Royal Decree No. M/1 dated 5/1/1421H (corresponding to 10/4/2000) and the Anti-Cover Up Regulations issued in the Official Gazette on 28/5/1425H (corresponding to 16/7/2004) prohibit Saudi Arabian companies from doing business in Saudi Arabia on behalf of foreign nationals unless a corporate presence is formed in Saudi Arabia and the relevant licensing requirements have been met. The Trustee and the Bank could be interpreted as contravening this prohibition by entering into the Service Agency Agreement and the other Transaction Documents to which they are each a party. Moreover, under the Saudi Arabian Foreign Ownership and Investment in Real Estate Regulations issued under Royal Decree No. M/15 dated 17/4/1421H (corresponding to 19/7/2000), any transfer of an interest in real estate to non-Saudi persons under any of the Transaction Documents, shall be void and not effective under Saudi Arabian law unless such non-Saudi persons establish a corporate presence in Saudi Arabia and obtain the relevant licences.

On the basis of the foregoing, prospective Certificateholders should note that there is uncertainty as to the effectiveness under Saudi Arabian law of any transfer of an interest in an asset in Saudi Arabia pursuant to the Transaction Documents relating to a Series, or on the return of investment of any activity in Saudi Arabia, absent compliance with the matters specified above. As a result, if the Bank fails to comply with its obligations under the Transaction Documents, a Saudi Arabian court or judicial or administrative tribunal or government authority may characterise the transactions contemplated by the Transaction Documents as an unlawful investment which is void as a result of non-compliance with any of the matters specified above. If that is the case, a Saudi Arabian court or judicial or administrative tribunal is likely to require that the Bank return to the Trustee the relevant Issue Proceeds less any Wakala Portfolio Income Revenues and/or Wakala Portfolio Principal Revenues already paid in respect of the relevant Series. It is uncertain whether the parties will be entitled to any damages.

***Courts and judicial committees in Saudi Arabia may not give effect to the Obligor Events***

Prospective Certificateholders should note that the courts and judicial committees of Saudi Arabia may not give effect to any of the Obligor Events (as set out in the Purchase Undertaking) other than those Obligor Events relating to the non-payment of amounts due under the Transaction Documents.

***Courts and judicial committees in Saudi Arabia may not give effect to the penalties and certain types of indemnities***

Prospective Certificateholders should note that should any provision of the Transaction Documents be construed by a court or judicial committee in Saudi Arabia to be an agreement to pay a penalty rather than a genuine estimate of loss incurred, such provision would not be enforced in Saudi Arabia. Further, any indemnity provided by the Bank pursuant to the Transaction Documents or in relation to any Series may not be enforceable under the laws and regulations of Saudi Arabia in certain circumstances.

***Compliance with bankruptcy law in Saudi Arabia may affect the Bank's ability to perform its obligations under the Transaction Documents to which it is a party***

A new bankruptcy law promulgated pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 13/02/2018) (the "**Bankruptcy Law**") created general bankruptcy procedures.

If the Bank's insolvency satisfied the eligibility conditions for such bankruptcy procedures, this could adversely affect the Bank's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Trustee's ability to perform its obligations in respect of the Certificates. There is little precedent to predict how claims by or on behalf of the Certificateholders and/or the Delegate would be resolved in the event of the Bank satisfying the eligibility conditions of any such bankruptcy procedures and, accordingly, it is uncertain exactly how and to what extent the Transaction Documents would be enforced by a Saudi Arabian adjudicatory body in that situation and, therefore, there can be no assurance that Certificateholders will receive repayment of their claims in full or at all in these circumstances. In addition, there is a material likelihood that a Saudi Arabian adjudicatory body could consider void a contractual provision that seeks to terminate a contract in the event of a preventative settlement or financial restructuring process being instigated. This is based on article 23 of the Bankruptcy Law, which states that contracts should continue during preventative settlement or financial restructuring processes and any condition to the contrary is null and void. It is open to a contractual party to apply for its contract to be terminated, pursuant to article 24 of the Bankruptcy Law, if the party undergoing preventative settlement fails to comply with its obligations in the period after the commencement of preventative settlement.

***A court may not grant an order for specific performance***

In the event that the Bank fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include (i) obtaining an order for specific performance of the Bank's obligations, or (ii) a claim for damages.

There is no assurance that a court will provide an order for specific performance, as this is generally a matter for the discretion of the relevant court. Specific performance, injunctive relief and declaratory judgments and

remedies are rarely available as judicial and other adjudicative remedies in Saudi Arabia. The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors, including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of such breach. No assurance is provided on the level of damages which a court may award in the event of a failure by the Bank to perform its obligations set out in the Transaction Documents to which it is a party. Damages for loss of profits, consequential damages or other speculative damages are not awarded in Saudi Arabia by the courts or other adjudicatory authorities, and only actual, direct and proven damages are awarded.

***The terms of the Master Trust Deed may not be enforceable in Saudi Arabia***

The laws of Saudi Arabia do not recognise the concept of a trust or beneficial interests. Accordingly, there is no certainty that the terms of the Master Trust Deed and any Supplemental Trust Deed (each of which will be governed by English law) would be enforced by the courts of Saudi Arabia and, as such, there can be no assurance that the obligations of the Trustee and/or the Delegate under the Master Trust Deed and any Supplemental Trust Deed to act on behalf of the Certificateholders in accordance with their instructions (given in accordance with the Conditions of the Certificates) are enforceable as a matter of contract under the laws of Saudi Arabia or that the courts of Saudi Arabia would recognise any claim of the Delegate on behalf of Certificateholders under the Transaction Documents pursuant to the Master Trust Deed.

***No assurances can be given as to change of law after the date of this Offering Circular***

The structure of each issue of Certificates under the Programme is based on English law, Cayman Islands law, the laws of Saudi Arabia and administrative practices in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible change to, or interpretation of, English, Cayman Islands or Saudi law or administrative practices in such jurisdiction after the date of this Offering Circular, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of the Bank to comply with its obligations under the Transaction Documents to which it is a party.

**Risks relating to Taxation**

***Taxation risks on payments***

Payments made by the Bank to the Trustee under, or pursuant to, the Service Agency Agreement, the Purchase Undertaking and/or the Sale and Substitution Undertaking are, and payments by the Trustee in respect of the Certificates could become, subject to taxation in Saudi Arabia. The Service Agency Agreement requires the Service Agent (as defined therein), each of the Purchase Undertaking and the Sale and Substitution Undertaking requires the Bank, and the Master Trust Deed requires the Bank to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Trustee which are intended to fund Periodic Distribution Amounts and Dissolution Distribution Amounts. Condition 12 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholding or deduction imposed by Cayman Islands law in certain circumstances. In the event that the Trustee fails to pay any such additional amounts in respect of any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, The Bank has unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 12 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Offering Circular shall be incorporated in, and form part of, this Offering Circular:

- a) the consolidated financial statements for the year ended 31 December 2021 of the Group together with the audit report thereon (an electronic copy of which is available at: <https://ir.directfn.com/filecontent/30D85530-F428-4740-8E33-ABA13A9110C4.pdf>); and
- b) the consolidated financial statements for the year ended 31 December 2020 of the Group together with the audit report thereon (an electronic copy of which is available at: <https://ir.directfn.com/filecontent//B7E486AD-EC28-40FF-971F-DE4CD07F0901.pdf>)

(together, the “**Documents Incorporated by Reference**”).

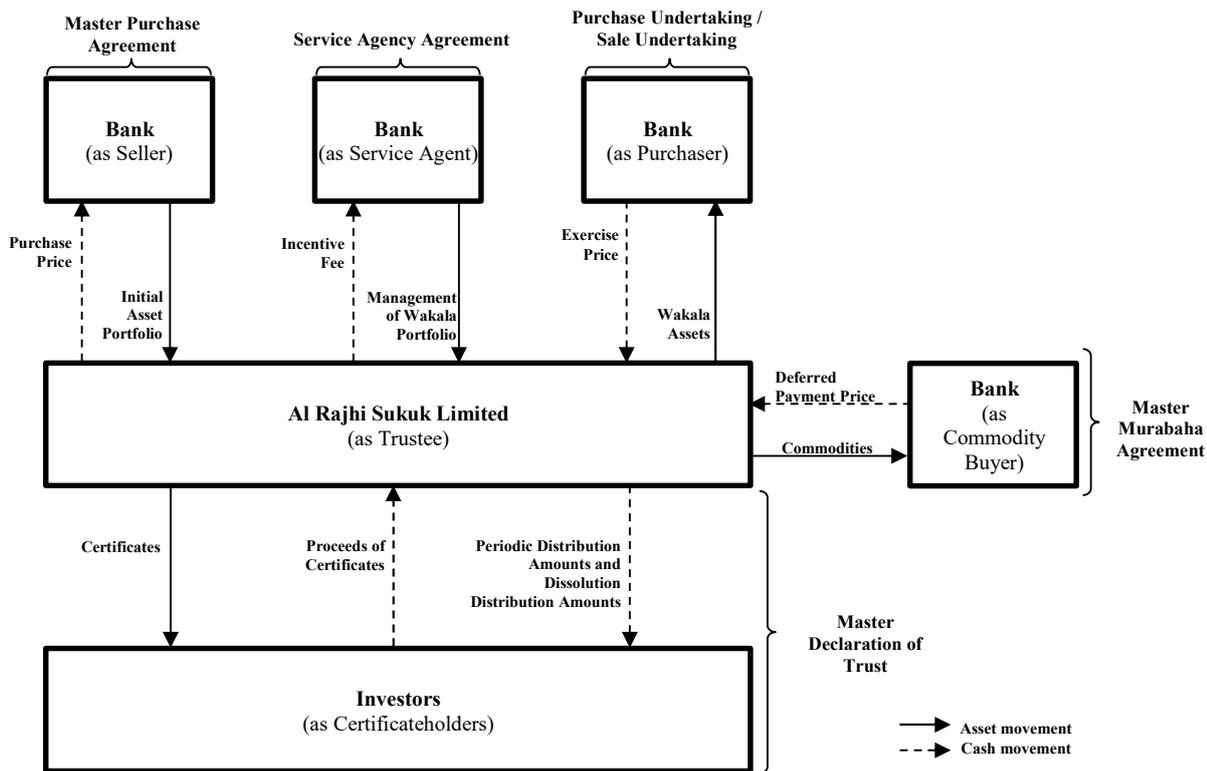
The Documents Incorporated by Reference shall be incorporated in, and form part of, this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular. Those parts of the documents incorporated by reference in this Offering Circular which are not specifically incorporated by reference in this Offering Circular are either not relevant for prospective investors in the Certificates to be issued under the Programme or the relevant information is included elsewhere in this Offering Circular. Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of the documents incorporated by reference in this Offering Circular may be obtained from the registered office of the Trustee and from the specified office of the Principal Paying Agent during usual business hours and will be available for viewing on the Bank’s website at <https://www.alrajhibank.com.sa/en/alrajhi-group/investor-relations>.

## STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Series issued. Potential investors are referred to the terms and conditions of the Certificates set out in “Terms and Conditions of the Certificates” and the detailed descriptions of the relevant Transaction Documents set out in “Summary of the Principal Transaction Documents” for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

### Structure Diagram



### Payments by the Certificateholders and the Trustee

On the Issue Date of each Tranche of Certificates, the Certificateholders will pay the issue price in respect of the Certificates (the “**Issue Price**”) to the Trustee, which the Trustee will apply as follows:

- (a) an amount as specified in the relevant Pricing Supplement, which shall be no less than 75 per cent. of the aggregate face amount of the relevant Certificates, to the Bank (in its capacity as Seller) as the purchase price payable for the purchase from the Bank of all its rights, title, interests, benefits and entitlements in, to and under the following assets (in the case of the first Tranche of the relevant Series of Certificates, the “**Initial Wakala Assets**” or, in the case of each subsequent Tranche of such Series, the “**Additional Wakala Assets**” and, together with the Initial Wakala Assets, the “**Wakala Assets**”):
  - (i) real estate and non-real estate assets in relation to which the Bank or any person on its behalf has entered into Ijara financing contracts (the “**Financing Assets**”) provided, however, that each such Financing Asset is in existence on the date on which it enters the relevant Wakala Portfolio (as defined below); and
  - (ii) sukuk or trust certificates which are tradeable in accordance with AAOIFI Shari’a Standards, as interpreted by the Shari’a Adviser (the “**Tradable Sukuk**”); and

- (b) the remaining portion of the proceeds of the relevant Issue Price as specified in the relevant Pricing Supplement, which shall be no more than 25 per cent. of the aggregate face amount of the relevant Certificates (the “**Murabaha Investment Amount**”) to purchase certain *Shari’a* compliant commodities (the “**Commodities**”) through the Trustee’s commodity agent and the Trustee will sell such Commodities to the Bank (in its capacity as Commodity Buyer) on a deferred payment basis for a deferred payment price comprised of the Murabaha Investment Amount together with the Murabaha Profit Amount specified in an offer notice (the “**Deferred Payment Price**”) payable in instalments on each Periodic Distribution Date and the relevant Dissolution Date(s) pursuant to a murabaha contract (the “**Murabaha Contract**”) (such sale of *Shari’a* compliant commodities by the Trustee to the Commodity Buyer, the “**Commodity Murabaha Investment**”).

In relation to each Series, the Initial Wakala Assets, if applicable, the Additional Wakala Assets and, if applicable, each Commodity Murabaha Investment and all other rights arising under or with respect thereto (including the right to receive payment of profit, rental, Deferred Payment Price and any other amounts due in connection therewith) and any other amounts due in connection therewith shall comprise the “**Wakala Portfolio**” in respect of such Series. The value of any intangible assets which underlie any Tradable Sukuk that are a part of the Wakala Assets of such Series shall, when aggregated with the value of the Commodity Murabaha Investments of such Series (being the aggregate of all amounts of the Deferred Payment Price(s) then outstanding and any other outstanding amounts payable in respect of such Commodity Murabaha Investments), shall at all times be less than or equal to 49 per cent. of the value of the Wakala Portfolio.

### **Periodic Distribution Payments**

In relation to each Series, all revenues payable in respect of the Wakala Assets comprising the Wakala Portfolio (including all profit, rental and other amounts (other than any amounts in the nature of capital or principal)) and, if applicable, all instalments of the deferred Profit Amount comprising the Deferred Payment Price payable in respect of the Commodity Murabaha Investment (the “**Wakala Portfolio Income Revenues**” and, together with any amounts payable in respect of the Wakala Assets comprising the relevant Wakala Portfolio in the nature of capital or principal (the “**Wakala Portfolio Principal Revenues**”), the “**Wakala Portfolio Revenues**”) will be recorded by the Bank in its capacity as Service Agent in book-entry ledger accounts (such accounts being the “**Principal Collection Account**” (in respect of the Wakala Portfolio Principal Revenues) and the “**Income Collection Account**” (in respect of the Wakala Portfolio Income Revenues)). The Service Agent shall use its reasonable endeavours, in the event that there are Wakala Portfolio Principal Revenues standing to the credit of the Principal Collection Account, to notify the Trustee of the amount standing to the credit of the such account which can be used by the Trustee for the purposes of purchasing the Eligible Assets (as defined in the Master Purchase Agreement).

In relation to each Series, on each “**Distribution Determination Date**” (being the business day immediately preceding periodic distribution date specified as such in the relevant Pricing Supplement (“**Periodic Distribution Date**”)), the Service Agent shall pay into the relevant non-interest bearing transaction account in the Trustee’s name maintained with the Principal Paying Agent, details of which are specified in the relevant Pricing Supplement (the “**Transaction Account**”) amounts standing to the credit of the Income Collection Account, which is intended to fund an amount equal to the aggregate of the periodic distribution amounts (the “**Periodic Distribution Amounts**”) payable by the Trustee under the Certificates of the relevant Series on the immediately following Periodic Distribution Date (the “**Required Amount**”), and such Required Amount will be applied by the Trustee for that purpose.

In the event that the Wakala Portfolio Income Revenues are greater than the Required Amount, the amount of any excess shall be credited by the Service Agent to a separate book-entry ledger account (the “**Reserve Account**”). If the amount standing to the credit of the Transaction Account on a Distribution Determination Date is insufficient to fund the Required Amount, the Service Agent shall apply amounts standing to the credit of the Reserve Account towards such shortfall, by paying an amount equal to the same into the Transaction Account. If having applied such amounts from the Reserve Account, there remains a shortfall, the Service Agent may, in its sole discretion, provide either:

- (a) Shari'a compliant funding to the Trustee itself; or
- (b) Shari'a compliant funding from a third party to be paid to the Trustee,

in each case, in an amount equal to the shortfall remaining (if any) on terms that such funding is repayable from Wakala Portfolio Revenues received in respect of a subsequent period or on the relevant redemption date (each, a "**Dissolution Date**") on which the Certificates of the relevant Series are redeemed in full (each a "**Liquidity Facility**").

### **Dissolution Payments**

On the Payment Business Day prior to the relevant Scheduled Dissolution Date in relation to each Series:

- (a) the aggregate amounts of Deferred Payment Price then outstanding, if any, shall become immediately due and payable; and
- (b) the Trustee will have the right under the Purchase Undertaking to require the Bank to purchase all of its rights, title, interests, benefits and entitlements in, to and under Wakala Assets at the relevant Exercise Price,

and such amounts (which shall be paid by the Bank into the relevant Transaction Account) are intended to fund the relevant Dissolution Distribution Amount payable by the Trustee under the Certificates of the relevant Series in respect of the redemption of such Certificates on the Scheduled Dissolution Date.

The Certificates in relation to any Series may be redeemed in whole or, in the case of each of (b) and (c) below, in part, as the case may be, prior to the relevant Scheduled Dissolution Date for the following reasons:

- (a) for taxation reasons;
- (b) if so specified in the relevant Pricing Supplement, at the option of the Bank on the relevant Optional Dissolution Date(s) specified in the relevant Pricing Supplement;
- (c) in the case of Senior Certificates only and if so specified in the relevant Pricing Supplement, at the option of the Certificateholders on the relevant Optional Dissolution Date(s) specified in the relevant Pricing Supplement;
- (d) following a Dissolution Event;
- (e) in the case of Senior Certificates only, upon the occurrence of a Tangibility Event, at the option of the Certificateholders;
- (f) in the case of Senior Certificates only, upon the exercise of the Clean Up (Call) Right; and
- (g) in the case of Tier 2 Certificates only, following a Capital Disqualification Event.

In the case of each of (a), (b) and (f) above, on the Payment Business Day prior to the relevant Dissolution Date:

- (i) the aggregate amounts (or the applicable portion thereof) of the Deferred Payment Price then outstanding, if any, shall become immediately due and payable; and
- (ii) the Bank will have the right under Sale and Substitution Undertaking to require the Trustee to sell all (or the applicable portion thereof, as the case may be) of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Wakala Assets at the relevant Exercise Price, or Optional Dissolution Exercise Price, as the case may be,

and such amounts are intended to fund the relevant Dissolution Distribution Amount payable by the Trustee under the Certificates of the relevant Series on the relevant Dissolution Date.

In the case of each of (c), (d) and (e) above such redemption of the Certificates shall be funded in a similar manner as for the payment of the relevant Dissolution Distribution Amount on the Scheduled Dissolution Date save for, on (or, in the case of (c) and (e) above, the Payment Business Day prior to) the relevant Dissolution Date:

- (i) the aggregate amounts (or the applicable portion thereof) of Deferred Payment Price then outstanding, if any, becoming immediately due and payable; and
- (ii) the Trustee having the right under the Purchase Undertaking to require the Bank to purchase all (or the applicable portion thereof, as the case may be) of its rights, title, interests, benefits and entitlements in, to and under the Wakala Assets at the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be.

*For Shari'a reasons, the Optional Dissolution Right and the Certificateholder Put Right cannot both be specified as applicable in the relevant Pricing Supplement in respect of any single Series.*

## Overview of the Programme

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche, the relevant Pricing Supplement. The Trustee and any relevant Dealer(s) may agree that Certificates shall be issued in a form other than that contemplated in the Terms and Conditions of the Certificates, in which event, if appropriate, a supplement to the Offering Circular will be published.*

Words and expressions defined in “*Terms and Conditions of the Certificates*” and “*Summary of Provisions relating to the Certificates while in Global Form*” shall have the same meanings in this overview.

<b>Bank</b> .....	Al Rajhi Banking and Investment Corporation
<b>Trustee</b> .....	Al Rajhi Sukuk Limited, an exempted company with limited liability incorporated on 10 January 2022 under the Companies Act (As Revised) of the Cayman Islands with company registration number 385909 and with its registered office at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents to which it is a party.
<b>Bank (LEI)</b> .....	558600BQZS4Y1DTU8589
<b>Trustee (LEI)</b> .....	549300FHETHK3XGY8N60
<b>Ownership of the Trustee</b> .....	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of U.S.\$1.00 each, of which 250 shares are fully paid up and issued. The Trustee’s entire issued share capital is held on trust for charitable purposes by MaplesFS Limited under the terms of a share declaration of trust dated 21 April 2022 (the “ <b>Share Declaration of Trust</b> ”).
<b>Administration of the Trustee</b> .....	The affairs of the Trustee are managed by MaplesFS Limited, a licensed trust company in the Cayman Islands (the “ <b>Trustee Administrator</b> ”), with registered office at P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands, who will provide, amongst other things, corporate administrative services, director services and act as share trustee for and on behalf of the Trustee pursuant to the corporate services agreement dated 21 April 2022 between the Trustee and the Trustee Administrator (the “ <b>Corporate Services Agreement</b> ”). The Trustee Administrator also provides registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services (the “ <b>Registered Office Terms</b> ”).
<b>Arrangers</b> .....	Al Rajhi Capital Company, Citigroup Global Markets Limited, Goldman Sachs International, J.P. Morgan Securities plc and Standard Chartered Bank (the “ <b>Arrangers</b> ”).
<b>Dealers</b> .....	Al Rajhi Capital Company, Citigroup Global Markets Limited, Goldman Sachs International, J.P. Morgan Securities plc and Standard Chartered Bank and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Series of Certificates.

<b>Delegate</b> .....	Citibank, N.A., London Branch (the “ <b>Delegate</b> ”). In accordance with the Master Trust Deed, the Trustee will, <i>inter alia</i> , unconditionally and irrevocably appoint the Delegate to be its delegate and attorney and to exercise certain present and future rights, powers, authorities and discretions vested in the Trustee by certain provisions of the Master Trust Deed in accordance with the terms of the Master Trust Deed. In particular, the Delegate shall be entitled (and, in certain circumstances, shall be obliged), subject to being indemnified and/or secured and/or pre-funded to its satisfaction, to take enforcement action in the name of the Trustee against the Bank (in any capacity) following a Dissolution Event.
<b>Principal Paying Agent and Transfer Agent</b> .....	Citibank, N.A., London Branch
<b>Registrar</b> .....	Citibank Europe Plc
<b>Initial Programme Size</b> .....	Up to U.S.\$4,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The size of the Programme may be increased in accordance with the terms of the Programme Agreement.
<b>Method of Issue</b> .....	The Certificates may be issued on a syndicated or non-syndicated basis. The specific terms of each Series will be recorded in the relevant Pricing Supplement.
<b>Issuance in Series</b> .....	Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Certificates of each Series will have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts thereon and the date from which Periodic Distribution Amounts start to accrue.
<b>Currencies</b> .....	Subject to any applicable legal or regulatory restrictions, Certificates may be denominated in any currency (each a “ <b>Specified Currency</b> ”) agreed between the Trustee, the Bank and the relevant Dealer.
<b>Maturities</b> .....	The Certificates will have such maturities as may be agreed between the Trustee, the Bank and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee, the Bank or the Specified Currency.
<b>Issue Price</b> .....	Certificates may be issued at any price on a fully-paid basis, as specified in the relevant Pricing Supplement. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee and the Bank and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
<b>Denomination of Certificates</b> .....	The Certificates will be issued in such denominations as may be agreed between the Trustee, the Bank and the relevant Dealer(s), save that (i) the minimum denomination of each Certificate will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations

applicable to the Specified Currency; and (ii) unless otherwise permitted by such current laws and regulations, Certificates (including Certificates denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Trustee in the UK or whose issue otherwise constitutes a contravention of Section 19 of the FSMA will have a minimum denomination of £100,000 (or, if the Certificates are denominated in a currency other than sterling, the equivalent amount in such currency, as calculated on the Issue Date of such Series).

**Status of the Senior Certificates...** The Senior Certificates will represent an undivided ownership interest in the Trust Assets of the relevant Series and will be limited recourse obligations of the Trustee. Each Senior Certificate will constitute direct, unconditional, unsubordinated and unsecured obligations of the Trustee and shall at all times rank *pari passu* (save for certain obligations required to be preferred by law) equally with all other unsecured obligations and without any preference or priority with all other Senior Certificates of the relevant Series.

The payment obligations of the Bank (in any capacity) to the Trustee under the Transaction Documents to which it is a party in respect of each Series of Senior Certificates will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) unsecured obligations of the Bank and (save for certain obligations required to be preferred by law and subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) shall at all times rank at least equally with all other unsecured obligations (other than subordinated obligations, if any) of the Bank from time to time outstanding.

**Status of the Tier 2 Certificates....** Each Tier 2 Certificate will evidence an undivided ownership interest of the Certificateholders in the Trust Assets of the relevant Series, will be a direct, unsecured and limited recourse obligation of the Trustee and will rank *pari passu*, without any preference or priority, with all other Tier 2 Certificates of the relevant Series issued under the Programme.

**Subordination of Tier 2 Certificates .....** The payment obligations of the Bank under the Transaction Documents to which it is a party to fund the Periodic Distribution Amounts, the Dissolution Distribution Amount and any other amounts payable under the Tier 2 Certificates, will constitute direct, unsecured and subordinated obligations of the Bank and shall, in the case of a Winding-Up Proceeding, rank:

- (a) subordinate to claims in respect of Senior Obligations;
- (b) at least *pari passu* with claims in respect of Parity Obligations; and
- (c) in priority to claims in respect of Junior Obligations.

By virtue of such subordination, no amount will, if a Winding-Up Proceeding occurs, be paid by the Bank in relation to the Tier 2

Certificates until all claims in respect of Senior Obligations have been satisfied.

**Trust Assets**..... The Trust Assets of the relevant Series will be (a) the cash proceeds of the issue of the relevant Series of Certificates, pending application thereof in accordance with the terms of the Transaction Documents; (b) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee, in, to and under the Wakala Portfolio; (c) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (other than in relation to the Excluded Representations and the covenant given to the Trustee pursuant to clause 13.1 of the Master Trust Deed); (d) any and all moneys standing to the credit of the relevant Transaction Account from time to time; and (e) all proceeds of the foregoing listed (a) to (d) (the “**Trust Assets**”).

**Periodic Distribution Amounts** .... Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the Conditions and the relevant Pricing Supplement.

**Fixed Rate Certificates**..... Fixed Rate Certificates will bear profit on their outstanding face amount at such fixed rate per annum and on such date or dates as may be agreed between the Trustee, the Bank and the relevant Dealer(s), calculated in accordance with such Day Count Fraction as may be agreed between the Trustee, the Bank and the relevant Dealer(s), each as more particularly described in Condition 8(a) (*Fixed Rate Certificates*).

**Floating Rate Certificates** ..... Floating Rate Certificates will bear profit on their outstanding face amount at such floating rate per annum as may be determined:

- (a) on the same basis as the floating rate under a notional profit rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. (“**ISDA**”), and as amended and updated as at the Issue Date of the first Tranche of the relevant Series of Certificates) plus or minus the applicable margin, or the latest version of the 2021 Interest Rate Derivatives Definitions (as published by ISDA as at the Issue Date of the first Tranche of the relevant Series of Certificates) as specified in the applicable Pricing Supplement; or
- (b) on the basis of the relevant Reference Rate as adjusted for any applicable margin.

The margin (if any) relating to such floating rate will be agreed between the Trustee, the Bank and the relevant Dealer(s) for each Series of Floating Rate Certificates.

Such profit will be paid on such date or dates as may be agreed between the Trustee, the Bank and the relevant Dealer(s) and will be calculated on the basis of such Day Count Fraction as may be agreed between the Trustee, the Bank and the relevant Dealer(s). Floating

Rate Certificates may also have a maximum profit rate, a minimum profit rate or both.

See Condition 8(b) (*Floating Rate Certificates*).

<b>Benchmark Discontinuation .....</b>	In the event that a Benchmark Event occurs, such that any profit rate (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the relevant Pricing Supplement, then the Bank may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Certificates and, potentially, the application of an Adjustment Spread (which could be positive, negative or zero)). See paragraph (ii) of Condition 8(d) ( <i>Periodic Distribution Amounts - Benchmark Discontinuation</i> ) for further information.
<b>SOFR Benchmark Discontinuation .....</b>	In the event that a SOFR Benchmark Event occurs, such that the relevant benchmark (or any component part thereof) cannot be determined by reference to the original benchmark specified in the relevant Pricing Supplement, then the Bank may (subject to certain conditions) be permitted to substitute such benchmark with an alternative benchmark (with consequent amendment to the terms of such Series of Certificates). See paragraph (ii) of Condition 8(d) ( <i>Periodic Distribution Amounts - Benchmark Discontinuation</i> ) for further information.
<b>Negative Pledge.....</b>	Senior Certificates will have the benefit of a negative pledge as described in Condition 7 ( <i>Obligor Negative Pledge</i> ).
<b>Cross-Acceleration .....</b>	In respect of the Bank, the Senior Certificates will have the benefit of a cross-acceleration provision, as described in Condition 14 ( <i>Dissolution Events</i> ) and paragraph (ii) of the definition of Obligor Event corresponding thereto.
<b>Dissolution on the Scheduled Dissolution Date.....</b>	Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the relevant Dissolution Distribution Amount on the relevant Scheduled Dissolution Date specified in the relevant Pricing Supplement for such Series and the Trust in relation to the relevant Series will be dissolved by the Trustee following the payment of all such amounts in full.
<b>Dissolution Distribution Amount .</b>	In relation to each Certificate of a Series, either: <ul style="list-style-type: none"><li>(a) the sum of:<ul style="list-style-type: none"><li>(i) the outstanding face amount of such Certificate; and</li><li>(ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or</li></ul></li><li>(b) such other amount specified in the relevant Pricing Supplement as being payable upon the relevant Dissolution Date.</li></ul>

**Early Dissolution** ..... The Certificates may be redeemed, in whole or (to the extent specified in the Conditions and the relevant Pricing Supplement) in part, prior to the Scheduled Dissolution Date upon the:

- (a) occurrence of a Tax Event;
- (b) occurrence of a Capital Disqualification Event (in the case of Tier 2 Certificates only);
- (c) exercise of an Optional Dissolution Right (if so specified in the relevant Pricing Supplement);
- (d) exercise of a Certificateholder Put Right (if so specified in the relevant Pricing Supplement and in the case of Senior Certificates only);
- (e) exercise of a Tangibility Event Put Right (in the case of Senior Certificates only);
- (f) exercise of a Clean Up (Call) Right (in the case of Senior Certificates only); or
- (g) occurrence of a Dissolution Event,

in each case, at the relevant Dissolution Distribution Amount on the relevant Dissolution Date.

**Dissolution Events** ..... The Dissolution Events are described in Condition 1 (*Interpretation*). In respect of the Senior Certificates only, following the occurrence and continuation of a Dissolution Event in respect of a Series of Certificates, the Certificates may be redeemed in whole, but not in part, at the relevant Dissolution Distribution Amount on the Dissolution Event Redemption Date in the manner described in Condition 14 (*Dissolution Events*).

In respect of the Tier 2 Certificates only, upon the occurrence of any Tier 2 Event as described in Condition 14(b), the Trustee or the Delegate (in either case, subject to it being indemnified and/or secured and/or prefunded to its satisfaction) shall, if so requested in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding or by Extraordinary Resolution, (a) in the case of a Default, institute proceedings for the Bank to be declared bankrupt or insolvent or for there otherwise to be a Winding-Up Proceeding and prove in the winding-up, dissolution or liquidation of the Bank; and (b) in the case of a Winding-Up Proceeding, claim or prove in the winding-up, dissolution and liquidation of the Bank.

**Early Dissolution for Tax Reasons** ..... Subject to Condition 9(k) in relation to Tier 2 Certificates, where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 12 (*Taxation*), or the Bank has or will become obliged to pay any additional amounts in respect of amounts payable to the Trustee pursuant to the terms of any Transaction Document, as a result of a change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, and such obligation cannot be avoided by the Trustee or the Bank, as applicable, taking reasonable measures available to it, the Bank may

in its sole discretion require the Trustee to redeem the Certificates in whole, but not in part, on a Periodic Distribution Date (in the case of a Floating Rate Certificate) or at any time (in the case of a Fixed Rate Certificate) at the relevant Dissolution Distribution Amount, as more particularly described in Condition 9(b) (*Early Dissolution for Taxation Reasons*).

In the case of Tier 2 Certificates only, and subject to Condition 9(k), if a Capital Disqualification Event has occurred, the Trustee may, following receipt of an exercise notice from the Bank pursuant to the Sale and Substitution Undertaking redeem the Certificates in whole but not in part at the Early Dissolution Amount (Capital Disqualification Event) together with any accrued but unpaid Periodic Distribution Amount on the relevant Dissolution Date and, if the Floating Periodic Distribution Provisions are specified in the applicable Pricing Supplement as being applicable, the Dissolution Date must be a Periodic Distribution Date.

**Optional Dissolution Right .....** If so specified in the relevant Pricing Supplement, the Bank may, in accordance with Condition 9(c) (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*), require the Trustee to redeem the Certificates of the relevant Series, in whole or in part, as the case may be, at the relevant Dissolution Distribution Amount on any Optional Dissolution Date.

If applicable to the relevant Series, the Optional Dissolution Date(s) will be specified in the relevant Pricing Supplement.

**Certificateholder Put Right .....** In the case of Senior Certificates only and if so specified in the relevant Pricing Supplement, Certificateholders may elect to redeem their Certificates on any Certificateholder Put Right Date(s) specified in the relevant Pricing Supplement at an amount equal to the relevant Dissolution Distribution Amount in accordance with Condition 9(e) (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*)

**Tangibility Event Put Right.....** In the case of any Senior Certificates only, upon the occurrence of a Tangibility Event, the Certificateholders may redeem all or part of a Series of Certificates in the circumstances set out in Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*). If, pursuant to such Condition, all of a Series of Senior Certificates are redeemed, the Trust in respect of such Series of Senior Certificates shall be dissolved.

If a Tangibility Event occurs, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading, see Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*).

**Clean Up (Call) Right.....** In the case of any Senior Certificates only, if 75 per cent. or more of the aggregate face amount of Certificates of a Series then outstanding have been redeemed pursuant to Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*), the Trustee shall, upon receipt of a duly completed Exercise Notice from the Bank pursuant to the Sale and Substitution Undertaking, on giving

not less than the Minimum Notice Period nor more than the Maximum Notice Period to the Delegate and the Certificateholders in accordance with Condition 19 (*Notices*) (such notice to be given within 30 days of the Tangibility Event Put Right Date or, if earlier, the redemption date), redeem the Certificates in whole, but not in part, at their Dissolution Distribution Amount on the Clean Up Call Dissolution Date.

**Non-Viability/Write-down of the Certificates .....**

In the case of Tier 2 Certificates only, if a Non-Viability Event occurs at any time on or after the Issue Date of a Series of Certificates and prior to the date on which the Applicable Statutory Loss Absorption Regime becomes effective in respect of the Certificates, the Tier 2 Certificates shall be written-down subject to and as provided in Condition 10. See Condition 10 for further information on such potential Write-downs, including for the definitions of various terms used in this section.

A “**Non-Viability Event**” means that the Financial Regulator has notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without:

- (a) a Write-down of the Certificates (and write-down of any other of the Bank’s other capital instruments or other obligations constituting Tier 1 Capital and/or Tier 2 Capital); or
- (b) a public sector injection of capital (or equivalent support) provided that such injection of capital is not made (a) by a shareholder of the Bank or (b) on terms that are more favourable to the Bank than those that would be accepted by private investors in comparable transactions.

**Cancellation of Certificates held by Bank the and/or any of its Subsidiaries .....**

Pursuant to Condition 9(h) (*Purchases*), and subject to Condition 9(k) in the case of Tier 2 Certificates only, the Bank and/or any of its Subsidiaries may at any time purchase Certificates in the open market or otherwise. If the Bank wishes to cancel such Certificates purchased by it and/or any of its Subsidiaries, the Bank may do so in accordance with Condition 9(i) (*Cancellation*).

**Limited Recourse.....**

Each Certificate of a particular Series will represent an undivided ownership interest in the Trust Assets for such Series. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available from the relevant Trust Assets.

Certificateholders have no recourse to any assets of the Trustee (other than the relevant Trust Assets) or the Delegate or any of their respective directors, officers, employees, shareholders or affiliates in respect of any shortfall in the expected amounts from the relevant Trust Assets to the extent the relevant Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished.

In respect of Tier 2 Certificates only, all claims by the Trustee (or the Delegate acting in the name and on behalf of the Trustee) against the Bank under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation

of the Bank under the Transaction Documents) shall be subject to, and shall be superseded by the provisions of Condition 10, irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim, provided that nothing in the Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

See further Condition 4(e) (*Limited Recourse and Agreement of Certificateholders*).

**Form and Delivery of the  
Certificates .....**

The Certificates will be issued in registered form only. The Certificates of each Series will be represented on issue by interests in a Global Certificate, which will be deposited with, and registered in the name of a nominee for, a Common Depository for Euroclear and Clearstream, Luxembourg. Individual Certificates evidencing holdings of Certificates will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances described under “*Summary of Provisions relating to the Certificates while in Global Form*”.

**Clearance and Settlement .....**

Holders of the Certificates must hold their interest in the relevant Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg. Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.

**Withholding Tax.....**

All payments in respect of the Certificates are to be made free and clear of, and without withholding, retention or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction, unless such withholding, retention or deduction is required by law. In such event, the Trustee has agreed to pay such additional amounts as shall result in receipt by the Certificateholders (after such withholding, retention or deduction) of such net amounts as would have been receivable by them had no such withholding, retention or deduction been required, subject to and in accordance with Condition 12 (*Taxation*).

Further, in accordance with the terms of the Master Trust Deed, the Bank has unconditionally and irrevocably undertaken to (irrespective of the payment of any fee), as a continuing obligation, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 12 (*Taxation*), pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any such withholding, retention or deduction) equals any and all additional amounts, required to be paid by it in respect of the Certificates pursuant to Condition 12 (*Taxation*).

The Transaction Documents provide that payments thereunder by the Bank shall be made without any withholding, retention or deduction for, or on account of, any present or future taxes, levies, imposts,

duties, fees, assessments or other governmental charges of any nature, unless such withholding, retention or deduction is required by law and without set-off or counterclaim of any kind. If any such withholding, retention or deduction is required by law, the Transaction Documents provide for the payment by the Bank of all additional amounts as will result in the receipt by the Trustee or the Delegate, as applicable, of such net amounts as would have been receivable by it if no such withholding, retention or deduction had been made.

**Listing and Admission to Trading** Application has been made to the London Stock Exchange for the Certificates to be issued under the Programme to be admitted to trading on the ISM during the period of 12 months after the date hereof.

Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Trustee, the Bank and the relevant Dealer(s) in relation to the relevant Tranche.

The relevant Pricing Supplement will state whether or not the relevant Certificates are to be listed and/or admitted to trading and, if so, on which stock exchange and/or market.

**Certificateholder Meetings** ..... A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 16 (*Meetings of Certificateholders, Modification and Waiver*).

**Tax Considerations**..... See “*Taxation*” for a description of certain tax considerations applicable to the Certificates.

**Governing Law and Dispute Resolution**..... The Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law, except that the provisions of Conditions 4(b), 4(c) and 4(d) relating to subordination and set-off of the Tier 2 Certificates, which are governed by the laws and regulations of Saudi Arabia.

Each Transaction Document (other than clauses 3.3 and 8.5 of the Master Trust Deed, clause 5 of the Purchase Undertaking and clause 9 of the Master Murabaha Agreement and clause 7 of the Service Agency Agreement relating to subordination and set-off of the Tier 2 Certificates, the Master Purchase Agreement, each Supplemental Purchase Agreement and each sale agreement or new asset sale agreement entered into pursuant to the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be) and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law. In respect of any dispute under any such Transaction Document to which it is a party, the Bank has agreed to arbitration in London under the Rules.

Clauses 3.3 and 8.5 of the Master Trust Deed, clause 5 of the Purchase Undertaking and clause 9 of the Master Murabaha Agreement and clause 7 of the Service Agency Agreement relating to subordination and set-off of the Tier 2 Certificates, the Master Purchase Agreement,

each Supplemental Purchase Agreement and each sale agreement entered into pursuant to the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, will be governed by, and construed in accordance with, the laws of Saudi Arabia. In respect of any dispute thereunder, the parties have agreed to submit to the Saudi Arabia Committee for the Resolution of Securities Disputes and the Appeal Panel.

The Corporate Services Agreement, the Registered Office Terms and the Share Declaration of Trust will be governed by the laws of the Cayman Islands and subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.

- Waiver of Immunity** ..... Under each of the Transaction Documents, the Bank has explicitly acknowledged that its execution of such documents constitutes, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial acts done and performed for private and commercial purposes (rather than an act in its or any other sovereign capacity) and has irrevocably and unconditionally waived with respect to any proceedings arising under the Conditions or any of such documents any sovereign or other immunity that it or its property, assets or revenues may have including (without limitation) from jurisdiction, suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process or defence and has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any of its property, assets or revenues whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings or Disputes.
- Transaction Documents** ..... The Transaction Documents in respect of a Series shall comprise the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Master Purchase Agreement, each Supplemental Purchase Agreement, the Service Agency Agreement, the Purchase Undertaking, the Sale and Substitution Undertaking, each sale agreement entered into pursuant to the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, and the Master Murabaha Agreement (together with all documents, notices of request to purchase, offer notices, acceptances, notices and confirmations delivered or entered into as contemplated by the Master Murabaha Agreement in connection with the relevant Series).
- Ratings** ..... The Programme is expected to be assigned ratings of “A-” by Fitch and “(P)A1” by Moody’s in respect of the Senior Certificates and “BBB” by Fitch and “(P)Baa2” by Moody’s in respect of the Tier 2 Certificates. Series of Certificates issued under the Programme may be rated or unrated. Where a Series of Certificates is rated, such rating, and the credit rating agency issuing such rating, will be disclosed in the relevant Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.

**Selling Restrictions** ..... There are restrictions on the offer, sale and transfer of the Certificates, including in the Cayman Islands, the Dubai International Financial Centre, the EEA, the UK, Hong Kong, Japan, Kuwait, the Kingdom of Bahrain, Saudi Arabia, Malaysia, Singapore, the State of Qatar (including the Qatar Financial Centre), the United Arab Emirates (excluding the Dubai International Financial Centre), the UK and the United States of America. See “*Subscription and Sale*”.

**United States Selling Restrictions** Regulation S, Category 2.

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following is the text of the terms and conditions that, subject to completion in accordance with the provisions of Part A of the relevant Pricing Supplement shall be applicable to the Certificates in definitive form (if any) issued in exchange for the Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the relevant Pricing Supplement or (ii) these terms and conditions as so completed (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such definitive Certificates. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Certificates. References in the Conditions to “Certificates” are to the Certificates of one Series only, not to all Certificates that may be issued under the Programme.*

*The Saudi Central Bank (“SAMA”) does not make any representation as to the accuracy or completeness of this Offering Circular and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. In particular, prospective purchasers of the Certificates agree and acknowledge that SAMA assumes no liability whatsoever to any purchaser of the Certificates for any loss arising from, or incurred as a result of, the occurrence of a Non-Viability Event (as defined in these Conditions).*

Al Rajhi Sukuk Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the “Trustee”) has established a programme (the “Programme”) for the issuance of trust certificates (the “Certificates”) in a maximum aggregate face amount of U.S.\$4,000,000,000 (or the equivalent in other currencies calculated as described in the programme agreement between the Trustee, Al Rajhi Banking and Investment Corporation. (the “Bank” or the “Obligor”) and the Dealers named therein dated 26 April 2022 (the “Programme Agreement”)), or such other maximum aggregate face amount as increased in accordance with the terms of the Programme Agreement.

The Certificates are constituted by a master trust deed dated 26 April 2022 between the Trustee, the Obligor and Citibank, N.A., London Branch (the “Delegate”, which expression shall include all persons for the time being the delegate or delegates under the Master Trust Deed) (the “Master Trust Deed”) as supplemented by a supplemental trust deed entered into on or before the date of issue of the relevant Certificates (the “Issue Date”) in respect of the relevant Tranche (the “Supplemental Trust Deed” and, together with the Master Trust Deed, the “Trust Deed”).

In addition, the Certificates will provide that the rights of Certificateholders with regard to payments to be made thereunder will either be (i) unsubordinated (“Senior Certificates”) or (ii) subordinated in the manner described under Condition 4 below with terms capable of qualifying as Tier 2 Capital of the Bank (the “Tier 2 Certificates”). The applicable Pricing Supplement will specify whether a Series of Certificates are “Senior Certificates” or “Tier 2 Certificates”.

An agency agreement (the “Agency Agreement”) dated 26 April 2022 has been entered into in relation to the Certificates between the Trustee, the Obligor, the Delegate, Citibank, N.A., London Branch as principal paying agent and transfer agent, Citibank Europe Plc as registrar and the other agents named in it. The principal paying agent, the other paying agents, the registrar, the transfer agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the “Principal Paying Agent”, the “Paying Agents” (which expression shall include the Principal Paying Agent), the “Registrar”, the “Transfer Agent” and the “Calculation Agent(s)”, and together the “Agents”.

These terms and conditions (the “Conditions”) include summaries of, and are subject to, the detailed provisions of: (i) the Trust Deed, which includes the form of Certificates referred to below, (ii) the Agency Agreement and (iii) the remaining Transaction Documents (as defined below). The Certificateholders are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents. The pricing supplement for this Certificate (or the relevant provisions thereof) is set out in Part A of the Pricing Supplement attached to or endorsed on this Certificate which complete these Conditions. References to the “relevant Pricing Supplement” are, unless otherwise stated, to Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on the relevant Certificate.

Copies of the Transaction Documents: (1) are available for inspection and/or collection by Certificateholders from the registered office of the Trustee and the specified office of the Principal Paying Agent during usual business hours; or (2) will, at the option of the Principal Paying Agent, be available by email at a Certificateholder's request (subject to provision of proof of holding satisfactory to the Principal Paying Agent and the Obligor), in each case, during normal business hours.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the proceeds of the issue of the Tranche of Certificates in accordance with the terms of the Transaction Documents; and (b) to enter into, and perform its obligations under and in connection with, each Transaction Document to which it is a party, subject to the provisions of the Trust Deed and these Conditions.

## 1. Interpretation

Unless defined herein or the context otherwise requires, any capitalised words and expressions used but not defined herein shall have the meaning given to them in the Trust Deed and the Agency Agreement. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

“**Authorised Signatory**” has the meaning given to it in the Trust Deed;

“**Broken Amount**” means the amount specified as such in the relevant Pricing Supplement;

“**Business Day**” has the meaning given to it in Condition 8(i) (*Definitions*);

“**Calculation Amount**” means the amount specified as such in the relevant Pricing Supplement;

“**Cancellation Notice**” means a cancellation notice given pursuant to the terms of the Trust Deed and the Sale and Substitution Undertaking;

“**Certificateholder**” or “**holder**” has the meaning given to it in Condition 2 (*Form, Denomination and Title*);

“**Certificateholder Put Exercise Notice**” has the meaning given to it in Condition 9(e) (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*);

“**Certificateholder Put Right**” means the right exercisable by Certificateholders pursuant to Condition 9(e) (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*);

“**Certificateholder Put Right Date**” means, in relation to any exercise of the Certificateholder Put Right, the date(s) specified as such in the relevant Pricing Supplement and which must (if this Certificate is a Floating Rate Certificate) be a Periodic Distribution Date;

“**Certificateholder Put Right Exercise Price**” has the meaning given to it in the Purchase Undertaking;

“**Clean Up Call Dissolution Date**” has the meaning given to it in Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*);

“**Clean Up (Call) Right**” has the meaning given to it in Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*);

“**Corporate Services Agreement**” means the corporate services agreement entered into between the Trustee and the Trustee Administrator dated 21 April 2022;

“**Day Count Fraction**” has the meaning given to it in Condition 8(i) (*Definitions*);

“**Deferred Payment Price**” has the meaning given to it in the Master Murabaha Agreement;

“**Delegation**” has the meaning given to it in Condition 17(a) (*Delegation of Powers*);

“**Delisting Notice**” has the meaning given to it in Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*);

“**Dispute**” has the meaning given to it in Condition 22(b) (*Arbitration*);

“**Dissolution Date**” means, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Optional Dissolution Date;
- (d) any Certificateholder Put Right Date;
- (e) any Tangibility Event Put Right Date;
- (f) any Clean Up Call Dissolution Date; or
- (g) any Dissolution Event Redemption Date;

“**Dissolution Distribution Amount**” means, in relation to each Certificate:

- (a) the sum of:
  - (i) the outstanding face amount of such Certificate; and
  - (ii) any accrued but unpaid Periodic Distribution Amounts for such Certificate; or
- (b) in relation to each Senior Certificate, such other amount specified in the relevant Pricing Supplement as being payable upon any Dissolution Date.

“**Dissolution Event**” means, in the case of Senior Certificates, a Trustee Event or an Obligor Event and in the case of Tier 2 Certificates, a Winding-Up Proceeding;

“**Dissolution Event Redemption Date**” has the meaning given to it in Condition 14(a) (*Dissolution Events*);

“**Dissolution Notice**” has the meaning given to it in paragraph (ii) of Condition 14(a) (*Dissolution Events*);

“**Early Tax Dissolution Date**” has the meaning given to it in Condition 9(b) (*Early Dissolution for Taxation Reasons*);

“**Excluded Representations**” means any representations given by the Obligor to the Trustee and/or the Delegate pursuant to the Transaction Documents;

“**Exercise Notice**” means an exercise notice given pursuant to the terms of the Purchase Undertaking and/or the Sale and Substitution Undertaking, as the context so requires;

“**Exercise Price**” has the meaning given to it in the Purchase Undertaking or the Sale and Substitution Undertaking, as the context so requires;

“**Extraordinary Resolution**” has the meaning given to it in the Trust Deed;

“**Fixed Amount**” means the amount specified as such in the relevant Pricing Supplement;

“**Fixed Rate Certificates**” means a Series in respect of which Fixed Periodic Distribution Provisions is specified as applicable in the relevant Pricing Supplement;

“**Floating Rate Certificates**” means a Series in respect of which Floating Periodic Distribution Provisions is specified as applicable in the relevant Pricing Supplement;

“**Indebtedness**” means any indebtedness, present or future, of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing,

and for the avoidance of doubt “**Indebtedness**” shall be deemed to include any debt or other financing arrangement issued (or intended to be issued) in compliance with the principles of *Shari’a*, whether entered into directly or indirectly by the Obligor or a member of the Group, as the case may be;

“**ISDA Benchmarks Supplement**” means the Benchmarks Supplement (as amended and updated as at the date of issue of the first Tranche of the Certificates of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.;

“**ISDA Definitions**” means the 2006 ISDA Definitions (as amended and updated as at the Issue Date of the first Tranche of the relevant Series of Certificates (as specified in the relevant Pricing Supplement) and, if specified in the relevant Pricing Supplement, as supplemented by any applicable supplement to the ISDA Definitions) or the latest version of the 2021 Interest Rate Derivatives Definitions (as published by ISDA as at the Issue Date of the first Tranche of the relevant Series of Certificates) as specified in the applicable Pricing Supplement, as published by the International Swaps and Derivatives Association, Inc.;

“**LCIA**” means the London Court of International Arbitration;

“**Liability**” means any loss, damage, actual cost (excluding cost of funding and opportunity costs), charge, claim, demand, expense, fee, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis, and references to “**Liabilities**” shall mean all of these;

“**Master Murabaha Agreement**” means the master murabaha agreement dated 26 April 2022 between the Trustee, the Obligor and the Delegate;

“**Master Purchase Agreement**” means the master purchase agreement dated 26 April 2022 between the Trustee and the Obligor;

“**Material Subsidiary**” means, at any relevant time, a Subsidiary of the Obligor:

- (a) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated financial statements, whose total consolidated assets or gross consolidated revenues, as the case may be) represents not less than 10 per cent. of the total consolidated assets or the gross consolidated revenues of the Obligor and its Subsidiaries, all as calculated by reference to the then latest audited financial statements (or consolidated accounts, as the case may be) of such

Subsidiary and the then latest audited or reviewed consolidated financial statements of the Obligor; or

- (b) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Material Subsidiary;

**“Maximum Optional Dissolution Amount”** means the amount specified as such in the relevant Pricing Supplement;

**“Minimum Optional Dissolution Amount”** means the amount specified as such in the relevant Pricing Supplement;

**“Murabaha Instalment Profit Amount”** has the meaning given to it in the Master Murabaha Agreement;

**“Murabaha Percentage”** means the percentage specified as such in the relevant Pricing Supplement, which shall be no more than 25 per cent.;

**“Murabaha Profit Amount”** has the meaning given to it in the Master Murabaha Agreement;

**“Non-recourse Project, Securitisation or Asset Financing”** means any securitisation of existing or future assets and/or revenues or financing of all or part of the costs of the acquisition, construction or development of any project or asset, *provided that* (i) any Security Interest given by the Obligor, or the relevant Material Subsidiary of the Obligor is limited solely to assets and/or revenues that are the subject of the securitisation, the project or the asset (as applicable), (ii) the Person or Persons participating in such securitisation or providing such financing expressly agrees to limit their recourse to the project or asset (as applicable) so securitised or financed and the revenues derived from such project or asset (as applicable) as the principal source of repayment for the moneys advanced and (iii) there is no other recourse to the Obligor, or the relevant Material Subsidiary of the Obligor in respect of any default by any Person under the securitisation or financing;

**“Obligor Event”** means any of the following events:

- (a) the Obligor (acting in any capacity) fails to pay an amount in the nature of profit (corresponding to all or part of the Periodic Distribution Amounts payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of 14 days, or the Obligor (acting in any capacity) fails to pay an amount in the nature of principal (corresponding to all or part of the Dissolution Distribution Amount payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of seven days; or
- (b) the Obligor (acting in any capacity) does not perform or comply with any one or more of its covenants or other obligations in the Transaction Documents to which it is a party and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee (or the Delegate) on the Obligor of written notice requiring the same to be remedied, *provided that* the failure by the Obligor (acting in its capacity as Service Agent) to comply with its obligations in clause 3.1(d) of the Service Agency Agreement (save for the obligation to deliver a Tangibility Event Notice) shall not constitute an Obligor Event; or
- (c) (i) any Indebtedness or Sukuk Obligation of the Obligor or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such Indebtedness or Sukuk Obligation becomes due and payable prior to its stated maturity by reason of default, event of default or the like (however described) or (iii) the Obligor or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness or Sukuk Obligation, *provided that* the amount of Indebtedness and/or

Sukuk Obligation referred to in (i) and/or (ii) above and/or the amount payable under any Guarantee referred to in (iii) above individually or in the aggregate exceeds U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or

- (d) any order is made by any competent court or resolution passed for the winding-up, liquidation or dissolution of the Obligor or any Material Subsidiary of the Obligor, save in connection with a Permitted Reorganisation; or
- (e) the Obligor or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save in connection with a Permitted Reorganisation, or the Obligor or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed by a court of competent jurisdiction unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) court or other formal proceedings are initiated against the Obligor or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Obligor or any of its Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking, assets or revenues of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking, assets or revenues of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking, assets or revenues of any of them and in any case (other than the appointment of an administrator) is not discharged within 30 days; or
- (g) the Obligor or any of its Material Subsidiaries (i) declares a moratorium in respect of any of its Indebtedness or Sukuk Obligations or any Guarantee of any Indebtedness or Sukuk Obligation given by it, (ii) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium), (iii) makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors), or (iv) any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save, in all cases, in connection with a Permitted Reorganisation; or
- (h) any event occurs which under the laws of Saudi Arabia or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) to (g) above; or
- (i) at any time it is or becomes unlawful for the Obligor to perform or comply with any or all of its material obligations under or in respect of any of the Transaction Documents to which it is a party or any of the material obligations of the Obligor thereunder are not or cease to be legal, valid, binding or enforceable; or

*provided, however, that* in the case of the occurrence of any of the events described in paragraph (b) the Delegate shall have certified in writing to the Trustee and the Obligor that such event is, in its opinion, materially prejudicial to the interests of the Certificateholders. For the purposes of this definition, “**substantial part**” means at least 15 per cent. of the total assets of the Obligor and its subsidiaries, taken as a whole;

“**Optional Dissolution Date**” means, in relation to any exercise of the Optional Dissolution Right, the date(s) specified as such in the relevant Pricing Supplement and which must (if the Certificate is a Floating Rate Certificate) be a Periodic Distribution Date;

“**Optional Dissolution Exercise Price**” has the meaning given to it in the Sale and Substitution Undertaking;

“**Optional Dissolution Right**” means the right exercisable by the Trustee upon instruction from the Obligor pursuant to Condition 9(d) (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*);

“**outstanding**” shall have the meaning given to it in the Trust Deed;

“**Periodic Distribution Amount**” means the amount of profit payable to Certificateholders in accordance with Condition 8 (*Periodic Distribution Amounts*);

“**Periodic Distribution Date**” means the date(s) specified as such in the relevant Pricing Supplement;

“**Periodic Distribution Period**” means the period beginning on and including the Profit Commencement Date and ending on but excluding the first Periodic Distribution Date and each successive period beginning on and including a Periodic Distribution Date and ending on but excluding the next succeeding Periodic Distribution Date unless otherwise specified in the relevant Pricing Supplement;

“**Permitted Reorganisation**” means:

- (a) any disposal by any Subsidiary of the whole or a substantial part of its business, undertaking or assets to the Obligor or any wholly owned Subsidiary of the Obligor;
- (b) any amalgamation, consolidation or merger of a Subsidiary with any other Subsidiary or any other wholly owned Subsidiary of the Obligor; or
- (c) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution of Certificateholders;

“**Permitted Security Interest**” means any Security Interest:

- (a) created or outstanding with the approval of an Extraordinary Resolution;
- (b) arising by operation of law, *provided either that* such Security Interest is discharged within 30 days of arising or does not materially impair the business of the Obligor or, as the case may be, a Material Subsidiary of the Obligor and has not been enforced against the assets to which it attaches;
- (c) on assets or property existing at the time the Obligor or, as the case may be, a Material Subsidiary of the Obligor acquired such assets or property, *provided that* such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property (other than proceeds of such acquired assets or property) and further *provided that* the maximum amount of Relevant Indebtedness or Relevant Sukuk Obligation thereafter secured by such Security Interest does not exceed the purchase price of such asset or property or the Relevant Indebtedness or Relevant Sukuk Obligation incurred solely for the purpose of financing the acquisition of such asset or property;
- (d) securing the Relevant Indebtedness or Relevant Sukuk Obligation of a Person and/or its Subsidiaries existing at the time that such Person is acquired by or merged into or consolidated with the Obligor or, as the case may be, a Material Subsidiary of the Obligor, *provided that* such Security Interest was not created in contemplation of such acquisition, merger or consolidation and does not extend to any other assets or property of the Obligor or, as the case may be, a Material Subsidiary of the Obligor; or
- (e) created in connection with any Non-recourse Project, Securitisation or Asset Financing;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**Potential Dissolution Event**” means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event;

“**Profit Amount**” means:

- (a) in respect of a Periodic Distribution Period, the amount of profit payable per Calculation Amount for that Periodic Distribution Period and which, in the case of Fixed Rate Certificates, and unless otherwise specified in the relevant Pricing Supplement, shall mean the Fixed Amount or Broken Amount specified in the relevant Pricing Supplement as being payable on the Periodic Distribution Date ending on the Periodic Distribution Period of which such Periodic Distribution Period forms part; and
- (b) in respect of any other period, the amount of profit payable per Calculation Amount for that period;

“**Profit Commencement Date**” means the Issue Date or such other date as may be specified in the relevant Pricing Supplement;

“**Profit Period Date**” means each Periodic Distribution Date unless otherwise specified in the relevant Pricing Supplement;

“**Profit Rate**” means the profit rate payable from time to time in respect of the Certificates and that is either specified in the relevant Pricing Supplement or calculated in accordance with these Conditions;

“**Profit Rate Determination Date**” means, with respect to a Profit Rate and Periodic Distribution Period, the date specified as such in the relevant Pricing Supplement or, if none is so specified (a) the first day of such Periodic Distribution Period, if the Specified Currency is sterling or (b) the day falling two Business Days for the Specified Currency prior to the first day of such Periodic Distribution Period, if the Specified Currency is neither sterling nor euro, (c) the day falling two TARGET Business Days prior to the first day of such Periodic Distribution Period, if the Specified Currency is euro (d) (where SOFR Benchmark is specified hereon as the Reference Rate and where Simple SOFR Average is specified as applicable hereon or where SOFR Lag, SOFR Observation Shift or SOFR Lockout is specified as applicable hereon to determine Compounded Daily SOFR or where Compounded SOFR Index is specified as applicable hereon) the fourth U.S. Government Securities Business Day prior to the last day of each Periodic Distribution Period, and (e) (where SOFR Benchmark is specified hereon as the Reference Rate and where SOFR Payment Delay is specified as applicable hereon to determine Compounded Daily SOFR) the Periodic Distribution Period Date at the end of each Periodic Distribution Period, *provided that* the Periodic Distribution Period Date with respect to the final Periodic Distribution Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date;

“**Purchase Agreement**” means the Master Purchase Agreement as supplemented by the applicable Supplemental Purchase Agreement;

“**Purchase Undertaking**” means the purchase undertaking dated 26 April 2022 executed by the Obligor in favour of the Trustee and the Delegate;

“**Record Date**” has the meaning given to it in Condition 11(a) (*Method of Payment*);

“**Reference Banks**” means four major banks selected by the Obligor in consultation with the Calculation Agent in the inter-bank market that is most closely connected with the Reference Rate;

“**Reference Rate**” means one of the following benchmark rates (specified in the relevant Pricing Supplement) in respect of the currency and period specified in the relevant Pricing Supplement:

- (a) EURIBOR;
- (b) KIBOR;
- (c) HIBOR;
- (d) KLIBOR;
- (e) TRLIBOR or TRYLIBOR;
- (f) SIBOR;
- (g) EIBOR;
- (h) TIBOR;
- (i) SAIBOR;
- (j) BBSW;
- (k) BKBM;
- (l) MIBOR;
- (m) PRIBOR;
- (n) QIBOR;
- (o) CAD LIBOR;
- (p) NZD LIBOR;
- (q) DKK LIBOR;
- (r) SEK LIBOR
- (s) AUD LIBOR
- (t) SOFR Benchmark;
- (u) SONIA

“**Register**” has the meaning given to it in Condition 2 (*Form, Denomination and Title*);

“**Relevant Date**” has the meaning given to it in Condition 12 (*Taxation*);

“**Relevant Financial Centre**” means the financial centre specified as such in the relevant Pricing Supplement and, if no such financial centre is specified, the financial centre most closely connected with the relevant Reference Rate *provided that*, in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland, in each case as is selected by the Bank;

“**Relevant Indebtedness**” means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, sukuk certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

“**Relevant Jurisdiction**” has the meaning given to it in Condition 12 (*Taxation*);

“**Relevant Powers**” has the meaning given to it in Condition 17(a) (*Delegation of Powers*);

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Pricing Supplement, or any successor or replacement page, section, caption, column or other part of a particular information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

“**Relevant Sukuk Obligation**” means any present or future undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other securities issued in compliance with (or intended to be in compliance with) the principles of *Shari’a*, whether or not in return for consideration of any kind, which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

“**Relevant Time**” means the time specified as such in the relevant Pricing Supplement;

“**Required Amount**” has the meaning given to it in the Service Agency Agreement;

“**Sale and Substitution Undertaking**” means the sale and substitution undertaking dated 26 April 2022 executed by the Trustee in favour of the Obligor;

“**Scheduled Dissolution Date**” means the date specified as such in the relevant Pricing Supplement;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

“**Series**” means a Tranche of Certificates which are identical in all respects together with any further Tranche or Tranches of Certificates which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts (as defined herein) thereon and the Profit Commencement Date;

“**Service Agency Agreement**” means the service agency agreement dated 26 April 2022 between the Trustee and the Service Agent;

“**Service Agent**” means the Obligor in its capacity as service agent pursuant to the Service Agency Agreement.

“**Shari’a Adviser**” has the meaning given to it in the Service Agency Agreement;

“**Specified Currency**” means the currency specified as such in the relevant Pricing Supplement or, if none is specified, the currency in which the Certificates are denominated;

“**Specified Denominations**” means the amount(s) specified as such in the relevant Pricing Supplement;

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”): (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

“**Sukuk Obligation**” means any undertaking or other obligation to pay money given in connection with the issue of certificates whether or not in return for consideration of any kind;

“**Supplemental Purchase Agreement**” has the meaning given to it in the Master Purchase Agreement;

“**TARGET Business Day**” has the meaning given to it in Condition 8(i) (*Definitions*);

“**TARGET Settlement Day**” means any day on which TARGET2 is open for the settlement of payments in euro;

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

“**Tangibility Event**” will occur, at any time following the Issue Date of the first Tranche of a Series, upon:

- (a) in respect of Senior Certificates, the Tangibility Ratio in respect of such Series falling below 33 per cent.; and
- (b) in respect of Tier 2 Certificates, the Tangibility Ratio in respect of such Series falling below 33 per cent. and the Service Agent failing to restore the Tangibility Ratio to more than 50 per cent. within the Tangibility Remediation Period;

“**Tangibility Event Delisting Date**” means, (a) in respect of Senior Certificates, the date falling 15 days following the Tangibility Event Put Right Date; and (b) in respect of Tier 2 Certificates, the date falling 15 days following the date of the Delisting Notice, and in each case, if such date is not a business day, the next following business day (being, for this purpose, a day on which the stock exchange on which the Certificates have been admitted to trading is open for business);

“**Tangibility Event Put Notice**” has the meaning given to it in Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*);

“**Tangibility Event Put Right**” means the right exercisable by Certificateholders pursuant to Condition 9(e) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*);

“**Tangibility Event Put Right Date**” shall be a date falling not less than 75 days following the expiry of the Tangibility Event Put Right Period;

“**Tangibility Event Put Right Exercise Price**” has the meaning given to it in the Purchase Undertaking;

“**Tangibility Event Put Right Period**” means the period of 30 days commencing on the date that a Delisting Notice is given;

“**Tangibility Ratio**” has the meaning given to it in the Service Agency Agreement;

“**Tangibility Remediation Period**” means, in respect of Tier 2 Certificates only, if, at any time, the Tangibility Ratio falls to 50 per cent. or less, the time period determined by the Shari’a Adviser for the Service Agent to take any and all reasonable steps as may be required by the Shari’a Adviser to ensure that such Tangibility Ratio is restored to more than 50 per cent.;

“**Tier 2 Event**” has the meaning given to it in Condition 14(b);

“**Tranche**” means Certificates which are identical in all respects (including as to listing and admission to trading);

“**Transaction Account**” means, in relation to each Series, the non-interest bearing account maintained in London in the Trustee’s name held with Citibank, N.A., London Branch, details of which are specified in the relevant Pricing Supplement;

“**Transaction Documents**” means, in relation to each Series:

- (a) the Trust Deed;

- (b) any Declaration of Commingling of Assets;
- (c) the Agency Agreement;
- (d) the Purchase Agreement;
- (e) the Service Agency Agreement;
- (f) the Sale and Substitution Undertaking (together with each relevant sale agreement executed upon exercise of the Sale and Substitution Undertaking);
- (g) the Purchase Undertaking (together with each relevant sale agreement executed upon exercise of the Purchase Undertaking); and
- (h) the Master Murabaha Agreement (together with all documents, notices of request to purchase, offer notices, acceptances, notices and confirmations delivered or entered into as contemplated by the Master Murabaha Agreement in connection with the relevant Series),

each as may be amended, restated and/or supplemented from time to time;

“**Trust**” means, in respect of a Series, the trust created by the Trustee over the Trust Assets pursuant to the Trust Deed;

“**Trustee Administrator**” means MaplesFS Limited;

“**Trust Assets**” has the meaning given to it in Condition 5(a) (*Trust Assets*);

“**Trustee Event**” means any of the following events:

- (a) default is made in the payment of the Dissolution Distribution Amount or any Periodic Distribution Amount and, in the case of the Dissolution Distribution Amount, such default continues for a period of seven days from the due date for payment and, in the case of a Periodic Distribution Amount, such default continues for a period of 14 days from the due date for payment; or
- (b) the Trustee (acting in any capacity) does not perform or comply with any one or more of its covenants or other obligations under these Conditions or any of the Transaction Documents to which it is a party and (except in any case where, in the opinion of the Delegate, such failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by the Delegate on the Trustee of written notice requiring the same to be remedied; or
- (c) any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 30 days; or
- (d) the Trustee is adjudicated or found bankrupt or insolvent or to be unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of any creditors in respect of any of its debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or a particular type of) the debts of the Trustee; or
- (e) an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations; or

- (f) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its obligations under the Certificates and the Transaction Documents to which it is a party; (ii) to ensure that those obligations are legally binding and enforceable; or (iii) to make the Certificates and the Transaction Documents to which it is a party admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done except that, provided no other Dissolution Event has occurred, the non-registration of legal title to the Wakala Assets in the name of the Trustee will not constitute a Trustee Event for these purposes; or
- (g) the Trustee repudiates or does or causes to be done any act or thing evidencing an intention to repudiate these Conditions or any (or any part of any) Transaction Document to which it is a party; or
- (h) at any time it is or becomes unlawful for the Trustee to perform or comply with any one or more of its obligations under or in respect of any of the Certificates or the Transaction Documents to which it is a party or any of the obligations of the Trustee thereunder cease to be legal, valid, binding and enforceable; or
- (i) any event occurs which under the laws of the Cayman Islands or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraph (c), (d) or (e) above.

For the purpose of paragraph (a) above, all amounts payable in respect of the Certificates shall be considered due and payable (including for the avoidance of doubt any amounts calculated as being payable under Condition 8 (*Periodic Distribution Amounts*), Condition 9 (*Redemption and Dissolution of the Trust*), Condition 12 (*Taxation*) and Condition 14 (*Dissolution Events*)) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts (whether as a result of the application of Condition 5(b) (*Application of Proceeds from Trust Assets*) or otherwise);

“**Value**” has the meaning given to it in the Service Agency Agreement;

“**Wakala Assets**” has the meaning given to it in the Service Agency Agreement;

“**Wakala Percentage**” means the percentage specified as such in the relevant Pricing Supplement, which shall be no less than 75 per cent;

“**Wakala Portfolio**” has the meaning given to it in the Service Agency Agreement; and

“**Wakala Portfolio Revenues**” has the meaning given to it in the Service Agency Agreement.

All references to the “**face amount**” of a Certificate shall be deemed to include, as applicable, the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of face amounts payable pursuant to these Conditions.

All references to “**Periodic Distribution Amounts**” shall be deemed to include, as applicable, any additional amounts in respect of profit distributions which may be payable under Condition 12 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions.

All references to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America.

All references to “**ISDA**” and related terms are only included for the purposes of benchmarking.

## 2. Form, Denomination and Title

The Certificates are issued in registered form in the Specified Denomination(s) shown in the relevant Pricing Supplement. The Certificates may be Fixed Rate Certificates, Floating Rate Certificates or a combination of the foregoing, depending upon the Profit Basis specified in the relevant Pricing Supplement.

Certificates are represented by registered certificates (“**Registered Certificates**”) and, save as provided in Condition 3(a) (*Transfer of Certificates*), each Registered Certificate shall represent the entire holding of Certificates by the same holder.

Title to the Certificates shall pass by registration in the register that the Trustee shall procure to be kept by the Registrar outside the UK in accordance with the provisions of the Agency Agreement (the “**Register**”). Each Registered Certificate will be numbered serially with an identifying number which will be recorded on the relevant Registered Certificate and in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Certificate shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Registered Certificate representing it or the theft or loss of such Registered Certificate and no person shall be liable for so treating the holder. The holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

In these Conditions, “**Certificateholder**” or “**holder**” means the person in whose name a Certificate is registered.

*Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. These Conditions are modified by certain provisions contained in the Global Certificate.*

*Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive Registered Certificates representing their holdings of Certificates. See “Summary of Provisions relating to the Certificates while in Global Form”.*

## 3. Transfers

### (a) Transfer of Certificate

Subject to Condition 3(e) (*Closed Periods*), one or more Certificates may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Registered Certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Trustee) duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Certificates represented by one Registered Certificate, a new Registered Certificate shall be issued to the transferee in respect of the part transferred and a further new Registered Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Certificates to a person who is already a holder of Certificates, a new Registered Certificate representing the enlarged holding shall only be issued against surrender of the Registered Certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made subject to and in accordance with the detailed regulations

concerning transfers of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee with the prior written approval of the Registrar and the Delegate or by the Registrar with the prior written approval of the Delegate, *provided that* any such change is not materially prejudicial to the interests of the Certificateholders. A copy of the current regulations will be made available by the Registrar to any Certificateholder upon request.

(b) **Exercise of Early Dissolution Rights**

In the case of an exercise of the Obligor's or the Certificateholders' early dissolution right in respect of a holding of Certificates represented by a single Registered Certificate, a new Registered Certificate shall be issued to the holder to reflect the exercise of such early dissolution right or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an early dissolution right resulting in Certificates of the same holding having different terms, separate Registered Certificates shall be issued in respect of those Certificates of that holding that have the same terms. New Registered Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

(c) **Delivery of New Registered Certificates**

Each new Registered Certificate to be issued pursuant to Conditions 3(a) (*Transfer of Certificates*) or 3(b) (*Exercise of Early Dissolution Rights*) shall be available for delivery within five business days (or such longer period as may be required to comply with any applicable fiscal or other regulations) of receipt of the form of transfer, Certificateholder Put Exercise Notice or Tangibility Event Put Right Exercise Notice, as the case may be, and surrender of the Registered Certificate for exchange. Delivery of the new Registered Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer, Certificateholder Put Exercise Notice or Tangibility Event Put Right Exercise Notice, as the case may be, and surrender of such Registered Certificate shall have been made or, at the option of the holder making such delivery and surrender as aforesaid and as specified in the relevant form of transfer, Certificateholder Put Exercise Notice or Tangibility Event Put Right Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Registered Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance or takaful as it may specify. In this Condition 3(c) (*Delivery of New Registered Certificates*), "**business day**" means a day, other than a Saturday or a Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) **Transfers Free of Charge**

Transfers of Certificates and Registered Certificates on registration, transfer or exercise of an early dissolution right shall be effected without charge by or on behalf of the Trustee, the Obligor, the Registrar or the Transfer Agents, but upon payment by the transferee of any tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity and/or security as the Registrar or the relevant Transfer Agent may require).

(e) **Closed Periods**

No Certificateholder may require the transfer of a Certificate to be registered (i) during the period of 15 days ending on (and including) the due date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due, (ii) during the period of 15 days prior to any date on which Certificates may be called for redemption by the Obligor at its option pursuant to Condition 9(d) (*Dissolution at the Option of the Obligor*

(*Optional Dissolution Right*)), (iii) after any such Certificate has been called for redemption, or (iv) during the period of seven days ending on (and including) any Record Date.

#### 4. Status

##### (a) Status of the Senior Certificates

Each Senior Certificate represents an undivided ownership interest in the Trust Assets of the relevant Series and are limited recourse obligations of the Trustee. Each Senior Certificate will constitute direct, unconditional, unsubordinated and unsecured obligations of the Trustee and shall at all times rank *pari passu* (save for certain obligations required to be preferred by law) among themselves and equally with all other unsecured obligations and without any preference or priority with all other Senior Certificates of the relevant Series.

The payment obligations of the Obligor (in any capacity) under the Transaction Documents (in respect of each Series of Senior Certificates) to which it is a party are direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) unsecured obligations of the Obligor and (save for certain obligations required to be preferred by law and subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)), shall at all times rank at least equally with all other unsecured obligations (other than subordinated obligations, if any) of the Obligor from time to time outstanding.

##### (b) Status of the Tier 2 Certificates

Each Tier 2 Certificate represents an undivided ownership interest in the Trust Assets of the relevant Series and limited recourse obligations of the Trustee. Each Tier 2 Certificate will constitute direct, subordinated and unsecured obligations of the Trustee and shall at all times rank *pari passu* among themselves and at least *pari passu* with the other Tier 2 Certificates.

##### (c) Subordination of the Tier 2 Certificates

The payment obligations of the Obligor (in any capacity) under the Transaction Documents to which it is a party to fund the Periodic Distribution Amounts, the Dissolution Distribution Amount and any other amounts payable under the Tier 2 Certificates of the relevant Series (together the “**Relevant Obligations**”), will constitute direct, unsecured and subordinated obligations of the Obligor and shall, upon the occurrence of a Winding-Up Proceeding, rank:

- (i) subordinate to claims in respect of Senior Obligations;
- (ii) at least *pari passu* with claims in respect of Parity Obligations; and
- (iii) in priority to claims in respect of Junior Obligations.

The Certificateholders and the Delegate (acting on behalf of the Certificateholders) irrevocably waive their rights to the extent necessary to give effect to the subordination provisions set out in this Condition 4(c).

The provisions of this Condition 4(c) apply only to the Relevant Obligations and nothing in this Condition 4(c) shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof and in such capacity the Delegate shall rank as an unsubordinated creditor of the Obligor.

*By virtue of such subordination, no amount will, if a Winding-Up Proceeding occurs, be paid by the Obligor in respect of its obligations under the Transaction Documents in relation to the Tier 2 Certificates until all claims in respect of Senior Obligations have been satisfied.*

In these Conditions:

**“Junior Obligations”** means all classes of share capital (including ordinary and preferred shares) of the Obligor and all its obligations which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 1 Capital and all obligations which rank, or are expressed to rank, junior to the Obligor’s obligations under the Transaction Documents;

**“Parity Obligations”** means any subordinated obligations of the Obligor which constitute, or would but for any applicable limitation on the amount of such capital constitute, Tier 2 Capital or its other payment obligations that rank, or are expressed to rank, pari passu with its obligations under the Transaction Documents;

**“Senior Obligations”** means all unsubordinated payment obligations of the Obligor (including its payment obligations to its depositors) and all its subordinated payment obligations (if any) except Parity Obligations and Junior Obligations; and

**“Winding-Up Proceeding”** means an order is made by any competent court or the government of the Kingdom of Saudi Arabia or an effective resolution is passed for the winding-up, liquidation or dissolution of the Obligor in accordance with applicable law (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation, the terms of which reorganisation, reconstruction or amalgamation have previously been approved by an Extraordinary Resolution).

(d) **No Set-off or Counterclaim**

In the case of Tier 2 Certificates only, no Certificateholder may exercise or claim any right of set-off in respect of any amount owed to it by the Trustee or the Obligor or arising under or in connection with the Relevant Obligations and each Certificateholder, by virtue of its subscription, purchase or holding of any Tier 2 Certificates, shall be deemed to have waived all such rights of set-off to the fullest extent permitted by law.

(e) **Limited Recourse and Agreement of Certificateholders**

Save as provided in this Condition 4(e) (*Limited Recourse and Agreement of Certificateholders*), the Certificates do not represent an interest in, or obligation of, any of the Trustee, the Delegate or any of their respective affiliates.

The proceeds of the realisation of, or enforcement with respect to, the Trust Assets are the sole source of payments on the Certificates. Such proceeds may not be sufficient to make all payments due in respect of the Certificates. Certificateholders, by subscribing for or acquiring the Certificates, acknowledge and agree that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (i) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any of their respective shareholders, directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets and no recourse shall be had for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee or the Delegate to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (ii) the Trustee may not sell, transfer, assign or otherwise dispose of the Trust Assets to a third party, and may only realise its rights, title, interests, benefits and entitlements,

present and future, in, to and under the Trust Assets in the manner expressly provided in the Transaction Documents;

- (iii) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services providers in their capacity as such) (other than the Trust Assets in the manner and to the extent contemplated by the Transaction Documents), or the Trustee Administrator, the Delegate or any of their respective directors, officers, employees, agents, shareholders or affiliates, in each case in respect of any shortfall or otherwise;
- (iv) no Certificateholders will be able to petition for, institute or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee, the Trustee Administrator, the Delegate or any of their respective directors, officers, employees, agents, shareholders or affiliates;
- (v) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Trust Deed and the Certificates by virtue of any customary law, statute or otherwise shall be had against any officer or director of the Trustee or the Delegate (as applicable) in their capacity as such. The obligations of the Trustee, the Trustee Administrator and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee, the Trustee Administrator or the Delegate (as applicable) and no personal liability shall attach to or be incurred by the officers or directors of the Trustee or the Delegate (as applicable) in their capacity as such, save in the case of the relevant party's wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and
- (vi) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates (without prejudice to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*) in respect of Senior Certificates.

Pursuant to the terms of the Transaction Documents, the Obligor is obliged to make certain payments directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate (failing which the Certificateholders pursuant to paragraph (b) of Condition 15 (*Realisation of Trust Assets*) will thereby have direct recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Transaction Documents notwithstanding any other provision of this Condition 15(b) (*Limited Recourse and Agreement of Certificateholders*). Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*) in respect of Senior Certificates) constitute an unsecured claim against the Obligor. None of the Certificateholders, the Trustee or the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

## 5. The Trust

### (a) Trust Assets

Pursuant to the Trust Deed, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Certificateholders of such Series *pro rata* according to the face amount of Certificates held by each holder. The term “**Trust Assets**” in respect of each Series means the following:

- (i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (ii) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio;
- (iii) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (other than in relation to the Excluded Representations and the covenant given to the Trustee pursuant to clause 13.1 of the Master Trust Deed);
- (iv) any and all moneys standing to the credit of the Transaction Account from time to time; and
- (v) all proceeds of the foregoing.

See “*Summary of the Principal Transaction Documents*” appearing elsewhere in this Offering Circular for more information on the Trust Assets and the Transaction Documents.

**(b) Application of Proceeds from Trust Assets**

On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the moneys standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):

- (i) *first*, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (including any amounts owing to the Delegate in respect of its Appointees (as defined in the Master Trust Deed)) and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Trust Deed, in each case as notified to the Trustee and the Obligor on or before such Periodic Distribution Date or Dissolution Date, as the case may be;
- (ii) *second*, only if such payment is made on a Periodic Distribution Date, in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (iii) *third*, only if such payment is made on a Dissolution Date, in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and
- (iv) *fourth*, only if such payment is made on a Dissolution Date on which all Certificates of the relevant Series are redeemed in full and *provided that* all amounts required to be paid in respect of such Certificates have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Service Agent as an incentive payment for its performance as Service Agent under the Service Agency Agreement.

**(c) Transaction Account**

The Trustee will establish a Transaction Account in London in respect of each Series prior to the relevant Issue Date. The Transaction Account shall be operated by the Principal Paying Agent on behalf of the Trustee and shall be the account into which the Obligor will deposit all amounts payable by it to the Trustee pursuant to the terms of the Transaction Documents.

## 6. Covenants

The Trustee covenants that, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):

- (a) incur any indebtedness in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of *Shari'a* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates except, in all cases, as provided in the Transaction Documents;
- (b) grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) or permitted under or pursuant to any of the Transaction Documents);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents;
- (d) except as provided in Condition 16 (*Meetings of Certificateholders, Modification and Waiver*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (e) except as provided in the Trust Deed, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (f) have any subsidiaries or employees;
- (g) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Certificates and the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
  - (i) as contemplated, provided for or permitted in the Transaction Documents;
  - (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
  - (iii) such other matters which are incidental thereto.

## 7. Obligor Negative Pledge

In respect of Senior Certificates only, so long as any Senior Certificate remains outstanding, the Obligor shall, and shall procure that none of its Material Subsidiaries will, create or permit to subsist any

Security Interest other than a Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation or any Guarantee of Relevant Indebtedness or Relevant Sukuk Obligation without (a) at the same time or prior thereto securing the Senior Certificates equally and rateably therewith or (b) providing such other security for the Senior Certificates as either (i) the Delegate shall in its absolute discretion deem not materially less beneficial to the interests of Certificateholders; or (ii) may be approved by an Extraordinary Resolution.

## **8. Periodic Distribution Amounts**

### **(a) Fixed Rate Certificates**

Each Fixed Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date, *provided that* if the Specified Currency is Renminbi or Hong Kong dollars and any Periodic Distribution Date falls on a day which is not a Business Day, the Periodic Distribution Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Periodic Distribution Date shall be brought forward to the immediately preceding Business Day. The amount of profit payable shall be determined in accordance with Condition 8(g) (*Calculations*).

### **(b) Reset Certificates**

#### **(i) Periodic Distribution Amounts and Periodic Distribution Dates**

Each Reset Certificate bears profit on their outstanding face amount at the rates per annum determined in accordance with this Condition 8(b). Subject to Conditions 5(b), Condition 8(d), 8(g) and (in relation to Tier 2 Certificates only) Condition 10, the Principal Paying Agent shall distribute to holders pro rata to their respective holdings, out of amounts transferred to the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date, equal to the amount determined as follows:

- (A) from (and including) the Profit Commencement Date up to (but excluding) the First Reset Certificate Reset Date at the Initial Profit Rate;
- (B) from (and including) the First Reset Certificate Reset Date to (but excluding) the Second Reset Certificate Reset Date or, if no such Second Reset Certificate Reset Date is specified in the applicable Pricing Supplement, the Scheduled Dissolution Date, at the First Reset Periodic Distribution Rate; and
- (C) for each Subsequent Reset Period thereafter (if any), at the relevant Subsequent Reset Periodic Distribution Rate.

Periodic Distribution Amounts will be payable, subject as provided herein, in arrears on each Periodic Distribution Date and on the date specified in the applicable Pricing Supplement as the Scheduled Dissolution Date.

Save as otherwise provided herein, the provisions applicable to Fixed Rate Certificates shall apply to Reset Certificates.

#### **(ii) Cessation of Profit Entitlement**

No further amounts will be payable on any Certificate from and including the Scheduled Dissolution Date or, as the case may be, the relevant Dissolution Date, as a result of the failure of the Bank to pay the relevant Exercise Price and enter into a sale

agreement in accordance with the terms of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, unless default is made in the payment of the relevant Dissolution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Co Condition 8(b).

(iii) **Calculation of Periodic Distribution Amount**

The Calculation Agent will, as soon as practicable after the time at which the Profit Rate is to be determined in relation to each Reset Certificate Reset Period, calculate the Periodic Distribution Amount payable in respect of each Certificate for such Reset Certificate Reset Period.

(iv) **Fallback Provisions for Reset Certificates**

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, other than in the circumstances provided for in Condition 8(c), the Trustee shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Periodic Distribution Rate or the Subsequent Reset Periodic Distribution Rate (as applicable) for the relevant Reset Certificate Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation, the Mid-Market Swap Rate Quotation will be (a) in the case of each Reset Certificate Reset Period other than the First Reset Period, the Mid-Swap Rate in respect of the immediately preceding Reset Period or (b) in the case of the First Reset Period, an amount set out in the Pricing Supplement as the “**First Reset Period Fallback**”.

(v) **Publication**

The Calculation Agent will cause each Profit Rate and Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Trustee, the Bank, the Delegate and the Paying Agents as soon as practicable after such determination but (in the case of each Profit Rate, Periodic Distribution Amount and Periodic Distribution Date) in any event not later than the relevant Reset Certificate Reset Date. Notice thereof shall also promptly be given to the Certificateholders by the Trustee. The Calculation Agent will be required to recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Periodic Distribution Period and any such recalculation will be notified to the Trustee, the Bank, the Delegate, the Paying Agents and the Certificateholders as soon as practicable after such determination.

(vi) **Notifications, etc. to be final**

All communications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 8(b) by the Calculation Agent will (in the absence of wilful default, bad faith or manifest or proven error) be binding on the Trustee, the Delegate, the Bank, the Agents and all Certificateholders and (save in the absence of wilful default or bad faith) no liability shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition 8(b).

In this Condition 8(b), the following expressions have the following meanings:

**“First Margin”** means the margin specified in the applicable Pricing Supplement;

**“First Reset Certificate Reset Date”** means the date specified in the applicable Pricing Supplement;

**“First Reset Period”** means the period from (and including) the First Reset Certificate Reset Date to (but excluding) the Second Reset Certificate Reset Date or, if no such Second Reset Certificate Reset Date is specified in the applicable Pricing Supplement, the Scheduled Dissolution Date;

**“First Reset Periodic Distribution Rate”** means, subject to Condition 8(d), the Profit Rate determined by the Calculation Agent on the relevant Reset Determination Date corresponding to the First Reset Period as the sum of the relevant Reset Rate plus the First Margin;

**“Initial Profit Rate”** means the initial periodic distribution rate per annum specified in the applicable Pricing Supplement;

**“Mid-Market Swap Rate”** means for any Reset Certificate Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Duration specified in the applicable Pricing Supplement during the relevant Reset Certificate Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (a) has a term equal to the relevant Reset Certificate Reset Period and commencing on the relevant Reset Certificate Reset Date, (b) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (c) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the applicable Pricing Supplement) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

**“Mid-Market Swap Rate Quotation”** means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

**“Mid-Swap Floating Leg Benchmark Rate”** means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro or as otherwise specified in the applicable Pricing Supplement;

**“Mid-Swap Rate”** means, in relation to a Reset Determination Date and subject to Condition 8(d), the applicable semi-annual or annualised (as specified in the applicable Pricing Supplement) mid-swap rate for swap transactions in the Specified Currency (with a maturity equal to that of the relevant Swap Rate Period specified in the applicable Pricing Supplement) as displayed on the Screen Page at 11.00 a.m. (in the

principal financial centre of the Specified Currency) on the relevant Reset Determination Date (which rate, if the relevant Periodic Distribution Dates are other than semi-annual or annual Periodic Distribution Dates, shall be adjusted by, and in the manner determined by, the Calculation Agent);

**“Reference Certificate”** means for any Reset Certificate Reset Period, a government security or securities issued by the state responsible for issuing the Specified Currency (which, if the Specified Currency is euro, shall be Germany) selected by the Bank on the advice of an independent investment bank of international repute as having an actual or interpolated maturity comparable with the relevant Reset Certificate Reset Period that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities denominated in the same currency as the Certificates and of a comparable maturity to the relevant Reset Certificate Reset Period;

**“Reference Certificate Dealer”** means each of five banks (selected by the Bank on the advice of an independent investment bank of international repute), or their affiliates, which are (a) primary government securities dealers, and their respective successors or (b) market makers in pricing corporate debt issues;

**“Reference Certificate Dealer Quotations”** means, with respect to each Reference Certificate Dealer and the relevant Reset Determination Date, the arithmetic average, as determined by the Calculation Agent, of the bid and offered prices for the relevant Reference Certificate (expressed in each case as a percentage of its face amount) at or around 11.00 a.m. in the principal financial centre of the Specified Currency on the relevant Reset Determination Date and quoted in writing to the Calculation Agent by such Reference Certificate Dealer;

**“Reference Certificate Price”** means, with respect to any Reset Determination Date, (a) the arithmetic average of the Reference Certificate Dealer Quotations for such Reset Determination Date, after excluding the highest and lowest such Reference Certificate Dealer Quotations or (b) if the Calculation Agent obtains fewer than four such Reference Certificate Dealer Quotations, the arithmetic average of all such quotations. If one or no quotations are provided, the “Reference Certificate Rate” will be (i) in the case of each Reset Certificate Reset Period other than the First Reset Period, the Reference Certificate Rate in respect of the immediately preceding Reset Certificate Reset Period or (ii) in the case of the First Reset Period, as set out in the Pricing Supplement as the **“First Reset Period Fallback”**;

**“Reference Certificate Rate”** means the annual yield to maturity or interpolated yield to maturity (on the relevant day count basis) of the relevant Reference Certificate, assuming a price for such Reference Certificate (expressed as a percentage of its face amount) equal to the relevant Reference Certificate Price, as calculated by the Calculation Agent;

**“Reset Certificate Reset Date”** means the First Reset Certificate Reset Date, the Second Reset Certificate Reset Date and every Subsequent Reset Certificate Reset Date as may be specified in the applicable Pricing Supplement; provided, however, that if the date specified in the relevant Pricing Supplement is not a Business Day, then such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day;

**“Reset Determination Date”** means, in respect of the First Reset Period, the second Business Day prior to the First Reset Certificate Reset Date, in respect of the first

Subsequent Reset Period, the second Business Day prior to the Second Reset Certificate Reset Date and, in respect of each Reset Certificate Reset Period thereafter, the second Business Day prior to the first day of each such Reset Certificate Reset Period or as otherwise specified in the Pricing Supplement;

“**Reset Certificate Reset Period**” means the First Reset Period or a Subsequent Reset Period;

“**Reset Certificate Reset Rate**” means (a) if “Mid-Swap Rate” is specified in the applicable Pricing Supplement, the relevant Mid-Swap Rate or (b) if “Reference Certificate” is specified in the Pricing Supplement, the relevant Reference Certificate Rate;

“**Second Reset Certificate Reset Date**” means the date specified in the applicable Pricing Supplement;

“**Subsequent Margin**” means the margin(s) specified in the applicable Pricing Supplement;

“**Subsequent Reset Period**” means the period from (and including) the Second Reset Certificate Reset Date to (but excluding) the next Reset Certificate Reset Date, and each successive period from (and including) a Reset Certificate Reset Date to (but excluding) the next succeeding Reset Certificate Reset Date; and

“**Subsequent Reset Periodic Distribution Rate**” means, in respect of any Subsequent Reset Period and subject to Condition 8(d), the Rate being determined by the Calculation Agent on the relevant Reset Determination Date corresponding to such Subsequent Reset Period as the sum of the relevant Reset Rate plus the applicable Subsequent Margin.

(c) **Floating Rate Certificates**

(i) **Periodic Distribution Amounts and Periodic Distribution Dates**

Each Floating Rate Certificate bears profit on its outstanding face amount from the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date, *provided that* if the Specified Currency is Renminbi or Hong Kong dollars and any Periodic Distribution Date falls on a day which is not a Business Day, the Periodic Distribution Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Periodic Distribution Date shall be brought forward to the immediately preceding Business Day, subject to Condition 4(e) (*Limited Recourse and Agreement of Certificateholders*). The amount of profit payable shall be determined in accordance with Condition 8(g) (*Calculations*). Such Periodic Distribution Date(s) is/are either shown in the relevant Pricing Supplement as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are shown in the relevant Pricing Supplement, “**Periodic Distribution Date**” shall mean each date which falls the number of months or other period shown in the relevant Pricing Supplement as the Periodic Distribution Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date.

(ii) **Business Day Convention**

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating

Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) **Profit Rate for Floating Rate Certificates**

The Profit Rate in respect of Floating Rate Certificates for each Periodic Distribution Period shall be determined in the manner specified in the relevant Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Pricing Supplement.

(A) **ISDA Determination for Floating Rate Certificates**

Where ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Profit Rate is to be determined, the Profit Rate for each Periodic Distribution Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this paragraph (A) “**ISDA Rate**” for a Periodic Distribution Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the relevant Pricing Supplement;
- (y) the Designated Maturity is a period specified in the relevant Pricing Supplement; and
- (z) the relevant Reset Date is the first day of that Periodic Distribution Period unless otherwise specified in the relevant Pricing Supplement.

For the purposes of this paragraph (A), “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**”, “**Reset Date**” and “**Swap Transaction**” have the meanings given to those terms in the ISDA Definitions.

The definition of “**Fallback Observation Day**” in the ISDA Definitions shall be deemed deleted in its entirety and replaced with the following: “**Fallback Observation Day**” means, in respect of a Reset Date and the Calculation Period (or any Compounding Period included in that Calculation Period) to which that Reset Date relates, unless otherwise agreed, the day that is five Business Days preceding the related Payment Date.”

(B) **Screen Rate Determination for Floating Rate Certificates**

- (1) Where Screen Rate Determination not referencing SONIA or SOFR is specified in the relevant Pricing Supplement as the manner in which the Profit Rate is to be determined:
- (x) the Profit Rate for each Periodic Distribution Period will, subject as provided below, be either:
    - (I) the offered quotation; or
    - (II) the arithmetic mean of the offered quotations,  
(expressed as a percentage rate per annum) for the Reference Rate (as specified in the relevant Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page at the Relevant Time on the Profit Rate Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.
  - (y) If the Relevant Screen Page is not available, or if paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the Relevant Time, subject as provided below, the Calculation Agent shall request the principal office in the Relevant Financial Centre of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Profit Rate Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Profit Rate for such Periodic Distribution Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
  - (z) Subject to Condition 8(d) (*Periodic Distribution Amounts - Benchmark Discontinuation*) below, if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Profit Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at the Relevant Time on the relevant Profit Rate Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Relevant

Financial Centre inter-bank market, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time, on the relevant Profit Rate Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Relevant Financial Centre inter-bank market, *provided that*, if the Profit Rate cannot be determined in accordance with the foregoing provisions of this paragraph (z), the Profit Rate shall be determined as at the last preceding Profit Rate Determination Date (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Periodic Distribution Period from that which applied to the last preceding Periodic Distribution Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Periodic Distribution Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Periodic Distribution Period).

(2) Where Screen Rate Determination Referencing SOFR is specified in the relevant Pricing Supplement as the manner in which the Profit Rate is to be determined:

(x) the Profit Rate for each Periodic Distribution Period will, subject to Condition 8(d) (*Periodic Distribution Amounts - Benchmark Discontinuation*) and as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any, as indicated in the relevant Pricing Supplement), all as determined by the Calculation Agent on the relevant Profit Rate Determination Date. The “SOFR Benchmark” will be determined based on Simple SOFR Average, Compounded SOFR Average or SOFR Index Average, as follows (subject in each case to Condition 8(d) (*Periodic Distribution Amounts - Benchmark Discontinuation*)):

(I) If Simple SOFR Average (“**Simple SOFR Average**”) is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark specified hereon for each Periodic Distribution Period shall be the arithmetic mean of the SOFR reference rates for each day during the Periodic Distribution Period, as calculated by the Calculation Agent, and where, if applicable and as specified hereon, the SOFR

reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Periodic Distribution Period Date.

- (II) If Compounded SOFR Average (“**Compounded SOFR Average**”) is specified hereon as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Periodic Distribution Period shall be equal to the compounded average of daily SOFR reference rates for each day during (x) where SOFR Observation Lag, SOFR Payment Delay or SOFR Lockout is specified as applicable hereon to determine Compounded SOFR Average, the relevant Periodic Distribution Period or (y) where SOFR Observation Shift is specified as applicable hereon to determine Compounded SOFR Average, the SOFR Observation Period, in each case as calculated by the Calculation Agent in accordance with one of the formulas references below depending upon which is specified as applicable hereon.

- (i) SOFR Observation Lag:

$$\left( \prod_{i=1}^{d_0} \left( 1 + \frac{SOFR_{i-xUSBD} \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFRI-xUSBD**” for any U.S. Government Securities Business Day “i” in the relevant Periodic Distribution Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day “i”;

“**Lookback Days**” means such number of U.S. Government Securities Business Days as specified hereon;

“**d**” means the number of calendar days in the relevant Periodic Distribution Period;

“**do**” for any Periodic Distribution Period, means the number of U.S. Government Securities Business Days in the relevant Periodic Distribution Period;

“**i**” means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Periodic Distribution Period; and “**ni**” for any U.S. Government Securities Business Day “**i**” in the relevant Periodic Distribution Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “**i**” up to (but excluding) the following U.S. Government Securities Business Day for which SOFR<sub>i</sub>- xUSBD applies.

(ii) SOFR Observation Shift:

$$\left( \prod_{i=1}^{d_0} \left( 1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR<sub>i</sub>**” for any U.S. Government Securities Business Day “**i**” in the relevant SOFR Observation Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “**i**”;

“**SOFR Observation Period**” means, in respect of each Periodic Distribution Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Periodic Distribution Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Periodic Distribution Period Date for such Periodic Distribution Period;

“**SOFR Observation Shift Days**” means the number of U.S. Government Securities Business Days as specified hereon;

“**d**” means the number of calendar days in the relevant SOFR Observation Period;

“**do**” for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

“**i**” means a series of whole numbers ascending from one to do, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period; and

“**ni**” for any U.S. Government Securities Business Day “i” in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day for which SOFR<sub>i</sub> applies.

(iii) SOFR Payment Delay:

$$\left( \prod_{i=1}^{d_0} \left( 1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR<sub>i</sub>**” for any U.S. Government Securities Business Day “i” in the relevant Periodic Distribution Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “i”;

“**Periodic Distribution Date**” shall be the number of Periodic Distribution Delay Days following each Periodic Distribution Period Date; *provided that* the Periodic Distribution Date with respect to the final Periodic Distribution Period will be the Scheduled Dissolution Date or the relevant Optional Dissolution Date;

“**Periodic Distribution Delay Days**” means the number of Business Days as specified hereon;

“**d**” means the number of calendar days in the relevant Periodic Distribution Period;

“**do**” for any Periodic Distribution Period, means the number of U.S. Government Securities Business Days in the relevant Periodic Distribution Period;

“**i**” means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Periodic Distribution Period; and

“**ni**” for any U.S. Government Securities Business Day “i” in the relevant Periodic Distribution Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day for which SOFR<sub>i</sub> applies.

For the purposes of calculating Compounded SOFR Average with respect to the final Periodic Distribution Period where SOFR Payment Delay is specified hereon, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Scheduled Dissolution Date or the relevant Optional Dissolution Date, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

(iv) SOFR Lockout:

$$\left( \prod_{i=1}^{d_0} \left( 1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR<sub>i</sub>**” for any U.S. Government Securities Business Day “**i**” in the relevant Periodic Distribution Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “**i**”, except that the SOFR for any U.S. Government Securities Business Day “**i**” in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Periodic Distribution Period Date for such Periodic Distribution Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

“**d**” means the number of calendar days in the relevant Periodic Distribution Period;

“**do**” for any Periodic Distribution Period, means the number of U.S. Government Securities Business Days in the relevant Periodic Distribution Period;

“**i**” means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Periodic Distribution Period; and

“**ni**” for any U.S. Government Securities Business Day “**i**” in the relevant Periodic Distribution Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “**i**” up to (but excluding) the following U.S. Government Securities Business Day for which SOFR<sub>i</sub> applies.

- (III) If SOFR Index Average (“**SOFR Index Average**”) is specified as applicable hereon, the SOFR Benchmark for each Periodic Distribution Period shall be equal to the value of the SOFR reference rates for each day during the relevant Periodic Distribution Period as calculated by the Calculation Agent as follows:

$$\left( \frac{SOFR Index_{End}}{SOFR Index_{Start}} - 1 \right) \times \left( \frac{360}{d_c} \right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR Index**”, with respect to any U.S. Government Securities Business Day, means:

the SOFR Index value as published on the SOFR Administrator’s Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, *provided that*:

- 1) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the “SOFR Index Average” shall be calculated on any Periodic Distribution Determination Date with respect to a Periodic Distribution Period, in accordance with the Compounded SOFR Average formula described above in paragraph (B)(2)(II)(ii) Condition 8(b) (*Floating Rate Certificates*) “SOFR Observation Shift”, and the term “SOFR Observation Shift Days” shall mean five U.S. Government Securities Business Days; or
- 2) if the value specified above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in paragraph (i) of Condition 8(d) (*Benchmark Discontinuation*) or paragraph (ii) of Condition 8(d) (*Benchmark Discontinuation*) shall apply as specified hereon;

“**SOFR IndexEnd**” means the SOFR Index value on the date that is the number of SOFR IndexEnd Days specified hereon prior to the Periodic Distribution Period Date for such Periodic Distribution Period (or in the final Periodic Distribution Period, the Scheduled Dissolution Date);

“**SOFR IndexStart**” means the SOFR Index value on the date that is the number of SOFR IndexEnd Days specified hereon prior to the first day of the relevant Periodic Distribution Period;

“**SOFR Index Determination Time**” means, in relation to any U.S. Government Securities Business Day, approximately

3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

“**SOFR Observation Period**” means, in respect of each Periodic Distribution Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Periodic Distribution Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Periodic Distribution Period Date for such Periodic Distribution Period;

“**SOFR Observation Shift Days**” means the number of U.S. Government Securities Business Days as specified hereon; and

“**dc**” means the number of calendar days in the applicable SOFR Observation Period.

- (3) Where Screen Rate Determination Referencing SONIA is specified in the relevant Pricing Supplement as the manner in which the Profit Rate is to be determined:
- (I) If SONIA Compounded Index Rate is specified hereon as being applicable, the Profit Rate for each Periodic Distribution Period will, subject to Condition 8(d) (*Benchmark Discontinuation*), be the SONIA Compounded Index Rate as follows, plus or minus (as indicated hereon) the Margin.

For the purposes of this paragraph (3)(x)(1):

“**SONIA Compounded Index Rate**” means with respect to a Periodic Distribution Period, the rate of return of a daily compound profit investment during the Observation Period corresponding to such Periodic Distribution Period (with the daily Sterling overnight reference rate as reference rate for the calculation of profit) and will be calculated by the Calculation Agent on the Periodic Distribution Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards)

$$\left( \frac{SOFR\ Compounded\ Index_{END}}{SOFR\ Compounded\ Index_{START}} - 1 \right) \times \left( \frac{360}{d} \right)$$

*provided, however, that* and subject to paragraph (i) of Condition 8(d) (*Benchmark Discontinuation*), if the SONIA Compounded Index Value is not available in relation to any Periodic Distribution Period on the Relevant Screen Page for the determination of either or both of SONIA Compounded Index<sub>START</sub> and SONIA Compounded Index<sub>END</sub>, the Profit Rate shall be calculated for such Periodic Distribution Period on the basis of the SONIA Compounded Daily Reference Rate as set out in paragraph (3)(x)(2) as if SONIA Compounded Daily Reference Rate with Observation Shift had been specified hereon and the “Relevant Screen Page” shall be

deemed to be the “Relevant Fallback Screen Page” as specified hereon,

where:

“*d*” means the number of calendar days in the relevant Observation Period;

“**London Business Day**”, means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

“**Observation Period**” means, in respect of a Periodic Distribution Period, the period from (and including) the date falling “*p*” London Business Days prior to the first day of such Periodic Distribution Period (and the first Observation Period shall begin on and include the date which is “*p*” London Business Days prior to the Issue Date) and ending on (but excluding) the date which is “*p*” London Business Days prior to the Periodic Distribution Date for such Periodic Distribution Period (or the date falling “*p*” London Business Days prior to such earlier date, if any, on which the Certificates become due and payable);

“*p*” means, for any Periodic Distribution Period the whole number specified hereon (or, if no such number is so specified, five London Business Days) representing a number of London Business Days;

“**SONIA Compounded Index**” means the index known as the SONIA Compounded Index administered by the Bank of England (or any successor administrator thereof);

“**SONIA Compounded IndexSTART**” means, in respect of a Periodic Distribution Period, the SONIA Compounded Index Value on the date falling “*p*” London Business Days prior to (i) the first day of such Periodic Distribution Period, or (ii) in the case of the first Periodic Distribution Period, the Issue Date;

“**SONIA Compounded IndexEND**” means the SONIA Compounded Index Value on the date falling “*p*” London Business Days prior to (i) in respect of a Periodic Distribution Period, the Periodic Distribution Date for such Periodic Distribution Period, or (ii) if the Certificates become due and payable prior to the end of a Periodic Distribution Period, the date on which the Certificates become so due and payable; and

“**SONIA Compounded Index Value**” means in relation to any London Business Day, the value of the SONIA Compounded Index as published by authorised distributors on the Relevant Screen Page on such London Business Day or, if the value of the SONIA Compounded Index cannot be obtained from such authorised distributors, as published on the Bank of England’s Website at

www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA Compounded Index) on such London Business Day.

- (II) If SONIA Compounded Daily Reference Rate is specified hereon as being applicable, the Profit Rate for each Periodic Distribution Period will, subject to Condition 8(d) (*Benchmark Discontinuation*), be equal to the SONIA Compounded Daily Reference Rate as follows, plus or minus (if any) (as indicated in the relevant Pricing Supplement) the Margin.

“**SONIA Compounded Daily Reference Rate**” means, in respect of a Periodic Distribution Period, the rate of return of a daily compound profit investment (with the daily Sterling overnight reference rate as reference rate for the calculation of profit) and will be calculated by the Calculation Agent on the Periodic Distribution Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards),

$$\left( \prod_{i=1}^{d_0} \left( 1 + \frac{SONIA_i \times n_i}{365} \right) - 1 \right) \times \frac{365}{d}$$

Where:

“**London Business Day**”, “**Observation Period**” and “***p***” have the meanings set out under paragraph (3)(x)(1) of Condition 8 (*Periodic Distribution Amounts*);

“***d***” is the number of calendar days in the relevant:

- (i) Observation Period where Observation Shift is specified hereon; or
- (ii) Periodic Distribution Period where Lag is specified hereon;

“***do***” is the number of London Business Days in the relevant:

- (i) Observation Period where Observation Shift is specified hereon; or
- (ii) Periodic Distribution Period where Lag is specified hereon;

“***i***” is a series of whole numbers from one to *do*, each representing the relevant London Business Day in chronological order from, and including, the first London Business Day in the relevant:

- (i) Observation Period where Observation Shift is specified hereon; or

- (ii) Periodic Distribution Period where Lag is specified hereon;

“ $n_i$ ”, for any London Business Day “ $i$ ”, means the number of calendar days from and including such London Business Day “ $i$ ” up to but excluding the following London Business Day;

“**SONIA**” means, in relation to any London Business Day the SONIA reference rate in respect of:

- (i) that London Business Day “ $i$ ” where Observation Shift is specified hereon; or
- (ii) the London Business Day (being a London Business Day falling in the relevant Observation Period) falling “ $p$ ” London Business Days prior to the relevant London Business Day “ $i$ ” where Lag is specified hereon; and

the “**SONIA reference rate**”, in respect of any London Business Day, is a reference rate equal to the daily SONIA rate for such London Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page on the next following London Business Day or, if the Relevant Screen Page is unavailable, as published by authorised distributors on such London Business Day or, if SONIA cannot be obtained from such authorised distributors, as published on the Bank of England’s Website at [www.bankofengland.co.uk/boeapps/database/](http://www.bankofengland.co.uk/boeapps/database/) (or such other page or website as may replace such page for the purposes of publishing the SONIA reference rate)

- (III) Subject to paragraph (i) of Condition 8 (*Benchmark Discontinuation*) where SONIA is specified as the Reference Rate hereon and either (i) SONIA Compounded Daily Reference Rate is specified hereon, or (ii) the SONIA Compounded Index Rate is specified hereon and paragraph (iii)(x)(2) of Condition 8 (*Periodic Distribution Mounts*) applies, if, in respect of any London Business Day, the SONIA reference rate is not available on the Relevant Screen Page or Relevant Fallback Screen Page as applicable, (or as otherwise provided in the relevant definition thereof), such Reference Rate shall be:

- 1. the Bank of England’s Bank Rate (the “**Bank Rate**”) prevailing at close of business on the relevant London Business Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five days on which the SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or

2. if such Bank Rate is not available, the SONIA reference rate published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof),

and, in each case, SONIA<sub>i</sub> shall be interpreted accordingly.

- (IV) If the Profit Rate cannot be determined in accordance with the foregoing provisions, but without prejudice to Condition 8(d) (*Benchmark Discontinuation*), the Profit Rate shall be (i) that determined as at the last preceding Periodic Distribution Determination Date (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Periodic Distribution Period from that which applied to the last preceding Periodic Distribution Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Periodic Distribution Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Periodic Distribution Period) or (ii) if there is no such preceding Periodic Distribution Determination Date, the initial Profit Rate which would have been applicable to such Series of Certificates for the first Periodic Distribution Period had the Certificates been in issue for a period equal in duration to the scheduled first Periodic Distribution Period but ending on (and excluding) the Profit Commencement Date (but applying the Margin and any Maximum Profit Rate or Minimum Profit Rate applicable to the first Periodic Distribution Period).

- (iv) *Linear Interpolation*: Where Linear Interpolation is specified as applicable in respect of a Periodic Distribution Period in the relevant Pricing Supplement, the Profit Rate for such Periodic Distribution Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the relevant Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the relevant Pricing Supplement), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Periodic Distribution Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Periodic Distribution Period, *provided however that*, if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it, in consultation with the Trustee and the Obligor, determines appropriate.

“**Applicable Maturity**” means, (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate and (b) in relation to ISDA Determination, the Designated Maturity.

(d) **Benchmark Discontinuation**

(i) **Independent Advisor**

This paragraph (i) of Condition 8(d) (*Benchmark Discontinuation*) shall apply unless paragraph (ii) of Condition 8(d) (*Benchmark Discontinuation*) is specified as applicable herein.

Notwithstanding the other provisions of this Condition 8 (*Periodic Distribution Amounts*), if a Benchmark Event occurs in relation to the relevant Reference Rate specified in the relevant Pricing Supplement when any Profit Rate (or the relevant component part thereof) remains to be determined by reference to such Reference Rate, then the Trustee and the Obligor will apply the following provisions:

- (A) the Obligor shall use its reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than five Business Days prior to the relevant Profit Rate Determination Date relating to the next succeeding Periodic Distribution Period (the “**IA Determination Cut-Off Date**”), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with paragraph (E) of paragraph (i) of Condition 8(d) (*Benchmark Discontinuation*)) for the purposes of determining the Profit Rate (or the relevant component part thereof) applicable to the Certificates;
- (B) if (A) the Obligor is unable to appoint an Independent Adviser in accordance with this Condition 8(d)8(d)(i); or (B) the Independent Adviser appointed by the Obligor fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and, in either case, an Adjustment Spread in accordance with this paragraph (i) of Condition 8(d) (*Benchmark Discontinuation*) prior to the relevant IA Determination Cut-Off Date, then the Obligor (acting in good faith and in a commercially reasonable manner) may elect to determine the Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and, in either case, an Adjustment Spread itself for the purposes of determining the Profit Rate (or the relevant component part thereof) applicable to the Certificates or, if applicable, any Benchmark Amendments, to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (with the relevant provisions in this paragraph (i) of Condition 8(d) (*Benchmark Discontinuation*) applying *mutatis mutandis* to allow such determinations to be made by the Obligor without consultation with the Independent Adviser, by no later than five Business Days prior to the Profit Rate Determination Date relating to the next Periodic Distribution Period for which the Profit Rate (or any component part thereof) is to be determined by reference to the original Reference Rate. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Periodic Distribution Period only and any subsequent Period Distribution Periods are subject to the subsequent operation of, and to adjustment as provided, in paragraph (A) above;
- (C) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Periodic Distribution Periods in respect of such Certificates (subject to the subsequent operation of, and to

adjustment as provided in, this paragraph (i) Condition 8(d) (*Benchmark Discontinuation*));

- (D) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be); if the Independent Adviser (following consultation with the Obligor) or the Obligor, as applicable, is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread;
- (E) if any Successor Rate, Alternative Reference Rate or Adjustment Spread is determined in accordance with this paragraph (i) of Condition 8(d) (*Benchmark Discontinuation*) and the Independent Adviser (following consultation with the Obligor) or the Obligor, as applicable, determines in good faith: (A) that amendments to these Conditions and/or any of the Transaction Documents (including, without limitation, amendments to the definitions of Day Count Fraction, Business Day, Business Day Convention, Profit Rate Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”); and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Obligor and subject to delivery of a notice and certificate in accordance with paragraph (i)(F) of this Condition 8(d) (*Benchmark Discontinuation*): (x) the Obligor shall vary these Conditions and/or any of the Transaction Documents to give effect to such Benchmark Amendments with effect from the date specified in such notice; and (y) the Delegate and the Agents shall (at the Obligor’s expense), without any requirement for the consent or sanction of Certificateholders, be obliged to concur with the Trustee and the Obligor in effecting such Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), *provided that* neither the Delegate nor any Agent shall be obliged so to concur if doing so would impose, in its opinion, more onerous obligations upon it or expose it to any liability against which it is not adequately indemnified and/or secured and/or prefunded to its satisfaction or impose any additional duties, responsibilities or liabilities or reduce or amend its rights and/or the protective provisions afforded to it.
- (F) the Obligor shall promptly, following the determination of any Successor Rate, Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments, give notice to the Delegate, the Agents and, in accordance with Condition 19 (*Notices*), the Certificateholders confirming: (A) that a Benchmark Event has occurred; (B) the Successor Rate or Alternative Reference Rate (as applicable); (C) any applicable Adjustment Spread; and (D) the specific terms of the Benchmark Amendments (if any). Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Certificateholders of the same, the Obligor shall deliver to the Delegate, the Calculation Agent and the Paying Agents a certificate signed by two authorised signatories of the Obligor:

- (1) confirming: (1) that a Benchmark Event has occurred; (2) the Successor Rate or, as the case may be, the Alternative Reference Rate; (3) the applicable Adjustment Spread and (4) the specific terms of the

Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this paragraph (i) of Condition 8(d) (*Benchmark Discontinuation*); and

- (2) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Reference Rate and (in either case) the applicable Adjustment Spread.

Each of the Delegate, the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Reference Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of wilful default, manifest error or bad faith in the determination of the Successor Rate or Alternative Reference Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Delegate's or the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Obligor, the Trustee, the Delegate, the Calculation Agent, the Agents and the Certificateholders.

Notwithstanding any other provision of this Condition 8 (*Periodic Distribution Amounts*), if following the determination of any Successor Rate, Alternative Reference Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 8 (*Periodic Distribution Amounts*), the Calculation Agent shall promptly notify the Trustee and the Obligor thereof and the Trustee and the Obligor shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Trustee and the Obligor thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so;

- (G) if, following the occurrence of a Benchmark Event and in relation to the determination of the Profit Rate (or the relevant component thereof) on the immediately following Profit Rate Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision, then the Profit Rate (or the relevant component part thereof) shall be determined as at the last preceding Profit Rate Determination Date (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Periodic Distribution Period from that which applied to the last preceding Periodic Distribution Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Periodic Distribution Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Periodic Distribution Period). If there has not been a first Periodic Distribution Date, the Profit Rate shall be determined using the Reference Rate last displayed on the relevant Screen Page prior to the relevant Profit Rate Determination Date. For the avoidance of doubt, this paragraph (G) of paragraph (i) of Condition 8(d) (*Benchmark Discontinuation*) shall apply to the relevant immediately following Periodic Distribution Period only and any subsequent

Periodic Distribution Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 8(d)(i);

- (H) the Independent Adviser appointed pursuant to this Condition 8(d)(i) shall act and make all determinations pursuant to this paragraph (i) of Condition (d) (*Benchmark Discontinuation*) in good faith and in a commercially reasonable manner and the Independent Adviser shall act as an expert. In the absence of bad faith, wilful default or fraud, neither the Independent Adviser nor the Obligor shall have any liability whatsoever to the Fiscal Agent, the Paying Agents or the Certificateholders in connection with any determination made by it or, in the case of the Independent Adviser, for any advice given to the Obligor in connection with any determination made by the Obligor pursuant to this paragraph (i) of Condition (d) (*Benchmark Discontinuation*); and
- (I) without prejudice to the obligations of the Obligor under paragraphs (A), (B), (C), (D) and (E) of paragraph (i) of Condition 8(d) (*Benchmark Discontinuation*), the original Reference Rate and the fallback provisions provided for in paragraph (iii)(B) of Condition 8(b) (*Floating Rate Certificates*) will continue to apply unless and until a Benchmark Event has occurred.

(ii) **Benchmark Discontinuation (SOFR)**

This Condition 8(d) (*Benchmark Discontinuation*) shall only apply where paragraph (ii) of Condition 8(d) (*Benchmark Discontinuation*) is specified as applicable hereon.

- (A) If the Obligor determines on or prior to the relevant Reference Time that a SOFR Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the-then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Certificates in respect of all determinations on such date and for all determinations on all subsequent dates.
- (B) In connection with the implementation of a Benchmark Replacement, the Obligor will have the right to make Benchmark Replacement Conforming Changes from time to time. The Delegate and each of the Agents shall, at the direction and expense of the Obligor effect such consequential amendments to the Master Trust Deed, Agency Agreement and these Conditions as may be required to give effect to this paragraph (ii) of Condition 8(d) (*Benchmark Discontinuation*), *provided that* neither the Delegate nor any Agent shall be obliged so to concur if doing so would impose, in its opinion, more onerous obligations upon it or expose it to any liability against which it is not adequately indemnified and/or secured and/or prefunded to its satisfaction or impose any additional duties, responsibilities or liabilities or reduce or amend its rights and/or the protective provisions afforded to it. Certificateholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Delegate or the Agents (if required). Further, none of the Delegate, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Obligor with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

- (C) Any determination, decision or election that may be made by the Trustee, the Obligor or any of their respective designees pursuant to this paragraph (ii) of Condition 8(d) (*Benchmark Discontinuation*), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Obligor, and (iii) notwithstanding anything to the contrary in the documentation relating to the Certificates, shall become effective without consent from the holders of the Certificates or any other party.
- (D) The Obligor shall promptly, following the determination of any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under this paragraph (ii) of Condition 8(d) (*Benchmark Discontinuation*), give notice to the Certificateholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Certificateholders of the same, the Obligor shall deliver to the Delegate, the Calculation Agent and the Paying Agents a certificate signed by two authorised signatories of the Obligor:

- (1) confirming: (1) that a SOFR Benchmark Event has occurred; (2) the relevant Benchmark Replacement and, (3) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this paragraph (ii) of Condition 8(d) (*Benchmark Discontinuation*); and
- (2) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

Each of the Delegate, the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Benchmark Discontinuation, Benchmark Discontinuation Adjustment and/or the specific terms of any relevant Benchmark Discontinuation Conforming Changes (if any) specified in such certificate will (in the absence of wilful default, manifest error or bad faith in the determination of the Benchmark Discontinuation, Benchmark Discontinuation Adjustment and/or the specific terms of any relevant Benchmark Discontinuation Conforming Changes (if any) and without prejudice to the Delegate's or the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Obligor, the Trustee, the Delegate, the Calculation Agent, the Agents and the Certificateholders.

Notwithstanding any other provision of this Condition 8 (*Periodic Distribution Amounts*), if following the determination of any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this paragraph (ii) of Condition 8(d) (*Benchmark Discontinuation*), the Calculation Agent shall promptly notify the

Trustee and the Obligor thereof and the Trustee and the Obligor shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Trustee and the Obligor thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

- (E) The following defined terms shall have the meanings set out below for the purpose of this paragraph (ii) of Condition (d) (Benchmark Discontinuation):

“**Benchmark**” means, initially, the relevant SOFR Benchmark specified hereon; *provided that* if the Obligor determines Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then “**Benchmark**” means the applicable Benchmark Replacement;

“**Benchmark Replacement**” means the first alternative set forth in the order below that can be determined by the Obligor as of the Benchmark Replacement Date:

- (a) the sum of:
  - (i) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and
  - (ii) the Benchmark Replacement Adjustment;
- (b) the sum of:
  - (i) the ISDA Fallback Rate; and
  - (ii) the Benchmark Replacement Adjustment; or
- (c) the sum of:
  - (i) the alternate reference rate that has been selected by the Obligor for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Certificates at such time; and
  - (ii) the Benchmark Replacement Adjustment;

“**Benchmark Replacement Adjustment**” means the first alternative set forth in the order below that can be determined by the Obligor or any of their respective designees as of the Benchmark Replacement Date:

- (a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (b) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (c) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Obligor giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Certificates at such time;

**“Benchmark Replacement Conforming Changes”** means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of profit, rounding of amounts or tenors, and other administrative matters) the Obligor decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Obligor decides that adoption of any portion of such market practice is not administratively feasible or if the Obligor determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Obligor determines is reasonably necessary);

**“Benchmark Replacement Date”** means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (a) in the case of sub-paragraph (a) or (b) of the definition of **“SOFR Benchmark Event”**, the later of:
  - (i) the date of the public statement or publication of information referenced therein; and
  - (ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (b) in the case of sub-paragraph (c) of the definition of **“SOFR Benchmark Event”**, the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

**“ISDA Definitions”** means the 2006 ISDA Definitions or 2021 ISDA Interest Rate Derivatives Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to

time, or any successor definitional booklet for interest rate derivatives published from time to time;

**“ISDA Fallback Adjustment”** means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

**“ISDA Fallback Rate”** means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

**“Reference Time”** with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded SOFR Average is specified as applicable hereon) or SOFR Index Determination Time (where SOFR Index Average is specified as applicable hereon), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Obligor after giving effect to the Benchmark Replacement Conforming Changes;

**“Relevant Governmental Body”** means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto; and

**“Unadjusted Benchmark Replacement”** means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meaning set out below:

**“Adjustment Spread”** means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in each case, to be applied to the Successor Rate or the Alternative Reference Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Trustee and the Obligor) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or
- (c) (if the Independent Adviser (following consultation with the Trustee and the Obligor) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Trustee and Obligor) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be); or

- (d) (if the Independent Adviser (following consultation with the Trustee and the Obligor) determines that there is no such industry standard) the Independent Adviser (following consultation with the Trustee and the Obligor) or the Obligor (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (d) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Certificateholders;

**“Alternative Reference Rate”** means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Trustee and Obligor) determines, in accordance with this paragraph (i) of Condition 8(d) (*Benchmark Discontinuation*), is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest or profit (or the relevant component part thereof) in the same Specified Currency as the Certificates;

**“Benchmark Amendments”** has the meaning given to it in paragraph (i)(D) of Condition 8(d) (*Benchmark Discontinuation*);

**“Benchmark Event”** means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof): (i) the relevant Reference Rate (or such component) ceasing to be published as a result of such benchmark ceasing to be calculated or administered for a period of at least 5 Business Days or ceasing to exist; or (ii) a public statement or publication of information by the administrator of the relevant Reference Rate (or such component) that it has ceased or that it will cease publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or (iii) a public statement or publication of information by the supervisor of the administrator of the relevant Reference Rate (or such component), that the relevant Reference Rate (or such component) has been or will be permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate (or such component) as a consequence of which the relevant Reference Rate (or such component) will be prohibited from being used either generally, or in respect of the Certificates or that its use will be subject to restrictions or adverse consequences; or (v) a public statement by the supervisor of the administrator of the relevant Reference Rate (or such component) that the relevant Reference Rate is ((or such component) is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market or the methodology to calculate such Reference Rate has materially changed; or (vi) it has become unlawful for the Obligor, the Trustee, the Calculation Agent or any Paying Agent or any other party to calculate any payments due to be made to any Certificateholder using the relevant Reference Rate; *provided that* the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the relevant Reference Rate (or such component) or the discontinuation of the relevant Reference Rate (or such component), as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of the prohibition of use of the relevant Reference Rate (or such component) and (c) in the case of sub-paragraph (v) above, on the date with effect from which the relevant Reference Rate (or such component) will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement. The occurrence of a Benchmark Event shall be determined by the Trustee and the Obligor and promptly notified to the Delegate, the

Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Delegate, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination;

“**Bloomberg Screen SOFRRATE Page**” means the Bloomberg screen designated “SOFRRATE” or any successor page or service.

“**Financial Stability Board**” means the organisation established by the Group of Twenty (G20) in April 2009;

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser of recognised standing with appropriate expertise appointed by the Trustee and the Obligor at the Obligor’s expense;

“**Relevant Nominating Body**” means, in respect of a reference rate: (i) the central bank for the currency to which the reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of: (A) the central bank for the currency to which the reference rate relates; (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the reference rate; (C) a group of the aforementioned central banks or other supervisory authorities; or (D) the Financial Stability Board or any part thereof;

“**Reuters Page USDSOFR=**” means the Reuters page designated “USDSOFR=” or any successor page or service;

“**SOFR**” means, in respect of any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

- (a) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator’s Website;
- (b) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR reference rate shall be the reference rate published on the SOFR Administrator’s Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator’s Website; or
- (c) if the reference rate specified in (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in paragraph (i) of Condition 8(d) (*Benchmark Discontinuation*) or paragraph (ii) of Condition 8(d) (*Benchmark Discontinuation*) shall apply as specified hereon;

“**SOFR Administrator’s Website**” means the website of the Federal Reserve Bank of New York (currently, being <https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index>), or any successor source;

“**SOFR Benchmark Event**” means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (a) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, *provided that*, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (b) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, *provided that*, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (c) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

“**SOFR Benchmark Transition Event**” means the occurrence of a SOFR Benchmark Event with respect to the then-current SOFR Benchmark;

“**SOFR Determination Time**” means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day;

“**SOFR Rate Cut-Off Date**” means the date that is a number of U.S. Government Securities Business Days prior to the end of each Periodic Distribution Period, the Scheduled Dissolution Date or the relevant Optional Redemption Date, as applicable, as specified hereon;

“**U.S. Government Securities Business Day**” means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities; and

“**Successor Rate**” means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(e) **Entitlement to Profit**

Profit shall cease to accumulate in respect of any Certificate on any Dissolution Date or other due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event profit shall continue to accumulate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 8 (*Periodic Distribution Amounts*) to the earlier of (i) the Relevant Date; or (ii) the date on which the relevant Exercise Price or, if all of the Certificates of a Series are being redeemed, Optional Dissolution Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as

applicable, has been paid and (in respect of such redemption in whole) a sale agreement has been executed in accordance with the terms of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be.

(f) **Margin, Maximum Profit Rates/Minimum Profit Rates and Rounding**

- (i) If any Margin is specified in the relevant Pricing Supplement (either (x) generally or (y) in relation to one or more Periodic Distribution Periods), an adjustment shall be made to all Profit Rates, in the case of (x), or the Profit Rates for the specified Periodic Distribution Periods, in the case of (y), calculated in accordance with Condition 8(b) (*Floating Rate Certificates*) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to paragraph (ii) below.
- (ii) If any Maximum Profit Rate or Minimum Profit Rate is specified in the relevant Pricing Supplement, then any Profit Rate shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (*provided that* if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, “**unit**” means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(g) **Calculations**

The amount of profit payable per Calculation Amount in respect of any Certificate for any Periodic Distribution Period shall be equal to the product of the Profit Rate, the Calculation Amount specified in the relevant Pricing Supplement and the Day Count Fraction for such Periodic Distribution Period, unless a Profit Amount (or a formula for its calculation) is specified in the relevant Pricing Supplement as being applicable to such Periodic Distribution Period, in which case the amount of profit payable per Calculation Amount in respect of such Certificate for such Periodic Distribution Period shall equal such Profit Amount (or be calculated in accordance with such formula). Where any Periodic Distribution Period comprises two or more Periodic Distribution Periods, the amount of profit payable per Calculation Amount in respect of such Periodic Distribution Period shall be the sum of the Profit Amounts payable in respect of each of those Periodic Distribution Periods. In respect of any other period for which profit is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which profit is required to be calculated.

(h) **Publication of Profit Rates, Profit Amounts and Dissolution Distribution Amounts**

The Calculation Agent shall, as soon as practicable on each Profit Rate Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Profit Amounts for the relevant Periodic Distribution Period, calculate the Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Profit Amounts for each Periodic Distribution Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount, to be notified to the Delegate, the Trustee, the Obligor, each of the Paying Agents, the Certificateholders, any other Calculation

Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information and, if the Certificates are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Periodic Distribution Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Profit Amount, or (ii) in all other cases, the fourth Business Day after such determination. To the extent that the Calculation Agent is unable to notify a stock exchange or other relevant authority, the Calculation Agent shall notify the Obligor who shall perform such obligation. Where any Periodic Distribution Date or Periodic Distribution Period Date is subject to adjustment pursuant to paragraph (ii) of Condition 8(b) (*Floating Rate Certificates*), the Profit Amounts and the Periodic Distribution Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Delegate by way of adjustment) without notice in the event of an extension or shortening of the Periodic Distribution Period. If the Certificates become due and payable under Condition 14 (*Dissolution Events*), the accrued profit and the Profit Rate payable in respect of the Certificates shall nevertheless continue to be calculated as previously in accordance with this Condition 8 (*Periodic Distribution Amounts*) but no publication of the Profit Rate or the Profit Amount so calculated need be made unless the Delegate otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of wilful default, bad faith or manifest error) be final and binding upon all parties.

(i) **Definitions**

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (a) in the case of a currency other than euro or Renminbi, and unless the relevant Pricing Supplement specifies that the Floating Rate Certificate Provisions apply and the Reference Rate is SOFR Benchmark or SONIA, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in London and each Business Centre (other than the TARGET System) specified in the relevant Pricing Supplement;
- (b) in the case of Renminbi, a day in which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong;
- (c) if the relevant Pricing Supplement specifies that the Floating Rate Certificate Provisions apply and the Reference Rate is SOFR Benchmark, day which is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed;
- (d) if the relevant Pricing Supplement specifies that the Floating Rate Certificate Provisions apply and the Reference Rate is SONIA, any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;
- (e) if the TARGET System is specified as a Business Centre in the relevant Pricing Supplement, a day on which the TARGET System is open; and
- (f) either (A) in the case of a currency other than euro or Renminbi, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle

payments in the principal financial centre for such currency or (B) in the case of euro, a day on which the TARGET System is operating (a “**TARGET Business Day**”).

“**Day Count Fraction**” means, in respect of the calculation of an amount of profit on any Certificate for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Periodic Distribution Period or a Periodic Distribution Period, the “**Calculation Period**”):

- (a) if “**Actual/Actual**” or “**Actual/Actual - ISDA**” is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (b) if “**Actual/365 (Fixed)**” is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 365;
- (c) if “**Actual/365 (Sterling)**” is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 365 or, in the case of a Periodic Distribution Date falling in a leap year, 366;
- (d) if “**Actual/360**” is specified in the relevant Pricing Supplement, the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\begin{aligned} \text{Day Count Fraction} \\ = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360} \end{aligned}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (f) if “**30E/360**” or “**Eurobond Basis**” is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

*Day Count Fraction*

$$= \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

- (g) if “**30E/360 (ISDA)**” is specified in the relevant Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

*Day Count Fraction*

$$= \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**Y<sub>i</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**M<sub>i</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**D<sub>i</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

**D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Scheduled Dissolution Date or (ii) such number would be 31, in which case D2 will be 30;

- (h) if “**Actual/Actual-ICMA**” is specified in the relevant Pricing Supplement:
  - (i) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (ii) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date(s) specified as such in the relevant Pricing Supplement or, if none is so specified, the Periodic Distribution Date(s);

(j) **Calculation Agent**

The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Pricing Supplement and for so long as any Certificate is outstanding. Where more than one Calculation Agent is appointed in respect of the Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such, or if the Calculation Agent fails duly to establish the Profit Rate for a Periodic Distribution Period or to calculate any Profit Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 9. Redemption and Dissolution of the Trust

(a) **Dissolution on the Scheduled Dissolution Date**

Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed at its Dissolution Distribution Amount on the Scheduled Dissolution Date specified in the relevant Pricing Supplement and following the payment of all such amounts in full and the execution of a sale agreement pursuant to the Purchase Undertaking, the Trustee shall be bound to dissolve the Trust. In the case of Fixed Rate Certificates where the Specified Currency is Renminbi or Hong Kong dollars, if the Scheduled

Dissolution Date falls on a day which is not a Business Day, the Scheduled Dissolution Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Scheduled Dissolution Date shall be brought forward to the immediately preceding Business Day.

(b) **Early Dissolution for Taxation Reasons**

If:

- (i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 12 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (ii) (A) the Trustee has received notice from the Obligor that the Obligor has or will become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

(the occurrence of an event described in paragraph (i) or (ii) of Condition 9(b) (*Early Dissolution for Taxation Reasons*) being a “**Tax Event**”), the Trustee shall, upon receipt of a duly completed Exercise Notice from the Obligor in accordance with the Sale and Substitution Undertaking (and in the case of Tier 2 Certificates only, subject to Condition 9(k)), on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the relevant Pricing Supplement to the Delegate and the Certificateholders, redeem the Certificates in whole, but not in part, on any Periodic Distribution Date (if this Certificate is a Floating Rate Certificate) or at any time (if this Certificate is a Fixed Rate Certificate) (such dissolution date being an “**Early Tax Dissolution Date**”), at their Dissolution Distribution Amount, *provided that* no such notice of dissolution may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or to the Trustee pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 9(b) (*Early Dissolution for Taxation Reasons*), the Trustee or the Obligor, as the case may be, shall deliver to the Delegate:

- (A) a certificate signed by two directors and/or Authorised Signatories of the Trustee (in the case of paragraph (i) of Condition 9(b) (*Early Dissolution for Taxation Reasons*)) or the Obligor (in the case of paragraph (ii) of Condition 9(b) (*Early Dissolution for Taxation Reasons*)) stating that the obligation referred to in paragraph (i) of Condition 9(b) (*Early Dissolution for Taxation Reasons*) or paragraph (ii) of Condition 9(b) (*Early Dissolution for Taxation Reasons*)), as the case may be, has arisen and cannot be avoided by the Trustee or the Obligor, as the case may be, taking reasonable measures available to it, and, in the case of Tier 2 Certificates only, the conditions set out in Condition 9(k) have been satisfied; and

- (B) an opinion of independent legal or tax advisers of recognised standing to the effect that the Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept and rely on (without liability to any person) such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in Condition paragraph (i) of Condition 9(b) (*Early Dissolution for Taxation Reasons*) or, as the case may be, paragraph (ii) of Condition 9(b) (*Early Dissolution for Taxation Reasons*) above, in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 9(b) (*Early Dissolution for Taxation Reasons*) and payment in full of the Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust.

(c) **Early Dissolution following a Capital Disqualification Event**

This Condition 9(c) is only applicable to Tier 2 Certificates.

Subject to Condition 9(k), the Tier 2 Certificates may be redeemed by the Trustee in whole, but not in part:

- (A) at any time (in case of the Fixed Rate Certificates); or  
(B) on any Periodic Distribution Date (in case of the Floating Rate Certificates),

(such date, the “**Capital Disqualification Event Dissolution Date**”) on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Pricing Supplement to the Certificateholders in accordance with Condition 19 (*Notices*) and to the Delegate (which notice shall be irrevocable), at the Early Dissolution Amount (Capital Disqualification Event) together with any accrued but unpaid Periodic Distribution Amount, if a Capital Disqualification Event occurs, provided that no such notice of redemption shall be given, unless an exercise notice has been received by the Trustee from the Bank under the Sale and Substitution Undertaking, the delivery of which is, subject to the Bank having delivered to the Delegate: (i) a certificate signed by two Directors of the Bank stating that (A) a Capital Disqualification Event has occurred and cannot be avoided by the Bank taking reasonable measures available to it and (B) the conditions set out in Condition 9(k) have been satisfied; and (ii) if required by the Capital Regulations at such time, a copy of the notice received from the Financial Regulator to the effect that a Capital Disqualification Event has occurred and approving the redemption of the Certificates. The Delegate shall be entitled to accept (without further investigation or formality and without liability to any person) and rely upon any such certificate and notice as sufficient evidence thereof in which event it shall be conclusive and binding on the Delegate and the Certificateholders.

Upon the expiry of any such notice as is referred to in this Condition 9(c), the Trustee shall be bound to redeem the Certificates at the Early Dissolution Amount (Capital Disqualification Event) together with any accrued but unpaid Periodic Distribution Amount and, upon payment in full of such amounts to the Certificateholders, the Trust will terminate, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

In these Conditions:

“**Capital Disqualification Event**” shall be deemed to have occurred if, as a result of any change in any applicable law (including any Capital Regulations), or the application or official interpretation thereof, in each such case becoming effective after the Issue Date of the most recent Tranche of Tier 2 Certificates, the Bank is notified in writing by the Financial Regulator

that the payment obligations of the Bank under the Transaction Documents to which it is a party in an amount equal to the face amount of the outstanding Certificates is excluded in full (or, to the extent not prohibited by the Capital Regulations at the time of the proposed redemption, in part) from the Tier 2 Capital of the Bank (save where such non-qualification is only as a result of either: (a) any applicable limitation on the amount of such capital; or (b) such capital ceasing to count towards the Bank's capital base through any amortisation or similar process or any changes thereto (including any amortisation or similar process imposed through any grandfathering arrangement));

“**Capital Regulations**” means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Saudi Arabia, including those of the Financial Regulator;

“**Financial Regulator**” means SAMA or such other governmental authority which assumes or performs the functions of SAMA, as at the Issue Date of the first Tranche of Tier 2 Certificates, or such other successor authority exercising primary banking supervision, in each case with respect to prudential matters in relation to the Bank;

“**SAMA**” means the Saudi Central Bank and/or any of its successors or assigns; and

“**Tier 2 Capital**” means capital qualifying as (or which would qualify as, but for any applicable limitation on the amount of such capital), and approved by the Financial Regulator as, tier 2 capital in accordance with the Capital Regulations.

(d) **Dissolution at the Option of the Obligor (Optional Dissolution Right)**

If Optional Dissolution Right is specified as applicable in the relevant Pricing Supplement, subject to Condition 9(k) in the case of Tier 2 Certificates only, the Trustee shall, upon receipt of a duly completed Exercise Notice from the Obligor in accordance with the Sale and Substitution Undertaking, on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the relevant Pricing Supplement to the Delegate and the Certificateholders, redeem the Certificates in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Dissolution Date. Any such redemption of Certificates shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Certificates of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed specified in the relevant Pricing Supplement and no greater than the Maximum Optional Dissolution Amount to be redeemed specified in the relevant Pricing Supplement.

All Certificates in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition (d) (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*).

In the case of a partial redemption, the notice to Certificateholders shall also specify the face amount of Certificates drawn and the holder(s) of such Certificates to be redeemed, which shall have been drawn in such place and in such manner as the Trustee and the Delegate deem appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

If all (and not some only) of the Certificates are to be redeemed in accordance with this Condition (d) (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

The Optional Dissolution Right and the Certificateholder Put Right may not both be specified in the relevant Pricing Supplement in respect of any Series.

(e) **Dissolution at the Option of Certificateholders (Certificateholder Put Right)**

This Condition 9(e) is only applicable to Senior Certificates.

If Certificateholder Put Right is specified as applicable in the relevant Pricing Supplement, the Trustee shall, at the option of the holder of any Certificate, upon the holder of such Certificate giving not less than the minimum period nor more than the maximum period of notice specified in the relevant Pricing Supplement to the Trustee, redeem such Certificate on the Certificateholder Put Right Date at its Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If the Certificates are to be redeemed in whole, but not in part, on any Certificateholder Put Right Date in accordance with this Condition 9(e) (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

To exercise such option, the holder must deposit the Registered Certificate representing such Certificate(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed exercise notice (a “**Certificateholder Put Exercise Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Registered Certificate so deposited and right exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

The Certificateholder Put Right and the Optional Dissolution Right may not both be specified in the relevant Pricing Supplement in respect of any Series.

(f) **Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)**

This Condition 9(f) is only applicable to Senior Certificates.

If a Tangibility Event occurs, upon receipt of a Tangibility Event Notice from the Obligor in accordance with the Service Agency Agreement, the Trustee shall promptly give notice to the Certificateholders and the Delegate (a “**Delisting Notice**”) in accordance with Condition 19 (*Notices*) specifying:

- (i) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence;
- (ii) that, as determined in consultation with the Shari’a Adviser, the Certificates shall only be tradeable in accordance with the *Shari’a* principles of debt trading (such as the principle that debt is to be traded (x) at par on a spot settlement basis; or (y) against tangible assets and/or eligible commodities on a spot settlement basis);
- (iii) that, on the Tangibility Event Delisting Date, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading; and
- (iv) the Tangibility Event Put Right Period, during which period the holder of any Certificates shall have the option to require the redemption of all or any of its Certificates.

Upon receipt of the Delisting Notice, any Certificateholder may exercise its option within the Tangibility Event Put Right Period to require the redemption of all or any of its Certificates.

If any Certificateholder exercises its option to redeem its Certificates in accordance with this Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*), the Trustee shall deliver to Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking and redeem such Certificates on the Tangibility

Event Put Right Date at their Dissolution Distribution Amount. If all (and not some only) of the Certificates are to be redeemed on any Tangibility Event Put Right Date in accordance with this Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

To exercise such option, the holder must deposit the Registered Certificate representing such Certificate(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed exercise notice (a “**Tangibility Event Put Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Tangibility Event Put Right Period. No Registered Certificate so deposited and right exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

If 75 per cent. or more of the aggregate face amount of Certificates then outstanding have been redeemed pursuant to this Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*), the Trustee shall, upon receipt of a duly completed Exercise Notice from the Obligor pursuant to the Sale and Substitution Undertaking, on giving not less than 30 days nor more than 60 days to the Delegate and the Certificateholders in accordance with Condition 19 (*Notices*) (such notice to be given within 30 days of the Tangibility Event Put Right Date), redeem the Certificates in whole, but not in part, at their Dissolution Distribution Amount on the date specified in such notice (such notice shall be irrevocable and shall oblige the Trustee to redeem the Certificates on such date (the “**Clean Up Call Dissolution Date**”)) (the “**Clean Up (Call) Right**”).

(g) **Dissolution Following a Dissolution Event**

Upon the occurrence of a Dissolution Event, the Certificates may be redeemed at their Dissolution Distribution Amount. For the purposes thereof, the Trustee may deliver to the Obligor a duly completed Exercise Notice in accordance with the Purchase Undertaking and, following the payment of all such amounts in full, the Trustee shall dissolve the Trust, in each case subject to and as more particularly described in Condition 14 (*Dissolution Events*).

(h) **Purchases**

Subject to Condition 9(k) in the case of Tier 2 Certificates only, each of the Obligor and/or any Subsidiary of the Obligor may at any time purchase Certificates at any price in the open market or otherwise. Any Certificates held by the Obligor or any of the Obligor’s Subsidiaries shall not entitle the holder to exercise any voting rights and shall not be deemed to be outstanding for the purposes of calculating quorums, meetings or for passing Extraordinary Resolutions for the purposes of Condition 16(a) (*Meetings of Certificateholders*).

(i) **Cancellation**

All Certificates purchased by or on behalf of the Obligor or any of the Obligor’s Subsidiaries may be surrendered for cancellation by surrendering the Registered Certificate representing such Certificates to the Registrar and by the Obligor delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Trust Deed. Any Certificates so surrendered, together with all Certificates that are redeemed in accordance with this Condition 9 (*Redemption and Dissolution of the Trust*) and/or Condition 14 (*Dissolution Events*), shall be cancelled forthwith and may not be held, reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged. If all (and not some only) of the Certificates are cancelled in accordance with this Condition 9(i) (*Cancellation*), the Trustee shall be bound to dissolve the Trust.

(j) **No Other Dissolution**

The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 9 (*Redemption and Dissolution of the Trust*) and Condition 14 (*Dissolution Events*). Upon payment in full of all amounts due in respect of the Certificates of any Series, the Trustee shall be bound to dissolve the Trust. Upon such dissolution, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable, and the Trustee shall have no further obligations, in respect thereof.

(k) **Conditions to Redemption and Repurchase of Tier 2 Certificates**

This Condition 9(k) is only applicable to Tier 2 Certificates.

Tier 2 Certificates may only be redeemed, purchased or cancelled (as applicable) pursuant to Condition 9(b), Condition 9(c), Condition 9(d), Condition 9(h) or Condition 16, as the case may be, if:

- (i) (except to the extent that the Financial Regulator no longer so requires) the Bank has obtained the prior written approval of the Financial Regulator;
- (ii) (except to the extent that the Financial Regulator no longer so requires) at the time when the relevant notice of redemption is given, the Bank is in compliance with the Applicable Regulatory Capital Requirements; and
- (iii) (except to the extent that the Financial Regulator no longer so requires) immediately following such redemption, the Bank will be in compliance with the Applicable Regulatory Capital Requirements.

In addition, if the Trustee has elected to redeem the Tier 2 Certificates of any Series and prior to the redemption a Non-Viability Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect and the Trustee shall give notice thereof to the Certificateholders in accordance with Condition 19 (*Notices*), the Delegate and the Principal Paying Agent, as soon as practicable. Further no notice of redemption shall be given in the period following the occurrence of a Non-Viability Event and the relevant Non-Viability Event Write-down Date.

In these Conditions, “**Applicable Regulatory Capital Requirements**” means any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Bank, including transitional rules and waivers granted in respect of the foregoing.

## **10. Loss-Absorption upon the occurrence of a Non-Viability Event**

### **10.1 Write-down of the Tier 2 Certificates**

In the case of Tier 2 Certificates only, if a Non-Viability Event occurs at any time on or after the Issue Date of a Series of Certificates and prior to the date on which the Applicable Statutory Loss Absorption Regime becomes effective in respect of the Certificates subject to and as provided in this Condition 10:

- (a) The Bank will, no later than the third Business Day following the date on which such Non-Viability Event occurs (or such earlier date as determined by the Financial Regulator), notify the Trustee, the Principal Paying Agent (with a copy to the Delegate) and the Certificateholders in accordance with Condition 19 (*Notices*) of the occurrence of such Non-Viability Event (a “**Non-Viability Notice**”). Such Non-Viability Notice shall also (to the extent the relevant information has been received by the Financial Regulator):

- (i) state that a Write-down of the Certificates and the Trust Assets will take place and, following guidance from the Financial Regulator, whether such Write-down will be a full Write-down of the Certificates and the Trust Assets or a partial Write-down of the Certificates and the Trust Assets;
  - (ii) specify, in the case of a partial Write-down of the Certificates and the Trust Assets, (1) the outstanding face amount of the Certificates and the principal notional amount of the Trust Assets that the Financial Regulator has determined to be written-down (such amount being the “**Write-down Amount**”), and (2) the remaining outstanding face amount of the Certificates and the principal notional amount of the Trust Assets as determined by the Financial Regulator and notified to the Bank;
  - (iii) specify, in the case of a full Write-down of the Certificates and the Trust Assets, that the Bank has received written confirmation from the Financial Regulator that the Financial Regulator has determined the outstanding face amount of the Certificates and the principal notional amount of the Trust Assets to be zero; and
  - (iv) specify the date on which the Write-down of the Certificates and the Trust Assets will take place, which date shall be no later than 10 Business Days (or such other date as determined by the Financial Regulator) after the date of such Non-Viability Notice (such specified date, the “**Non-Viability Event Write-down Date**”); and
- (b) the Certificates and the Trust Assets shall be subject to a Write-down on such Non-Viability Event Write-down Date in accordance with Condition 10.2.

If the Bank has not received all the information set out in (i) to (iv) (inclusive) above prior to the date on which the Non-Viability Notice is given, the Bank shall, as soon as reasonably practicable following receipt of such information from the Financial Regulator, notify the Trustee, the Principal Paying Agent (with a copy to the Delegate) and the Certificateholders in accordance with Condition 19 (*Notices*).

Following the occurrence of any reduction to any amount due under any Tier 2 Certificates pursuant to this Condition 10.1, any reference to any amount due under such Tier 2 Certificates, or to the outstanding face amount of such Tier 2 Certificates, shall be deemed to mean such amount subject to any applicable reduction pursuant to this Condition 10.1 *mutatis mutandis*.

## **10.2 Write-down of the Certificates and the Trust Assets**

- (a) If, at any time, the Financial Regulator determines that a full Write-down is required, on the Non-Viability Event Write-down Date:
  - (i) The rights of the Certificateholders of the Tier 2 Certificates to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally cancelled;
  - (ii) The Dissolution Distribution Amount shall automatically be written-down to zero and the Tier 2 Certificates shall be cancelled;
  - (iii) subject to payment of accrued and unpaid Periodic Distribution Amounts if and only to the extent that such Periodic Distribution Amounts became due and payable to the Certificateholders prior to the date of the Non-Viability Notice (and provided payment of such amounts are not prohibited by the Financial Regulator or the Capital Regulations at such time), all rights of any Certificateholder for payment of any amounts under or in respect of the Tier 2 Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date;

- (iv) the Trustee shall dissolve the Trust; and
  - (v) neither the Trustee nor the Delegate will have any further claim against the Bank in respect of any Tier 2 Certificates.
- (b) If the Financial Regulator determines that a partial Write-down of the Certificates and Trust Assets is required and provides the Bank with the information required pursuant to Condition 10.1(a)(ii), and where a partial Write-down of the Certificates and Trust Assets is specified in the Non-Viability Notice (or in a subsequent notice in accordance with Condition 10.1), on the Non-Viability Event Write-down Date:
- (i) the face amount of each Certificate and the Trust Assets shall be written-down by the Write-down Amount, in each case as specified in writing by the Financial Regulator and references in these Conditions to “face amount” or “outstanding face amount” shall be construed accordingly;
  - (ii) the rights of the Certificateholders’ of the Tier 2 Certificates to the proportion of Trust Assets so written-down in accordance with this Condition 10.2(b) shall automatically be deemed to be irrevocably and unconditionally cancelled;
  - (iii) the Dissolution Distribution Amount in respect of such Tier 2 Certificates shall automatically be written-down by the Write-down Amount;
  - (iv) subject to payment of accrued and unpaid Periodic Distribution Amounts if and only to the extent such amounts became due and payable to the Certificateholders prior to the date of the Non-Viability Notice (and provided payment of such amounts are not prohibited by the Financial Regulator or the Capital Regulations at such time), all rights of any Certificateholder for payment of any amounts under or in respect of the proportion of the Tier 2 Certificates so written-down (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, a Tier 2 Event) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date; and
  - (v) neither the Trustee nor the Delegate will have any further claim against the Bank in respect of the proportion of the Tier 2 Certificates written-down pursuant to this Condition 10.2(b).

### **10.3 Applicable Statutory Loss Absorption Regime**

With effect on and from the date on which the Applicable Statutory Loss Absorption Regime becomes effective in respect of the Certificates, the foregoing provisions of this Condition 10 will lapse and cease to have any effect, except to the extent such provisions are required by the Applicable Statutory Loss Absorption Regime. If the Bank becomes Non-Viable on or after such date, the Financial Regulator (or the Bank following instructions from the Financial Regulator) may take such action in respect of the Certificates as is required or permitted by such Applicable Statutory Loss Absorption Regime.

### **10.4 Liability of Delegate and Agents**

Neither the Delegate nor the Agents shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Non-Viability Event (or its disapplication, if applicable) or any consequent Write-down or partial Write-down and/or cancellation of any Certificates or termination of the Trust Assets or any claims in respect thereof, and the Delegate and the Agents shall not be responsible for any calculation, determination or the verification of any calculation or determination in connection with the foregoing.

## 10.5 Interpretation

In these Conditions:

“**Applicable Statutory Loss Absorption Regime**” means a Statutory Loss Absorption Regime that is applicable to the Certificates and which, alone or together with any other law(s) or regulation(s), has the effect that Condition 10.1 and 10.2 could cease to apply to the Certificates without giving rise to a Capital Disqualification Event;

“**Basel III**” means the set of reforms to the international regulatory capital framework for banks issued by the Basel Committee on Banking Supervision as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for international credit institutions (including guidance on the eligibility criteria for tier 1 capital and tier 2 capital instruments);

“**Non-Viability Event**” means that the Financial Regulator has notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without;

- (i) a Write-down of the Certificates (and write-down of any other of the Bank’s capital instruments or other obligations constituting Tier 1 Capital and/or Tier 2 Capital of the Bank that, pursuant to their terms or by operation of law, are capable of being written-down and/or converted into equity); or
- (ii) a public sector injection of capital (or equivalent support), provided that such injection of capital is not made (i) by a shareholder of the Bank or (ii) on terms that are more favourable to the Bank than those that would be accepted by private investors in comparable transactions;

“**Non-Viability Notice**” has the meaning given to it in Condition 10.1;

“**Non-Viable**” means, in the case of the Bank, (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business or (b) any other event or circumstance which is specified as constituting non-viability by the Financial Regulator or in applicable Capital Regulations or any Applicable Statutory Loss Absorption Regime;

“**Statutory Loss Absorption Regime**” means any statutory regime implemented in the Kingdom which provides the Financial Regulator with the powers to implement loss absorption measures in respect of capital instruments (such as the Tier 2 Certificates), including, but not limited to, any such regime which is implemented pursuant to Basel III and/or The Law on the Treatment of Systemically Important Financial Institutions M/38 dated 25/4/1442H;

“**Tier 1 Capital**” means capital qualifying as (or which would qualify as, but for any applicable limitation on the amount of such capital), and approved by the Financial Regulator as, tier 1 capital in accordance with the Capital Regulations;

“**Write-down**” means the events described in paragraphs (i) through (iv) of Condition 10.2(a) or subparagraphs (i) through (iv) of Condition 10.2(b), as appropriate; and

“**Write-down Amount**” has the meaning given to it in Condition 10.2.

## 11. Payments

### (a) Method of Payment

Payments of the Dissolution Distribution Amount shall be made against presentation and (if no further payment falls to be made in respect of the Certificates represented thereby) surrender of

the relevant Registered Certificate at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided below.

Payments of Periodic Distribution Amounts in respect of each Certificate shall be made to the person shown on the Register (or, in the case of a Certificate held by two or more persons, to the person whose name appears first in the Register) at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”).

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of each Certificate shall be made in the Specified Currency by transfer to an account in the Specified Currency maintained by the payee with a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System, as notified by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date.

If the amount being paid upon surrender of the relevant Registered Certificate is less than the Dissolution Distribution Amount of such Registered Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Trustee or a Certificateholder) issue a new Registered Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the Periodic Distribution Amount being paid is less than the amount then due, the Registrar will annotate the Register with the amount so paid.

(b) **Payments Subject to Laws**

Payments are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 12 (*Taxation*)), any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.

(c) **Appointment of Agents**

The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Trustee and the Obligor and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Trustee and the Obligor and do not assume any obligation or relationship of agency or trust for or with any Certificateholder. The Trustee reserves the right at any time with the prior written approval of the Delegate to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Transfer Agents or Calculation Agent(s), *provided that* the Trustee shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Calculation Agent(s) where these Conditions so require, (v) a Paying Agent having a specified office in at least one major European city and (vi) such other agents as may be required by any stock exchange on which the Certificates may be listed, in each case as approved by the Delegate.

Notice of any such change or any change of any specified office shall promptly be given by the Trustee to the Certificateholders.

(d) **Payment only on a Payment Business Day**

If any date for payment in respect of any Certificate is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day, nor to any profit or other sum in respect of such postponed payment. In this Condition 11(d) (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*), “**Payment Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located, in such jurisdictions as shall be specified as Financial Centres in the relevant Pricing Supplement and:

- (i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, on which foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency; or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day; or
- (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

(e) **Renminbi Account**

All payments in respect of any Certificate in Renminbi will be made solely by credit to a registered Renminbi account maintained by or on behalf of the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong).

(f) **Renminbi Currency Event**

If the Specified Currency of the Certificate is Renminbi and a Renminbi Currency Event, as determined by the Trustee or (if applicable) the Obligor acting in good faith, exists on a date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount (in whole or in part) in respect of any Certificate, the Trustee’s obligation to make a payment in Renminbi under the terms of the Certificates may be replaced by an obligation to pay such amount (in whole or in part) in the Relevant Currency and converted using the Spot Rate for the relevant Determination Date as promptly notified to the Trustee, the Obligor and the Paying Agents.

Upon the occurrence of a Renminbi Currency Event, the Trustee shall give notice as soon as practicable to the Certificateholders in accordance with Condition 19 (*Notices*) and to the Delegate stating the occurrence of the Renminbi Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

In such event, any payment of U.S. dollars will be made by transfer to a U.S. dollar-denominated account maintained by the payee with, or by a U.S. dollar-denominated cheque drawn on, a bank in New York City; and the definition of “**Payment Business Day**” shall mean any day which (subject to Condition 13 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in: (A) in the case of Certificates in definitive form only, the relevant place of presentation; and (B) London and New York City.

For the purpose of this Condition 10 (*Payments*):

“**Determination Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in

Hong Kong and in the principal financial centre of the country of the relevant Specified Currency;

“**Determination Date**” means the day which is two Determination Business Days before the due date of the relevant payment under the Certificates, other than where the Trustee or (if applicable) the Obligor properly determines that a Renminbi Currency Event has occurred at any time during the period from and including 10:01 a.m. (Hong Kong time) on the second Determination Business Day preceding the original due date to and including 11:59 p.m. (Hong Kong time) on the original due date, in which case the “**Determination Date**” will be the Determination Business Day immediately following the date on which the determination of the occurrence of a Renminbi Currency Event has been made;

“**Governmental Authority**” means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Relevant Currency**” means United States dollars;

“**Renminbi Currency Events**” means any one of Renminbi Illiquidity, Renminbi Non-Transferability and Renminbi Inconvertibility;

“**Renminbi Illiquidity**” means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which it is impossible for the Trustee to obtain sufficient Renminbi in order to satisfy its obligation to pay principal or profit (in whole or in part) in respect of the Certificates, as determined by the Trustee acting in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the Renminbi exchange market in Hong Kong selected by the Trustee;

“**Renminbi Inconvertibility**” means the occurrence of any event that makes it impossible for the Trustee to convert any amount due in respect of the Certificates into Renminbi on any payment date in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Trustee to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Trustee, due to an event beyond its control, to comply with such law, rule or regulation);

“**Renminbi Non-Transferability**” means the occurrence of any event that makes it impossible for the Trustee to transfer Renminbi (a) between accounts inside Hong Kong, (b) from an account inside Hong Kong to an account outside Hong Kong (including where the Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended) or (c) from an account outside Hong Kong to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Trustee to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Trustee, due to an event beyond its control, to comply with such law, rule or regulation); and

“**Spot Rate**” means the spot CNY/U.S.\$ exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by

reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the Spot Rate at or around 11:00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by the State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 10 (*Payments*) by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Trustee, the Obligor, the Agents and all Certificateholders.

## 12. Taxation

All payments in respect of the Certificates shall be made free and clear of, and without withholding, retention or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges or withholdings of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction, unless such withholding, retention or deduction is required by law (“**Taxes**”). In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Certificateholders (after such withholding, retention or deduction) of such net amounts as would have been receivable by them had no such withholding, retention or deduction been required, except that no such additional amounts shall be payable in respect of any Certificate:

- (a) **Other connection:** held by or on behalf of, a holder who is liable to such taxes, levies, imposts, duties, fees, assessments or governmental charges in respect of such Certificate by reason of his having some connection with a Relevant Jurisdiction other than the mere holding of the Certificate; or
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Registered Certificate representing it is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting or surrendering such Registered Certificate for payment on the last day of such period of 30 days assuming that day to have been a Payment Business Day (in accordance with Condition 11(d) (*Payment only on a Payment Business Day*)).

As used in these Conditions:

“**Relevant Date**” means, in respect of any Certificate, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders in accordance with Condition 19 (*Notices*) that, upon further presentation of the Registered Certificate representing such Certificate being made in accordance with these Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation; and

“**Relevant Jurisdiction**” means the Cayman Islands or Saudi Arabia or any political subdivision or authority thereof or therein having power to tax.

References in these Conditions to “**Periodic Distribution Amounts**” and the “**Dissolution Distribution Amount**” shall be deemed to include any additional amounts that may be payable under this Condition 12 (*Taxation*) or any undertaking given in addition to or in substitution for it under the Trust Deed.

*The Transaction Documents provide that payments thereunder by the Obligor shall be made without any withholding, retention or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other governmental charges of any nature, unless such withholding, retention or deduction is required by law and without set-off or counterclaim of any kind. If any such withholding, retention or deduction is required by law, the Transaction Documents provide for the payment by the Obligor of all additional amounts as will result in the receipt by the Trustee or the Delegate, as applicable, of such net amounts as would have been receivable by it if no such withholding, retention or deduction had been made.*

*Further, in accordance with the terms of the Master Trust Deed, the Obligor has unconditionally and irrevocably undertaken to (irrespective of the payment of any fee), as a continuing obligation, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to this Condition 12 (Taxation), pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any such withholding, retention or deduction) equals any and all additional amounts, required to be paid by it in respect of the Certificates pursuant to this Condition 12 (Taxation).*

### **13. Prescription**

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount), or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

### **14. Dissolution Events**

#### **(a) Dissolution Events for Senior Certificates**

This Condition 14(a) only applies to Senior Certificates.

Upon the occurrence of a Dissolution Event:

- (i) the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise becoming aware of a Dissolution Event, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing or by Extraordinary Resolution if they wish the Certificates to be redeemed (in whole but not in part) and the Trust to be dissolved; and
- (ii) the Delegate in its sole discretion may, and if so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series of Certificates outstanding or if so directed by an Extraordinary Resolution shall, (subject, in each case, to being indemnified and/or secured and/or pre-funded to its satisfaction) give notice (a “**Dissolution Notice**”) to the Trustee, the Obligor and the Certificateholders that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this paragraph (ii) of Condition 14(a) (*Dissolution Event*) whether or not notice has been given to Certificateholders as provided in paragraph (i) of Condition 14(a) (*Dissolution Event*).

Upon receipt of such Dissolution Notice, the Trustee (or the Delegate in the name of the Trustee) shall deliver an Exercise Notice to the Obligor under the Purchase Undertaking. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof and the aggregate amount of the Deferred Payment Price then

outstanding to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant “**Dissolution Event Redemption Date**”) and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(b) **Dissolution Events for Tier 2 Certificates**

This Condition 14(b) only applies to Tier 2 Certificates.

In the event of a Winding Up Proceeding, subject to the Trustee or the Delegate being indemnified and/or secured and/or prefunded to its satisfaction, the Trustee (failing whom, the Delegate) shall give notice of the occurrence of such Winding-Up Proceeding to the holders of Certificates in accordance with Condition 19 (*Notices*) with a request to such holders to request if they wish the Certificates to be redeemed and the Trust to be dissolved. The Delegate may in its absolute discretion or, if so requested in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of the holders of the Certificates (each a “**Dissolution Request**”), the Delegate shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) give notice to the Trustee, the Bank and all of the holders of the Certificates in accordance with Condition 19 (*Notices*) that the Certificates are to be redeemed at the Dissolution Amount on the date specified in such notice, whereupon the Certificates shall become immediately due and payable, subject to the subordination provisions described in Condition 4(c), the non-viability provisions described in Condition 10 and the provisions described in this Condition 14. If it has not already done so, following a Dissolution Request, the Trustee (or the Delegate in the name and on behalf of the Trustee) shall exercise its rights under the Purchase Undertaking by serving an exercise notice on the Bank. Notice of any such action shall promptly be given to the Certificateholders in accordance with Condition 19 (*Notices*).

Provided that a Winding-Up Proceeding has not occurred, if: (a) default is made by the Bank in the payment of any Portfolio Income Revenues to be paid into the Transaction Account by it (in its capacity as Service Agent) in accordance with the terms of the Service Agency Agreement and/or default is made in the payment of any Periodic Distribution Amount and, in each case, any such default continues for a period of seven days; or (b) if default is made by the Bank in the payment of the Exercise Price and/or the default is made in the payment of the Deferred Sale Price and/or default is made in the payment of any Dissolution Distribution Amount and, in each case, any such default continues for a period of seven days (each such default in (a) and (b) above a “**Default**”, and each Default and any Winding-Up Proceeding, a “**Tier 2 Event**”), the Delegate shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction), give notice of the occurrence of such Tier 2 Event to the Trustee, the Bank and all of the holders of the Certificates in accordance with Condition 19 (*Notices*).

If a Tier 2 Event has occurred and if so requested in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of the holders of the Certificates, the Delegate shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction): (a) in the case of a Default, institute proceedings for the Bank to be declared bankrupt or insolvent or for there otherwise to be a Winding-Up Proceeding and prove in the winding-up, dissolution or

liquidation of the Bank; and (b) in the case of a Winding-Up Proceeding, claim or prove in the winding-up, dissolution and liquidation of the Bank.

(c) **Enforcement and Exercise of Rights in respect of Senior Certificates**

In respect of Senior Certificates only, if, following the occurrence of a Dissolution Event, any amount payable in respect of the Senior Certificates of the relevant Series has not been paid in full (notwithstanding the provisions of Condition 14(a) (*Dissolution Event*)), the Trustee or the Delegate (subject in either case to it being indemnified and/or secured and/or pre-funded to its satisfaction) may (acting for the benefit of the Certificateholders), failing which the Certificateholders (subject to paragraph (b) of Condition 15 (*Realisation of Trust Assets*)) may, take one or more of the following steps:

- (i) enforce the provisions of the Transaction Documents against the Obligor; and/or
- (ii) take such other actions or steps or institute such proceedings as the Trustee or the Delegate, or as the case may be, the Certificateholders, may consider necessary to recover amounts due to the Certificateholders.

(d) **Enforcement and Exercise of Rights in respect of Tier 2 Certificates**

In respect of Tier 2 Certificates only:

- (i) subject to Condition 14(e), the Delegate is also entitled (subject to being indemnified and/or secured and/or prefunded to its satisfaction) to institute proceedings acting in the name and on behalf of the Trustee against the Bank to enforce any obligation, condition, undertaking or provision binding on the Bank under the Transaction Documents, provided that the Bank shall not by virtue of the institution of any such proceedings be obliged to pay any amount or amounts in relation to any amount payable in respect of the Certificates sooner than the same would otherwise have been payable by it; and
- (ii) other than as provided above and in Condition 14(b) or as separately agreed between the Bank, the Trustee and the Delegate, no remedy against the Bank shall be available to the Trustee or the Delegate, nor may any action be taken by the Trustee or the Delegate, whether for the recovery of amounts owing by the Bank pursuant to its obligations under the Transaction Documents in respect of any amount due to Certificateholders or in respect of any breach by the Bank of any of its obligations, covenants or undertakings under the Transaction Documents in relation to the Certificates.

(e) **Limited Recourse and Non-Viability Conditions**

The foregoing paragraphs in this Condition are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 5(b) and the Master Trust Deed, the obligations of the Trustee in respect of the Certificates shall be satisfied and no holder of the Certificates may take any further steps against the Trustee, the Delegate or any other person to recover any further sums in respect of the Certificates and the right to receive any sums unpaid shall be extinguished. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

In respect of Tier 2 Certificates only, all claims by the Trustee (or the Delegate acting in the name and on behalf of the Trustee) against the Bank under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Bank under the Transaction Documents) shall be subject to, and shall be superseded by the provisions of Condition 10, irrespective of whether the relevant Non-Viability Event occurs

prior to or after the event which is the subject matter of the claim, provided that nothing in these Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

## **15. Realisation of Trust Assets**

- (a) Neither the Trustee nor the Delegate shall be bound in any circumstances to take any action or step or institute any proceedings to enforce or to realise the relevant Trust Assets or take any action or step or institute any proceedings against the Obligor or (in the case of the Delegate) against the Trustee under any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 20 per cent. of the aggregate face amount of the Series of Certificates for the time being outstanding and, in each case, only if it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.
- (b) No Certificateholder shall be entitled to proceed directly against the Trustee or the Obligor unless the Delegate or the Trustee, as the case may be, having become bound so to proceed (i) fails to do so within a reasonable period or (ii) is unable for any reason (including by reason of an order of a court having competent jurisdiction) to do so, and in each case such failure or inability is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Obligor shall be to enforce the Trustee's and the Obligor's respective obligations under the Certificates and the Transaction Documents to which they are a party.
- (c) Paragraphs (a) and (b) of Condition 15 (*Realisation of Trust Assets*) are subject to this paragraph (c) of Condition 15 (*Realisation of Trust Assets*). After enforcing or realising the Trust Assets in respect of the Certificates of the relevant Series and distributing the net proceeds thereof in accordance with Condition 5(b) (*Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee or the Delegate to recover any further sums in respect of the Certificates and the right to receive from the Trustee any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

## **16. Meetings of Certificateholders, Modification and Waiver**

### **(a) Meetings of Certificateholders**

The Trust Deed contains provisions for convening meetings (including by way of telephony or electronic platform or facility) of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification or abrogation of any of these Conditions or any provisions of the Trust Deed or any other Transaction Document. Such a meeting may be convened by the Trustee, the Obligor or the Delegate at any time, or by Certificateholders holding not less than 10 per cent. in aggregate face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more Eligible Persons present and holding or representing in the aggregate more than 50 per cent. in face amount of the Certificates for the time being outstanding, or at any adjourned meeting one or more Eligible Persons present (whatever the face amount of the Certificates so held or represented by them), unless the business of such meeting includes consideration of proposals which would have the effect of *inter alia*: (i) modifying any date for payment in respect of the Certificates, (ii) reducing or

cancelling or varying the method for calculating the face amount of, or any amount or premium payable or due in respect of, the Certificates, (iii) reducing the rate or rates of profit in respect of the Certificates or varying the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Profit Amount in respect of the Certificates (in each case, other than as provided for in these Conditions (including Condition 8(d) (*Benchmark Discontinuation*)) and the relevant Pricing Supplement), (iv) if a Minimum Profit Rate and/or a Maximum Profit Rate is shown in the relevant Pricing Supplement, reducing any such Minimum Profit Rate and/or Maximum Profit Rate, (v) varying the currency of payment or denomination of the Certificates, (vi) modifying the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (vii) modifying or cancelling the payment obligations of the Obligor (in any capacity) and/or the Trustee under the Transaction Documents and/or the Certificates (as the case may be), (viii) amending any of the Obligor's or the Trustee's covenants included in the Transaction Documents, (ix) amending the priority of payments as described in Condition 5(b) (*Application of Proceeds from Trust Assets*), or (x) amending the above list, in which case the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Certificateholders (whether or not they were present and whether or not they voted at the meeting at which such resolution was passed). To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than 75 per cent. of the votes cast on a show of hands, or, if a poll is duly demanded, not less than 75 per cent on such poll.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in like form, each signed by or on behalf of one or more Certificateholders. Such a resolution in writing will be binding on all Certificateholders whether or not they participated in such resolution.

*For so long as the Certificates are represented by a Global Certificate, an Extraordinary Resolution may also be passed by Certificateholders giving electronic consent, provided that consent to such resolution is given through the relevant clearing system(s) (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates. See "Summary of Provisions relating to the Certificates while in Global Form".*

**(b) Modification of the Trust Deed or Any Transaction Document**

The Delegate may (but shall not be obliged to) (and, in the case of paragraph (ii) below, shall), without the consent or sanction of the Certificateholders, (i) agree to any modification of the Trust Deed (including these Conditions) or any other Transaction Document or the Trustee's memorandum and articles of association that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, (ii) agree to any modification to the Trust Deed (including the Conditions) or any other Transaction Document to effect any Benchmark Amendments (in the circumstances and as set out in Condition 8(d) (*Benchmark Discontinuation*)) or (iii) (A) give its consent under the Transaction Documents and agree to any other modification of the Trust Deed (including these Conditions) or any other Transaction Document or the Trustee's memorandum and articles of association, or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Transaction Documents or (B) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in the case of paragraph (iii) that such modification, consent, waiver, authorisation or determination is in the opinion of the Delegate

not materially prejudicial to the interests of the Certificateholders and is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates of that Series then outstanding and, in the case of modifications under paragraph (iii)(A) only, is other than in respect of a matter which requires a special quorum resolution (as defined in paragraph 7 of Schedule 3 of the Master Trust Deed). Any such modification, consent, waiver, authorisation or determination shall be binding on all Certificateholders and shall be notified by the Trustee to the Certificateholders in accordance with Condition 19 (*Notices*) as soon as practicable thereafter.

(c) **Entitlement of the Delegate**

In connection with the exercise by it of any of its powers, trusts, authorities and discretions (including, without limitation, those referred to in this Condition 16), the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof or taxing jurisdiction and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Delegate, the Obligor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except in the case of the Trustee and the Obligor, to the extent already provided for in Condition 12 (*Taxation*).

## 17. Delegate

(a) **Delegation of Powers**

The Trustee will in the Trust Deed irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the powers, rights, authorities and discretions of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Trust Deed (together, the “**Delegation**” of the “**Relevant Powers**”), *provided that*: (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the relevant Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers, rights, authorities and discretions which are vested solely in it from the date of the Master Trust Deed.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as sole trustee.

(b) **Indemnification**

The Trust Deed contains provisions for the indemnification of each of the Delegate and the Trustee in certain circumstances and for its relief from responsibility, including provisions relieving the Delegate from taking any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction.

(c) **No Liability**

The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor or the Trustee under the Transaction Documents to which each of the Obligor and the Trustee is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been made by the Obligor or the Trustee but are not so made and shall not in any circumstances have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.

(d) **Reliance on Certificates, Reports and/or Information**

The Delegate and the Trustee may consult with and/or rely and act on the opinion or advice of or a certificate, report or any information (whether or not addressed to the Delegate or the Trustee) obtained from any lawyer, valuer, banker, broker, accountant (including auditors), surveyor, auctioneer, tax adviser, rating agency, insolvency official or other expert appointed by the Trustee, the Obligor, the Delegate or an Agent or otherwise and shall not be responsible for any Liability occasioned by so acting or relying notwithstanding that such advice, opinion or information may contain a cap or other limitation (monetary or otherwise) on the liability of any party and notwithstanding that the scope and/or basis of such advice, opinion, certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate or the Trustee shall not in any case be required to call for further evidence or be responsible for any Liability or inconvenience that may be occasioned by its failure to do so.

(e) **Proper Performance of Duties**

Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Trust Deed conferring on it any trusts, powers, authorities or discretions) or as delegate, in the case of the Delegate (having regard to the powers, rights, authorities and discretions conferred on it by the Trust Deed), respectively exempt the Trustee or the Delegate from or indemnify either of them against any liability which by virtue of any rule of law would otherwise attach to either of them in respect of any gross negligence, wilful default or actual fraud of which either of them may be guilty in relation to their duties under the Trust Deed.

(f) **Notice of Events**

Neither the Delegate nor the Trustee shall be bound to take any steps to ascertain whether any Dissolution Event or Potential Dissolution Event has happened and, until it shall have received express written notice to the contrary, it will be entitled to assume that no such event has happened (without any liability to Certificateholders or any other person for so doing).

(g) **Delegate Contracting with the Trustee and the Obligor**

The Trust Deed contains provisions pursuant to which the directors or officers of a corporation acting as the Delegate may acquire, hold or dispose of any Certificates or other security (or any interest therein) of the Trustee or any other person, may enter into or be interested in any contract or transaction with any such person and may act on, or as depositary or agent for, any committee or body of holders of any securities of any such person, in each such case with the same rights as they would have had if the Delegate were not acting as Delegate and need not account for any profit made thereby or in connection therewith.

**18. Replacement of Registered Certificates**

If a Registered Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Trustee for the purpose and notice of whose designation is given to Certificateholders, in each case on payment by the claimant of the costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Trustee may reasonably require (*provided that* such requirement is reasonable in light of prevailing market practice). Mutilated or defaced Registered Certificates must be surrendered before replacements will be issued.

**19. Notices**

Notices required to be given to the holders of Certificates shall be mailed to them by registered mail (airmail if overseas) at their respective addresses in the Register.

The Trustee shall also ensure that notices required to be given to the holders of the Certificates are duly given in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Certificates are for the time being listed and/or admitted to trading including publication on the website of the relevant authority, relevant stock exchange and/or relevant quotation system if required by those rules or regulations. If in the opinion of the Delegate any such publication is not practicable, notice required to be given pursuant to these Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any notices shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing (or on the date of publication, or, if so published more than once or on different dates, on the date of the first publication).

*So long as the Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, or any other clearing system, notices to the holders of the Certificates of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing as required by Condition 19 (Notices). Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.*

**20. Further Issues**

In respect of any Series, the Trustee may from time to time without the consent of the Certificateholders create and issue further Certificates having the same terms and conditions as the outstanding Certificates of such Series or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue and so that such further issue shall be consolidated and form a single Series with the outstanding Certificates of such Series. Any further Certificates which are to form a single

Series with the outstanding Certificates previously constituted by the Trust Deed shall be constituted by a deed supplemental to the Trust Deed. References in these Conditions to the Certificates include (unless the context requires otherwise) any other certificates issued pursuant to this Condition and forming a single Series with the Certificates.

## **21. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Certificates under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **22. Governing Law and Dispute Resolution**

### **(a) Governing Law**

The Trust Deed (including these Conditions), the Agency Agreement and the Certificates and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law, except that the provisions of Conditions 4(b), 4(c) and 4(d) (and clauses 3.3 and 8.5 of the Master Trust Deed), clause 5 of the Purchase Undertaking, clause 9 of the Master Murabaha Agreement and clause 7 of the Service Agency Agreement relating to subordination and set-off of the Tier 2 Certificates, are governed by the laws and regulations of the Kingdom of Saudi Arabia.

### **(b) Arbitration**

The Delegate, the Trustee and the Obligor have in the Trust Deed agreed that (subject as provided therein) any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Trust Deed (which includes the Certificates, these Conditions and this Condition 22(b) (*Arbitration*)) (including any dispute claim, difference or controversy as to the existence, validity, interpretation, performance, breach or termination of the Trust Deed or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (a “**Dispute**”)) shall be resolved by arbitration with seat (or legal place) in London, England conducted in the English language by three arbitrators pursuant to the rules of the London Court of International Arbitration (“**LCIA**”) (such arbitration to also be administered by the LCIA in accordance with those rules) save that, unless the parties agree otherwise, the third arbitrator, who shall act as presiding arbitrator of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties and shall be a retired member of the judiciary of the Senior Courts of England and Wales or a Queen’s Counsel of at least 15 years’ standing. The arbitrators nominated by the parties to the Dispute shall each be English-law qualified and have at least 15 years’ practicing experience. If not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA.

### **(c) Consolidation**

Where disputes arise out of or in connection with the Certificates which, in the absolute discretion of the first arbitral tribunal to be appointed in any of the disputes, are so closely connected that it is expedient for them to be resolved in the same proceedings, that arbitral tribunal shall have the power to order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes (whether or not proceedings to resolve those other disputes have yet been instituted), *provided that* no date for the final hearing of the first arbitration has been fixed. If that arbitral tribunal so orders, the parties to each

dispute which is a subject of its order shall be treated as having consented to that dispute being finally decided:

- (i) by the arbitral tribunal that ordered the consolidation unless the LCIA decides that that arbitral tribunal would not be suitable or impartial; and
- (ii) in accordance with the procedure, at the seat and in the language specified in the relevant agreement under which the arbitral tribunal that ordered the consolidation was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of any such agreement, ordered by the arbitral tribunal in the consolidated proceedings.

This paragraph shall apply even where powers to consolidate proceedings exist under any applicable arbitration rules (including those of an arbitral institution) and, in such circumstances, the provisions of this paragraph (c) shall apply in addition to those powers.

(d) **Waiver of Immunity**

Under each of the Transaction Documents, the Obligor has explicitly acknowledged that its execution of such documents constitutes, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial acts done and performed for private and commercial purposes (rather than an act in its or any other sovereign capacity) and has irrevocably and unconditionally waived with respect to any proceedings arising under these Conditions or any of such documents any sovereign or other immunity that it or its property, assets or revenues may have including (without limitation) from jurisdiction, suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process or defence and has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any of its property, assets or revenues whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings or Disputes.

(e) **Waiver of Interest**

- (i) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Trust Deed that no interest will be payable or receivable under or in connection with the Trust Deed and if it is determined that any interest is payable or receivable in connection with the Trust Deed by any of the Trustee, the Delegate or the Obligor, whether as a result of any arbitral or judicial award or by operation of any applicable law or otherwise, each such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall hold such amount in a suspense account and promptly donate the same to a registered or otherwise officially recognised charitable organisation.
- (ii) For the avoidance of doubt, nothing in this Condition 22(d) (*Waiver of Immunity*) shall be construed as a waiver of rights in respect of Wakala Portfolio Revenues, Required Amounts, Periodic Distribution Amounts, Dissolution Distribution Amounts, Exercise Price, Certificateholder Put Right Exercise Price, Tangibility Event Put Right Exercise Price, Optional Dissolution Exercise Price, Deferred Payment Price, Murabaha Instalment Profit Amounts, Murabaha Profit Amounts or profit or principal of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

(f) **Service of Process**

Each of the Trustee and the Obligor has in the Trust Deed irrevocably appointed Maples and Calder at its registered office at 11th Floor, 200 Aldersgate Street, London EC1A 4HD to receive for it and on its behalf, service of process in any proceedings in England.

## SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM

### 1 Initial Issue of Certificates

Each Tranche of Certificates will initially be represented by a Global Certificate in registered form. Global Certificates will be delivered on or prior to the issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg (the “**Common Depository**”).

Upon registration of the Certificates in the name of any nominee for, and deposit of the Global Certificate with, a Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a face amount of Certificates equal to the face amount thereof for which it has subscribed and paid.

Certificates that are initially deposited with the Common Depository may also be credited to the accounts of subscribers with other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Certificates that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### 2 Relationship of Accountholders with Clearing Systems

For so long as any of the Certificates is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Certificates (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes) shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificates for all purposes other than with respect to any payment on such face amount of such Certificates, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificates in accordance with and subject to the terms of the relevant Global Certificate and the expressions “**Certificateholder**” and “**holder**” and related expressions shall be construed accordingly.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) as the holder of a Certificate represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Trustee to the registered holder of the underlying Certificates, and in relation to all other rights arising under the Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Trustee in respect of payments due on the Certificates for so long as the Certificates are represented by such Global Certificate and such obligations of the Trustee will be discharged by payment to the registered holder of the underlying Certificates, as the case may be, in respect of each amount so paid.

### 3 Exchange for Definitives

Interests in a Global Certificate will be exchangeable in whole but not in part (free of charge) for definitive Certificates of a particular Series only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to the Certificateholders in accordance with Condition 19 (*Notices*) upon the occurrence of an Exchange Event. For these purposes, an “**Exchange Event**” will occur (i) if the Delegate has given notice in accordance with Condition 19 (*Notices*) that a Dissolution Event has occurred and is continuing or (ii) if the Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of

holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor or alternative clearing system satisfactory to the Trustee is available or (iii) with the consent of the Trustee. In the event of an occurrence of an Exchange Event, any of the Trustee or Euroclear and/or Clearstream, Luxembourg, as the case may be, acting on the instructions of any holder of an interest in such Global Certificate may give notice to the Registrar requesting exchange. Any exchange shall occur no later than 15 days after the date of receipt of the first relevant notice by the Registrar.

## **4 Amendment to Conditions**

The Global Certificates contain provisions that apply to the Certificates that they represent, some of which modify the effect of the terms and conditions of the Certificates set out in this Offering Circular. The following is a summary of certain of those provisions:

### **4.1 Payments**

All payments in respect of Certificates represented by a Global Certificate will be made (against surrender of that Global Certificate if no further payment falls to be made in respect of the Certificates) to, or to the order of, the person whose name is entered on the Register at the close of business on the record date, being the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive, except 25 December and 1 January.

For the purposes of any payments made in respect of Certificates represented by a Global Certificate, the words “in the place in which the specified office of the Registrar is located” shall not apply to the definition of Payment Business Day in Condition 11(d) (*Payment only on a Payment Business Day*).

A record of each payment made will be noted on the relevant Register which shall be *prima facie* evidence that such payment has been made in respect of the Certificates.

### **4.2 Meetings**

All holders of Certificates are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Certificates comprising such Certificateholder’s holding.

### **4.3 Delegate’s Powers**

In considering the interests of Certificateholders while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a clearing system, the Delegate may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests, and treat such accountholders, as if such accountholders were the holders of the Certificates represented by the Global Certificate.

### **4.4 Optional Dissolution Right**

If any early dissolution right of the Bank is exercised in respect of some but not all of the Certificates of any Series, the rights of accountholders with a clearing system in respect of the Certificates will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

### **4.5 Certificateholder Put Right and Tangibility Event Put Right**

Any early dissolution right of the Certificateholders provided for in Condition 9(e) (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*) or Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*) of any Certificates while

such Certificates are represented by a Global Certificate may be exercised by the holder of the Certificate(s) in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

#### **4.6 Cancellation**

Cancellation of any Certificate represented by a Global Certificate that is surrendered for cancellation (other than upon its redemption in full) will be effected by reduction in the aggregate face amount of the relevant Series of Certificates in the Register.

#### **4.7 Notices**

Notices required to be given in respect of the Certificates represented by a Global Certificate may be given by their being delivered (so long as this Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg or any other clearing system) to Euroclear, Clearstream, Luxembourg or such other clearing system, as the case may be, rather than by mailing as required by the Conditions, *provided that* such notices must also be given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange, quotation system or other relevant authority on which the Certificates are for the time being listed or admitted to trading or quotation. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

### **5 Electronic Consent**

While any Global Certificate is held on behalf of, and registered in the name of any nominee for a Common Depositary for, a clearing system, approval of a resolution proposed by the Trustee, the Obligor or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates for the time being outstanding (an “**Electronic Consent**”) shall, for all purposes (including matters that would otherwise require a special quorum resolution (as defined in paragraph 7 of Schedule 3 to the Master Trust Deed)), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent.

### **6 Further Issues**

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche is issued which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the further Tranche, the Certificates of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Certificates of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.

## FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

### Pricing Supplement

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”) FOR THE ISSUE OF THE CERTIFICATES DESCRIBED BELOW AND THE FINANCIAL CONDUCT AUTHORITY HAS NEITHER APPROVED NOR REVIEWED INFORMATION CONTAINED HEREIN.**

**[MiFID II product governance/Professional investors and ECPs only target market** - Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]

**[UK MIFIR product governance / Professional investors and ECPs only target market** - Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “**distributor**”) should take into consideration the manufacturer[‘s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer[‘s/s’] target market assessment) and determining appropriate distribution channels.]<sup>1</sup>

**[PRIIPS regulation / prohibition of sales to EEA retail investors:** The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended (MiFID II); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Consequently, no key information document required by Regulation (EU) No 1286/2014 (the “**PRIIPS Regulation**”) for offering or selling the Tier 2 Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Tier 2 Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>2</sup>

**[UK PRIIPs regulation / prohibition of sales to UK retail investors:** The Tier 2 Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic

<sup>1</sup> To be included in respect of Tier 2 Certificates only where Part B item 8(f) of the Pricing Supplement specifies “Applicable”.

<sup>2</sup> To be included in respect of Tier 2 Certificates only where Part B item 8(g) of the Pricing Supplement specifies “Applicable”.

law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA, and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Tier 2 Certificates or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Tier 2 Certificates or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

**[Notification under Section 309b(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”)]**

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are capital markets products other than prescribed capital markets products (as defined in the CMP Regulations 2018) and are Specified Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.)<sup>3</sup>

Any person making or intending to make an offer of the Certificates may only do so in circumstances in which no obligation arises for the Trustee, the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or to supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer.

*[Date]*

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<sup>3</sup> Notice to be included if classification of the Certificates is not “prescribed capital markets products” and not “Excluded Investment Products”.

## Al Rajhi Sukuk Limited

Legal Entity Identifier (LEI): 549300FHETHK3XGY8N60

Issue of [Aggregate Face Amount of Tranche] [Title of Certificates] [to be consolidated and form a single series with the existing] [Aggregate Face Amount of Tranche] [Title of Certificates] issued on [●] (the “Original Certificates”)<sup>4</sup>  
under the U.S.\$4,000,000,000 Trust Certificate Issuance Programme

### PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates set forth in the Offering Circular dated 26 April 2022 [and the supplement[s] to it dated [●] [and [●]] (the “Offering Circular”). This document constitutes the Pricing Supplement of the Certificates described herein and must be read in conjunction with the Offering Circular in order to obtain all the relevant information. [The Offering Circular is available for viewing at the registered office of the Trustee at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands] and copies may be obtained from the specified office of the Principal Paying Agent, in each case during usual business hours.

*The following alternative language applies if the first tranche of an issue which is being increased was issued under an offering circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates (the “Conditions”) set forth in the Offering Circular dated [original date] [and the supplement[s] to it dated [●] [and [●]] which are incorporated by reference in the Offering Circular dated [●] (the “Offering Circular”). This document constitutes the Pricing Supplement of the Certificates described herein and must be read in conjunction with the Offering Circular dated [current date] [and the supplement(s) to it dated [●]], in order to obtain all the relevant information, save in respect of the Conditions which are extracted from the Offering Circular dated [original date] [and the supplement(s) to it dated [●]]. The Offering Circular is available for viewing at the registered office of the Trustee at c/o MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and copies may be obtained from the specified office of the Principal Paying Agent, in each case during usual business hours.

- |   |   |  |
|---|---|--|
| 1 | (a) Trustee:  | Al Rajhi Sukuk Limited   |
|   | (b) Obligor:  | Al Rajhi Banking and Investment Corporation  |
| 2 | Series Number:  | [●]  |
|   | (a) Tranche Number:   | [●]  |
|   | (b) Date on which the Certificates will be consolidated and form a single Series: | [The Certificates will be consolidated and form a single Series with [identify earlier Tranche(s)] on [insert date/the Issue Date]] [Not Applicable] |
| 3 | Specified Currency:   | [●]  |
| 4 | Aggregate Face Amount:  | [●]  |
|   | (i) Series:   | [●]  |
|   | (ii) Tranche:   | [●]  |
| 5 | Issue Price:  | [●] per cent. of the Aggregate Face Amount [plus [Specified Currency] [●] in respect of [●] days of  |

<sup>4</sup> Include only for an issue of further Certificates in accordance with Condition 20.

Periodic Distribution Amounts from (and including) [the issue date of the Original Certificates] to (but excluding) the Issue Date]<sup>5</sup>

- 6 (a) Specified Denominations: [●]  
(b) Calculation Amount: [●]
- 7 (a) Issue Date: [●]  
(b) Profit Commencement Date: [[●]/Issue Date]
- 8 Scheduled Dissolution Date: [●]
- 9 Profit Basis: [Fixed Rate Certificates/Floating Rate Certificates/Reset Certificates] (further particulars specified at paragraph [15] [16] [17] below)
- 10 Dissolution Basis: Dissolution at par
- 11 Change of Profit Basis: [[Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 16, 17 and 18 below and identify there]/Not Applicable]
- 12 Put/Call Rights: [Not Applicable]  
[Optional Dissolution Right]  
[Certificateholder Put Right]
- 13 Status: [Senior Certificates/Tier 2 Certificates]
- 14 Date of Trustee's board approval and date of Obligor's board approval for issuance of Certificates: [●] and [●], respectively

#### **Provisions relating to profit payable**

- 15 Fixed Periodic Distribution Provisions: [Applicable]/[Not Applicable]
- (a) Profit Rate(s): [●] per cent. per annum payable [annually/semi-annually/quarterly/monthly/[\*]] in arrear on each Periodic Distribution Date
- (b) Periodic Distribution Date(s): [[●] in each year up to and including the Scheduled Dissolution Date, commencing on [●]/[●]]
- (c) Fixed Amount(s): [●] per Calculation Amount
- (d) Broken Amount(s): [[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [\*]/Not Applicable]
- (e) Day Count Fraction: [Actual/Actual]  
[Actual/Actual - ISDA]  
[Actual/365 (Fixed)]

<sup>5</sup> Include only for an issue of further Certificates in accordance with Condition 20.

		[Actual/365 (Sterling)]
		[Actual/360]
		[30/360]
		[360/360]
		[Bond Basis]
		[30E/360]
		[Eurobond Basis]
		[30E/360 (ISDA)]
		[Actual/Actual - ICMA]
(f)	Determination Date(s):	[[●] in each year/Not Applicable]
16	Reset Periodic Distribution Provisions:	[Applicable]/[Not Applicable]
(a)	Initial Profit Rate:	[●] per cent. per annum [payable annually/semi-annually/ quarterly/ monthly] in arrear
(b)	First Margin:	[+/-][●] per cent. per annum
(c)	Subsequent Margin:	[+/-][●] per cent. per annum
(d)	Reset Certificate Periodic Distribution Date(s):	[●] in each year commencing on [●] up to and including the Scheduled Dissolution Date
(e)	First Reset Certificate Reset Date:	[●]
(f)	Second Reset Certificate Reset Date:	[[●]/Not Applicable]
(g)	Subsequent Reset Certificate Reset Date:	[[●]/Not Applicable]
(h)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention]
(i)	Business Centre(s):	[●]
(j)	Reset Rate:	[Mid-Swap Rate]/[Reference Certificate]
(k)	Relevant Screen Page:	[●]
(l)	Mid-Swap Floating Leg Benchmark Rate:	[EURIBOR][LIBOR][●]
(m)	Mid-Swap Maturity:	[●]
(n)	Fixed Leg Swap Duration:	[●]

- (o) Fixed Amount(s) for Certificates in definitive form (and in relation to Certificates in global form, see Conditions) to (but excluding) the First Reset Certificate Reset Date: [[●] per Calculation Amount]
- (p) Broken Amount(s) for Certificates in definitive form (and in relation to Certificates in global form, see Conditions): [[●] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [●]] [Not Applicable]
- (q) Day Count Fraction: [Actual/Actual / Actual/Actual – ISDA]  
 [Actual/365 (Fixed)]  
 [Actual/365 (Sterling)]  
 [Actual/360]  
 [30/360 / 360/360 / Bond Basis]  
 [30E/360 / Eurobond Basis] [30E/360 (ISDA)]  
 [Actual/Actual – ICMA]
- (r) Reset Determination Dates: [[●] in each year/Not Applicable]
- (s) Calculation Agent: [Principal Paying Agent] [*specify other*]
- (t) First Reset Period Fallback: [●]
- 17 Floating Periodic Distribution Provisions: [Applicable]/[Not Applicable]
- (a) Periodic Distribution Period(s): [●]<sup>6</sup>  
 [The end date of each Periodic Distribution Period shall be subject to adjustment in accordance with the Business Day Convention specified in paragraph [15(f)] above/ Not subject to any adjustment]
- (b) Specified Periodic Distribution Dates: [●] in each year, commencing on [●], subject to adjustment in accordance with the Business Day Convention set out in (f) below/, not subject to adjustment, as the Business Day Convention in (d) below is specified to be Not Applicable]
- (c) First Periodic Distribution Date [●], subject to adjustment in accordance with the Business Day Convention specified in (d) below/, not subject to any adjustment]
- (d) Profit Period Date: [Not Applicable/[●]]<sup>7</sup>
- (e) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business

<sup>6</sup> Periodic Distribution Periods should be specified explicitly where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average: SOFR Payment Delay.

<sup>7</sup> Profit Period Dates should be specified explicitly where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average: SOFR Payment Delay.

- Day Convention/Preceding Business Day Convention]  
[Not Applicable]
- (f) Business Centre(s):  [Not Applicable]
- (g) Manner in which the Profit Rate and the Periodic Distribution Amount are to be determined:  [Screen Rate Determination/ISDA Determination]
- (h) Party responsible for calculating the Profit Rate and the Periodic Distribution Amount (if not the Principal Paying Agent):  (the “**Calculation Agent**”)
- (i) Screen Rate Determination not referencing SOFR or SONIA:  [Applicable]/[Not Applicable]
- (i) Reference Rate:  month  
 [EURIBOR/KIBOR/HIBOR/  
KLIBOR/TRLIBOR or TRYLIBOR/SIBOR/EIBOR/  
TIBOR/SAIBOR/QIBOR/BBSW/BKBM/MIBOR/PRI  
BOR/SOFR/CAD LIBOR/ NZD LIBOR/DKK  
LIBOR/SEK LIBOR/ AUD LIBOR]
- (ii) Profit Rate Determination Date(s):
- (iii) Relevant Screen Page:
- (iv) Relevant Time:
- (v) Relevant Financial Centre:
- (j) Screen Rate Determination Referencing SOFR  [Applicable]/[Not Applicable]
- (i) Profit Rate Determination Date(s):  [[ U.S. Government Securities Business Days prior to each Periodic Distribution Period Date]<sup>8</sup> [The Periodic Distribution Period Date at the end of each Periodic Distribution Period; except in respect of the final Periodic Distribution Period, for which the Profit Rate Determination Date will be the SOFR Rate Cut-off Date]<sup>9</sup>
- (ii) SOFR Benchmark  [Not Applicable/Simple SOFR Average/Compounded SOFR Average/SOFR Index Average]<sup>10</sup>

<sup>8</sup> To be included where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded SOFR Average: SOFR Observation Shift, SOFR Lockout or SOFR Observation Lag. Where the Principal Paying Agent is appointed as Calculation Agent, it will normally require that this period (and, where applicable, any Lookback Days/SOFR Observation Shift Days or SOFR Rate Cut-Off Date) is at least 5 U.S. Government Securities Business Days.

<sup>9</sup> Only applicable where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is the Compounded SOFR Average: SOFR Payment Delay.

<sup>10</sup> Only applicable where the Reference Rate is SOFR Benchmark.

(iii)	Compounded SOFR Average:	[Not Applicable/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout] <sup>11</sup>	U.S. Government Securities
(iv)	Lookback Days:	[Not Applicable/[●]] Business Day(s) <sup>12</sup>	U.S. Government Securities
(v)	SOFR Observation Shift Days:	[Not Applicable/[●]] Business Day(s) <sup>13</sup>	U.S. Government Securities
(vi)	Periodic Distribution Delay Days	[Not Applicable/[●]] Business Day(s) <sup>14</sup>	U.S. Government Securities
(vii)	SOFR Rate Cut-Off Date:	[Not Applicable/The day that is the [●] U.S. Government Securities Business Day(s) prior to the end of each Periodic Distribution Period] <sup>15</sup>	U.S. Government Securities
(viii)	SOFR IndexStart Days:	[Not Applicable/[●]] Business Day(s) <sup>16</sup>	U.S. Government Securities
(ix)	SOFR IndexEnd Days:	[Not Applicable/[●]] Business Day(s) <sup>17</sup>	U.S. Government Securities
(x)	D:	[365/360/[●]] <sup>18</sup>	
(xi)	Fallback Provisions:	[Condition 8(d)(i) Adviser] <sup>19</sup> [Condition 8(d)(ii) Discontinuation (SOFR)]	(Independent Benchmark)
(k)	Screen Rate Determination Referencing SONIA:	[Applicable]/[Not Applicable]	
(i)	Reference Rate:	[SONIA Compounded Index Rate / SONIA Compounded Daily Reference Rate [with Observation Shift] / [with Lag] where “p” is: <i>[specify number]</i> London Business Days <i>[being no less than 5 London Business Days]</i> ]	
(ii)	Profit Rate Determination Date(s):	The date which is [“p”] London Business Days prior to each Periodic Distribution Date <sup>20</sup>	
(iii)	Relevant Screen Page:	[[Bloomberg Screen Page: SONCINDEX] <sup>21</sup> / <i>see pages of authorised distributors for SONIA Compounded Index Rate</i> ] or [Bloomberg Screen Page: SONIO/N Index] <sup>22</sup> /	

<sup>11</sup> Only applicable in the case of Compounded SOFR Average.

<sup>12</sup> Only applicable in the case of SOFR Observation Lag.

<sup>13</sup> Only applicable in the case of SOFR Observation Shift or SOFR Index Average.

<sup>14</sup> Only applicable in the case of SOFR Payment Delay.

<sup>15</sup> Only applicable in the case of Simple SOFR Average, Compounded SOFR Average: SOFR Payment Delay or Compounded SOFR Average: SOFR Lockout.

<sup>16</sup> Only applicable in the case of SOFR Index Average.

<sup>17</sup> Only applicable in the case of SOFR Index Average.

<sup>18</sup> “D” will normally be 360.

<sup>19</sup> To be included in all cases except where the parties have agreed, in respect of an issuance where the Reference Rate is SOFR Benchmark, to the inclusion of the Benchmark Discontinuation (SOFR) fallback provisions instead.

<sup>20</sup> The Profit Rate Determination Date should match the last day of the Observation Period.

<sup>21</sup> Where SONIA Compounded Index Rate applies.

<sup>22</sup> Where SONIA Compounded Daily Reference Rate applies.

*SONIA Compounded Daily Reference Rate as applicable* [●]

- (iv) Relevant Fallback Screen Page: [[Bloomberg Screen Page: SONIO/N Index] / *see pages of authorised distributors for SONIA Compounded Daily Reference Rate as applicable*] [●]<sup>23</sup>
- (l) ISDA Determination: [Applicable]/[Not Applicable]
  - (i) Floating Rate Option: [●]
  - (ii) Designated Maturity: [●]
  - (iii) Reset Date: [●]
  - (iv) ISDA Definitions: [2006 ISDA Definitions]/[2021 ISDA Interest Rate Derivatives Definitions]
  - (v) ISDA Benchmarks Supplement: [Applicable]/[Not Applicable]
- (m) Margin(s): [+/-][●] per cent. per annum
- (n) Linear Interpolation: [Not Applicable/Applicable - the Profit Rate for the [long/short] [first/last] Periodic Distribution Period shall be calculated using Linear Interpolation (*specify for each short or long periodic distribution period*)]
- (o) Maximum Profit Rate: [●] per cent. per annum
- (p) Minimum Profit Rate: [●] per cent. per annum
- (q) Day Count Fraction:
  - [Actual/Actual]
  - [Actual/Actual - ISDA]
  - [Actual/365 (Fixed)]
  - [Actual/365 (Sterling)]
  - [Actual/360]
  - [30/360]
  - [360/360]
  - [Bond Basis]
  - [30E/360]
  - [Eurobond Basis]
  - [30E/360 (ISDA)]
  - [Actual/Actual - ICMA]

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<sup>23</sup> Only applicable in the case of SONIA Compounded Index Rate.

## Provisions relating to dissolution

- 18 Notice periods for Condition 9(b): Minimum period: [30] / [●] days  
Maximum period: [60] / [●] days
- 19 Optional Dissolution Right<sup>24</sup>: [Applicable]/[Not Applicable]
- (a) Dissolution Distribution Amount: [As per Condition 1]/[●] per Calculation Amount][For Tier 2 Certificates: As per Conditions]
- (b) Optional Dissolution Date(s): [●]
- (c) Notice period: Minimum period: [30] / [●] days  
Maximum period: [60] / [●] days
- (N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days ‘ notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and the Agent)*
- (d) Dissolution in part: [Applicable]/[Not Applicable]
- (e) If dissolution in part:
- (i) Minimum Optional Dissolution Amount: [Not Applicable]/[●]
- (ii) Maximum Optional Dissolution Amount: [Not Applicable]/[●]
- 20 Certificateholder Put Right: [Applicable]/[Not Applicable]
- (a) Dissolution Distribution Amount: [As per Condition 1]/[●] per Calculation Amount]
- (b) Certificateholder Put Right Date(s): [●]
- (c) Notice period: Minimum period: [30] / [●] days  
Maximum period: [60] / [●] days
- (N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days ‘ notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and the Agent)*

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<sup>24</sup> “Optional Dissolution Right” and “Certificateholder Put Right” may not both be specified as “Applicable” in the same Pricing Supplement.

- 21 Early Dissolution for Capital Disqualification Event Notice Periods: Minimum period: [15] days Maximum period: [30] days
- 22 Dissolution Distribution Amount following redemption on the Scheduled Dissolution Date, on any Early Tax Dissolution Date or following the occurrence of a Dissolution Event: [As per Condition 1]/[[●] per Calculation Amount] [for Tier 2 Certificates: As per Conditions [Note: this must be par]]
- 23 Early Dissolution Amount (Capital Disqualification Event): [As per Conditions]

### General provisions applicable to the Certificates

- 24 Form of Certificates: Registered Certificates: Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate Reg S Compliance Category 2; TEFRA not applicable
- 25 Financial Centre(s) relating to payment (Condition 11(d)): [Not Applicable]/[●]

### Provisions in respect of the Trust Assets

- 26 Series:
- (a) Wakala Percentage: [●] per cent.
- (b) Murabaha Percentage: [Not Applicable]/[[●] per cent.]
- 27 Trust Assets: Condition 5(a) applies
- 28 (a) Details of Transaction Account: Al Rajhi Sukuk Limited Transaction Account No: [●] with [●] for Series No.: [●]
- (b) Supplemental Trust Deed: Supplemental Trust Deed dated [●] between the Trustee, the Obligor and the Delegate
- (c) Supplemental Purchase Agreement: Supplemental Purchase Agreement dated [●] between the Trustee and the Obligor
- (d) Declaration of Commingling of Assets:<sup>25</sup> [Declaration of Commingling of Assets dated [●] executed by the Trustee] [Not Applicable]
- (e) [Notice of Request to Purchase and Offer Notice]: [Notice of Request to Purchase dated [●] from the Obligor to the Trustee and Offer Notice dated [●] from the Trustee to the Obligor]/[Not Applicable]

<sup>25</sup> Include only for an issue of further Certificates in accordance with Condition 20.

Signed on behalf of  
**Al Rajhi Sukuk Limited**

By: \_\_\_\_\_  
*Duly authorised*

Signed on behalf of  
**Al Rajhi Banking and Investment Corporation**

By: \_\_\_\_\_  
*Duly authorised*

**Al Rajhi Banking and Investment Corporation**

By: \_\_\_\_\_  
*Duly authorised*

## PART B - OTHER INFORMATION

### 1 Admission to Trading

- (a) Admission to trading: [Application [has been] [is expected to be] made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on [the London Stock Exchange's International Securities Market] / [●] with effect from [●]] / [Not applicable]
- (b) Estimate of total expenses related to admission to trading: [●]

### 2 Ratings

Ratings: [The Certificates to be issued [are not rated] [have been/are expected to be] rated:

[Fitch: [●]]

[Moody's: [●]]

[S&P: [●]]

[Each of [●] and][●] is established in the European Economic Area and registered under Regulation (EC) No 1060/2009, as amended (the “**EU CRA Regulation**”) [Each of [●] and][\*] is not established in the European Economic Area and has not applied for registration under Regulation (EC) No. 1060/2009 (the “**EU CRA Regulation**”). The ratings [have been][are expected to be] endorsed by [●] in accordance with the EU CRA Regulation. [●] is established in the European Economic Area and registered under the EU CRA Regulation.]

[Each of [●] and][●] is not established in the European Economic Area and has not applied for registration under Regulation (EC) No. 1060/2009 (the “**EU CRA Regulation**”), but it is certified in accordance with the EU CRA Regulation.]

[Each of [●] and][●] is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the “**UK CRA Regulation**”).] [The ratings [have been][are expected to be] endorsed by [●] in accordance with the EU CRA Regulation. [●] is established in the European Economic Area and is registered under the EU CRA Regulation.]

[Each of [●] and] [●] is not established in the UK and has applied for registration under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA

(the “**UK CRA Regulation**”), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[Each of [●] and] [●] is not established in the UK and has not applied for registration under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the “**UK CRA Regulation**”) but is certified in accordance with the UK CRA Regulation.

### 3 Relevant Benchmark

Relevant Benchmark

[[EURIBOR]/[specify benchmark] is provided by [administrator legal name]]. As at the date hereof, [[administrator legal name][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of Regulation (EU) 2016/1011 (the “**EU Benchmark Regulation**”)./[As far as the Trustee is aware, as at the date hereof, [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011 (the “**EU Benchmark Regulation**”).]/[Not Applicable]

[[EURIBOR]/[specify benchmark] is provided by [administrator legal name]]. [As at the date hereof, [[administrator legal name][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by the Financial Conduct Authority pursuant to Article 36 of Regulation (EU) 2016/1011 as it forms part of domestic law in the UK by virtue of the EUWA (the “**UK Benchmarks Regulation**”).]/[As far as the Trustee is aware, as at the date hereof, [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011 as it forms part of domestic law in the UK by virtue of the EUWA (the “**UK Benchmarks Regulation**”)/the transitional provisions in Article 51 of the UK Benchmarks Regulation apply such that [administrator legal name] [is/are] not currently required to obtain authorisation or registration (or, if located outside the UK, recognition, endorsement or equivalence)].]

#### 4 Interests of Natural and Legal Persons involved in the Issue

[Save for any fees payable to the [Managers/Dealer], so far as each of the Trustee and the Obligor is aware, no person involved in the issue of the Certificates has an interest material to the offer.]

[The [Managers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Trustee or the Obligor and their affiliates in the ordinary course of business/[●]].

#### 5 Sustainable Certificates

Sustainable Certificates: [Yes]/[No]

#### 6 Indication of profit or return (Fixed Rate Certificates only):

[●] per cent. per annum

The indication of profit or return is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.

#### 7 Operational Information

- (a) ISIN Code: [●]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary ISIN [●]. After that, the Certificates will have the same ISIN as the Original Certificates, which is [●].
- (b) Common Code: [●]/Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary Common Code [●]. After that, the Certificates will have the same Common Code as the Original Certificates, which is [●].
- (c) FISN: [[See/[include code]<sup>26</sup>, as updated, as set out on] the website of the Association of National Numbering Agencies (“ANNA”) or alternatively sourced from the responsible national numbering agency that assigned the ISIN/Not Applicable/Not Available]
- (d) CFI: [[See/[include code]<sup>27</sup>, as updated, as set out on] the website of ANNA or alternatively sourced from the responsible national numbering agency that assigned the ISIN/Not Applicable/Not Available]
- (e) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]
- (f) Names and addresses of additional Paying Agent(s) (if any): [●]

<sup>26</sup> The actual code should only be included where the Trustee is comfortable that it is correct.

<sup>27</sup> The actual code should only be included where the Trustee is comfortable that it is correct.

- (g) Delivery: Delivery \against / free of] payment
- (h) Name and address of the Registrar(s): [●]

## 8 Distribution

- (a) Method of distribution: [Syndicated] / [Non-syndicated]
- (b) If syndicated, names of Managers: [●] / [Not Applicable]
- (c) Stabilisation Manager(s): [●] / [Not Applicable]
- (d) If non-syndicated, name of Dealer: [●] / [Not Applicable]
- (e) U.S. Selling Restrictions: Regulation S, Category 2
- (f) Prohibition of Sales to EEA Retail Investors: [●] / [Not Applicable]  
*(If the Certificates clearly do not constitute “packaged” products or the Certificates do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Certificates may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified)*
- (g) Prohibition of Sales to UK Retail Investors: [●] / [Not Applicable]  
*(If the Certificates clearly do not constitute “packaged” products or the Certificates do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Certificates may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified)*

## 9 Third Party Information

[[●] has been extracted from [●]. The Trustee and the Bank confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.] / [Not Applicable].

## 10 Use of Proceeds

[Specify use of proceeds if different to what is contemplated in the “Use of Proceeds” section of the Offering Circular.]

## USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Certificates will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents in the following proportion: (a) the Wakala Percentage of the aggregate face amount of the Certificates of such Tranche towards the purchase of the Eligible Assets from the Bank pursuant to the relevant Purchase Agreement; and (b) the Murabaha Percentage of the aggregate face amount of the Certificates of such Tranche towards the purchase of Commodities to be sold to the Bank pursuant to the Master Murabaha Agreement.

Save in respect of Sustainable Certificates, the amounts so received by the Bank will be applied by it for its general corporate purposes, or as otherwise described in the relevant Pricing Supplement.

In respect of Sustainable Certificates, an amount at least equal to the equivalent amount will be applied by the Bank to finance and/or refinance, in whole or in part, Eligible Sustainable Projects as set out in the Bank's Sustainable Finance Framework summarised under "*Business Description of the Bank—Sustainable Finance Framework*" and published on its website (the "**Sustainable Finance Framework**").

See further "*Risk Factors—Risks Relating to the Certificates—The use of proceeds of any issue of Certificates identified as Sustainable Certificates in the relevant pricing supplement may not meet investor expectations or requirements or be suitable for an investor's investment criteria*".

## DESCRIPTION OF THE TRUSTEE

### The Trustee

The Trustee, an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 10 January 2022 under the Companies Act (As Revised) of the Cayman Islands with company registration number 385909. The registered office of the Trustee is at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102 Cayman Islands with telephone number +971 4 511 4203.

### Share Capital

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1.00 par value each, 250 of which have been issued. All of the issued shares (the “**Shares**”) are fully paid and are held by MaplesFS Limited as share trustee (in such capacity, the “**Share Trustee**”) under the terms of a share declaration of trust (the “**Share Declaration of Trust**”) under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

### The Business of the Trustee

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 10 January 2022.

The Trustee has no prior operating history or prior business and will not have any substantial assets or liabilities other than in connection with the Certificates.

The Certificates are the obligations of the Trustee alone and not the Share Trustee. Furthermore, they are not the obligations of, or guaranteed in any way by, MaplesFS Limited or any other party.

### Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

### Directors of the Trustee

The directors of the Trustee are as follows:

Name	Principal Occupation
Jordan Hebert	Assistant Vice President, Middle East at Maples Fund Services (Middle East) Limited
Linval Stewart	Vice President at MaplesFS Limited

The business address of Jordan Hebert is Maples Fund Services (Middle East) Limited, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The business address of Linval Stewart is MaplesFS Limited, PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The Trustee’s Articles of Association provide that the board of directors of the Trustee will consist of at least one director.

## **Conflicts**

There are no potential conflicts of interest between the duties of the directors of the Trustee to the Trustee and their private interests or other duties.

## **Secretary**

The Trustee's secretary is Maples Secretaries (Cayman) Limited of P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

## **The Trustee Administrator**

MaplesFS Limited also acts as the administrator of the Trustee (in such capacity, the "**Trustee Administrator**"). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of a corporate services agreement entered into between the Trustee and the Trustee Administrator (the "**Corporate Services Agreement**"), the Trustee Administrator has agreed to perform in the Cayman Islands, the United Arab Emirates and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and to provide certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator will also provide registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services (the "**Registered Office Terms**"). In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and the Registered Office Terms provide that either the Trustee or the Trustee Administrator may terminate such appointments upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Terms provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party.

The Trustee Administrator will be subject to the overview of the Trustee's board of directors.

The Trustee Administrator's principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof.

## SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements.

### Consolidated statement of financial position

The table below shows the Group's condensed consolidated statement of financial position as at 31 December in each of 2021, 2020 and 2019.

	As at 31 December		
	2021	2020	2019
	(SAR thousand)		
<b>Assets</b>			
Cash and balances with Saudi Central Bank and other central banks.....	40,363,449	47,362,522	39,294,099
Due from banks and other financial institutions, net.....	26,065,392	28,654,842	32,058,182
Investments, net.....	84,433,395	60,285,272	46,842,630
Financing, net.....	452,830,657	315,712,101	249,682,805
Investment properties, net.....	1,411,469	1,541,211	1,383,849
Property and equipment, net.....	10,665,799	10,234,785	10,407,247
Other assets, net.....	7,901,754	5,033,990	4,417,764
<b>Total assets.....</b>	<b>623,671,915</b>	<b>468,824,723</b>	<b>384,086,576</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions.....	17,952,140	10,764,061	2,219,604
Customers' deposits.....	512,072,213	382,631,003	312,405,823
Other liabilities.....	26,338,711	17,311,141	18,269,492
<b>Total liabilities.....</b>	<b>556,363,064</b>	<b>410,706,205</b>	<b>332,894,919</b>
<b>Shareholders' equity</b>			
Share capital.....	25,000,000	25,000,000	25,000,000
Statutory reserve.....	25,000,000	25,000,000	21,789,632
Other reserves.....	309,394	(134,728)	(216,041)
Retained earnings.....	16,999,457	8,253,246	868,066
Proposed gross dividends.....	—	—	3,750,000
<b>Total shareholders' equity.....</b>	<b>67,308,851</b>	<b>58,118,518</b>	<b>51,191,657</b>
<b>Total liabilities and shareholders' equity.....</b>	<b>623,671,915</b>	<b>468,824,723</b>	<b>384,086,576</b>

## Consolidated statement of income

The table below shows the Group's consolidated statement of income for each of 2021, 2020 and 2019.

	Year ended 31 December		
	2021	2020	2019
		(SAR thousand)	
Gross financing and investment income.....	21,441,506	17,377,963	16,962,583
Return on customers', banks' and financial institutions' time investments	(1,049,570)	(464,946)	(534,860)
<b>Net financing and investment income</b> .....	<b>20,391,936</b>	<b>16,913,017</b>	<b>16,427,723</b>
Fee from banking services, net.....	3,933,107	2,659,680	1,987,367
Exchange income, net .....	787,898	783,894	774,096
Other operating income, net.....	603,457	364,669	295,278
<b>Total operating income</b> .....	<b>25,716,398</b>	<b>20,721,260</b>	<b>19,484,464</b>
Salaries and employees'-related benefits .....	(3,132,346)	(2,977,344)	(2,794,046)
Depreciation and amortisation.....	(1,141,932)	(1,118,148)	(1,059,582)
Other general and administrative expenses .....	2,652,244	(2,646,409)	(2,532,213)
<b>Operating expenses before credit impairment charge</b> .....	<b>(6,926,522)</b>	<b>(6,741,901)</b>	<b>(6,385,841)</b>
Impairment charge for financing and other financial assets, net .....	(2,345,086)	(2,165,740)	(1,772,265)
<b>Total operating expenses</b> .....	<b>(9,271,608)</b>	<b>(8,907,641)</b>	<b>(8,158,106)</b>
<b>Income for the year before zakat</b> .....	<b>16,444,790</b>	<b>11,813,619</b>	<b>11,326,358</b>
Zakat for the year .....	(1,698,579)	(1,218,071)	(1,167,831)
<b>Net income for the year</b> .....	<b>14,746,211</b>	<b>10,595,548</b>	<b>10,158,527</b>

## Consolidated statement of comprehensive income

The table below shows the Group's consolidated statement of comprehensive income for each of 2021, 2020 and 2019.

	Years ended 31 December		
	2021	2020	2019
		(SAR thousand)	
<b>Net income for the year</b> .....	<b>14,746,211</b>	<b>10,595,548</b>	<b>10,158,527</b>
<b>Other comprehensive income</b>			
<i>Items that cannot be reclassified to consolidated statement of income in subsequent periods:</i>			
Net change in fair value of equity investments held at fair value through other comprehensive income.....	399,339	254,222	178,773
Re-measurement of employees' end of service benefits liabilities.....	42,055	(179,605)	(51,630)
<i>Items that can be reclassified to the consolidated statement of income in subsequent periods</i>			
Exchange difference on translating foreign operations .....	(21,316)	6,696	6,371
Share in other comprehensive income from associate.....	24,044	—	—
<b>Total comprehensive income for the year</b> .....	<b>15,190,333</b>	<b>10,676,861</b>	<b>10,292,041</b>

## Consolidated statement of cash flows

The table below summarises the Group's consolidated statement of cash flows for each of 2021, 2020 and 2019.

	Years ended 31 December		
	2021	2020	2019
	<i>(SAR thousand)</i>		
Net cash generated from operating activities.....	19,953,381	24,420,015	4,186,544
Net cash used in investing activities.....	(24,503,138)	(8,911,792)	(5,185,609)
Net cash used in financing activities .....	(6,037,357)	(3,792,261)	(7,676,039)
Cash and cash equivalents at the beginning of the year.....	32,827,361	21,111,399	29,786,503
Cash and cash equivalents at the end of the year.....	22,240,247	32,827,361	21,111,399

## Selected consolidated ratios

The table below shows selected consolidated ratios for the Group as at and for the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

	As at/year ended 31 December		
	2021	2020	2019
	<i>(per cent.)</i>		
<b>Performance measures</b>			
Return on average assets <sup>(1)</sup> .....	2.7	2.6	2.8
Return on average equity <sup>(2)</sup> .....	23.9	19.9	20.5
Cost to income ratio <sup>(3)</sup> .....	26.9	32.5	32.8
Cost of funds <sup>(4)</sup> .....	0.23	0.13	0.17
<b>Financial ratios</b>			
Net profit margin <sup>(5)</sup> .....	4.2	4.7	5.2
<b>Asset quality</b>			
NPFA ratio <sup>(6)</sup> .....	0.65	0.76	0.90
NPFA coverage ratio <sup>(7)</sup> .....	305.6	305.6	303.0
Liquidity coverage ratio <sup>(8)</sup> .....	121.0	155.3	175.0
Financing to deposits ratio <sup>(9)</sup> .....	82.3	78.8	79.2
Cost of risk <sup>(10)</sup> .....	0.60	0.75	0.71
<b>Other ratios</b>			
Core equity tier 1 capital adequacy ratio <sup>(11)</sup> .....	16.5	18.0	18.8
Tier 1 capital adequacy ratio <sup>(11)</sup> .....	16.5	18.0	18.8
Total capital adequacy ratio <sup>(11)</sup> .....	17.6	19.1	19.9
Leverage ratio <sup>(11)</sup> .....	11.0	12.0	12.9
Liquidity coverage ratio <sup>(11)</sup> .....	121.0	155.3	175.0
Net stable funding ratio <sup>(11)</sup> .....	114.0	123.4	131.9

### Notes:

- (1) Net income for the year divided by average total assets, with average total assets calculated as the sum of average total assets for each month in the year divided by 12.
- (2) Net income for the year divided by average total shareholders' equity calculated as the sum of average total shareholders' equity for each month in the year divided by 12.
- (3) Total operating expenses before impairment charge divided by total operating income.
- (4) Calculated as the aggregate return paid on customers', banks' and financial institutions' time deposits divided by average balance of due to banks and other financial institutions and customers' deposits. The average balance is calculated as the sum of the opening and closing balances for the year divided by two.
- (5) Net financing and investment income for the year divided by average income earning assets for the year, with average income earning assets calculated as the sum of daily income earning assets divided by the number of days. Income earning assets comprise due from banks and other financial institutions, net, financing, net and investments, net.

- (6) Non-performing financing as a percentage of gross financing, each as set out in note 7-1 to each of the Financial Statements.
- (7) ECLs in respect of financing as a percentage of non-performing financing.
- (8) High liquid assets divided by net cash outflow.
- (9) Financing, net divided by total customers' deposits and adjusted in accordance with SAMA guidelines.
- (10) Calculated as Group net provision charges divided by average gross financing. Average gross financing is calculated as the sum of the opening and closing balances for the year divided by two.
- (11) Calculated in accordance with the requirements of Basel III as adopted by SAMA.

## OPERATING AND FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in “*Presentation of financial and other information*”, “*Selected financial information*” and the Financial Statements. This discussion of the Group’s financial condition and results of operations is based upon the Financial Statements which have been prepared in accordance with IFRS as endorsed in Saudi Arabia. This discussion contains forward-looking statements that involve risks and uncertainties. The Group’s actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Offering Circular, particularly under the headings “*Forward-looking statements*” and “*Risk factors*”.

See “*Presentation of financial and other information*” for a discussion of the source of the numbers presented in this section and certain other relevant information.

### Overview

The Bank is the world’s largest Islamic bank in terms of both assets and market capitalisation as at 31 December 2021. The Bank only offers Islamic products and services. As at 31 December 2021, the Bank operated through 521 branches, 4,891 automated telling machines (“ATMs”), 326,121 point of sale (“POS”) terminals and 207 remittance centres. As at the same date, the Bank also had a wholly-owned banking subsidiary in Malaysia (Al Rajhi Corporation Limited – Malaysia (“AR Malaysia”) with 16 branches) and two wholly-owned foreign branches – one in Jordan (with 10 branches) and one in Kuwait (with two branches).

The Group operates through four business segments:

- retail banking;
- corporate banking;
- treasury; and
- investment services and brokerage, which principally comprises the consolidated securities, brokerage and asset management activities of its wholly-owned subsidiary, Al Rajhi Capital (“ARC”).

Management believes that the principal challenges facing the Group are:

- the impact of the COVID-19 pandemic, including its impact on international crude oil prices, and the resulting impact on Saudi Arabia’s economy, government spending, employment, stock market prices and other oil-based economic dependencies, all of which are impacting the Group’s consumer and business customers;
- adverse changes in regulation, such as caps on lending rates, regulations on fee-based activities, lending and investment restrictions and increases in cost due to the increase in the rate of value added taxes in Saudi Arabia with effect from July 2020;
- adverse macroeconomic and geopolitical developments including adverse movements in interest rates and exchange rates, negative geopolitical developments affecting the MENA region and social and economic instability; and
- the threat of a significant increase in competition due to recent and potential future consolidation among competitor banks as well as competition from new entrants, particularly financial technology (“fintech”) entities.

In 2021, the Bank announced its new Bank of the Future strategy for the 2021 to 2023 period. The four core aims of this strategy are to build on the Bank's core businesses, outperform the market, transform technology and fulfil more customer needs.

### **Principal Factors Affecting Results of Operations**

The following is a discussion of the principal factors that have affected, or are expected to affect, the Group's results of operations.

#### **Economic conditions**

The Bank is a Saudi Arabian financial institution focused on lending to, and accepting deposits from, institutions, companies and residents in Saudi Arabia. As a result, its revenues and results of operations are principally affected by economic and market conditions in Saudi Arabia.

In 2019, Saudi Arabia's nominal GDP increased by 0.8 per cent., according to GASTAT. On a real basis (which principally eliminates the effect of oil price changes), Saudi Arabia's GDP increased by 0.3 per cent. in 2019. In 2020, driven by low oil prices and the impact of COVID-19, real GDP in Saudi Arabia fell by 4.1 per cent.

Reduced economic activity in Saudi Arabia will typically negatively impact the Group's operating income in subsequent years. In particular, the Saudi Arabian economy is materially impacted by oil prices. In 2020, in large part driven by the impact of the COVID-19 pandemic, oil prices fell significantly in March to May although they increased throughout the rest of the year and into 2021.

In 2021, Saudi Arabia experienced a recovery from the impact of COVID-19, with GASTAT data showing that Saudi Arabia's real GDP increased by 3.3 per cent. in 2021.

Any deterioration in economic and market conditions in Saudi Arabia may result in a widening fiscal deficit and the Government may withdraw deposits from the banking system to fund such deficit. Saudi banks (including the Bank) may therefore be exposed to tightened liquidity in such circumstances. See "*Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Certificates—The Group's operations and assets are principally located in Saudi Arabia and, accordingly, the Group is exposed to general economic conditions in Saudi Arabia*".

#### **Factors affecting net financing and investment income**

The Group's net financing and investment income comprises its gross financing and investment income less the return it pays on customers', banks' and financial institutions' deposits with the Group (referred to as time investments). The Group's net financing and investment income is the major contributor to its total operating income, comprising 79.3 per cent. of the Group's total operating income in 2021, 81.6 per cent. in 2020 and 84.3 per cent. in 2019. Within net financing and investment income:

- gross financing and investment income earned on instalment sales is the major contributor, comprising 73.7 per cent. of gross financing and investment income in 2021, 73.8 per cent. in 2020 and 65.8 per cent. in 2019. The Group's other sources of financing income are corporate mutajara and murabaha transactions and its sources of investment income are murabaha transactions with SAMA, mutajara transactions with banks and its investments in sukuk; and
- the return paid on the Group's customers' time investments is the major contributor to the Group's total return on customers', banks' and financial institutions' time investments, comprising 76.6 per cent. in 2021, 76.2 per cent. in 2020 and 78.3 per cent. in 2019. The return paid on the Group's banks' and financial institutions' time investments accounted for 23.4 per cent. in 2021, 23.8 per cent. in 2020 and 21.8 per cent. in 2019 of the Group's total return on customers', banks' and financial institutions' time investments.

The Group's net financing and investment income is affected by a number of factors. It is primarily determined by the volume of income-earning financing and investment assets relative to the volume of time investments on

which a return is paid by the Group, as well as the differential between the rates earned on income-earning financing and investment assets and paid on time investments. The Group's income-earning financing and investment assets principally consist of its retail and corporate financing advanced and its income-earning investments which include murabaha with the Government and SAMA, sukuk and structured products.

For a discussion of the changes in the Group's net financing and investment income in each of the years under review, see "*Results of operations—2021, 2020 and 2019 compared—Net financing and investment income*" below.

The Group's net financing and investment income margin (calculated as disclosed under "*Selected financial information—Selected consolidated ratios*") was 4.2 per cent. in 2021, 4.7 per cent. in 2020 and 5.3 per cent. in 2019.

#### **Factors affecting fee from banking services, net**

The Group's fee from banking services, net comprised 15.3 per cent. of its total operating income in 2021, 12.8 per cent. in 2020 and 10.2 per cent. in 2019. Within fee from banking services, net:

- electronic channel-related fee income is the major contributor to fee from banking services, net, comprising 33.9 per cent. of total fee income from banking services in 2021, 37.1 per cent. in 2020 and 37.4 per cent. in 2019, with fee income from credit cards, fee income from drafts and remittances, net fee income from brokerage and asset management and fee income from other banking services being the other sources of total fee income from banking services in each; and
- ATM interchange-related fees paid were the sole source of fee expense within fees from banking services, net in each year.

The Group's fee from banking services, net is affected by a number of factors. It is primarily determined by the volume and size of fee earning transactions relative to those on which fees are paid, as well as the differential between the rates charged on fee earning transactions and paid on fee expense bearing transactions.

For a discussion of the changes in the Group's fee from banking services, net in each of the years under review, see "*Results of operations—2021, 2020 and 2019 compared—Fee from banking services, net*" below.

#### **Movements in impairment charges for financing and other financial assets, net**

The Group's impairment charges for financing and other financial assets, net comprise its on- and off-balance sheet ECL provisions less any recoveries made in respect of previously written off financing. The Group's impairment charges in 2021 were SAR 2,345.1 million compared to SAR 2,165.7 million in 2020 and SAR 1,772.3 million in 2019.

For a discussion of the changes in the Group's impairment charges in each of the periods under review, see "*Results of operations—2020, 2019 and 2018 compared—Impairment charges for financing and other financial assets, net*" below.

#### **Impact of the COVID-19 pandemic**

During 2020, the Bank's management performed a detailed assessment to ascertain the impact of the COVID-19 pandemic and Government and SAMA support measures, such as repayment holidays and other mitigating packages, on the Group's financing portfolio. The Group sought to refine the application of the ECL staging criteria due to the substantial increase in credit risk on affected customers in order to be able to differentiate and reflect appropriately in its ECL models:

- customers whose credit quality appears to have deteriorated on a permanent basis and thus the Group is required to recognise lifetime-ECL losses on such exposures;

- customers whose credit quality has either stayed stable (due to the offsetting nature of available Government and SAMA programmes) or has declined but the decline is deemed to be temporary as the customer has sound fundamentals to emerge strongly post lockdown.

The Group continues to evaluate the current macroeconomic situation and conduct reviews of credit exposure concentrations at a more granular level with a particular focus on specific economic sectors, regions, counterparties and collateral protection, taking appropriate customer credit rating actions and initiating restructuring of financing where required. The credit reviews also take into consideration the impact of Government and SAMA support programmes.

As at 31 December 2020, the Bank recognised SAR 608 millions of overlays to reflect potential further credit deterioration. In addition, the Bank recognised SAR 437.5 million incremental total ECL for the SME portfolio which has a total exposure of SAR 3.96 billion. As at 31 December 2021, the Bank recognised overlays of SAR 486 million for corporate of which SAR 228 million represented overlays in respect of its SME portfolio. The Bank will continue to individually assess significant corporate exposures as more reliable data becomes available and accordingly will determine if any adjustment in the ECL is required in subsequent reporting periods.

In response to COVID-19, SAMA launched the Private Sector Financing Support Programme (the “PSFSP”) in March 2020 to provide support to micro, small and medium enterprises (“SMEs”). The PSFSP comprises four main programmes:

- deferred payments programme;
- funding for lending programme;
- facility guarantee programme; and
- point of sale and e-commerce service fee support programme.

As part of the deferred payments programme, the Bank was required to defer payments on lending facilities to those companies that qualify as SMEs. The payment reliefs were considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Bank implemented the payment reliefs by deferring instalments falling due from 14 March 2020 to 30 June 2021 and extended the tenor of the applicable financing at no additional costs to the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and the facilities are treated as modified in terms of arrangement in accordance with IFRS 9. This resulted in the Bank recognising modification losses which have been presented as part of net financing income.

On 22 June 2021, SAMA announced the further extension of the programme for three additional months from 1 July 2021 to 30 September 2021, only for those SMEs that were still affected by the COVID-19 precautionary measures, in line with guidance issued by SAMA in this regard. In September and December 2021, further three-month extensions for these affected SME customers were announced by SAMA.

The table below shows the amounts deferred and cost of deferral to the Group as part of this programme for the periods indicated.

<b>Support programme</b>	<b>Instalments deferred</b> <i>(SAR billion)</i>	<b>Cost of deferral</b> <i>(SAR million)</i>
April 2020 to September 2020	3.1	89.2
October 2020 to December 2020	1.9	26.7
January 2021 to March 2021	3.2	49.6
April 2021 to June 2021	3.5	186.4
July 2021 to September 2021	0.7	46.2
October 2021 to December 2021	1.0	57.7
January 2022 to March 2022	1.1	44.2

In order to compensate all the related costs that the Bank is expected to incur under the SAMA and other public authorities programmes, the Bank received multiple profit free deposits with varying maturities from SAMA in 2020 and 2021. The outstanding balance of these deposits was SAR 7.6 billion as at 31 December 2021 and SAR 3.6 billion as at 31 December 2020. Management has determined, based on communications from SAMA, that these deposits constitute a government grant that primarily relate to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income. During 2021, SAR 334.5 million (31 December 2020: SAR 165.5 million) has been recognised in the statement of income with respect to these deposits, with an aggregate of SAR 22.8 million deferred grant income as at 31 December 2021 (31 December 2020: SAR 159.1 million).

The accounting impact of the Group's participation in SAMA's funding for lending and facility guarantee programmes has been immaterial.

In line with its monetary and financial stability mandate, SAMA injected an amount of SAR 50 billion in order to:

- enhance liquidity in the banking sector and enable the sector to continue its role in providing credit facilities to private sector companies;
- restructure current credit facilities without any additional fees;
- support plans to maintain employment levels in the private sector; and
- provide relief for a number of banking fees that have been waived for customers.

### **Zakat settlement in 2018**

In 2018, the Bank reached a settlement agreement with the General Authority of Zakat and Tax (which, in May 2021 was merged with the General Authority of Customs to form the Zakat, Tax and Customs Authority (ZATCA)) to settle its zakat liability for all years up to the year ended 31 December 2017 in the amount of SAR 5,405.3 million. The agreement required the Bank to settle 20 per cent. of the agreed liability in 2018 with the balance being paid in five equal instalments in 2019, 2020, 2021, 2022 and 2023. The remaining zakat liability is classified as other liabilities.

### **Significant Accounting Policies**

For a discussion of the significant accounting policies applied by the Group generally, see note 3 to the 2021 Financial Statements.

## Significant Accounting Judgments and Key Sources of Estimation Uncertainty

In preparing the Group's financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Group's assets and liabilities, including disclosure of contingent assets and liabilities, as at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the Financial Statements.

For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Financial Statements, see note 2(d) to the 2021 Financial Statements. These principally include the measurement of the Group's impairment losses under IFRS 9, the measurement of the fair value of its financial instruments and the determination that none of the investment funds for which the Group acts as an investment manager need to be consolidated in the Financial Statements.

## Results of Operations

### 2021, 2020 and 2019 compared

#### *Net financing and investment income*

Net financing and investment income is the Group's principal source of operating income. The Group earns gross financing and investment income on the financing advanced by it to its customers and on its portfolio of investment income-generating investments.

The Group pays a return on the time deposits made with it by its customers and banks and financial institutions and this return is deducted from its gross financing and investment income to derive its net financing and investment income.

Financing and investment income is recognised in the income statement using the effective yield method, as explained in note 3(h) to the 2021 Financial Statements.

The Group's net financing and investment income amounted to SAR 20,391.9 million in 2021 compared to SAR 16,913.0 million in 2020 and SAR 16,427.7 million in 2019, an increase of SAR 3,478.9 million, or 20.6 per cent., in 2021 compared to 2020 and an increase of SAR 485.3 million, or 3.0 per cent., in 2020 compared to 2019.

#### *Gross financing and investment income*

The table below shows a breakdown of the Group's gross financing and investment income in each of 2021, 2020 and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	<i>(SAR million)</i>		
<b>Financing</b>			
Corporate mutajara .....	2,263.8	1,629.2	2,531.8
Instalment sale .....	15,806.3	12,819.6	11,154.9
Murabaha .....	686.4	802.9	859.6
<b>Investments and other</b>			
Murabaha with SAMA .....	1,167.7	970.6	1,210.8

Mutajara with banks .....	1,230.4	980.3	1,007.5
Income from sukuk.....	286.9	175.3	197.9
<b>Gross financing and investment income ...</b>	<b>21,441.5</b>	<b>17,377.9</b>	<b>16,962.5</b>

The Group's gross financing and investment income in 2021 amounted to SAR 21,441.5 million compared to SAR 17,377.9 million in 2020 and SAR 16,962.5 million in 2019, an increase of SAR 4,063.5 million, or 23.4 per cent., in 2021 compared to 2020 and an increase of SAR 415.4 million, or 2.4 per cent., in 2020 compared to 2019.

The SAR 4,063.5 million increase in 2021 compared to 2020 principally reflected (i) an SAR 2,986.7 million, or 23.3 per cent., increase in gross financing income from instalment sales and (ii) an SAR 634.6 million, or 39.0 per cent., in gross financing income from corporate mutajara, in each case reflecting strong growth recorded in the portfolios.

The SAR 415.4 million increase in 2020 compared to 2019 principally reflected an SAR 1,664.7 million, or 14.9 per cent., increase in gross financing income from instalment sales which principally reflected an increase in the financing portfolio. This increase was offset by decreases in all other items of gross financing and investment income including, in particular, a decrease of SAR 902.6 million, or 35.7 per cent., in gross financing income from corporate mutajara which principally reflected lower average interest rates in 2020 compared to 2019 and a decrease of SAR 240.2 million, or 19.8 per cent., in gross investment income from murabaha with SAMA which also principally reflected lower average interest rates.

#### *Return on customers', banks' and financial institutions' time investments*

The table below shows a breakdown of the Group's return on customers', banks' and financial institutions' time investments in each of 2021, 2020 and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
		<i>(SAR million)</i>	
Return on customers' time investments.....	(803.9)	(354.2)	(418.9)
Return on due to banks' and financial institutions' time investments.....	(245.7)	(110.8)	(116.0)
<b>Return on customers', banks' and financial institutions' time investments ....</b>	<b>(1,049.6)</b>	<b>(465)</b>	<b>(534.9)</b>

The Group's return on customers', banks' and financial institutions' time investments amounted to SAR 1,049.6 million in 2021 compared to SAR 465 million in 2020 and SAR 534.9 million in 2019, an increase of SAR 584.6 million, or 125.7 per cent., in 2021 compared to 2020 and a decrease of SAR 69.9 million, or 13.1 per cent., in 2020 compared to 2019.

The SAR 584.6 million increase in return of customers', banks' and financial institutions' time investments in 2021 compared to 2020 reflected increases of (i) SAR 449.7 million, or 127.0 per cent., in return on customers' time investments and (ii) SAR 134.9 million, or 121.8 per cent., in return on due to bank and financial institutions' time deposits, in each case reflecting growth in time investments and deposits.

The SAR 69.9 million decrease in return on customers', banks' and financial institutions' time investments in 2020 compared to 2019 principally reflected an SAR 64.7 million decrease in return on customers' time investments, which was driven by lower average interest rates in 2020 compared to 2019.

### *Fee from banking services, net*

The table below shows a breakdown of the Group's fee from banking services, net in each of 2021, 2020 and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	<i>(SAR million)</i>		
<b>Fee income</b>			
Drafts and remittances .....	258.9	270.4	355.0
Credit cards.....	516.0	416.8	441.7
Other electronic channel related .....	1,514.8	1,218.3	1,068.3
Brokerage and asset management, net .....	803.5	672.2	281.2
Others .....	1,376.3	702.4	711.5
<b>Total fee income .....</b>	<b>4,469.5</b>	<b>3,280.1</b>	<b>2,857.7</b>
<b>Fee expenses</b>			
ATM interchange related.....	(536.4)	(620.5)	(870.3)
<b>Fee from banking services, net .....</b>	<b>3,933.1</b>	<b>2,659.6</b>	<b>1,987.4</b>

The Group's fee from banking services, net amounted to SAR 3,933.1 million in 2021 compared to SAR 2,659.6 million in 2020 and SAR 1,987.4 million in 2019, an increase of SAR 1,273.4 million, or 47.9 per cent., in 2021 compared to 2020 and an increase of SAR 672.2 million, or 33.8 per cent., in 2020 compared to 2019.

#### *2021 and 2020 compared*

The SAR 1,273.5 million increase in the Group's fee from banking services, net in 2021 principally reflected the following factors:

- an increase of SAR 296.5 million, or 24.3 per cent., in other electronic channel related fee income, which was driven by increased online activity; and
- an increase of SAR 673.9 million, or 95.9 per cent., in others, which principally reflected increased activity and customer numbers.

#### *2020 and 2019 compared*

The SAR 672.2 million increase in the Group's fee from banking services, net in 2020 principally reflected the following factors:

- an increase of SAR 391.0 million, or 139.1 per cent., in net brokerage and asset management income, which was driven by higher traded volumes in the Saudi Stock exchange;
- an increase of SAR 150.0 million, or 14.0 per cent., in other electronic channel related fee income, which was driven by continued migration to digital payment methods; and
- a decrease of SAR 249.8 million, or 28.7 per cent., in ATM interchange-related fee expense, which was driven by fewer ATM cash withdrawals driven by the migration to digital payments methods.

### *Other operating income items*

The Group's other operating income, net is derived from a variety of sources, including rental income from investment properties, dividend income, the Group's proportionate share of profit from its associate and gain on investments held at fair value through the statement of income (FVSI).

The table below shows a breakdown of the Group's other operating income items in each of 2021, 2020 and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
		<i>(SAR million)</i>	
Exchange income, net.....	787.9	783.9	774.1
Other operating income, net .....	603.5	364.7	295.3

The Group's exchange income, net was SAR 787.9 million in 2021 compared to SAR 783.9 million in 2020 and SAR 774.1 million in 2019, an increase in 2021 of SAR 4.0 million, or 0.5 per cent., and an increase in 2020 of SAR 9.8 million, or 1.3 per cent.

The Group's other operating income, net was SAR 603.5 million in 2021 compared to SAR 364.7 million in 2020 and SAR 295.3 million in 2019, an increase in 2021 of SAR 238.8 million, or 65.5 per cent., and an increase in 2020 of SAR 69.4 million, or 23.5 per cent.

The increase of SAR 238.8 million in 2021 principally reflected (i) SAR 75.1 million, or 79.6 per cent., higher dividend income from the Group's equity portfolio and (ii) SAR 207.8 million, or 231.7 per cent., higher other income, net, which principally reflected gain on sale of investments. This was mainly offset by an SAR 71.3 million negative change in gain or loss on investments held at FVSI from a gain of SAR 33.4 million in 2020 to a loss of SAR 37.9 million in 2021.

The increase of SAR 69.4 million in 2020 was principally driven by an increase of SAR 35.8 million, or 61.1 per cent., in dividend income, reflecting an increase in equity and mutual fund portfolios balances and an increase of SAR 19.5 million, or 82.9 per cent., in share in profit of associate, mainly driven by increases in the income of Al-Rajhi Company For Cooperative Insurance during 2020.

### ***Total operating income***

Reflecting the above factors, the Group's total operating income was SAR 25,716.4 million in 2021 compared to SAR 20,721.3 million in 2020 and SAR 19,484.5 million in 2019, an increase of SAR 4,995.1 million, or 24.1 per cent., in 2021 compared to 2020 and an increase of SAR 1,236.8 million, or 6.3 per cent., in 2020 compared to 2019.

### ***Operating expenses***

The Group's operating expenses comprise salaries and employees'-related benefits, depreciation and amortisation, other general and administrative expenses and its impairment charge for financing and other financial assets, net.

The Group's impairment charges principally comprise its impairment charge for credit losses and other provisions, net which comprises its net impairment charge for credit losses and its net provision for credit-related commitments and contingencies. In addition, the Group records net impairment charges or reversals for certain other financial assets.

The Group classifies its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

- ***Stage 1:*** financial instruments which are not credit impaired and for which the credit risk has not increased significantly since initial recognition are classified under Stage 1. When a credit facility is first recognised, the Group recognises a loss allowance based on 12 month ECL.
- ***Stage 2:*** financial instruments having significant increase in credit risk since origination are classified under Stage 2 (if not impaired). When a credit facility has shown a significant increase in credit risk since

origination, the Group records a loss allowance for the life time ECL.

- **Stage 3:** all credit facilities that are credit impaired either at origination or at the reporting date as determined through objective evidence of default or credit impairment, are classified under Stage 3. Credit facilities are considered as credit-impaired where any payment of principal or interest is overdue by more than 89 days or there is other evidence of impairment.

Quantitative and qualitative criteria are also applied for assigning a Stage 3 classification. In such cases, the Group records a loss allowance for the life time ECL.

For further information, see note 3(f)(5) to the 2021 Financial Statements.

The Group makes provision for credit losses promptly in line with the applicable accounting standards following the conservative provisioning norms it has set for itself.

The table below shows a breakdown of the Group's operating expenses in each of 2021, 2020 and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
		<i>(SAR million)</i>	
Salaries and employees'-related benefits...	3,132.3	2,977.3	2,794.0
Depreciation and amortisation .....	1,141.9	1,118.1	1,059.6
Other general and administrative expenses	2,652.2	2,646.4	2,532.2
Impairment charge for financing and other financial assets, net .....	2,345.1	2,165.7	1,772.3
<b>Total operating expenses .....</b>	<b>9,271.6</b>	<b>8,907.5</b>	<b>8,158.1</b>

The Group's total operating expenses amounted to SAR 9,271.6 million in 2021 compared to SAR 8,907.5 million in 2020 and SAR 8,158.1 million in 2019, an increase of SAR 364.0 million, or 4.1 per cent., in 2021 compared to 2020 and an increase of SAR 749.5 million, or 9.2 per cent., in 2020 compared to 2019.

#### *2021 and 2020 compared*

The SAR 364.0 million increase in 2021 principally reflected:

- an increase of SAR 179.3 million, or 8.3 per cent., in impairment charge for financing and other financial assets, net, which principally reflected an increase in on-balance sheet provisions for financing of SAR 588.4 million, or 18.3 per cent., driven by overall financing portfolio growth which was offset by (i) an SAR 135 million release of off-balance sheet provisions in 2021 compared to an off balance sheet provision of SAR 200.1 million in 2020 and (ii) an increase in recovery of written off financing for the year of SAR 73.9 million, or 5.9 per cent., in 2021 compared to 2020, which was principally due to management initiatives to revamp and enhance the recovery process;
- an increase of SAR 155.0 million, or 5.2 per cent., in salaries and employees'-related benefits which principally reflected an increase in business demand to support asset growth.

#### *2020 and 2019 compared*

The SAR 749.5 million increase in 2020 principally reflected:

- an increase of SAR 393.5 million, or 22.2 per cent., in impairment charge for financing and other financial assets, net, which principally reflected an increase in on-balance sheet provisions for financing of SAR 350.5 million, or 21.7 per cent., driven by overall financing portfolio growth and provisions related to COVID-19;

- an increase of SAR 183.3 million, or 6.6 per cent., in salaries and employees'-related benefits which principally reflected an increase in business demand to support asset growth;
- an increase of SAR 114.2 million, or 4.5 per cent., in other general and administrative expenses which reflected increases in (i) communications and utilities expenses of SAR 147.2 million, or 30.6 per cent., due to business demand and higher prices including VAT, (ii) maintenance and security expenses of SAR 87.0 million, or 18.9 per cent., due to business requirements and contingency expenses related to COVID-19 and (iii) software and IT support expenses of SAR 73.8 million, or 26.6 per cent., due to an increase in business needs and additional IT expenses related to the COVID-19 pandemic. These increases were partially offset by a fall of SAR 176.9 million, or 18.5 per cent., in other categories of operational expense, principally as a result of management initiatives to improve expense control; and
- an increase of SAR 58.6 million, or 5.5 per cent., in depreciation and amortisation which was due to an increase in depreciable assets during 2019.

### ***Zakat for the year***

The Group's zakat charge for the year was SAR 1,698.6 million in 2021 compared to SAR 1,218.1 million in 2020 and SAR 1,167.8 million in 2019, in each case principally reflecting the Group's higher profit before zakat for the period..

The Group has filed its zakat and income tax returns with ZATCA and paid zakat for the financial years up to and including 2020. All assessments up to the year ended 31 December 2017 have been finalised following a settlement agreement with ZATCA reached in 2018 that settled an outstanding Zakat liability amounting to SAR 5,405 million. The settlement agreement required the Bank to settle 20 per cent. of the agreed zakat liability in 2018 with the remaining 80 per cent. being paid in five equal annual instalments.

### ***Net income for the year***

Reflecting the above factors, the Group's net income in 2021 was SAR 14,746.2 million compared to SAR 10,595.5 million in 2020 and SAR 10,158.5 million in 2019, an increase of SAR 4,150.7 million, or 39.2 per cent., in 2021 compared to 2020 and an increase of SAR 437.0 million, or 4.3 per cent., in 2020 compared to 2019.

### ***Other comprehensive income or loss***

The Group's other comprehensive income was SAR 444.1 million in 2021 compared to SAR 81.3 million in 2020 and SAR 133.5 million in 2019.

The Group's other comprehensive income in 2021 principally reflected an SAR 399.3 million positive change in the fair value of its FVOCI equity investments.

The Group's other comprehensive income in 2020 principally reflected an SAR 254.2 million positive change in the fair value of its FVOCI equity investments offset by an SAR 179.6 million negative change on re-measurement of employees' end of service benefits.

The Group's other comprehensive income in 2019 principally reflected an SAR 178.8 million positive change in the fair value of its FVOCI equity investments offset by an SAR 51.6 million negative change on re-measurement of employees' end of service benefits.

### ***Total comprehensive income for the year***

Reflecting the above factors and the Group's net income for each year, the Group's total comprehensive income in 2021 was SAR 15,190.3 million compared to SAR 10,676.9 million in 2020 and SAR 10,292.0 million in 2019.

### **Segmental analysis**

The Group's reporting segments comprise:

- **Retail**, which includes individual customers' deposits, credit facilities, customer debit current accounts (overdrafts), fees from banking services and remittance business;
- **Corporate**, which incorporates VIP deposits and corporate customers' deposits, credit facilities and debit current accounts (overdrafts);
- **Treasury**, which includes treasury services, murabaha with SAMA and the Group's international mutajara portfolio; and
- **Investment services and brokerage**, which includes corporate and individual mutual fund investments, local and international share trading services and investment portfolios.

The table below shows certain income statement line items of each of the Group's reporting segments for each of 2020, 2019 and 2018. Reflecting reclassifications between segments in 2021 and to make the analysis below the table more meaningful, the table shows (i) 2020 (comparative) information which has been extracted from the 2021 Financial Statements and is directly comparable to the 2021 information and (ii) 2020 (original) information which has been extracted from the 2020 Financial Statements and is directly comparable to the 2019 information.

	<b>Retail</b>	<b>Corporate</b>	<b>Treasury</b>	<b>Investment services and brokerage</b>	<b>Total</b>
	<i>(SAR million)</i>				
<b>2021</b>					
Total operating income.....	14,006.7	3,520.3	7,215.2	974.1	<b>25,716.4</b>
Income before zakat .....	6,189.4	2,416.7	7,037.0	801.7	<b>16,444.8</b>
<b>2020 (comparative)</b>					
Total operating income.....	13,456.5	2,730.9	3,728.4	805.4	<b>20,721.3</b>
Income before zakat .....	6,251.2	1,390.4	3,524.5	647.5	<b>11,813.6</b>
<b>2020 (original)</b>					
Total operating income.....	13,361.4	2,614.7	3,939.8	805.4	<b>20,721.3</b>
Income before zakat .....	6,143.1	1,287.9	3,735.1	647.5	<b>11,813.6</b>
<b>2019</b>					
Total operating income.....	13,590.8	2,531.9	2,898.3	463.4	<b>19,484.4</b>
Income before zakat .....	6,426.4	2,150.4	2,438.6	310.9	<b>11,326.3</b>

### **Retail segment**

The retail segment recorded total operating income of SAR 14,006.7 million in 2021 compared to SAR 13,465.4 million in 2020 (on a comparative basis) and total operating income of SAR 13,361.4 million in 2020 on an original basis compared to SAR 13,590.8 million in 2019.

The increase of SAR 550.1 million, or 4.1 per cent., in total operating income in 2021 compared to 2020 (comparative) principally reflected increases of SAR 453.4 million, or 27.5 per cent., in fee from banking services, net, which was driven by growth in the number of customers and their activities.

The decrease of SAR 229.4 million, or 1.7 per cent., in total operating income in 2020 compared to 2019 principally reflected a decrease of SAR 1,038.9 million, or 8.4 per cent., in net financing and investment income which was driven by strong asset growth in long maturity products which resulted in high fund transfer pricing in 2020 substantially offset by an increase of SAR 844.8 million, or 87.0 per cent., in fee from banking services, net, which was driven by an increase in the number of customers and their transactions.

The retail segment recorded income before zakat of SAR 6,189.4 million in 2021 compared to SAR 6,251.2 million in 2020 (on a comparative basis) and income before zakat of SAR 6,143.1 million in 2020 on an original basis compared to SAR 6,426.4 million in 2019.

The decrease of SAR 61.8 million, or 1.0 per cent., in income before zakat in 2021 compared to 2020 principally reflected SAR 612.1 million, or 8.5 per cent., higher operating expenses which was offset by the SAR 550.1 million increase in operating income described above. The increase in operating expenses in 2021 principally reflected an SAR 633.3 million, or 55.0 per cent., increase in impairment charges, which was driven by the increase in the retail portfolio.

The decrease of SAR 283.3 million, or 4.4 per cent., in income before zakat in 2020 compared to 2019 reflected the SAR 229.4 million lower total operating income discussed above coupled with SAR 53.9 million, or 0.8 per cent., higher total operating expenses.

#### *Corporate segment*

The corporate segment recorded total operating income of SAR 3,520.3 million in 2021 compared to SAR 2,730.9 million in 2020 (on a comparative basis) and total operating income of SAR 2,614.7 million (on an original basis) in 2020 compared to SAR 2,531.9 million in 2019.

The increase of SAR 789.4 million, or 28.9 per cent., in total operating income in 2021 compared to 2020 principally reflected increases of SAR 684.2 million, or 236.1 per cent., in fee from banking services, net, which was driven by an increase in payments revenue and cross selling activities, including cash management, and SAR 108.2 million, or 4.6 per cent., in net financing and investment income, which was driven by an increase in the corporate financing portfolio.

The increase of SAR 82.8 million, or 3.3 per cent., in total operating income in 2020 compared to 2019 principally reflected an increase of SAR 294.9 million, or 14.1 per cent., in net financing and investment income which was driven by lower rates which resulted in lower fund transfer pricing in 2020 substantially offset by a decrease of SAR 242.8 million, or 66.2 per cent., in fee from banking services, net, which was driven by a decrease in business activities and fee waivers during the COVID-19 pandemic.

The corporate segment recorded income before zakat of SAR 2,416.7 million in 2021 compared to SAR 1,390.4 million in 2020 (on a comparative basis) and income before zakat of SAR 1,287.9 million in 2020 compared to SAR 2,150.4 million in 2019.

The increase of SAR 1,026.3 million, or 73.8 per cent., in income before zakat in 2021 compared to 2020 principally reflected the SAR 789.4 million increase in operating income described above coupled with SAR 236.7 million, or 17.7 per cent., lower operating expenses in the same period. The decrease in operating expenses in 2021 principally reflected an SAR 448.2 million, or 44.2 per cent., reduction in impairment charges, which was driven by recoveries and an improved economic outlook offset by an SAR 203.1 million, or 71.4 per cent., increase in other operating expenses.

The decrease of SAR 862.5 million, or 40.1 per cent., in income before zakat in 2020 compared to 2019 reflected an increase of SAR 945.3 million, or 247.8 per cent., in total operating expenses due to the increase in net impairment charges as a result of the COVID-19 pandemic offset by the SAR 82.8 million higher total operating income discussed above coupled with.

### *Treasury segment*

The treasury segment recorded total operating income of SAR 7,215.2 million in 2021 compared to SAR 3,728.4 million in 2020 (on a comparative basis) and total operating income of SAR 3,939.8 million in 2020 and SAR 2,898.3 million in 2019.

The increase of SAR 3,486.8 million, or 93.5 per cent., in total operating income in 2021 compared to 2020 principally reflected an increase of SAR 3,325.4 million, or 104.0 per cent., in net financing and investment income, which was driven by an increase in the investment portfolio.

The increase of SAR 1,041.5 million, or 35.9 per cent., in total operating income in 2020 compared to 2019 principally reflected an increase of SAR 1,205.9 million, or 60.5 per cent., in net financing and investment income which was driven by fund transfer pricing changes and was partially offset by a decrease of SAR 204.7 million, or 81.2 per cent., in fee from banking services, net, which was driven by lower business activities during the period.

The treasury segment recorded income before zakat of SAR 7,037.0 million in 2021 compared to SAR 3,524.5 million in 2020 (on a comparative basis) and income before zakat of SAR 3,735.1 million in 2020 compared to SAR 2,438.6 million in 2019.

The increase of SAR 3,512.5 million, or 99.7 per cent., in income before zakat in 2021 compared to 2020 principally reflected the SAR 3,486.8 million increase in operating income described above.

The increase of SAR 1,296.4 million, or 53.2 per cent., in income before zakat in 2020 compared to 2019 reflected the SAR 1,041.5 million higher total operating income discussed above coupled with SAR 254.9 million, or 55.5 per cent., lower total operating expenses due to the reclassification of certain business units to the retail segment.

### *Investment services and brokerage segment*

The investment services and brokerage segment recorded total operating income of SAR 974.1 million in 2021 compared to SAR 805.4 million in 2020 (on a comparative basis) and total operating income of SAR 805.4 million in 2020 compared to SAR 463.4 million in 2019.

The increase of SAR 168.8 million, or 21.0 per cent., in total operating income in 2021 compared to 2020 principally reflected an increase of SAR 123.6 million, or 18.4 per cent., in fee from banking services, net, which was driven by brokerage fees given the increase in the volume traded in the Saudi Stock exchange coupled with ARC's leading market share in brokerage.

The increase of SAR 342.0 million, or 73.8 per cent., in total operating income in 2020 compared to 2019 principally reflected an increase of SAR 274.9 million, or 69.2 per cent., in fees from banking services, net which was driven by brokerage fees from increased traded volume in the Saudi Stock exchange and an increase of SAR 43.6 million, or 104.4 per cent., in other operating income, net, which was driven by an increase in business activities.

The investment services and brokerage segment recorded income before zakat of SAR 801.7 million in 2021 compared to SAR 647.5 million in 2020 (on a comparative basis) and income before zakat of SAR 647.5 million in 2020 and SAR 310.9 million in 2019.

The increase of SAR 154.2 million, or 23.8 per cent., in income before zakat in 2021 compared to 2020 principally reflected the SAR 168.8 million increase in operating income described above. The increase of SAR 336.6 million, or 108.3 per cent., in income before zakat in 2020 compared to 2019 reflected the SAR 342.0 million higher total operating income discussed above coupled with substantially flat total operating expenses.

## Liquidity and Funding

### Overview

The Group's liquidity needs arise primarily from making financing available to its customers, making investments in securities and the payment of expenses (including its financing costs). To date, the Group's liquidity needs have been funded principally through deposits and operating cash flow, including income received in respect of its financing and from its investment securities. See "*Funding*" below.

### Liquidity

The tables below show the Group's cash flow from operating activities, investing activities and financing activities for each of 2021, 2020 and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
		<i>(SAR million)</i>	
Net cash generated from operating activities.....	19,953.4	24,420.0	4,186.5
Net cash used in investing activities .....	(24,503.1)	(8,911.8)	(5,185.6)
Net cash used in financing activities.....	(6,037.4)	(3,792.3)	(7,676.0)
Cash and cash equivalents at the beginning of the period	32,827.4	21,111.4	29,786.5
Cash and cash equivalents at the end of the period.....	22,240.2	32,827.4	21,111.4

### *Operating activities*

*2021, 2020 and 2019*

The Group's net cash inflow from operating activities for 2021 was SAR 19,953.4 million compared to SAR 24,420.0 million for 2020 and SAR 4,186.5 million for 2019.

The Group's net cash from operating activities before changes in operating assets and liabilities amounted to SAR 19,890.2 million in 2021 compared to SAR 15,010.9 million in 2020 and SAR 14,129.8 million in 2019. The Group's net cash from operating activities before changes in operating assets and liabilities in each year principally reflected its income before zakat for the period adjusted to add back its impairment charge for financing and other financial assets, net and its depreciation and amortisation charge.

The principal changes in operating assets and liabilities in 2021 were a cash outflow of SAR 139,463.6 million from financing advanced to customers and a cash inflow of SAR 129,441.2 million from deposits accepted. The principal changes in operating assets and liabilities in 2020 were a cash outflow of SAR 68,195.0 million from financing advanced to customers and a cash inflow of SAR 70,225.2 million from deposits accepted. The principal changes in operating assets and liabilities in 2019 were a cash outflow of SAR 19,696.9 million from financing advanced to customers and a cash inflow of SAR 18,496.7 million from deposits accepted.

### *Investing activities*

*2021, 2020 and 2019*

Net cash used in investing activities in 2021 was SAR 24,503.1 million compared to SAR 8,911.8 million in 2020 and SAR 5,185.6 million in 2019.

In 2021, the Group invested a net amount of SAR 20,839.3 million in investments held at amortised cost and a net SAR 2,164.0 million in FVOCI investments.

In 2020, the Group invested a net amount of SAR 5,649.6 million in investments held at amortised cost and a net SAR 2,364.8 million in FVOCI investments.

In 2019, the Group invested a net amount of SAR 3,065.4 million in investments held at amortised cost and a net SAR 489.6 million in FVOCI investments.

The Group's purchases of property and equipment amounted to SAR 2,386.5 million in 2021 compared to SAR 945.7 million in 2020 and SAR 1,527.1 million in 2019. In addition, in 2019, the Group invested SAR 103.5 million in an investment property.

### ***Financing activities***

#### *2021, 2020 and 2019*

Net cash used in financing activities was SAR 6,037.4 million in 2021 compared to SAR 3,792.3 million in 2020 and SAR 7,676.0 million in 2019.

In 2021, the Group's financing cash outflows were SAR 6,000.0 million in dividends paid and SAR 37.4 million in payment against lease obligations. In 2020, the Group's financing cash outflows were SAR 3,750.0 million in dividends paid and SAR 42.3 million in payment against lease obligations. In 2019, the Group's principal financing cash outflows were SAR 7,406.3 million in dividends paid and SAR 269.8 million in payment against lease obligations.

### **Funding**

#### **Overview**

The Group's principal source of funding is its customers' deposits and, based on various behavioural analyses conducted by both external consultants and internal teams, the Bank believes its current account deposits are a stable source of funding. The Bank also believes that its top 20 deposit concentration level is significantly below the market level. Its other funding source is placements made with it by other banks and financial institutions. The issue of the Certificates is intended to help diversify the Group's funding sources. In accordance with the Banking Control Law issued by Royal Decree No. M/5 dated 22/02/1386H (corresponding to 12 June 1966) (the **BCL**) and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7 per cent. of its total demand deposits and 4 per cent. of its saving and time deposits. In addition to the statutory deposit, the Bank also maintains liquid reserves of no less than 20 per cent. of its deposit liabilities, in the form of cash, Government bonds and sukuk and assets that can be converted into cash within 30 days.

The Bank also has the ability to raise additional funds through repo facilities with SAMA against Government bonds and sukuk up to 100 per cent. of the nominal value of bonds and sukuk held in local currency.

The Group's customers' deposits were SAR 512,072.2 million, or 92.0 per cent. of its total liabilities, as at 31 December 2021, SAR 382,631.0 million, or 93.2 per cent. of its total liabilities, as at 31 December 2020 and SAR 312,405.8 million, or 93.8 per cent. of its total liabilities, as at 31 December 2019.

The table below shows the Group's funding (in the form of due to banks and other financial institutions (which represents deposits placed with it by other banks) and customers' deposits) as at 31 December in each of 2021, 2020 and 2019.

	<b>As at 31 December</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
		<i>(SAR million)</i>	
Due to banks and other financial institutions.....	17,952.1	10,764.1	2,219.6

Customers' deposits.....	512,072.2	382,631.0	312,405.8
<b>Total funding</b> .....	<b>530,024.3</b>	<b>393,395.1</b>	<b>314,625.4</b>

The table below shows the Group's funding split into that which is profit bearing and that which is not profit bearing as at 31 December in each of 2021, 2020 and 2019.

	As at 31 December		
	2021	2020	2019
	<i>(SAR million)</i>		
Profit bearing funding.....	148,245.2	53,781.4	24,345.8
Non-profit bearing funding deposits.....	381,779.1	339,613.7	290,279.6
<b>Total funding</b> .....	<b>530,024.3</b>	<b>393,395.1</b>	<b>314,625.4</b>

Most of the Group's funding is non-profit bearing, reflecting the significant proportion of non-profit bearing deposits in the Group's funding mix, as discussed below.

### Customers' deposits

The Group's customers' deposits principally comprise time deposits and demand deposits. The Group's demand deposits are mostly non-profit bearing and amounts may be withdrawn from these accounts at any time without notice. Time deposits are eligible for profit distribution and have a fixed maturity date.

The Group believes that its customers' deposits are diversified and constitute a stable and secure source of low cost funding. As at 31 December 2021, the Group's customers' deposits accounted for 96.6 per cent. of its total funding set out in the table above.

The Group's demand deposits constituted 73.2 per cent. and its time deposits constituted 25.4 per cent. of its total customers' deposits as at 31 December 2021. The Group accepts time deposits for a range of maturities.

As at 31 December 2021 the Group's foreign currency deposits amounted to SAR 36,624.1 million, or 7.2 per cent. of its total customers' deposits, compared to SAR 17,377.5 million, or 4.5 per cent., as at 31 December 2020 and SAR 13,836.0 million, or 4.6 per cent., as at 31 December 2019.

The table below shows a breakdown of the Group's customers' deposits by type as at 31 December in each of 2021, 2020 and 2019. Reflecting reclassifications in 2021, the table shows (i) 2020 (comparative) information which has been extracted from the 2021 Financial Statements and is directly comparable to the 2021 information and (ii) 2020 (original) information which has been extracted from the 2020 Financial Statements and is directly comparable to the 2019 information.

	As at 31 December			
	2021	2020 (comparative)	2020 (original)	2019
	<i>(SAR million)</i>			
Demand deposits.....	374,725.4	332,918.2	327,572.5	284,300.0
Customers' time investments.....	130,293.1	43,017.3	43,017.3	22,126.2
Other customer accounts.....	7,053.8	6,693.5	12,041.2	5,979.7
<b>Total</b> .....	<b>512,072.2</b>	<b>382,631.0</b>	<b>382,631.0</b>	<b>312,405.8</b>

As at 31 December 2021, the Group's total customers' deposits increased by SAR 129,441.2 million, or 33.8 per cent., compared to 31 December 2020. As at 31 December 2020, the Group's total customers' deposits increased by SAR 70,225.2 million compared to 31 December 2019. In both cases, the increases reflected

growth in both demand and time deposits, driven by an increase in customers and raising deposits to support asset growth.

Based on an analysis of the published financial statements of Saudi Arabian banks, the Group has market shares of 23.2 per cent. in total deposits and 26.1 per cent. in demand deposits.

### ***Due to banks and other financial institutions***

The Group's deposits from banks (referred to as due to banks and other financial institutions in the Financial Statements) comprise current accounts and time investments. The Group's deposits from banks are typically short-term in nature and volatile over time. The Group's deposits from banks amounted to SAR 17,952.1 million as at 31 December 2021, SAR 10,764.1 million as at 31 December 2020 and SAR 2,219.6 million as at 31 December 2019. The significant increase as at 31 December 2020 compared to 31 December 2019 principally reflected interest free deposits received from SAMA as part of its PSFSP, see "*Principal factors affecting results of operations—Impact of the COVID-19 pandemic*" above.

### ***Maturity profile***

The table below shows the maturity profile of the Group's funding as at 31 December 2021. This analysis is based on contractual undiscounted repayment obligations and reflects when the funding is expected to be settled.

	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>No fixed maturity</b>	<b>Total</b>
	<i>(SAR million)</i>					
Due to banks and other financial institutions .....	7,805.6	2,698.9	5,698.5		1,749.1	17,952.1
Customers' deposits.....	74,764.3	56,247.8	6,314.8	20.0	374,725.4	512,072.2
<b>Total funding.....</b>	<b>842,569.9</b>	<b>58,946.6</b>	<b>12,013.3</b>	<b>20.0</b>	<b>376,474.5</b>	<b>530,024.4</b>

A significant proportion of the Group's funding disclosed in the table above as at 31 December 2021 is short-term in nature, with only 2.3 per cent. of such funding having a fixed maturity in excess of one year (on a contractual undiscounted payment obligations basis). See "*Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Certificates—The Group is subject to the risk that liquidity may not always be readily available*".

Given the state-run and oil-driven nature of the domestic economy, the Group's deposit base is, at least in the near future, expected to remain concentrated by depositor type, namely Government and Government-related entities.

### **Equity funding**

The Group's equity funding comprises mainly ordinary share capital, the statutory reserve and retained earnings.

As at 31 December 2021, the Group's share capital amounted to SAR 25,000.0 million, comprising 2,500 million shares of SAR 10 each. As at the same date, its statutory reserve amounted to 25,000.0 million and its retained earnings amounted to SAR 16,999.5 million. In February 2022, the board of directors recommended to the Extraordinary General Assembly an increase in the Bank's capital to SAR 40 billion through capitalization of SAR 15 billion from the retained earnings by way of granting three shares for every five shares owned. An extraordinary general assembly to approve this recommendation is scheduled for later in 2022.

In accordance with the BCL and the Bank's Articles of Association, a minimum of 25 per cent. of the Bank's annual net income is required to be transferred to a statutory reserve until this reserve equals the paid up share

capital of the Bank. The Bank has reached the required limit. The statutory reserve is not available for distribution.

The Bank's other reserves comprise an FVOCI reserve, a foreign currency translation reserve, an employee share plan reserve and a reserve for the actuarial losses or gains on employee end of service benefits.

## Financing

The Group's total financing, net was SAR 452,830.7 million as at 31 December 2021.

The table below shows the composition of the Group's financing, net (which is held at amortised cost) as at 31 December in each of 2021, 2020 and 2019.

	Retail	Corporate	Total
	<i>(SAR million)</i>		
<b>As at 31 December 2021</b>			
Performing financing.....	369,450.7	89,568.1	459,018.7
Non-performing financing.....	1,500.1	1,510.0	3,010.1
<b>Gross financing.....</b>	<b>370,950.8</b>	<b>91,078.0</b>	<b>462,028.8</b>
Provision for financing impairment.....	(5,201.4)	(3,996.7)	(9,198.2)
<b>Financing, net .....</b>	<b>365,749.3</b>	<b>87,081.3</b>	<b>452,830.7</b>
<b>As at 31 December 2020</b>			
Performing financing.....	254,270.9	66,467.5	320,738.4
Non-performing financing.....	754.2	1,690.9	2,445.1
<b>Gross financing.....</b>	<b>255,025.1</b>	<b>68,158.3</b>	<b>323,183.5</b>
Provision for financing impairment.....	(4,341.6)	(3,129.8)	(7,471.4)
<b>Financing, net .....</b>	<b>250,659.4</b>	<b>65,052.8</b>	<b>315,712.1</b>
<b>As at 31 December 2019</b>			
Performing financing.....	189,925.8	64,459.8	254,385.6
Non-performing financing.....	629.7	1,687.1	2,316.8
<b>Gross financing.....</b>	<b>190,555.5</b>	<b>66,146.9</b>	<b>256,702.4</b>
Provision for financing impairment.....	(3,832.5)	(3,187.1)	(7,019.6)
<b>Financing, net .....</b>	<b>186,723.0</b>	<b>62,959.8</b>	<b>249,682.8</b>

The Group's financing is principally denominated in riyal, although financing is also advanced in U.S. dollars, Malaysian ringgit, Jordanian dinar, Kuwaiti dinar, euro, UAE dirham and Japanese yen. The Group believes that there is only limited structural cross-currency exposure as the majority of its assets and liabilities are match-funded in currency terms. In addition, the Group hedges a part of its currency exposure through the use of derivative contracts.

The Group's financing, net predominantly comprises retail financing and to a more limited extent corporate financing. The Group's financing is principally advanced in the form of:

- **instalment financing**, where the Bank purchases a commodity or an asset and sells it to the customer based on a purchase promise from the client with a deferred price higher than the cash price;
- **mutajara finance**, where the Bank purchases a commodity or an asset and sells it to the customer based on a purchase promise from the client with a deferred price higher than the cash price, accordingly the client becomes debtor to the Bank in the sale amount and for the period agreed in the contract; and

- **murabaha finance**, where the Bank purchases a commodity or asset and sells it to the customer with a price representing the purchase price plus a profit known and agreed by the customer, which means that the client is aware of the cost and the profit separately.

Note 7-1(a) to each of the Financial Statements includes a table showing the breakdown of the Group's financing by type.

### Distribution of the Group's financing, net by segment

The table below shows the distribution of the Group's financing, net by segment as at 31 December in each of 2021, 2020 and 2019.

	<u>Retail</u>	<u>Corporate</u>	<u>SME</u>	<u>Financial institutions</u>	<u>Total</u>
			<i>(SAR million)</i>		
As at 31 December 2021 ..	365,749.3	70,935.7	15,861.6	284.0	452,830.7
As at 31 December 2020 ..	250,683.5	53,285.8	9,882.5	1,860.2	315,712.1
As at 31 December 2019 ..	186,723.0	54,369.2	5,529.1	3,061.5	249,682.8

The Group's financing, net portfolio is dominated by retail financing which comprised 80.8 per cent. of the total portfolio as at 31 December 2021, 79.4 per cent. as at 31 December 2020 and 74.8 per cent. as at 31 December 2019. Corporate financing and SME financing comprised 15.7 per cent. and 3.5 per cent., respectively, as at 31 December 2021, 16.9 per cent. and 3.1 per cent., respectively, as at 31 December 2020 and 21.8 per cent. and 2.2 per cent., respectively, as at 31 December 2019.

The table below shows the distribution of the Group's retail financing, net by segment as at 31 December in each of 2021, 2020 and 2019.

	<u>Personal</u>	<u>Mortgage</u>	<u>Automobile</u>	<u>Credit card</u>	<u>Total</u>
			<i>(SAR million)</i>		
As at 31 December 2021 ..	179,877.8	170,775.0	16,590.1	3,707.9	370,950.8
As at 31 December 2020 ..	132,682.8	104,485.9	14,504.2	3,352.1	255,025.1
As at 31 December 2019 ..	116,636.9	55,012.2	15,730.6	0.0	190,555.5

The Group's retail financing, gross principally comprises personal financing and mortgage financing, which comprised 48.5 per cent. and 46.0 per cent., respectively, of the total retail financing, gross as at 31 December 2021, 52.0 per cent. and 41.0 per cent., respectively, as at 31 December 2020 and 61.2 per cent. and 28.9 per cent., respectively, as at 31 December 2019.

### Distribution of the Group's financing, net by maturity

The table below shows the distribution of the Group's financing, net by contractual maturity based on discounted cash flows as at 31 December in each of 2021, 2020 and 2019.

	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>No fixed maturity</u>	<u>Total</u>
			<i>(SAR million)</i>			
As at 31 December 2021 ..	37,545.5	61,436.8	189,946.2	163,902.2	—	452,830.7
As at 31 December 2020 ..	31,579.4	44,631.5	132,208.7	107,292.5	—	315,712.1
As at 31 December 2019 ..	31,245.3	45,898.2	115,517.8	57,021.5	—	249,682.8

As 31 December 2021, 8.3 per cent. of the Group's financing, net fell due for repayment in less than three months, 13.6 per cent. fell due for repayment between three and 12 months, 41.9 per cent. fell due for repayment between one and five years and the remaining 36.2 per cent. had a maturity in excess of five years.

### Distribution of the Group's financing, net by geography

The table below shows the distribution of the Group's financing, net by geographic location of the customer as at 31 December in each of 2021, 2020 and 2019.

	<u>Mutajara</u>	<u>Instalment sale</u>	<u>Murabaha</u>	<u>Credit cards</u>	<u>Total</u>
	<i>(SAR million)</i>				
<b>As at 31 December 2021</b>					
Inside Saudi Arabia .....	68,293.3	367,098.2	12,111.0	3,709.9	451,212.5
Outside Saudi Arabia.....	1,379.0	4,880.0	4,550.6	6.7	10,816.3
<b>Gross financing</b> .....	<b>69,672.4</b>	<b>371,978.2</b>	<b>16,661.6</b>	<b>3,716.6</b>	<b>462,028.8</b>
Provision for financing impairment .....	(3,959.8)	(4,978.5)	(61.7)	(198.2)	(9,198.2)
<b>Financing, net</b> .....	<b>65,712.6</b>	<b>366,999.7</b>	<b>16,599.9</b>	<b>3,518.4</b>	<b>452,830.7</b>
<b>As at 31 December 2020</b>					
Inside Saudi Arabia .....	40,214.6	255,015.9	14,595.8	3,345.8	313,293.7
Outside Saudi Arabia.....	—	4,753.54	5,130.0	6.2	9,889.7
<b>Gross financing</b> .....	<b>40,214.6</b>	<b>259,769.4</b>	<b>19,725.8</b>	<b>3,352.0</b>	<b>323,183.4</b>
Provision for financing impairment .....	(2,983.3)	(4,398.9)	(55.7)	(20.8)	(7,471.3)
<b>Financing, net</b> .....	<b>37,231.3</b>	<b>255,479.5</b>	<b>19,670.1</b>	<b>3,331.2</b>	<b>315,712.1</b>
<b>As at 31 December 2019</b>					
Inside Saudi Arabia .....	44,619.6	187,029.2	11,580.2	3,168.7	246,397.7
Outside Saudi Arabia.....	—	4,505.0	5,792.7	7.0	10,304.7
<b>Gross financing</b> .....	<b>44,619.6</b>	<b>191,534.2</b>	<b>17,372.9</b>	<b>3,175.7</b>	<b>256,702.4</b>
Provision for financing impairment .....	(3,042.3)	(3,810.2)	(144.8)	(22.3)	(7,019.6)
<b>Financing, net</b> .....	<b>41,577.2</b>	<b>187,724.0</b>	<b>17,228.1</b>	<b>3,153.5</b>	<b>249,682.8</b>

The Group's financing is concentrated in Saudi Arabia, with 97.7 per cent. of its gross financing as at 31 December 2021 being advanced within Saudi Arabia.

### Distribution of the Group's financing, net by credit quality

The table below shows the distribution of the Group's financing, net by IFRS 9 stage as at 31 December 2021, 2020 and 2019.

	<u>Neither past due nor impaired</u>	<u>Past due but not impaired</u>	<u>Impaired</u>	<u>Total</u>	<u>Allowance for impairment</u>	<u>Financing, net</u>
	<i>(SAR million)</i>					
As at 31 December 2021 ..	449,653.8	9,364.9	3,010.1	462,028.8	(9,198.2)	452,830.7
As at 31 December 2020 ..	311,276.6	9,461.7	2,445.1	323,183.5	(7,471.4)	315,712.1
As at 31 December 2019 ..	245,760.3	8,625.3	2,316.8	256,702.4	(7,019.6)	249,682.8

Financing past due for less than 90 days is not treated as impaired, unless other available information proves otherwise. The categories "neither past due nor impaired" and "past due but not impaired" comprise total performing financing and the impaired category is considered to be non-performing financing. As at 31 December 2021, 0.7 per cent. of the Bank's total financing was non-performing.

## Economic sector risk concentration of the Group's financing, net

The table below shows the concentration of the Group's financing, net by the economic sector in which the borrower operates as at 31 December 2021.

	Performing	Non-performing	Allowance for impairment	Financing, net
	<i>(SAR million)</i>			
Commercial .....	32,288.0	544.1	(427.9)	32,404.2
Industrial .....	32,577.2	137.4	(104.5)	32,610.1
Building and construction.....	3,329.9	709.1	(668.3)	3,370.8
Consumer .....	369,450.7	1,500.1	(1,163.7)	369,787.1
Services .....	17,747.6	114.1	(71.3)	17,790.3
Agriculture and fishing.....	474.1	0.1	(0.1)	474.1
Others .....	3,151.3	5.1	(4.2)	3,152.2
<b>Total.....</b>	<b>459,018.7</b>	<b>3,010.1</b>	<b>(2,440.0)</b>	<b>459,588.8</b>
12 month and life time ECL not credit impaired .....			(6,758.2)	(6,758.2)
<b>Balance .....</b>	<b>459,018.7</b>	<b>3,010.1</b>	<b>(9,198.2)</b>	<b>452,830.7</b>

The principal economic sector concentrations in the Group's financing are:

- consumer financing, which constituted 80.5 per cent. of the Group's total financing before ECL allowance and had a ratio of non-performing to total performing and non-performing consumer financing of 0.4 per cent. as at 31 December 2021. The Group's allowance for impairment in respect of its consumer financing represented 77.6 per cent. of its impaired consumer financing as at 31 December 2021;
- industrial financing, which constituted 7.1 per cent. of the Group's total financing before ECL allowance and had a ratio of non-performing to total performing and non-performing industrial financing of 0.4 per cent. as at 31 December 2021. The Group's allowance for impairment in respect of its industrial financing represented 76.1 per cent. of its impaired industrial financing as at 31 December 2021; and
- commercial financing, which constituted 7.1 per cent. of the Group's total financing before ECL allowance and had a ratio of non-performing to total performing and non-performing commercial financing of 1.7 per cent. as at 31 December 2021. The Group's allowance for impairment in respect of its commercial financing represented 78.6 per cent. of its impaired commercial financing as at 31 December 2021.

## Investments, Net

The Group's investments portfolio comprises (i) a portfolio of fixed income investments held at amortised cost, principally sukuk and murabaha with the Government and SAMA; (ii) a portfolio of mutual fund investments, structured products and sukuk held at FVSI; (iii) a portfolio of equity and sukuk investments held at FVOCI; and (iv) its investment in its associate, Al Rajhi Company for Cooperative Insurance (AR CCI), in which the Bank holds 22.5 per cent. of the share capital.

The majority (83.0 per cent. as at 31 December 2021) of the Group's investments are held at amortised cost, with a small proportion (8.5 per cent. as at 31 December 2021) being held at FVSI and a small proportion (8.5 per cent. as at 31 December 2021) being held at FVOCI.

The table below summarises the Group's investments, net as at 31 December in each of 2021, 2020 and 2019.

	As at 31 December		
	2021	2020	2019

(SAR million)

<b>Investments held at amortised cost</b>			
Murabaha with Government and SAMA.....	22,612.0	22,904.0	24,992.0
Sukuk .....	46,518.1	25,240.5	17,973.4
Structured products.....	1,000.0	1,000.0	—
Less: impairments (stage 1).....	(31.8)	(27.0)	(22.3)
<b>Total investments held at amortised cost.....</b>	<b>70,098.3</b>	<b>49,117.5</b>	<b>42,943.1</b>
<b>Investments held at FVSI</b>			
Mutual funds .....	2,650.6	2,545.9	1,230.7
Structured products.....	788.8	1,502.5	—
Sukuk .....	3,745.5	2,588.6	800.0
<b>Total FVSI investments.....</b>	<b>7,184.9</b>	<b>6,637.0</b>	<b>2,030.7</b>
<b>FVOCI investments</b>			
Equity investments .....	5,322.4	3,687.3	1,672.6
Sukuk .....	1,532.6	604.3	—
<b>Total FVOCI investments.....</b>	<b>6,855.0</b>	<b>4,291.6</b>	<b>1,672.6</b>
Investment in an associate.....	295.3	239.2	196.2
<b>Investments, net.....</b>	<b>84,433.4</b>	<b>60,285.3</b>	<b>46,842.6</b>

The Group's investments are split between quoted and unquoted securities, with 66.4 per cent. being quoted as at 31 December 2021 and 33.6 per cent. being unquoted. As at 31 December 2021, 95.2 per cent. of the Group's fixed income investments were considered to have an investment grade rating.

As at 31 December 2021, SAR 7,426.1 million, or 8.8 per cent. of the Group's investments, were in non-Saudi entities.

The table below shows the composition of the Group's investments, net by counterparty as at 31 December in each of 2021, 2020 and 2019.

	<b>As at 31 December</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
		(SAR million)	
Government and quasi government .....	67,632.7	45,718.8	41,780.9
Banks and other financial institutions.....	5,534.3	5,091.1	800.0
Companies .....	8,647.6	6,956.4	3,053.2
Mutual funds.....	2,650.6	2,545.9	1,230.7
Less: Impairment (stage1) .....	(31.8)	(27.0)	(22.3)
<b>Investment, net.....</b>	<b>84,433.4</b>	<b>60,285.2</b>	<b>46,842.5</b>

For further information on the manner in which the fair value of the Group's investments is determined, see note 29 to the 2021 Financial Statements.

### Capital Adequacy

Capital adequacy, financial leverage and the use of various levels of regulatory capital are monitored regularly by the Group's management and are also governed by guidelines of the Basel Committee on Banking Supervision (the **Basel Committee**) as adopted by SAMA.

The SAMA Basel III framework consists of three pillars:

- pillar 1, which provides a framework for measuring capital requirements for credit, operational and market risks;
- pillar 2, which relates to the supervisory review process and emphasises the importance of the internal capital adequacy assessment process (ICAAP) performed by banks; and
- pillar 3, which aims to complement the pillar 1 and pillar 2 capital adequacy requirements by requiring banks to provide a consistent and understandable disclosure framework which facilitates comparison, thus enhancing the safety and soundness of the banking industry in Saudi Arabia.

Under the Basel III framework, the minimum requirements for capital are underpinned by a leverage ratio that serves as a backstop to the risk-based capital measures. There are also buffer requirements in the form of a capital conservation buffer, a counter-cyclical capital buffer and an additional surcharge for banks designated as D-SIBs.

A key objective for the Group is to maximise shareholders' value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business and comply with externally imposed capital requirements. The Group adheres to SAMA's requirements by monitoring its capital adequacy and adopting both a capital forecasting process that ensures that pro-active action is taken where necessary and a strategy that ensures that a sufficient capital buffer above minimum required levels is maintained at all times.

As at 31 December 2021, the Group's tier 1 capital adequacy ratio (calculated according to Basel III standards for pillar 1) was 16.49 per cent. and its total capital adequacy ratio was 17.62 per cent. The Group has been designated as a D-SIB with an additional common equity tier 1 D-SIB surcharge of 0.5 per cent. Accordingly, the Group's total minimum pillar 1-based capital requirement as at 31 December 2021 is 11.0 per cent., which also includes a capital conservation buffer of 2.5 per cent.

The table below shows the Group's Pillar 1 risk-weighted assets, total capital and related ratios as at 31 December in each of 2021, 2020 and 2019.

	<b>As at 31 December</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
		<i>(SAR million)</i>	
Credit risk-weighted assets .....	385,415.2	280,374.0	234,300.0
Operational risk-weighted assets .....	37,798.8	33,318.7	30,784.1
Market risk-weighted assets .....	2,414.7	9,316.4	7,236.6
<b>Total Pillar risk-weighted assets.....</b>	<b>425,628.8</b>	<b>323,009.0</b>	<b>272,320.7</b>
Tier 1 capital.....	70,191.5	58,118.5	51,191.7
Tier II capital .....	4,817.7	3,504.7	2,928.8
<b>Total capital.....</b>	<b>75,009.2</b>	<b>61,623.2</b>	<b>54,120.4</b>
<b>Capital adequacy ratio</b>		<i>(per cent.)</i>	
Tier 1 capital ratio.....	16.49	17.99	18.80
Total capital ratio.....	17.62	19.08	19.87

The declines in the Group's capital adequacy ratios between each of the dates shown in the table above reflected a faster rate of increase in the Group's risk-weighted assets than in its regulatory capital.

In January 2022, the Bank issued SAR6.5 billion of Additional Tier 1 Capital Sukuk which should have a positive impact on its Tier 1 and total capital ratios in 2022.

The Bank's Basel III leverage ratio, which is calculated in accordance with the Basel III leverage ratio and disclosure requirements was 11.0 per cent., 12.0 per cent. and 12.9 per cent. as at 31 December in each of 2021, 2020 and 2019, respectively. The required leverage ratio for the Bank is 3.0 per cent.

### Contingent Liabilities and Commitments

The Group has credit-related contingent liabilities in respect of funding commitments it has made as well as in relation to letters of credit, guarantees and acceptances issued by it. The table below shows these contingent liabilities and commitments as at 31 December in each of 2020, 2019 and 2018.

	As at 31 December		
	2021	2020	2019
		<i>(SAR million)</i>	
Letters of credit.....	5,213.2	2,379.4	890.9
Acceptances.....	857.6	670.8	325.0
Letters of guarantee .....	7,731.6	5,443.2	4,973.2
Irrevocable commitments to extend credit.	11,284.9	10,662.7	11,636.1
<b>Total.....</b>	<b>25,087.2</b>	<b>19,156.1</b>	<b>17,825.2</b>

Note 16(c) to each of the Financial Statements set out a maturity analysis of the Group's credit-related contingent liabilities and commitments. The majority of them are short-term in nature with 86.4 per cent. expiring within one year as at 31 December 2021.

The Bank also has capital commitments in respect of IT improvements and branch improvements, which amounted to SAR 458 million and SAR 193 million, respectively, as at 31 December 2021.

The Group is also party to legal proceedings in the ordinary course of its business.

### Derivative Financial Instruments

In the ordinary course of business, the Group utilises Islamic foreign exchange agreements for hedging purposes.

The Group also offers profit rate swaps and other derivative products to customers to hedge their risks.

Note 35 to the 2021 Financial Statements contains a table which shows the notional amounts and the positive and negative fair values of the Group's derivative financial instruments analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

### Related Party Transactions

In the ordinary course of business, the Group conducts transactions with its associate and mutual funds as well as with certain of its directors, shareholders, senior management and companies in which they have a significant interest. Related party transactions are governed by limits set by the BCL and regulations issued by SAMA and are performed on an arm's length basis.

See note 30 to the each of the Financial Statements for further information.

## BUSINESS DESCRIPTION OF THE BANK

### Overview

The Bank is the world's largest Islamic bank in terms of both assets and market capitalisation as at 31 December 2021. The Bank only offers Islamic products and services. Based on publicly disclosed information, as at 31 December 2021, the Bank had the largest customer base among all Saudi banks (at 11.6 million customers, of which 9.7 million were active digital users as at 31 December 2021) and the largest banking network in the Middle East, with 521 branches, 4,891 ATMs, 326,121 POS terminals and 217 remittance centres. As at the same date, the Group also had a wholly-owned banking subsidiary with 16 branches in Malaysia and two wholly-owned foreign branches, one in Jordan (with 10 branches) and one in Kuwait (with two branches).

The Group operates through four business segments:

- retail banking, where, based on publicly disclosed information, it is the leading retail bank in the Middle East in terms of assets and retail customers as at 31 December 2021;
- corporate banking;
- treasury; and
- investment services and brokerage, which comprises the consolidated securities, brokerage and asset management activities of its wholly-owned subsidiary, ARC.

The Group's business is diversified across retail and corporate banking, SME banking, treasury operations and international business. It provides clients with innovative products and services that combine Islamic values with modern commercial requirements. The Group also provides micro consumer and SME financing services (through its wholly-owned subsidiary, Emkan Finance Company ("Emkan")) and insurance brokerage services (through its 99 per cent. owned subsidiary, Al Rajhi Takaful Agency Company ("AR Takaful Agency")).

In 2021, the Bank announced its new Bank of the Future strategy for the 2021 to 2023 period. The four core aims of this strategy are to build on the Bank's core businesses, outperform the market, transform technology and fulfil more customer needs.

As at 31 December 2021, the Group had total assets of SAR 623,671.9 million, total customer deposits of SAR 512,072.2 million and total shareholders' equity of SAR 67,308.9 million. As at 31 December 2021, the Group's tier 1 and total capital adequacy ratios, calculated in accordance with Basel III as implemented in Saudi Arabia, were 16.49 per cent. and 17.62 per cent., respectively.

In 2021, the Group had total operating income of SAR 25,716.4 million and net income for the year of SAR 14,746.2 million. In 2020, the Group had total operating income of SAR 20,721.3 million and net income for the year of SAR 10,595.5 million.

The Bank's long-term corporate ratings are "BBB+" with a positive outlook from S&P, "A-" with a stable outlook from Fitch, "A1" with a stable outlook from Moody's and "A+" with a stable outlook from Capital Intelligence.

### History

The Bank is a Saudi Joint Stock Company formed pursuant to Royal Decree No. M/59 and Article 6 of the Council of Ministers' Resolution No. 245, both of June 1987.

The Bank was established as an exchange house in 1957 and converted to a Bank in 1988 under the name Al Rajhi Banking and Investment Corporation. In 2006, the Bank changed its branding to Al Rajhi Bank.

The Bank's head office and registered office is 8467, King Fahd Road – Al Muruj District, Unit No. 1, Riyadh 12263 – 2743, Saudi Arabia and the switchboard telephone number is +966 9 20003344 (Saudi Arabia) / +966 1 14603333 (International).

## **Competition and Competitive Strengths**

### **Competition**

Based on SAMA's website, there are 26 commercial banks operating in Saudi Arabia, of which 11 are local banks incorporated in Saudi Arabia. Of the remaining 15 operating banks, six are branches of banks based in countries of the GCC other than Saudi Arabia and nine are international banks. Six other international banks have been licensed but are yet to commence operations under their licences and two other banks have been licensed to provide digital banking services but are yet to commence operations under their licences. All 11 Saudi banks provide a broad range of retail and wholesale banking products and services. Four banks, including the Bank, provide Shari'a-compliant products and services only. The remaining banks provide a combination of Shari'a-compliant and conventional banking products and services.

All segments of the financial services markets in Saudi Arabia are highly competitive. Both the consumer and corporate banking markets in Saudi Arabia include a range of local and international participant banks. The Bank is a major participant in all segments and competition arises across all products and services. The Bank's primary competitors are Saudi National Bank, Arab National Bank, Banque Saudi Fransi, Riyadh Bank and Saudi British Bank.

As at 31 December 2021 and based on publicly available information and non-public SIMAH reports, the Bank:

- had the largest customer base and banking network of all banks operating in Saudi Arabia;
- conducted the most banking transactions in Saudi Arabia, at an average of 498 million per month in 2021; and
- had leading market positions in personal financing (at 44.5 per cent.), mortgages (at 40.0 per cent.) and auto financing (at 48.4 per cent.).

### **Competitive strengths**

Management believes that the Bank's competitive strengths are:

#### ***Intellectual capital***

The Bank's management believes that the Bank's intellectual capital is what sets it apart from the competition and impacts its total market value. This capital encompasses intangibles that provide the Bank with a competitive advantage, future readiness, and the ability to meet stakeholder expectations. It comprises the Bank's integrity and business ethics, corporate culture, systems and processes, intellectual property, capacity to innovate, accumulated knowledge and expertise, brands and relationships, none of which are reflected on the Bank's balance sheet.

#### ***Strongest domestic retail business with a large, stable retail customer base***

The Bank believes that its retail business is the strongest in Saudi Arabia, based on its having the largest banking network, the highest number of banking transactions, the highest retail assets and the most retail customers and its leading market positions in personal financing, mortgages and auto finance, in all cases based on non-public SIMAH reports.

The Bank has an existing active customer base of approximately 12.2 million customers as at 31 December 2021, which provides the Bank with access to a large and stable deposit base with a variety of maturity and re-pricing profiles. The Bank's ratio of non-profit bearing deposits to total deposits is one of the highest in Saudi Arabia, giving it access to a significant source of inexpensive funding. The Bank is able to capitalise on this strong customer base to cross-sell products and services across its businesses.

The Group's retail reporting segment contributed 54.5 per cent. of its total operating income and 37.6 per cent. of its income before zakat in 2021.

### ***Strong brand equity***

The Bank's brand power score was 39.2 in 2021, which is the highest among all the banks operating in Saudi Arabia. The brand power score is based on an ongoing brand health tracker undertaken by an independent market research company on behalf of the Bank.

Based on the BrandZ 2021 report by Kantar group, the Bank was ranked first in the Saudi Arabian banking industry. The Bank also ranked 81 in the top 500 most valuable brands in Saudi Arabia, the highest among banks in Saudi Arabia according to the February 2021 report by Brand Finance. The Bank also maintained its top spot in the 2020 YouGov NextGen rankings in Saudi Arabia, remaining the most positively talked about brand amongst young adults in the country. The Bank embarked on its digital marketing journey in 2015 and management believes that it has one of the largest groups of social media followers of any Bank within Saudi Arabia.

### ***Largest banking network in Saudi Arabia***

The Bank has the largest banking network in Saudi Arabia (with 27 per cent. of all bank branches, 30 per cent. of all ATMs, 32 per cent. of all POS terminals and 29 per cent. of all remittance centres based on SAMA monthly statistics) as at 31 December 2021. It also has strong alternative distribution channels, such as telephone and internet banking, mobile phone systems, smart phone and tablet applications and SMS messaging, which enable it to service its existing customer base and attract new customers.

### ***Strong capitalisation***

The Group's tier 1 and total capital adequacy ratios are among the highest in the Middle East, at 16.49 per cent. and 17.62 per cent., respectively, as at 31 December 2021, which exceeds the Bank's minimum Pillar 1-based capital ratio requirement of 11.0 per cent. as at the same date. The Bank believes that the Group's capital buffers are sufficiently solid to withstand possible credit-related losses, even under an adverse scenario. The Bank conducts regular stress tests in line with its internal policies and in compliance with applicable regulatory requirements. These tests are performed in relation to all quantified risks and are designed to evaluate the Group's ability to withstand the effects of a range of both improbable but plausible scenarios. The Bank believes that the strength of its balance sheet and its robust capital and liquidity position give it operational and financial flexibility and enable it to optimise its return on equity.

### ***Solid funding and liquidity position***

The Group has a solid funding and liquidity profile, supported by a well-established local deposit franchise. The Group has consistently maintained low financing to deposit ratios (in the range of 78.8 per cent. to 85.5 per cent. in the last five years). The proportion of its profit-free customers' deposits to its total customers' deposits was 73.2 per cent. as at 31 December 2021. The Group benefits from the fact that its customers' deposits are a stable source of funding which are sourced from mass retail and private customers, SMEs, public institutions and large corporates. These strengths are, however, moderated by relatively high deposit concentrations, a feature common to all Saudi banks. The bulk of such concentrations relate to Government and quasi-Government institutions, which have also historically been stable. See "*Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Certificates—The Group's financing, net, investment securities portfolio and*

*customers' deposits are concentrated in Saudi Arabia" and "Risk factors—Risks relating to the Bank and its ability to fulfil its obligations under the Certificates—The Group has significant customer and sector concentrations".* The Group also has limited reliance on market funding.

The Bank believes that the Group's robust liquidity profile positions it to withstand short-term deposit volatility. The Group's financing to customers' deposits ratio was 88.4 per cent. as at 31 December 2021, which provides it with scope to further expand its financing before it reaches the regulatory maximum loans to deposits ratio of 90.0 per cent.

### ***Product innovation***

The Bank has designed a number of innovative *Shari'a*-compliant products for its retail and corporate customers, including real estate financing products, personal financing products and auto-lease products. All consumer financing products at the Bank approved by the Bank's *Shari'a* Committee prior to their launch. These products reflect significant collaborative work between the Bank's *Shari'a* and business groups.

In addition, the Bank believes that its ability to respond rapidly to changing customer needs with innovative solutions and best in class digital offering (for example, the Bank's mobile application has one of the highest user ratings when compared to other mobile applications in Saudi Arabia), provide it with a strong competitive advantage.

### ***Experienced Saudi management team***

The Bank has a strong and experienced 16-member executive management team which has extensive knowledge of the banking sector in Saudi Arabia and the wider MENA region and significant experience in leading international financial institutions. Its 11-member Board also has significant experience, with the Chairman being a former Chief Executive Officer (CEO) of the Bank and the Vice Chairman having been a Deputy CEO at the CMA.

## **Value Creation Model and Strategy**

### **Value creation model**

The Bank's management believes that its value is driven by its vision and mission, engagement with stakeholders and integrated thinking and strategy.

The Bank's future earnings are driven by value derived from and delivered to stakeholders. The Bank creates value in this manner sustainably over time as it continues to build and strengthen relationships with its key stakeholder groups. The Bank considers these stakeholder groups to be forms of capital.

In addition to financial capital and institutional capital, other capitals include investor capital, customer capital, business partner capital, employee capital, Government and regulator capital and social and environmental capital. Together these capitals provide the inputs for the Bank's activities enabling delivery of value to and the derivation of value from stakeholders over time.

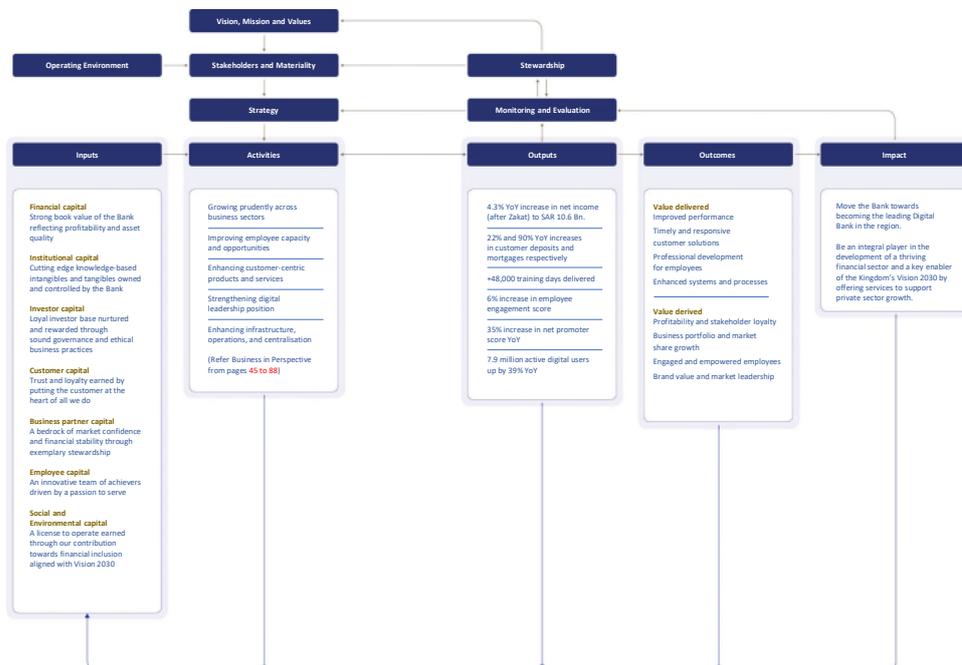
The Bank's system for transforming input capitals through business activities into outputs, outcomes and impact is illustrated in the Value Creation Model below. Each segment that follows inputs is part of a results chain that represents value creation in the current-, short-, medium- and long-term respectively.

The business drivers and the results chain described above are complemented by events and trends in the internal and external operating environment, good governance and risk management practices, and the ongoing monitoring and evaluation of the Bank's performance in the current-, short-, medium- and long-term. Despite the nature of the value creation process – where the capitals are constantly rising, falling or being preserved – the Bank remains focused on increasing the overall stock of capital.

The diagram below illustrates the Bank’s value creation model.

### Value Creation Model

The Bank’s robust value creation model illustrates the multiple forms of capital that are the inputs to the Bank’s business activities as it creates value over time against the fast-paced changes of its operating environment.



The Bank is committed to fulfilling its vision to be a trusted leader delivering innovative financial solutions to enhance the quality of life of people everywhere. Its mission is to be the most successful bank admired for its innovative service, people, technology, and Shari’a-compliant products, both locally and internationally.

### Strategy

The Bank’s strong result in 2020 is the outcome of a solid foundation built upon the Bank’s ABCDE – Back to Basics strategy, which was launched in 2016 and covered the 2016 to 2020 period. The strategy was designed to enhance regulator confidence, improve controls, engender prudent growth, establish a strong stake in digital banking and create better value for its stakeholders. The Bank posted robust growth in its core retail banking franchise with a doubling of its share price over the five-year strategic period and a market leading financial performance in Saudi Arabia. At the end of the period, its balance sheet was well provisioned and the brand remained powerful; backed by a broad distribution network and improved digital sales and service capabilities.

The Bank’s management believes that the government’s Vision 2030 is providing significant growth opportunities across Saudi Arabia as the move from public to private sector gathers pace, bringing with it significant opportunities for growth in financial services. The Government has indicated that the Public Investment Fund (the “PIF”) will increase capital investment in the Saudi economy through mega-projects, the issuance of sukuk and by accelerating the privatisation of Government entities. The Government’s Financial Sector Development Programme (the “FSDP”), which contributes towards Vision 2030, is designed to allow financial institutions to support private sector growth without compromising stability. Business groups across the Bank are looking to make the most of this increased focus on the private sector by expanding their range of solutions beyond traditional transactional banking services. The increasing penetration of banks, greater demand for housing and better credit reporting within Saudi Arabia allow for strong credit growth potential for both the retail and SME customer segments. Meanwhile, Government investments are opening up opportunities for the corporate banking sector and the growing sukuk market is providing greater opportunities for treasury services.

Reflecting these developments, the Bank's new strategy for the three-year 2021 to 2023 period is designed to help the Bank become "The Bank of the Future" ("BOTF"). By successfully executing its BOTF strategy, the Bank sees strong prospects for continued profitable growth through two key areas.

- protecting the Bank's core retail franchise – where it will focus on transitioning from public to private sector while continuing to build on market leading digital capabilities as it continues to pivot from physical to digital delivery; and
- participating in new growth opportunities through expanding in sectors where the Bank has some existing but under developed capabilities and currently has smaller market shares. These opportunities include private banking, bancassurance, corporate banking and SME banking. These sectors are growing significantly, and the Bank is already making good progress in building new capabilities to profitably grow its share (for example it established Emkan in mid-2020 to provide micro financing to consumers and the SME sector).

The Bank's management believes that the basic elements to achieve its new strategy are in place and that the Bank is well positioned to take advantage of the new opportunities given its existing strengths in terms of liquidity, distribution, and talent.

The four key elements of the BOTF strategy are:

- **Build on the core;**
- **Outperform the market;**
- **Transform technology; and**
- **Fulfil more customer needs.**

### ***Build on the core***

The Bank intends to build on the core by building on its existing capabilities in retail, corporate and SME business banking and treasury products to protect its core franchise. In retail banking, the Bank currently has leading market shares in personal finance, auto finance and mortgage financing. It also has the leading market share in consumer mobile banking capabilities (measured by active digital customers and based on publicly available information as at 31 December 2021). The Bank continues to invest in these capabilities and build on its already strong brand and customer engagement.

In corporate banking, where the Bank is currently ranked seventh in the market in terms of corporate financing provided based on published financial information by banks as at 31 December 2021, the Bank intends to focus on deepening selected customer relationships in target industries with specific names. While Saudi Arabia's corporate banking market is sizeable, the Bank has maintained healthy profitability levels thanks to low cost funds, low cost of risk and low operating expenses. The Bank also intends to build on its treasury investment book to improve its yield and maturity profile.

SMEs have traditionally found it difficult to secure bank financing in Saudi Arabia. The Bank is looking to capitalise on its distribution strength and create the leading offer for this segment by providing more convenient and efficient banking services through automation to speed up decision and delivery timelines.

To expand its customer mix, the Bank is also increasing its focus on private sector employees and mortgages, by working to increase its share in non-Real Estate Development Fund lending. Additionally, the Bank intends to work to meet more of its affluent customer's bancassurance needs as the Saudi market matures. The Bank's digital capabilities continue to expand in both sales and service, with the online migration of current account opening and the full range of its personal lending products and mortgage applications.

### ***Outperform the market***

The Bank aims to lead the market in customer experience, employee engagement and regulatory conduct. Creating value for all stakeholders including its regulators, shareholders, employees, customers and business partners, will continue to be a priority. Each business line is tasked with leading the market in its area, with a strategy to do so clearly laid out for all employees with individual key performance indicators aligned with department goals.

Employee recruitment, training and development, engagement and retention continue to be a priority to ensure that the Bank's people continue to be ready to meet the challenges of the changing operating environment. To execute this strategy, the Bank continues to invest in its people with a focus on building the right capabilities while enhancing and modernising its IT infrastructure and streamlining processes.

The Bank intends to continue to diligently ensure that its people receive the awareness and training required to be compliant with both the letter and the spirit of all regulatory requirements

### ***Transform technology***

The Bank intends to build resilience and a platform for innovation through a continued focus on modernising technology, leadership in data driven insights and agile working. The Bank will also look to support the growth of its digital banking offering by continuing to upgrade and modernise its critical infrastructure. Customers are increasingly turning to digital options in all areas of their day-to-day lives, from shopping to working and staying in touch with family and friends. Management believes that they will expect the same level of ease and convenience from the bank of their choice and the Bank must be ready to deliver.

The Bank's strategy focuses on delivering the best digital bank value proposition in the market, leveraging its digital banking capabilities across a wide range of customer groups, providing the best customer experience and having a differentiated and focused digital marketing approach across all segments served. This will be supported by digital-ready platforms that are responsive and scalable, aligned with business strategy and the demands and trends of the market.

In January 2022, the Bank acquired Ejada Systems Company which will assist the Bank in developing its technological capabilities with the latest technologies that will contribute to its digital transformation in order to provide the best financial solutions and meet customers' expectations through innovative products that keep pace with their changing needs.

### ***Fulfil more customer needs***

The Bank intends to expand into key growth areas such as finance, wealth management and payments in order to serve more customers and deepen existing relationships. Building on the Bank's current private banking business, the emphasis will be on transforming from a transactional bank for this segment to one that offers broader wealth management services to meet more needs from existing customers as well as attracting new business. The provision of wealth management solutions will leverage the Bank's treasury services and subsidiaries, such as ARC, and its associate, AR CCI.

To meet the changing needs of the consumer finance market and the transition to a larger private sector in Saudi Arabia, the Bank has launched a new finance company, Emkan, which targets micro consumer financing, finance leasing and SME financing, and offers further growth potential.

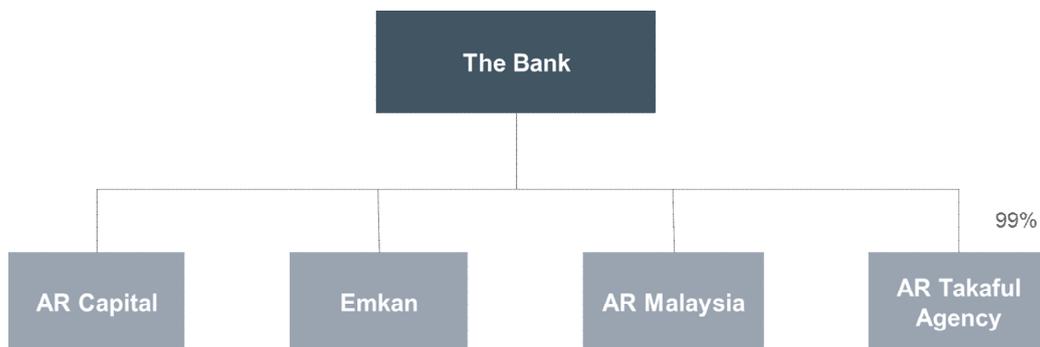
The payments market is undergoing rapid change with financial technology companies and new entrants providing a threat to established players. As a leading payments solution provider, the Bank is focussed on adapting to these changes through the creation of end-to-end digital payments solutions for its customers. Through innovative services, product offerings and advanced capabilities, the Bank expects to deepen its

relationship with customers, placing them at the heart of everything it does. In October 2021, the Bank launched neoleap, a fintech company licensed by SAMA with a focus on payments.

Through the improvement of customer-related systems and processes, digitisation will also play a major role in improving employees’ capacity to serve customers and exceed expectations. The Bank is also focused on encouraging cross-selling across all products by capitalising on the Bank’s reputation and large customer base as a means of driving revenue growth and increased profitability. In 2021, the Bank made significant progress in engaging its most valued customers through the Mokafaa loyalty programme. The aim of the programme is to provide a rewarding loyalty experience for customers across Saudi Arabia, with members able to earn Mokafaa points across a range of the Bank’s products and services which can then be redeemed or shared with friends and family. The total number of Mokafaa members now stands at over 3.5 million, with over one million members having joined the programme in 2021. The Mokafaa programme has helped the Bank to boost customer engagement rates, with members now able to redeem their Mokafaa points in-store with 65 major merchants in Saudi Arabia.

### Group Structure

The chart below sets out details of the Bank and certain of its subsidiaries described elsewhere in this document as at the date of this Offering Circular. All of the subsidiaries are wholly-owned, except where indicated otherwise by a percentage figure.



In addition, the Bank has a 22.5 per cent. shareholding in AR CCI. The Bank has no representative offices.

### Shareholders

The table below shows the shareholders which owned more than 5.0 per cent. of the Bank’s share capital as at 31 December 2021.

Shareholder	Number of shares	Percentage of issued share capital
GOSI <sup>(1)</sup> .....	240,250,000	9.61
	<b>2,500,000,000</b>	<b>100.0</b>

Note:

(1) General Organisation for Social Insurance. GOSI is being merged with the Public Pension Agency

### Sustainable Finance Framework

From time to time and pursuant to the Programme, the Bank may procure the Trustee to issue Sustainable Certificates in respect of which it will apply the equivalent amount to fund and/or refinance, in whole or in part, a portfolio of Eligible Sustainable Projects as set out in the Bank’s Sustainable Finance Framework.

The Sustainable Finance Framework envisages that the Sustainable Certificates may comprise Certificates where the equivalent amount is used either to finance either eligible green projects or eligible social projects as described below.

Eligible green projects comprise:

- (i) investments in projects related to the production, transmission and storage of renewable energy from renewable energy sources including solar, wind, green hydrogen and green ammonia, biofuels produced from waste sources, or biomass; or
- (ii) investments in projects that reduce energy consumption and/or upgrade in grid infrastructure to improve efficiency or reduce losses in electricity transmission and/or upgrade older generation telecommunications infrastructure and networks to 5G; or
- (iii) investments in projects related to construction, upgrades, renovations or improvements for the transportation and treatment of wastewater and/or in projects that increase water-use efficiency and/or in projects related to water desalination plants powered by reverse osmosis technology; or
- (iv) investments in projects related to construction, upgrade and renovation of facilities for collection, sorting, processing and conversion and treatment of waste; or
- (v) investments in projects related to sustainable forestry practices that are certified in accordance with the Forest Stewardship Council or Programme for the Endorsement of Forest Certification; or
- (vi) investments in projects related to low carbon vehicles and associated infrastructure for public, passenger and freight transportation and/or in projects supporting the deployment of electric vehicles or charging infrastructure; or
- (vii) investments in projects related to acquisition, development, construction and refurbishment of green buildings or data centres.

Eligible social projects comprise:

- (i) financing and/or refinancing of loans to micro, small and medium enterprises (“MSMEs”) and microfinance clients and/or providing supportive measures to these clients including extension of payment periods and exemption of facility fees during natural disasters and pandemics; or
- (ii) investments in projects related to financing and/or refinancing Government-supported or Government-subsidised mortgages in partnership with mortgage financing programmes for the provision affordable housing and/or projects related to the development and construction of homes under such programmes; or
- (iii) investments in projects related to the construction or expansion of hospitals and schools that provide not-for-profit, free or subsidised healthcare and education, including Government-owned public-private partnerships for the provision or distribution of healthcare equipment and public services, infrastructure for the provision of emergency medical response and disease control services or the provision of child, youth or adult education and vocational training services.

The equivalent amount in relation to Sustainable Certificates will not be allocated to projects where the majority of revenues are derived from fossil fuels, nuclear power generation, conflict minerals, weapons, gambling, vaping, tobacco, alcohol, mining and/or oil and gas.

The proceeds of each issue of Sustainable Certificates will be deposited in the Bank’s general funding accounts and earmarked for allocation towards the Eligible Sustainable Projects using the Sustainable Finance Register.

Any proceeds temporarily unallocated will be invested according to the Bank's standard liquidity policy in cash or cash equivalents.

The Bank intends to allocate the equivalent amount of each issue of Sustainable Certificates to refinanced Eligible Sustainable Projects within three years of the date of issuance and expects that the equivalent amount of each issuance of Sustainable Certificates will be fully allocated within two years from the date of issuance. The Bank will, where possible, disclose to investors the expected share of financing versus refinancing for any Sustainable Certificates.

On an annual basis, the Bank will publish on its website an allocation report and an impact report on its Eligible Sustainable Projects. This reporting will be updated annually until full allocation of the net proceeds of any Sustainable Certificates issued, or until the Sustainable Certificates are no longer outstanding.

The Bank has appointed S&P Global to provide an external review on its Sustainable Finance Framework and confirm its alignment with the ICMA Green Bond Principles published by the International Capital Markets Association from time to time (which, as at the date of this Offering Circular, are the Green Bond Principles 2021) and other relevant benchmarks. This opinion will also be made available on the Bank's website.

None of the Sustainable Finance Framework or the ICMA Green Bond Principles or any of the above reports, verification assessments or the contents of any of the above websites are incorporated in or form part of this Offering Circular.

See also "*Risk Factors—Risks Relating to the Certificates —The use of proceeds of any issue of Certificates identified as Sustainable Certificates in the relevant pricing supplement may not meet investor expectations or requirements or be suitable for an investor's investment criteria*".

## **Business**

### **Overview**

The Group has four principal reporting segments which correspond to its core businesses. These are:

- ***Retail:*** The retail business provides banking services, principally lending and deposit taking to individuals and affluent customers in Saudi Arabia. The retail business also provides business banking services to micro- and small-businesses ("**MSBs**").
- ***Corporate:*** The corporate business provides banking services, including credit-related and financing products and deposit taking, to corporate clients in Saudi Arabia, including SMEs;
- ***Treasury:*** The treasury business provides treasury services, including various Islamic rate hedging and derivative products, Islamic foreign exchange hedging and derivative products as well as structured investment solutions, and includes the international mutajara portfolio originated by the Group's overseas banking subsidiaries and branches and the Group's remittance business; and
- ***Investment services and brokerage:*** The investment service and brokerage business provides wealth management, asset management and shares brokerage services (local, regional and international), principally through ARC.

The table below shows certain income statement and statement of financial position financial data for each of the Group's reporting segments as at, and for the year ended, 31 December 2021.

	<u>Retail</u>	<u>Corporate</u>	<u>Treasury</u> <i>(per cent.)</i>	<u>Investment services and brokerage</u>	<u>Total</u>
<b>Year ended 31 December 2021</b>					
Total operating income .....	54.5	13.7	28.1	3.8	<b>100.0</b>
Income before zakat.....	37.6	14.7	42.8	4.9	<b>100.0</b>
<b>As at 31 December 2021</b>					
Total assets .....	67.0	14.1	18.1	0.8	<b>100.0</b>
Total liabilities.....	57.4	37.3	5.2	0.0	<b>100.0</b>

## Retail

### Overview

The Bank's retail banking business focuses on the provision of private, affluent banking and mass consumer banking services, including savings and protection products provided through AR CCI.

The Bank's retail banking business, which accounted for 54.5 per cent. of the Group's total operating income and 37.6 per cent. of its income before zakat in 2021, comprises:

- consumer banking, which delivers sales and service through the branch network, manages the complete product suite of liabilities, residential finance, personal finance, cards and auto lease, and delivers banking services to MSB customers; and
- affluent banking, which delivers sales, service and advice to private banking and affluent banking customers.

These operational businesses are supported by a retail operations unit that manages the delivery of product fulfilment, customer care, collections and operational administration and a retail strategy and analytics unit that enables all retail businesses with strategy development, marketing services, sales analytics and customer analytics.

Personal banking is highly competitive in Saudi Arabia, with the Bank's main competitors being Saudi National Bank, Bank Albilad, Saudi British Bank and Riyadh Bank. The Bank distinguishes itself from its competitors through its reach, product development expertise, solid balance sheet, brand value, customer loyalty, a strong digital offering, network reach, customer experience, agile delivery and holistic approach to providing banking services across all client segments and businesses. As at 31 December 2021, the Bank was the largest local bank in Saudi Arabia in terms of consumer financing and had a 44.6 per cent. market share of total performing consumer financing among local banks in Saudi Arabia (source: SIMAH – FY 2021).

### Consumer banking

The Bank's consumer banking customers are served through its branch network and alternative channels. As at 31 December 2021, the Bank had the largest banking branch network in Saudi Arabia at 521 branches.

In 2021, the Bank conducted approximately 20 per cent. of its financial transactions with its retail customers through the following alternative distribution channels: telephone and digital banking, smartphone and tablet

applications. These channels enable the Bank to deliver many of its products in a more secure, cost-effective and user-friendly manner, often using the customer's own hardware.

The Bank offers a broad suite of consumer banking products to customers. The key products offered are:

- personal finance, which is offered primarily on the basis of an assignment of the customer's salary, although the Bank also offers personal finance without a salary assignment and, in line with the digitisation objectives of the Bank, personal finance is available through the alternative distribution channels, thereby facilitating end-to-end financing digitally;
- deposit solutions, including savings accounts, time deposits and structured deposits;
- credit and charge cards, with loyalty features designed to attract and retain customers. The cards offered are all Visa cards and range from simple classic cards which provide reward points in the Bank's loyalty programme to more sophisticated products (such as infinite, platinum and signature cards which offer a diverse range of additional benefits). Customers can also take advantage of more specialised card offers, such as cards that can be loaded with foreign currencies to assist overseas travel and cards that convert reward points into charitable donations);
- residential finance, which is offered through mortgage specialists at the Bank's branches. A full range of product solutions is offered, which includes financing, equity release, multi-family dwelling, near-completion projects, construction finance, off-plan finance and "land loan" finance. The Bank aims to grow its market share in real estate financing through an emphasis on customer-focused mortgage planning (which involves guiding customers through the mortgage and lending process) and partnerships with property brokers and developers; and
- auto finance to individuals buying passenger vehicles. This involves the Bank, at the request of the customer, acquiring a car of the customer's choice and leasing it to the customer for a maximum period of five years. The Bank has representatives in the showrooms of all leading automobile dealers in Saudi Arabia, and works collaboratively with automobile dealers on joint marketing initiatives.

The Bank offers business banking services to MSBs (being businesses with turnover up to SAR 100 million per year). These clients are served by relationship managers operating within the branch network providing a full suite of products, including current accounts, digital banking and financing options through POS, buy-to-let mortgage, e-commerce, fleet and cards products (including debit, credit and charge cards).

#### *Affluent and private banking*

The Bank's affluent customers comprise customers with an average balance with the Bank of at least SAR 100,000 or with a salary of SAR 20,000 or more per month.

The Bank's affluent customers are entitled to a range of benefits which depend on their status within the affluent programme. At the basic level, these include priority services in its more than 300 Affluent Centres across the Bank's branch network. Other benefits include exemptions or discounts from banking fees, credit card benefits, access to VIP lounges at airports and exclusive offers and discounts and increased daily cash transfer and withdrawal limits. At the higher diamond level, affluent customers also benefit from dedicated relationship managers, access to concierge and emergency assistance services worldwide and higher daily cash transfer limits.

In addition to the benefits offered to the Bank's diamond affluent customers, the Bank's private customers also benefit from committed private banking centres, free credit cards for themselves and their family and the highest daily transfer limits.

Products targeted to affluent and private banking customers include credit cards, takaful insurance, mutual funds, residential mortgage financing and auto leasing. In the case of diamond affluent and private banking customers, these products and services are provided by a dedicated relationship manager, who caters to the customer's overall personal banking and investment needs.

The Bank also utilises its strong relationships with private banking customers to cross-sell other Group products, in particular treasury and ARC products. Through ARC, wealth managers provide clients with a range of services such as financial planning, investment advice, asset allocation, comprehensive portfolio management and retirement planning.

### *Savings and protection*

The retail business offers four savings and protection packages through AR CCI, a listed insurance provider in which the Bank has a 22.5 per cent. shareholding. The plans provide a way to invest regular contributions in a simple and cost effective manner in amounts ranging from SAR 300 per month to SAR 3,000 per month, with protected amounts ranging from SAR 50,000 to SAR 400,000. The funds invested are managed by professional fund managers and, in the event of death or disability, the customer receives the current plan value or the protected amount, whichever is higher.

## **Corporate**

### ***Overview***

The Bank's corporate banking business focuses on the provision of a wide range of corporate banking solutions covering account services, financing, cash management, trade finance, digital payment solutions and treasury services to companies with a turnover in excess of SAR 40 million. It services more than 481,000 customers and had the seventh largest portfolio of corporate financing in Saudi Arabia as at 31 December 2021, with a market share of 7.9 per cent. based on the published financial statements of Saudi Arabian banks.

The Bank's corporate business accounted for 13.7 per cent. of the Group's total operating income and 14.7 per cent. of its income before zakat in 2021. The Bank's corporate business includes the following client segments: large corporates, mid corporates, SMEs, enterprise banking and government supported by three product units: (i) global transaction banking unit covering (a) cash management (b) digital payments and (iii) corporate cards, (ii) trade finance and (iii) structured finance providing advisory, syndication with other banks and transaction support. These client segments and product areas are supported by a coverage and strategy unit that is responsible for strategy development, strategy execution, project management, middle office and analytics functions and also assists with portfolio attribution and performance management. The corporate business is also supported by the operations unit under the shared services function, that encompasses all operational functions across the Bank providing customer service and support to all areas within the corporate business.

The corporate business services more than 481,000 customers across various sectors and has three dedicated business solution centres in Riyadh, Jeddah and Dammam, which act as universal centres serving corporate clients' needs across products and services. In addition, 44 corporate desks have been set up in identified retail branches to expand corporate coverage and distribution. The plan is to expand this to more than 100 locations to serve corporate clients across Saudi Arabia. Given the corporate business' relative market position and the current market landscape supported by various Government initiatives, the Bank believes that it has significant scope to expand its corporate business.

The Bank's corporate business aims to be the "Best Corporate Bank" in Saudi Arabia. To drive this aspiration, the corporate business intends to grow its asset market share with a focus on expanding its customer base. In addition, the corporate business aims to grow its liabilities, fee income and cross selling whilst maintaining a below market average cost of risk. The corporate business intends to expand its client base by leveraging the Bank's strength in retail, Emkan, neoleap, customer loyalty and its balance sheet size to diversify its client base and minimise its cost of risk. The corporate business will continue to focus on building a balanced portfolio

across customer segments and improving yields by focusing on structured products, enhancing global transaction banking solutions, repositioning trade finance and building on its coverage model both from a relationship and product perspective.

### ***Large corporates and structured finance***

The large corporates coverage business services clients that generate sales turnover of SAR 500 million and above. The Bank serves these large corporate clients through dedicated relationship managers with a “One Client One Bank” approach. The business offers a wide range of *Shari’a*-compliant solutions, tailor made to suit client needs and requirements.

The large corporates team is supported by the Structured finance unit which offers specialised financing transaction structures tailored to clients’ needs. The structured finance unit offers advisory, arranging and underwriting business by leveraging strong client relationships and working closely with ARC. The structured finance unit is active in domestic project finance, participating in Government-sponsored projects in the oil, petrochemical, power, mining and water sectors. It also undertakes commercial real estate and acquisition financing and actively leads and arranges financing transactions in Saudi Arabia with other banks.

### ***Mid corporates and SMEs***

The mid corporates coverage business services clients that generate sales turnover between SAR 200 million and SAR 500 million. The business offers a comprehensive product suite covering financing, cash management, trade finance, payment solutions and treasury services. In addition, the business offers structured products POS and fleet financing to serve clients’ specialised needs. The business serves its clients through dedicated relationship managers that act as a single point of contact for all product and services across the Bank.

The SME coverage business covers business clients that that generate sales turnover between SAR 40 million and SAR 200 million. The business offers a wide range of plain vanilla products tailored to SME clients. It serves the clients through dedicated relationship managers offering a mix of judgemental and programme-based lending focusing on structured products covering POS, fleet financing and real estate programmes. The SME business works with the General Authority for Small and Medium Business (Monshaat) and participates in various Government programmes supported by SAMA including the Saudi Industrial Development Fund’s Kafalah programme focusing on creating opportunities and developing the SME segment in Saudi Arabia. The Banks’ aspiration is to be a bank of choice for SMEs in Saudi Arabia and it continues to build and implement strategic initiatives to realise this ambition.

### ***Enterprise banking and government (vision 2030 realisation programmes)***

The enterprise banking business cover clients with non-borrowing needs and provides basic account services and transaction banking services focusing on non-credit-driven cash and trade finance requirements. It currently serves over 480,000 clients across Saudi Arabia. The business primarily focuses on attracting deposits from these clients to fund the growth aspiration of the corporate business.

The government business serves the Government and semi-Government entities in addition to having a dedicated team working with various ministries to support the Vision 2030 plans by forging partnerships with various Government funds and programmes to contribute to the realisation of Vision 2030. The business has a partnership with the PIF to provide banking and payment solutions for the PIF, its various subsidiaries and as its newly established companies. The business also works closely with Government ministries and other Government-established funds such as the Saudi Industrial Development Fund, the Real Estate Development Fund, the Tourism Development Fund and the Agricultural Development Fund.

## ***Global transaction banking and trade finance***

The global transaction banking business provides product and solution support to clients through its cash management, digital payments and corporate cards units. The business provides tailored products and services covering payments, collections and connect solutions to serve the holistic business needs and requirements across client segments. The Bank is a leader in the payroll and payroll card product market serving over 4.5 million employees in processing their payroll. The global transaction business is working on further strengthening the proposition on business-to-business, virtual and escrow accounts and corporate liquidity management to serve the emerging needs of its clients. The Bank has the leading market share in POS terminals in Saudi Arabia with 326,121 terminals and a market share of 32 per cent. according to SAMA monthly statistics. The Bank processed over 56 million e-commerce transactions and is focusing on expanding the market share of e-commerce transactions from its current level of 10 per cent. according to SAMA monthly statistics. The global transaction business is working on launching a corporate card solution, to cater to the payments needs of its corporate and SME clients. Multiple card variants will be offered covering business and travel spend, to facilitate online booking, to manage supplier payments efficiently and to support clients with enhanced data to help them better manage their businesses.

The trade finance business serves the plain vanilla and structured trade requirements of the Bank's corporate and SME clients. The business covers trade sales, product development and trade services. The Bank is aiming to reposition as a "trade bank of choice" and a leading trade solutions and advisory provider by strengthening its capabilities and enhancing its digital penetration, improving turn-around time by revamping processes. The trade finance business is working on enhancing its product and services offerings to focus on structured trade including importers and exporters and to serve client needs across a rapidly-evolving corporate landscape.

## **Treasury**

### ***Overview***

The Bank's treasury business focuses on:

- managing the Bank's liquidity and ensuring that the Bank is able to meet its financial obligations at all times. This includes overseeing all short-term funding sources, pricing and managing all short-term and long-term financing provided by the Bank, monitoring the liquidity of the Group and ensuring its compliance with regulatory ratios; and
- managing the Bank's investments portfolio. In so doing, it provides superior asset allocation, balance sheet optimisation and direct investment management expertise and seeks to protect the Bank's balance sheet from abnormal profit rate movements, enhance yields/income and contribute to the maintenance of adequate liquidity coverage within defined risk limits.

The Bank's treasury business also manages the mutajara portfolio originated by its overseas subsidiaries and branches and its "Tahweel Al Rajhi" remittance business that caters to the needs of Saudi Arabia's large expatriate labour market.

The Bank's treasury business accounted for 28.1 per cent. of the Group's total operating income and 42.8 per cent. of its income before zakat in 2021.

Treasury manages the Bank's liquidity and funding operations in accordance with pre-determined limits set by the asset and liability committee (the **ALCO**) in relation to net outflows, stress scenarios, projected cash flows, and regulatory liquidity ratios. The stability and behaviour of the Bank's deposit base is analysed using historical and simulated data and statistical interval analysis. The results of such analyses, the Bank's funding limits, potential funding issues and pricing history and mechanics are discussed by the ALCO. Any changes to pricing strategy and environment are communicated to the ALCO.

The Bank's excess liquidity is deployed in investment portfolios primarily in high quality liquid assets and in other asset classes in line with the overall risk appetite with an objective to achieve the targeted risk-adjusted return while complying with risk management requirements approved by the Board. The Bank closely monitors the investment portfolios to ensure they remain well within the risk limits. For a breakdown of the Bank's funding, see "*Financial review—Liquidity and funding—Funding*".

Treasury has an established limit structure, which includes sophisticated risk management and measurement tools such as Murex and Moody's systems, which consolidate credit, price and liquidity risk limit information and manage the data in real-time across all instrument types, thereby enabling treasury risk managers to exercise real-time oversight and control of credit and market risk exposures.

At the request of clients, the treasury sales and trading team analyses their commission rate exposure and provides solutions, pricing and execution of commission rate derivative products. The team also provides clients with solutions, pricing and execution of vanilla products, including spot, swap and forward transactions, and manages all market risk associated with the transactions.

Treasury also offers *Shari'a*-compliant structured products to the Bank's client base. Any risks to which the Bank may be exposed in connection with offering these products are hedged through interbank counterparties.

Treasury also aims to execute its foreign exchange business in a profitable and efficient manner accompanied by strict controls. It manages the Bank's foreign exchange exposures by ensuring that sufficient bank notes are available to meet client demands. It also offers physical and paper gold to its client base.

### ***Banking subsidiary in Malaysia and branches in Jordan and Kuwait***

Treasury is responsible for the Bank's wholly-owned banking subsidiary in Malaysia and its branches in Jordan and Kuwait. AR Malaysia is briefly described below under "*—Principal subsidiaries and associate*".

#### ***Tahweel Al Rajhi***

Tahweel Al Rajhi serves the remittance needs of Saudi Arabia's large expatriate labour market. As at 31 December 2021, the Bank had 207 Tahweel Al Rajhi remittance centres, which, according to SAMA monthly statistics, represented a market share of 29 per cent. of the remittance centres in Saudi Arabia. These remittance centres are a vital channel for the Bank through which customers, particularly expatriate workers, can remit funds to more than 200 countries, thereby providing financial services to a previously under-served segment.

### **Investment services and brokerage**

The Bank's investment services and brokerage business comprises the activities of ARC and accounted for 3.8 per cent. of the Group's total operating income and 4.9 per cent. of its income before zakat in 2021.

Founded in 2008, ARC is a financial services company that provides a wide range of financial products and services across brokerage, asset and wealth management and investment banking. ARC is licensed by the CMA to carry out dealing, as principal and agent, as well as underwriting, managing, arranging, advising and custody services, with respect to securities.

#### ***Brokerage***

ARC is the largest broker in Saudi Arabia, serving institutional, corporate, retail, high-net-worth individual, and professional investors. Based on Tadawul trading activity reports, as of 31 December 2021, its broking market shares on Tadawul and the Nomu-Parallel Market were 19.4 per cent. and 22.3 per cent., respectively, with its nearest competitors having market shares of 15.2 per cent. and 19.4 per cent., respectively.

### ***Asset and wealth management***

ARC offers a range of investment solutions across all major asset classes including equities, real estate, money market, fixed income and multi-asset. ARC was named ‘Top Equities Manager of the Year in MENA’ by the Global Investor Awards MENA 2020. In addition, the Al Rajhi Multi-Asset Conservative Fund was recognised as the ‘Best Fund over 5 Years’ in the Mixed Asset Other Conservative category, by the Saudi Arabia Refinitiv Lipper Fund Awards 2020. As at 31 December 2021, ARC’s client assets under management stood at SAR 60.3 billion of assets, positioning ARC as Saudi Arabia’s fourth largest asset manager based on publicly available information.

In real estate, ARC is one of the largest real estate asset managers in Saudi Arabia, with total assets of over SAR 4.0 billion (including the assets of the Alrajhi REIT Fund and the special assets).

### ***Investment banking***

ARC’s investment banking business offers the Bank’s customers a comprehensive range of investment banking solutions and services, including: equity capital markets (such as IPOs, rights issues and private placements), debt capital markets, mergers and acquisitions and debt advisory services.

### **Principal Subsidiaries and Associate**

In addition to ARC, the Bank has a number of other subsidiaries and one associate, including:

#### ***AR Malaysia***

AR Malaysia is a wholly-owned subsidiary of the Bank. It is a licensed Islamic bank under the Malaysian Islamic Financial Services Act 2013 and is incorporated and domiciled in Malaysia. AR Malaysia has been operating for 14 years and has 16 branches across Malaysia.

AR Malaysia’s strategy is to focus on five key pillars: (i) increasing assets and financing growth, (ii) increasing non-yield income growth, (iii) increasing operational efficiency in a cost-effective manner, (iii) growing its current and savings accounts and (v) improving its cost to income ratio. In line with the Bank’s new BOTF strategy, AR Malaysia is also seeking to expand its digital capabilities in both sales and service.

#### ***Emkan***

Emkan is a wholly-owned subsidiary of the Bank and was established in mid-2020 in Saudi Arabia. Emkan provides micro consumer financing, finance leasing and small and medium business financing services.

#### ***AR Takaful Agency***

AR Takaful Agency is a 99 per cent. owned subsidiary of the Bank and acts as an agent for insurance brokerage activities under an agency agreement with AR Takaful.

#### ***AR CCI***

AR CCI is a 22.5 per cent. owned associate of the Bank. It is a public listed provider of a range of co-operative insurance services, including vehicle, property, health, personal accident, professional liability and travel insurance.

### **Internal Control**

The Bank’s executive management is responsible for designing an appropriate internal control system under the Board’s direct supervision. The system, which is aligned with SAMA’s regulatory requirements, has been

designed to directly mitigate risks that could impair the realisation of the Bank's strategic and operational objectives.

Set out below are the key components of the Bank's internal control system:

- continuous development of the governance framework through which appropriate control tools are prepared and updated at the Bank level and the roles and responsibilities of various components are clarified, including the Board, Board committees and other administrative committees;
- policies and procedures that govern the Bank's business activities which are subject to periodic review to ensure that the Bank's business is running properly in order to protect the quality of the Bank's assets;
- regular reviews on the efficiency and adequacy of the internal control system are carried out by Internal Audit based on an annual plan approved by the Audit and Compliance Committee, in addition to reviews of the effectiveness of internal control by the external auditors and supervisory reviews conducted by SAMA;
- an internal committee specialised in internal control work was formed in the Bank in 2020 for the purpose of following up on the observations and operations of control departments such as the internal audit, compliance, fraud control and various risk departments;
- most of the Bank's operations are executed through automated systems, which help in reducing manual errors and reducing the chances of fraud;
- the Board's Audit and Compliance Committee (the "BAC") supervises the activities of the internal and external auditors in order to support and promote their independence. This committee receives regular and periodic reports on audits carried out on different functions within the Bank; and
- the comments and reports of the Shari'a group are conveyed to the BAC to enhance compliance.

### **Internal Audit**

The Bank's internal audit group ("IAG") provides independent, objective assurance and advisory services to assist in maintaining an effective and efficient system of internal control across the Bank, its subsidiaries and branches and supporting the Board and the Board Audit and Compliance Committee ("BACC") in their oversight of the governance, risk and control framework. The Group Chief Internal Auditor reports functionally to the BACC and administratively to the Chief Executive Officer ("CEO").

The IAG helps the Bank to accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The nature of the internal audit work encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Bank's corporate governance framework, risk management and system of internal controls as well as the quality of management actions and performance in carrying out their assigned responsibilities to achieve the Bank's stated goals and objectives. The IAG also assesses and makes appropriate recommendations for improving the governance process.

The IAG follows a risk-based approach when carrying out risk assessments and ensures that audit plans are developed to cover the significant risks being faced by the Group. The Group's internal audit, subject to risk assessments, takes into account the need to provide the widest possible coverage of the Group to ensure that a culture of organisational ethics, good governance, risk management and control is promoted and practised throughout the Group. Accordingly, based on the nature and complexity of the Group's processes, generally a yearly audit plan is prepared by the IAG and approved by the BACC. As per the approved IA Charter, the IAG has started preparing a three-year strategic audit plan for the 2022 to 2024 period which is still to be presented to the BACC for review and approval. The audit plan is a dynamic document and can be amended to incorporate

any significant changes to the Bank's risk profile or business activities. All changes and modification to the approved internal audit plan are required to be presented to the BACC for approval.

The internal audits cover all activities, departments and legal entities in the Bank and are risk-assessed periodically to determine the frequency and priority of the audits. They also assess and make appropriate recommendations for improving the governance, system of internal controls and risk management processes. The results of the audits, with detailed recommendations for improvements, are tracked to ensure full resolution. All observations are shared with senior management and the BACC for monitoring and action tracking purposes. As part of the governance and monitoring processes, the High Management Committee, chaired by the CEO and with all group heads as members, is responsible for overseeing Group-wide audit, risk and compliance issues. In addition, the Internal Control Committee, chaired by the Chief Financial Officer (CFO), is responsible for reviewing, discussing and enforcing deadlines and actions, task accountability and setting clear priorities for actions that need to be taken across the Group to remediate all escalated high-risk internal control deficiencies or gaps and other issues related to identified key risk areas or processes.

## **Compliance**

The Bank defines compliance risks as the risks that result in or lead to the application of regulatory, legal or administrative penalties, or incurring serious financial losses or damage to its reputation, as a result of its non-compliance with the rules and regulations and regulatory and ethical standards applicable to its banking activities.

The Bank's compliance function is an independent group managed by the Group Chief Compliance Officer ("GCCO") who is appointed by the Board and reports directly to the CEO. The compliance group shares frequent reports with the Board Audit and Compliance Committee. The GCCO has the authority to directly communicate with the Board, or its committees, whenever required under SAMA's compliance principles.

The Compliance Group manages the Bank's responsibilities towards combating money laundering and terrorist financing. It organises anti-money laundering and anti-terrorist financing training within the Bank, monitors and reports transactions, receives internal reports on suspicious activities and makes official reports on suspicious activities to the Financial Intelligence Unit and relevant law enforcement agencies upon SAMA's request.

The Bank has stringent customer identification policies which apply to all new customers and on an ongoing basis to existing customers. The Bank is also using reliable and independent sources to verify its customers' information.

The Bank screens its new and existing customers against international sanctions lists, including those of the United Nations and the U.S. Office of Foreign Assets Control, and local sanctions lists provided by SAMA. The Bank's sanctions compliance programme governs and informs all facets of the Bank's operations to ensure robust controlling measures. The programme creates a sanctions compliance framework to ensure compliance and effectively manage risk and it also addresses sanctions-related components of the Bank's policies and procedures.

In case of on-boarding and maintaining the relationship with local and foreign politically exposed persons or persons otherwise indicated as high risk, the Bank requires an approval from the CEO or another authorised officer.

The Compliance Group manages the Bank's responsibilities towards financial fraud through fraud prevention and risk assessment and fraud detection policies and procedures, investigating and prosecuting fraud and social engineering cases, bribery and corruption cases and insider information cases, investigating personal account dealing, designating whistle blowing channels to receive reports from employees, customers, vendors and the public in relation to fraud and malpractice and organising anti-fraud awareness campaigns for both employees and customers.

## **Information Technology**

The Bank owns and operates two data centres in the different metropolitan areas in Riyadh which contain operating equipment and systems in a climatically controlled environment. The data centres are constantly monitored to ensure service availability and delivery according to the agreed service levels of the Bank.

The Bank continuously monitors and upgrades its technology platform and data centres. For example, in 2020 a number of strategic IT projects were successfully delivered including the transition to a state of the art Tier IV data centre and implementation of the first phase of its core banking replacement project.

The Bank launched a comprehensive digital transformation initiative in 2018 and, as part of this initiative and its new BOTF strategy, the Bank continues to focus on the four core themes of its digital strategy, which are to:

- expand smart channels and formats;
- enhance customer journeys;
- migrate customers to self-service channels; and
- deliver innovations in terms of payments.

The Bank places particular emphasis on data protection. For example, it encrypts data both at rest and during transmission while regulating data traffic using multi-layers of controls including firewalls to prevent system breaches. It employs dedicated controls against malicious activities, and ethical hacking is conducted on all new internet-based business applications and for subsequent changes. The Bank's IT infrastructure is backed up by its data centres. In addition, the Bank has built redundancy interruption and protection and recovery into its primary IT infrastructure with the use of automatic backup and mirroring facilities.

## **RISK MANAGEMENT**

### **Risk Governance**

The Bank adopts sound governance principles for risk management, which is a shared responsibility across the Bank. The Credit & Risk Group (the “**CRG**”) has primary responsibility for facilitating implementation of the risk management framework and measuring, monitoring and reporting the Bank’s key risks. The CRG provides professional advice across all functional areas and is integral to the Bank’s operations and culture.

The Bank’s risk culture requires that each business unit and each employee is accountable for identifying and managing the risks embedded under their responsibilities. The overall governance structure is divided into two levels: management level committees and Board level committees. The Risk Management Committee (the “**RMC**”), whose members include the heads of all business functions, including risk, HR and compliance, and which is chaired by the CEO, reviews and monitors the key enterprise risks areas and exceptions on a periodic basis. At the Board level, the Board Risk Management Committee (the “**BRMC**”) supports the Board in its role of overseeing the Bank’s performance in line with its risk appetite.

The Bank’s key risks are identified and plans of actions are developed to mitigate those risks on an annual basis. The identification of the key risks and their mitigation plans are discussed in RMC meetings and presented to the BRMC and the Board on an ongoing basis. The mitigation plans are reviewed regularly and the implementation of the action plans are monitored.

### **Risk Management Objectives**

The primary objectives of the Bank’s risk management function of the Bank are to:

- operationalise the Bank’s risk management policies by establishing the required systems, processes and procedures;
- assist in decisions relating to accepting, transferring, mitigating and minimising risks and recommending ways of doing so;
- evaluate the risk profile against the approved risk appetite on an ongoing basis;
- estimate potential losses that could arise from risk exposures assumed;
- periodically conduct stress testing in accordance with regulatory requirements;
- ensure that the Bank holds sufficient buffers of capital and liquidity to meet unexpected losses and honour its contractual obligations;
- integrate the Bank’s risk management practice with strategy development and execution; and
- institutionalise a strong risk culture within the Bank including conduct risk enforcement.

### **Risk Management Approach**

The Bank’s risk management function operates within the regulatory framework set out by SAMA. The Bank’s ICAAP, which details the Bank’s risk appetite, risk management approach, and primary risk controls, is submitted to SAMA on an annual basis following its review by the BRMC and approval by the Board. The BRMC also reviews and provides recommendations to the Board on the Bank’s Internal Liquidity Adequacy Assessment Plan (“**ILAAP**”), which is also submitted to SAMA on an annual basis.

To remain profitable, the Bank must manage risks with prudence and pragmatism by accurately identifying potential risks and their impact on the Bank’s value creation process. This process involves establishing risk thresholds, which are derived from the bank’s risk appetite. The Bank has policies and procedures that help it

to identify and analyse relevant risks, manage its capital effectively, and provide shareholders with sustainable returns.

The role of the CRG, headed by the Chief Risk Officer, is crucial to the Bank's management of risk across its operations. The CRG works within the risk framework and policies approved by the Board and its remit encompasses credit risk management, operational risk management and enterprise risk management. The CRG's reports to the Board and related committees cover credit risks and portfolio asset quality, operational risks, liquidity risks, market risks, reputational risks and technology and cybersecurity risks.

The Bank's policies on credit and provisioning, operational risk, market and liquidity risk and information security, as well as its risk appetite statement, are reviewed by the BRMC, whose recommendations are submitted for Board approval.

The ALCO monitors the Bank's liquidity risk. Its remit includes day-to-day management of funds to ensure that funds are available when necessary to meet commitments, monitoring liquidity ratios against benchmarks and managing the concentration and profile of debt maturities.

The CRG regularly monitors market risks, submitting monthly reports to the ALCO for assessment. The ALCO ensures that risks taken are appropriate but initiates mitigating action if they are not within the Bank's risk appetite.

The Bank's diverse customer base fortifies the Bank against a number of risks. The Bank segments its customer base into three primary areas:

- retail banking;
- SMEs; and
- corporate banking.

In this way, the Bank aligns its value proposition in terms of products, services, and delivery channels to better cater to its customers' needs. The Bank's retail customer-oriented business model provides a diverse risk profile that is supplemented by its robust corporate banking customer base. The extensive branch network endears the Bank to its loyal customer base, generating a high level of stable sticky demand deposits, which in turn have a positive impact on the Bank's liquidity.

The Bank's risk management practices support its long-term value creation plans by regulating the entire customer journey from on-boarding to advancing finance and providing reliable and relevant products and services.

## **Credit Risk**

### ***Overview***

Credit risk is the Bank's most significant and pervasive risk. Credit risk is the risk that the counter-party to a financial transaction will fail to discharge an obligation causing the Bank to incur a financial loss. Credit risk arises principally from financing (credit facilities provided to customers) and from cash and deposits held with other banks. Further, there is credit risk in certain off-balance sheet financial instruments, including guarantees relating to purchase and sale of foreign currencies, letters of credit, acceptances and commitments to extend credit. Credit risk monitoring and control is performed by the CRG, which sets parameters and thresholds for the Bank's financing activities.

Approval, disbursements, administration, classification, recoveries and write-offs for retail, SME and corporate credits are governed by the Bank's retail, SME and corporate credit policies, respectively, which are reviewed by CRG and approved by the BRMC and the Board. The Bank manages limits and controls concentrations of

credit risk wherever they are identified, in particular to individual customers and groups, and to industries and countries.

All SME, corporate and financial institution credit proposals are independently reviewed by CRG and recommended to the appropriate approval authority, which includes the management level credit committee and the Board's Executive Committee. The Bank has comprehensive product programme manuals highlighting the requirements of every aspect of retail lending. The Bank's compliance team ensures that SAMA guidelines are complied with and, as part of the internal audit plan, the Bank's internal audit team reviews the credit approval process and submits its findings to the BAC for review.

Comprehensive portfolio reports, including the top 10 watch list exposures, the top 10 non-performing financing exposures and the top 10 written off exposures for both the corporate and the SME portfolios are presented to the management level RMC, the BRMC and the Board on a regular basis. The report highlights the status of the exposure, recoveries, if any, collateral accepted, provisions held against these accounts and the action plan to regularise or recover the due amounts from these accounts.

### ***Credit risk concentration***

Concentrations of credit risks arise when a number of customers are engaged in similar business activities, activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risks indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

The Bank seeks to manage its credit risk exposure through diversification of its financing to ensure there is no undue concentration of risks to individual or groups of customers in specific geographical locations or economic sectors, This is achieved through risk appetite thresholds, target market criteria and risk acceptance criteria

The Bank manages credit risk by placing limits on the amount of risk accepted in relation to individual customers and groups, and to geographic and economic segments. Such risks are monitored on a regular basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, economic sector and by country are reviewed at least annually by the BRMC.

### ***Credit risk measurement***

The Bank's financial products are all structured in accordance with Shari'a law in order to meet its customers' demand for financing. These products are all classified as financing assets in the Bank's consolidated statement of financial position. In measuring the credit risk of its financing assets at a counterparty level, the Bank considers the overall credit worthiness of the customer based on a proprietary risk methodology.

This risk rating methodology utilises a 10 point scale based on quantitative and qualitative factors with seven performing categories (rated 1 to 7) and three non-performing categories (rated 8-10). The table below shows this classification.

<b>Risk rating</b>	<b>Category</b>	<b>Description</b>
1	Exceptional	Obligors of unquestioned credit standing at the pinnacle of credit quality.
2	Excellent	Obligors of the highest quality, presently and prospectively. Virtually no risk in lending to this class, cash flows reflect exceptionally large and stable margins of protection. Projected cash flows including anticipated credit extensions indicate strong liquidity levels and debt service coverage. Balance sheet parameters are strong, with excellent asset quality in terms of value and liquidity.
3	Superior	Typically obligors at the lower end of the high quality range with excellent prospects. Very good asset quality and liquidity. Consistently strong debt

		capacity and coverage. There could however be some elements, which with a low likelihood might impair performance in the future.
4	Good	Typically obligors in the high end of the medium range who are definitely sound with minor risk characteristics. Elements of strength are present in such areas as liquidity, stability of margins, cash flows, diversity of assets, and lack of dependence on one type of business.
5	Satisfactory	These are obligors with smaller margins of debt service coverage and with some elements of reduced strength. Satisfactory asset quality, liquidity and good debt capacity and coverage. A loss year or declining earnings trend may occur, but the borrowers have sufficient strength and financial flexibility to offset these issues.
6	Adequate	Obligors with declining earnings, strained cash flow, increasing leverage and/or weakening market fundamentals that indicate above average risk, such borrowers have limited additional debt capacity, modest coverage, average or below average asset quality and market share. Present borrower performance is satisfactory, but could be adversely affected by developing collateral quality/adequacy etc.
7	Very high risk	Generally undesirable business constituting an undue and unwarranted credit risk but not to the point of justifying a substandard classification. No loss of principal or profit has taken place. Potential weakness might include a weakening financial condition, an unrealistic repayment programme, inadequate sources of funds, or a lack of adequate collateral, credit information or documentation. The entity is undistinguished and mediocre. No new or incremental credits will generally be considered for this category.
8	Substandard	Obligors in default and 90 days past due on repayment of their obligations. Unacceptable business credit. Normal repayment is in jeopardy, and there exists well defined weakness in support of the same. The asset is inadequately protected by the current net worth and paying capacity of the obligor or pledged collateral. Specific provision raised as an estimate of potential loss.
9	Doubtful	Obligors in default and 180 days past due on their contracted obligations, however in the opinion of the management recovery/salvage value against corporate and real estate obligors is a possibility, and write-off should be deferred. Full repayment questionable. Serious problems exist to the point where a partial loss of principal is likely. Weaknesses are so pronounced that on the basis of current information, conditions and values, collection in full is highly improbable. Specific provision raised as an estimate of potential loss. However, for retail obligors (except real estate) and credit cards, total loss is expected and a 100 per cent. specific provision must be triggered followed by write-off in accordance with the Bank's write off policy.
10	Loss	Obligors in default and 360 days past due on their obligations. Total loss is expected. An uncollectible asset which does not warrant classification as an active asset. 100 per cent. specific provisioning must be triggered followed by write-off in accordance with the Bank's write-off policy.

The risk rating process is intended to advise the various independent approval authorities of the inherent risks associated with the counterparty and assist in determining suitable pricing commensurate with the associated risk.

For corporate exposures, the Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. The credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each corporate exposure is allocated to a credit risk grade at initial recognition based on the available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring of corporate exposure involves use of the following data:

- information obtained during periodic review of customer files, for example audited financial statements, management accounts, budgets and projections;
- data from credit reference agencies, press articles and changes in external credit ratings; and
- actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

The Bank collects performance and default information about its customers analysed by segment as well as by credit risk grading.

#### ***Modified financial assets***

The contractual terms of a financing may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing financing whose terms have been modified may be derecognised and the renegotiated financing recognised as a new financing at fair value in accordance with the accounting policy.

The Bank renegotiates financings to customers in financial difficulties (referred to as “forbearance activities”) to maximise collection opportunities and minimise the risk of default. Under the Bank's forbearance policy, forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of profit payments and amending the terms of covenants. Both retail and corporate financings are subject to the forbearance policy.

Forbearance is a qualitative indicator of a significant increase in credit risk, and an expectation of forbearance may constitute evidence that an exposure is credit-impaired or in default. A customer needs to demonstrate consistently good payment behaviour over a period of 12 months before the exposure is no longer considered to be credit-impaired or in default.

#### ***Risk limit control and mitigation policies***

The responsibility for credit risk management is enterprise-wide in scope. Strong risk management is integrated into daily processes, decision making and strategy setting, thereby making the understanding and management of credit risk the responsibility of every business segment.

The monitoring and management of credit risk associated with the Bank's financing are made by setting approved credit limits. The Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual customers and groups, and to industries and countries.

Concentrations of credit risks arise when a number of customers are engaged in similar business activities, activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risks indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. The Bank seeks to manage its credit risk exposure through diversification of its financing to ensure there is no undue concentration of risks to individuals or groups of customers in specific geographical locations or economic sectors.

The Bank manages credit risk by placing limits on the amount of risk accepted in relation to individual customers and groups, and to geographic and economic segments. Such risks are monitored on a regular basis and are subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, economic sector and by country are reviewed at least annually by the Board's Executive Committee. Exposure to credit risk is also managed through regular analysis on the ability of customers and potential customers to meet their financial and contractual repayment obligations and by revising credit limits where appropriate.

### ***Collateral management***

In the ordinary course of its financing activities, the Bank holds collateral as security to mitigate credit risk. This collateral mostly includes customer deposits and other cash deposits, financial guarantees, local and international equities, real estate and other property and equipment. The collateral is held mainly against commercial and consumer financing and managed against the relevant exposures. The fair value of collateral is based on valuations performed by independent experts, quoted prices (wherever available) and other valuation techniques. Experts have used various approaches in determining the fair value of real estate collateral, including the market comparable approach based on recent sales or the discounted cash flow approach taking into account risk adjusted discount rates, rental yields and terminal values.

The table below shows the gross balances of the Bank's individually impaired financing and the fair value of the related collateral held as at 31 December in each of 2021, 2020 and 2019.

	<u>Retail</u>	<u>Corporate</u>	<u>Total</u>
	<i>(SAR million)</i>		
<b>2021</b>			
Individually impaired financing.....	1,500.1	1,510.0	3,010.1
Fair value of collateral .....	925.3	135.4	1,060.6
<b>2020</b>			
Individually impaired financing.....	754.2	1,690.9	2,445.1
Fair value of collateral .....	573.6	453.2	1,026.8
<b>2019</b>			
Individually impaired financing.....	629.7	1,687.1	2,316.8
Fair value of collateral .....	214.9	522.1	737.0

### ***Impairment of financings***

The Bank impairs its financial assets in accordance with IFRS 9. Detailed disclosures on its impairment policies can be found in notes 3(f)(5) and 27-1 to its 2021 Financial Statements.

### **Market Risk**

The Bank is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks arise on profit rate products, foreign currency and mutual fund products, all of which are exposed to general and specific market movements and

changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and quoted market prices.

Market risk exposures are monitored by Treasury and CRG and reported to the ALCO on a monthly basis. The ALCO deliberates on the risks taken and ensures that they are appropriate.

The Bank is not exposed to market risks from speculative operations as the Shari'a principles under which it operates do not permit it to enter into contracts or speculative transactions.

### ***Profit rate risk***

Cash flow profit rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market profit rates. The Bank does not have any significant exposure to the effects of fluctuations in the prevailing level of market profit rates on its future cash flows as a significant portion of its profit earning financial assets and profit bearing liabilities are at fixed rates and are carried in the financial statements at amortised cost. In addition, a substantial portion of the Bank's financial liabilities are non-profit bearing.

Profit rate risk arises from the possibility that changes in profit rates will affect either the fair values or the future cash flows of financial instruments. The Board has established profit rate gap limits for stipulated periods. The Bank monitors positions daily and uses gap management strategies to ensure the maintenance of positions within the established gap limits.

The sensitivity of the Bank's gross financing and investment income to a 25 basis point change in profit rates, with other variables held constant, was SAR 325 million in 2021. The sensitivity reflects the effect of the assumed changes in profit rates for one year, based on the floating rate non-trading financial assets and financial liabilities held as at the end of the year.

Note 27-3(b) to the 2021 Financial Statements contains a table that shows the Bank's profit rate gaps resulting from the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

### ***Foreign currency risks***

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Bank's management has set limits on positions by currencies, which are regularly monitored to ensure that positions are maintained within the limits.

The Bank manages its exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The Bank's sensitivity analysis, set out in note 27-3(b) to the 2021 Financial Statements, shows that the only significant exposure is to the U.S. dollars (which has been pegged to the riyal at a fixed rate since 1986). Under the analysis, a 2 per cent. change in the U.S. dollar exchange rate against the riyal, with all other variables held constant, would have impacted the Bank's net income by SAR 41.0 million in 2021.

Note 27-3(b) to the 2021 Financial Statements also contains a table that shows the Bank's exposure to foreign currency exchange rate risk.

### ***Price risk***

The Bank has certain investments which are carried at FVSI and FVOCI. Price risk in relation to these investments arises due to changes in their fair value. As these investments are in a limited number of funds and are not significant to the Bank's total investment portfolio, the Bank monitors them periodically and determines

the risk of holding them based on changes in market prices. Other investments have little or no risk as these are bought for immediate sale. Investments are made only with a confirmed sale order.

Equity risk refers to the risk of decrease in the fair values of the Bank's equities in its non-trading investment portfolio as a result of reasonably possible changes in levels of equity indices and the value of individual stocks. The Bank's sensitivity analysis, set out in note 27-3(c) to the 2021 Financial Statements, shows that a 10 per cent. change in the levels of equity indices and the value of individual stocks would have impacted the Bank's other comprehensive income by SAR 532 million in 2021.

## **Liquidity Risk**

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay deposits and financing parties and fulfil financing commitments. Liquidity risk can be caused by market disruptions or by credit downgrades, which may cause certain sources of funding to become unavailable immediately. Diverse funding sources available to the Bank help mitigate this risk. Assets are managed with liquidity in mind, maintaining a conservative balance of cash and cash equivalents.

The Board has the ultimate responsibility for the management of overall liquidity risk within the Bank. The Board has delegated authority to the ALCO to ensure daily, timely and effective liquidity risk management. The Bank recognises that there is no one metric or event that could address all the dimensions or causes of liquidity risk. As a result, a liquidity risk control framework has been established, along with approved liquidity risk appetite parameters, within which the Bank's liquidity function operates. The liquidity risk tolerances are defined as part of Bank's liquidity/treasury risk appetite statement which is approved by the Board. The key liquidity risk measures include gaps and ratios, including the liquidity coverage ratio and the net stable funding ratio, which are reported to the ALCO on a monthly basis and to the BRMC at frequent intervals. The Bank's liquidity risk and asset and liability management policies are updated on an annual basis to reflect the changing operating environment and the Bank's strategy.

The Bank's liquidity management process includes:

- day-to-day funding, managed by Treasury, to ensure that requirements can be met, and this includes replenishment of funds as they mature or are invested;
- monitoring balance sheet liquidity ratios against internal and regulatory requirements;
- managing the concentration and profile of debt maturities;
- maintaining diversified funding sources; and
- liquidity management and asset and liability mismatching.

Monitoring and reporting take the form of analysing cash flows of items with both contractual and non-contractual maturities. The net cash flows are measured to ensure that they are within acceptable ranges. The Treasury and the ALCO also monitor the level and type of undrawn lending commitments, the usage of overdraft facilities and the potential impact that contingent liabilities, such as standby letters of credit and guarantees, may have on the Bank's liquidity position.

Management also monitors the Bank's maturity profile to ensure that adequate liquidity is maintained. Assets available to meet liabilities and to cover outstanding financing commitments include cash, balances with SAMA and due from banks. Further, in accordance with the BCL and Regulations issued by SAMA, the Bank maintains a statutory deposit equal to a sum not less than 7 per cent. of total customers' deposits, and 4 per cent. of total other customers' accounts. In addition to the statutory deposit, the Bank maintains a liquid reserve of not less than 20 per cent. of its deposit liabilities, in the form of cash, gold or assets, which can be converted into cash within a period not exceeding 30 days. Also, the Bank has the ability to raise additional funds through special financing arrangements with SAMA, including deferred sales transactions.

The Bank's liquidity risk control and mitigation techniques include identifying and assessing, measuring and monitoring liquidity risks, conducting regular and ad hoc risk analyses (such as stress tests), reporting the findings and making recommendations to the ALCO through the Chief Risk Officer. The Bank also conducts an annual ILAAP exercise which provides the Bank with an opportunity to estimate its liquidity gap positions and ratios over next one-year horizon. This enables the Bank to plan accordingly for any systemic or bank driven internal liquidity stress assessment. As part of its ILAAP exercise, the Bank has a contingency funding plan in place that can be invoked in stress liquidity situations.

Note 27-2 to the 2021 Financial Statements contains tables showing the maturities of the Bank's assets and liabilities by defined time buckets and the gaps in each period.

### **Operational Risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties or damages resulting from supervisory actions, as well as private settlements. The Bank's operational risk framework sets the policies to identify, assess, measure, monitor, manage (through mitigation, transfer and acceptance) and report operational risk. The Bank's directors, management and all staff members are accountable for managing operational risk in line with the roles and responsibilities. The overall effectiveness of the sound operational risk governance relies upon the following three lines of defence model: 1st line - business line management; 2nd line - an independent operational risk management function; and 3rd line - an independent review function which, in the Bank's case, is its Internal Audit team.

The Bank's operational risk management framework encompasses risk and control self-assessment, key risk indicators, incident reports, operational risk loss data and its information technology risk and business continuity and disaster recovery plan. The Operational Risk Committee oversees the implementation of the operational risk framework and reports to the RMC.

The Operational Risk Management Department (the "ORMD") within the CRG facilitates the management of operational risk in the Bank. The ORMD promotes a responsible culture of transparency, vigilance, openness, awareness and of being proactive across the Bank. It enforces responsibility and accountability for the management of operational risk across the Bank and is responsible for developing processes, tools and methodologies, overseeing their implementation and use within the business units and providing on-going monitoring and guidance across the Bank.

## MANAGEMENT AND EMPLOYEES

### Overview

The Board is the ultimate decision-making forum of the Group. The members of the Board are under a duty to provide effective governance and supervise the executive management on behalf of the Bank's shareholders and to balance the interest of its diverse constituencies, including its customers, employees, suppliers and local communities.

The Board, directly and through its committees, and the Chairman of the Board, provide direction to the Group's management, generally through the CEO, to pursue the best interests of the Group. The Board has the highest authority in managing the affairs of the Group. The Board can delegate some of its decision-making authority and responsibilities to the CEO, other executive members, or one or more of its committees. The Board or its committees meet at least every quarter.

The members of the Board and the Bank's executive management team have extensive knowledge of the banking sector in Saudi Arabia and the wider MENA region and many have significant experience in leading financial institutions.

In accordance with the Companies Law and the Bank's Articles of Association, the Board comprises 11 members (the **Directors**) elected by the general assembly every three years, including the Chairman.

All decisions taken by the Board are in accordance with the authority delegated to it by the shareholders. The Board is responsible for taking all the decisions of the Bank other than those matters reserved to the shareholders pursuant to the Articles of Association of the Bank or the law. Any resolution that requires clearance from the General Assembly of Shareholders must be approved in accordance with certain prescribed procedures including obtaining clearance from the Saudi Ministry of Commerce and SAMA. Accordingly, the shareholders do not independently influence the Board except through voting during a General Assembly meeting. Board members are appointed for three-year terms, which are staggered, and all Board members nominated by the shareholders must be approved by SAMA.

The Board exercises control and oversight over the Bank's subsidiaries both by having members of its senior management team on the boards and in board-level committees of the subsidiaries and by institutionalising a governance arrangement with the Group's control functions. Board members of the subsidiaries receive regular reports to enable them to exercise effective oversight. In addition, a quarterly risk report is presented to the Bank's Board Risk committee.

### Board of Directors

The table below shows the members of the Board.

<u>Name</u>	<u>Title</u>
Abdullah bin Sulaiman Al Rajhi.....	Chairman
Ibrahim bin Mohammed Al Romaih.....	Vice Chairman
Alaa bin Shakib Al Jabri.....	Board Member
Abdulaziz bin Khaled Al Ghufaily .....	Board Member
Badr bin Mohammed Al Rajhi.....	Board Member
Khaled bin Abdulrahman Al Gwaiz.....	Board Member
Ibrahim bin Fahad Al Ghofaily.....	Board Member
Hamza bin Othman Khushaim.....	Board Member
Raeed bin Abdullah Al Tamimi.....	Board Member
Abdulatif bin Ali Al Seif.....	Board Member
Stefano Paolo Bertamini .....	Board Member

The business address of each of the directors is Al Rajhi Bank, 8467, King Fahd Road – Al Muruj District, Unit No. 1, Riyadh 12263 – 2743, Saudi Arabia. There are no potential conflicts of interest between the duties owed to the Bank by the persons listed above and their private interests or other duties.

***Abdullah bin Sulaiman Al Rajhi, Chairman***

Abdullah Al Rajhi was appointed the Chairman of the Bank in October 2014 and is a member of the Executive Committee. He has over 40 years of experience in the banking, financial and investment fields.

He is the Chairman of the Board of many other Saudi Arabian companies, including AR CCI, ARC, Al Rajhi Holding Group Company, Farabi Petrochemicals Company, Indoor and Outdoor Flooring Fabrics Solutions Company, Al Ajial Holding Company and Fursan Travel and Tourism Company.

He held many executive positions in the Bank between 1979 and March 2012, including CEO, General Manager, Senior Deputy General Manager, Deputy General Manager of Financial Affairs and Deputy General Manager of Investment and Foreign Relations.

He has a Bachelor of Business Administration degree from King Abdulaziz University.

***Ibrahim bin Mohammed Al Romaih, Vice Chairman***

Ibrahim Al Romaih was appointed Vice Chairman of the Bank in November 2020 and is a member of the Executive Committee, the Chairman of the Nominations and Compensations Committee and the Chairman of the Governance Committee. He has over 30 years of experience in the banking, financial and investment fields.

He is a Board Member of Saudi Arabian Investment Company.

His previous positions include CEO of Saudi Arabian Investment Company, Deputy CEO of the Saudi Capital Market Authority, Assistant Secretary General of the Public Investment Fund a Board Member of both National Commercial Bank and Energy and Water Works Company.

He has a Bachelor's degree in Economics from Portland State University, USA and a Master's degree in Economics from Central Michigan University, USA.

***Alaa bin Shakib Al Jabri, Board Member***

Alaa Al Jabri was appointed a Member of the Board in October 2014 and is the Chairman of the Board Risk Management Committee. He has over 30 years of experience in the banking and financial fields.

He is a Board Member of Medical and Pharmaceutical Services Company.

His previous positions include being a Board Member of SIMAH, the Higher Education Fund, Saudi Travelers Cheques Company, Arab International Bank – Tunisia, Construction Products Holding Company and Rolaco Group.

He has a Bachelor's degree from the American University in Beirut and a Master's degree from INSEAD, France.

***Abdulaziz bin Khaled Al Ghufaily, Board Member***

Abdulaziz Al Ghufaily was appointed a Member of the Board in March 2011 and is a member of the Nominations and Compensations Committee. He has over 25 years of experience in the financial investment field.

He is also a Board Member of ARC, Savola Group Company and National Petrochemical Industry Company.

His previous positions include General Manager of Financial and Insurance Investments at Hassana Investment Company and a Board Member of each of Industrialization & Energy Services Company, Riyadh Hotels and Entertainment Company, Saudi Industries Development Company, Tabuk Agriculture Development Company, National Medical Care Company, Herfy Food Services and Panda Retail Company.

He has a Bachelor's degree in Economics from King Saud University and a Master's degree in Economics from Western Illinois University, USA.

***Badr bin Mohammed Al Rajhi, Board Member***

Badr Al Rajhi was appointed a Member of the Board in March 2011. He has 30 years of experience in the management, industry and real estate investment fields.

He is the Managing Director and Vice Chairman of Mohammed Abdulaziz Al Rajhi & Sons Investment Company and Chairman of the Board of Al Rajhi Steel Industries Co. Ltd. He is also Chairman of the Boards of Berain Company, Saudi Tourism Development Company, DAEM Real Estate Investment Company, MYO Osteopathy Medical Company, International Equestrian Resort Company and Al Badr Al Zaher Investment Company and Vice Chairman of the Board of Al Jazirah Home Appliance Co. Ltd.

***Khaled bin Abdulrahman Al Gwaiz, Board member***

Khaled Al Gwaiz was appointed a Member of the Board in October 2014 and is a member of the Nominations and Compensations Committee and the Board Risk Management Committee. He has more than 30 years of experience in the banking, financial and industrial fields.

He is the Chairman of the Board of Riyadh Cables Group Company and a Board Member of each of EMCOR Facilities Services, Saudi Pharmaceutical Industries & Medical Appliances Corporation, Tasnee Company and Bawan Company. He is also the CEO of Bin Ladin International Group.

His previous positions include Managing Director of ACWA Holding Company and Board Member of each of Saudi Tabreed Company, Swicorp Company, Unique Solutions for Chemical Industries and Synergy Consulting Company.

He has a Bachelor's degree in Urban Planning from the University of Washington, USA.

***Ibrahim bin Fahad Al Ghofaily, Board Member***

Ibrahim Al Ghofaily was appointed a Member of the Board in October 2017 and is a member of the Governance Committee. He has 10 years of academic and 10 years of practical experience in Islamic banking.

He is a Board Member of Jiwara Real Estate Management, Marketing and Development Company and the Head of Arriyada Financial Consulting Center, which he established in 2002.

His previous positions include Board Member of Alinma Bank. Financial Consultant of King Abdulaziz Endowment for the Two Holy Grand Mosques (Abraj Al Bait Complex) in Makkah, Deputy General Manager of Banking and Development at the Bank and Vice Dean of the Faculty of Economics and Management at King Abdulaziz University.

He has a Bachelor's degree in Public Administration from King Abdulaziz University, a Master's degree in Public Administration from California State University, USA and a PhD in Organizational Development from Florida State University, USA.

***Hamza bin Othman Khushaim, Board Member***

Hamza Khushaim was appointed a Member of the Board in October 2017 and is a member of the Executive Committee and the Board Risk Committee. He has 16 years of experience in investment.

He is Director of Investment, Financial Markets at Hassana Investment Company, a Member of the Saudi Investor Association and a Certified Member of the Association of Financial Analysts, USA.

His previous positions include Hedge Fund Portfolio Manager at KAUST Endowment, Hedge Fund Portfolio Manager at Investment Management, Treasury, Saudi Aramco, Financial Analyst at Investment Management, Treasury, Saudi Aramco and Board Member of Dallah Healthcare Holding Company.

He has a Bachelor's degree in Finance from Michigan State University, USA and a Master's degree in Business Administration from the University of Michigan in Ann Arbor, USA.

***Raeed bin Abdullah Al Tamimi, Board Member***

Raeed Al Tamimi was appointed a Member of the Board in October 2017 and is a member of the Governance Committee and the Nominations and Compensations Committee. He has 20 years of management experience.

He is a Board Member of each of SAPTCO and GASCO.

His previous positions include CEO of Tawuniya Insurance Company, CEO of National Medical Care Company and Board Member of each of Tawuniya Insurance Company, National Medical Care Company, Waseel Electronic Information Transfer and Najm Insurance Services Company.

He has a Bachelor's degree in Medical Science from the University of Wales, UK.

***Abdulatif bin Ali Al Seif, Board Member***

Abdulatif Al Seif was appointed a Member of the Board in October 2017 and is a member of the Executive Committee. He has more than 19 years of experience in the financial and investment fields.

He is a Board Member of each of Arabian Cement Company, National Petrochemical Company, Wisayah Global Investment Company, Nahdi Medical Company, Abdullah Al Othaim Investment Company and STC Solutions.

His previous positions include Deputy Head and Head of Investment at King Abdullah Humanitarian Foundation, Director of Portfolio Management at Masik, Head of Portfolio Management, Investment Management Division at Saudi Aramco, Board Member at HSBC Saudi Arabia, Executive Director at Vision Combined Limited Company and Board Member and CEO at Alra'idah Investment Company.

He has a Bachelor's degree and a Master's degree in Business Administration from Boston University, USA and a Master's degree in Economics from Boston University, USA.

***Stefano Paolo Bertamini, Board Member***

Stefano Bertamini was appointed a Member of the Board in November 2020. He has more than 30 years of experience in the banking, financial and industrial fields.

He is a Board Member of AR Malaysia, a Board Member and CEO of China Development Financial and a Board Member of China Life Insurance.

His previous positions include CEO of the Bank, Board Member and CEO of Standard Chartered and Board Member and CEO of General Electric in North East Asia.

He has a Bachelor’s degree in Finance and Business Administration from the University of Texas, USA and a Master’s degree in Finance and Business Administration from the University of North Texas.

### **Executive Management**

The Bank’s executive management team is responsible for managing the Bank’s day-to-day activities in accordance with the business and operational strategies set by the Board. The main objectives of the senior management team are:

- translating strategic and business plans into a corporate strategy and performance targets;
- allocating resources to drive business performance against agreed plans;
- managing business risk effectively, and balancing risk and reward within agreed guidelines; and
- managing the talent pool for sustainable business performance.

The table below shows the members of the Bank’s executive management.

<b>Name</b>	<b>Title</b>
Waleed Abdullah Almogbel.....	Chief Executive Officer
Abdulrahman Abdullah Alfadda.....	Chief Financial Officer
Abdullah S. Alomari.....	Acting Chief Operating Officer
Abdulaziz Saad Al Resais.....	Chief Risk Officer
Hossam Essam Al Basrawi.....	General Manager Corporate Banking Group
Saleh Abdullah Alheidan.....	General Manager Shari’a Group
Abdullah Sulaiman Alnami.....	Chief Compliance Officer
Majed Saleh Al Rajhi.....	General Manager Retail Banking
Omar Mohammad Almudarra	Chief Governance and Legal Officer
Ahmed Saleh Al Sudais.....	Chief Human Resources Officer
James Chester Galloway.....	Chief Strategy Officer
Abdullah Al Furajji.....	Chief Digital Officer
Dhary M. AlShamry.....	Chief Internal Auditor
Abdulrahman M. Alajaji.....	General Manager Treasury Group
Mushal Mustafa Alfadl.....	Chief Private Banking Officer
Turki Mohammed Aldhfayan.....	Chief Marketing and Customer Experience Officer
Amr Mohammad Sager.....	Assistant General Manager, Transformation and Change Management and Business Planning

The business address of each of the members of executive management is Al Rajhi Bank, 8467, King Fahd Road – Al Muruj District, Unit No. 1, Riyadh 12263 – 2743, Saudi Arabia. There are no potential conflicts of interest between the duties owed to the Bank by the persons listed above and their private interests or other duties.

#### ***Waleed Abdullah Almogbel, CEO***

Waleed Almogbel is the CEO of the Bank. He has 23 years of experience and was previously the Bank’s Deputy Chief Executive Officer and Chief Operating Officer. He has a PhD in Accounting and Auditing.

#### ***Abdulrahman Abdullah Alfadda, Chief Financial Officer***

Abdulrahman Alfadda is the Chief Financial Officer of the Bank. He has 24 years of experience and was previously the Bank’s General Manager of Treasury and Financial Institutions. He has a Bachelor’s degree in

Electrical Engineering.

***Abdullah S. Alomari, Acting – Chief Operating Officer***

Abdullah Alomari is the Acting Chief Operating Officer of the Bank. He was the Bank's Chief Information Officer and has 20 years of experience. Before joining the Bank, he was Senior Executive Officer Security and Privacy at Mobily Telecommunication Company and he has a Bachelor's degree in Electrical Engineering.

***Abdulaziz Saad Al Resais, Chief Risk Officer***

Abdulaziz Al Resais is the Chief Risk Officer of the Bank. He has 20 years of experience and was previously the Bank's Assistant General Manager of Enterprise Risk Management. He has a Master's degree of Business Administration.

***Hossam Essam Al Basrawi, General Manager Corporate Banking Group***

Hossam Al Basrawi is the General Manager of the Corporate Banking Group. He has 24 years of experience and was previously Head of the Corporate Banking Group at Banque Saudi Fransi. He has a Bachelor's degree in Law.

***Saleh Abdullah Alheidan, General Manager Shari'a Group***

Saleh Alheidan is the General Manager of the Shari'a Group. He has 35 years of experience and was previously Associate Professor in the High Institute of Judiciary at Al Imam Mohammed bin Saud Islamic University. He has a PhD in Comparative Fiqh (Islamic Law).

***Abdullah Sulaiman Alnami, Chief Compliance Officer***

Abdullah Alnami is the Chief Compliance Officer. He has 26 years of experience in the banking industry. He has a Master's degree in Management and Business.

***Omar Mohammad Almudarra, Chief Governance and Legal Officer***

Omar Almudarra is the Chief Governance and Legal Officer. He has 21 years of experience and was previously General Manager, Head of Legal at Samba Financial Group. He has a Master's degree in Law.

***Ahmed Saleh Al Sudais, Chief Human Resources Officer***

Ahmed Al Sudais is the Chief Human Resources Officer. He has 29 years of experience and was previously VP Human Capital at ACWA Power International. He has a Bachelor's degree in Accounting.

***James Chester Galloway, Chief Strategy Officer***

James Galloway is the Chief Strategy Officer. He has 33 years of experience and was previously Global Head of Sales and Distribution at HSBC. He has a Master's degree in Business.

***Abdullah Al-Furaiji, Chief Digital Officer***

Abdullah Al-Furaiji is the Chief Digital Officer. He has 21 years of experience and been with the Bank since 2004. He has a Bachelor's degree in Organisation and Management Development, Financial Accounting.

***Majed Saleh Al Rajhi, General Manager Retail Banking***

Majed Al Rajhi is the General Manager Retail Banking with over 14 years of experience. He has an MBA from

the London Business School.

***Dhary M. AlShamry, Chief Internal Auditor***

Dhary AlShamry is the Chief Internal Auditor with over 20 years of work experience. He was previously the General Director of Internal Audit at the CMA. He holds a Bachelor's degree in Accounting from King Saud University and is a Board member at the Institute of Internal Auditors.

***Abdulrahman M. Alajaji, General Manager Treasury Group***

Abdulrahman Alajaji is the General Manager of the Treasury Group. He has 17 years of experience and was previously Head of Global Market – Sales at Saudi British Bank. He has a Bachelor's degree in Computer Science.

***Mishal Mustafa Alfadl, Chief Private Banking Officer***

Mishal Alfadl is the Chief Private Banking Officer. He has 25 years of experience and was previously Chief Private Banking – Western Region at National Commercial Bank. He has a Bachelor's degree in Business Management.

***Turki Mohammed Aldhfayan, Chief Marketing and Customer Experience Officer***

Turki Aldhfayan is the Chief Marketing and Customer Experience Officer. He has more than 13 years of experience and was previously the Bank's Head of Digital Experience.

***Amr Mohammad Sager, Assistant General Manager Transformation & Change Management and Business Planning***

Amr Sager is the Assistant General Manager Transformation & Change Management and Business Planning. He has 16 years of experience and was previously Chief Finance Officer at Shaker Group. He has an Executive MBA.

## **Corporate Governance**

### ***Board committees***

The Bank has five Board level committees.

#### ***Executive Committee***

The main purpose of the Executive Committee is to assume responsibility for the Bank's business operations and to make quick decisions regarding urgent issues and matters related to the Bank's business. The Executive Committee is responsible for reviewing, following up and approving the basic financial, non-financial, commercial, investment and operational decisions related to the Bank within the limits of the powers determined by the Board.

The Executive Committee comprises five members, namely the Chairman and four Board members. The Committee meets when required and held six meetings in 2021 and seven meetings in 2020.

#### ***Nominations and Compensations Committee***

The main purpose of the Nominations and Compensations Committee is to make recommendations to the Board on the nomination of Board members, Committee members and Senior Executives, preparing a description of the abilities and qualifications required for membership of the Board, evaluating the effectiveness and efficiency of the Board and Senior Management, ensuring that the Bank remains compliant with the internal incentive schemes and the rules of incentive practices issued by SAMA, and determining the principles and criteria for

compensation in a manner that best achieves the interests of depositors, shareholders, and the Bank's strategic objectives.

The Nominations and Compensations Committee comprises four Board members. The Committee meets when required and held three meetings in 2021.

#### *Governance Committee*

The main purpose of the Governance Committee is to support and maintain the highest standards in corporate governance on behalf of the Board and to ensure that wise governance practices are followed in all activities carried out by the Bank. The Committee does so by conducting an annual review of the general governance framework and related mechanisms. In addition, the Committee monitors cases of conflict of interest ensuring the continuous updating of the register of conflicts of interest, reviewing requests for exemption from the governance requirements of the Bank, and coordinating with the Bank's subsidiaries to support good and consistent corporate governance standards for all activities of the Group. The Committee also focuses on increasing awareness of the importance of governance and its activities within the Bank among all employees, shareholders and external stakeholders, conducting an annual evaluation of the performance of the Board, members of the Board and all Board Committees and Management Committees. It is also responsible for reviewing and updating the policies related to the Board and its members, the Bank's governance and the conflict of interests, in addition to following up on the implementation of the Corporate Governance Manual and its annexes and the Bank's Delegation of Authority matrix.

The Governance Committee comprises three Board members. The Committee meets when required and held four meetings in 2021 and one meeting in 2020.

#### *Audit and Compliance Committee*

The main purpose of the BAC is to supervise the financial reporting process, oversee the internal and external auditors and submit recommendations to the Board and shareholders to approve, appoint and determine the remuneration or dismissal of the external auditors. In addition, it also reviews and approves the scope of the audit operations and their implementation, receives key audit reports and ensures that the senior management takes all necessary corrective measures in a timely manner to address any weaknesses in controls or non-compliance with policies, laws and regulations, or any other problems identified by the auditors.

The BAC comprises five members. The Committee meets when required and held six meetings in 2021 and six meetings in 2020.

#### *Board Risk Management Committee*

The primary purpose of the BRMC is to advise the Board regarding risk tolerance and risk strategy, and to oversee management's implementation of this strategy. This includes the management of capital and liquidity strategies, credit and market risk management, operational risk, compliance risk, reputational risk and any other potential risks that the Bank may face.

The BRMC comprises three members. It meets when required and held six meetings in 2021 and five meetings in 2020.

### **Management Committees**

The Bank has 10 level 1 management committees, which report directly to Board committees. The level 1 management committees are:

#### *High Management Committee*

The primary purpose of the High Management Committee is to provide a forum for the Bank's executive managers to monitor and manage the Bank's financial performance, monitor customer experience, oversee

execution of the Bank's strategic initiatives and resolve issues escalated by other committees. The High Management Committee reports to the Executive Committee.

#### ***Asset Liability Committee***

The primary purpose of the ALCO is to monitor and manage the balance sheet (asset liability) risk. ALCO's role is to make strategic decisions regarding the mix and maturities of assets and liabilities and the level of medium/long term profit rate risk the Bank shall accept. It also reviews the Bank's financial risk and capital management. The ALCO reports to the Executive Committee.

#### ***Credit Committee***

The purpose of the Credit Committee is taking credit decisions and monitoring credit activities within the discretionary authority delegated by the Board. The Credit Committee's role is also to periodically review and provide constructive recommendations on the credit policies, guidelines, processes and the future direction of the Bank's credit/investment activities for review and decision of the Board wherever applicable. The Credit Committee reports to the Executive Committee.

#### ***Risk Management Committee***

The purpose of the Risk Management Committee is to review how effectively the Bank's businesses groups are managing their risks, and to provide strategic and tactical direction for the management of risks. The Risk Management Committee must ensure the adequate involvement of Internal Audit when and where necessary. The Risk Management Committee reports to the BRMC.

#### ***Retail Risk Committee***

The purpose of the Retail Risk Committee is to review the retail portfolio credit performance, to analyse the changes and to determine and decide implications for effective portfolio management. The Retail Risk Committee reports to the BRMC.

#### ***Compliance Committee***

The purpose of the Compliance Committee is to oversee the compliance risks in the Bank, ensure that the Bank's management understands compliance risks and to have in place appropriate policies and procedures to manage such risks. The Compliance Committee reviews actions taken to ensure a robust and consistent compliance system is in place, promote a high compliance culture, and assists the BAC in ensuring compliance. The Compliance Committee reports to the BAC.

#### ***Transformation Committee***

The purpose of the Transformation Committee is to follow up the investments allocated by the Board for the fulfilment of the Bank's strategy, and to approve and track projects which are linked to this across all phases and levels. The Transformation Committee provides its report on work progress and projects implementation update to the Executive Committee and the Board.

#### ***Micro, Small and Medium Enterprises (MSME) Steering Committee***

The purpose of the MSM Steering Committee is for the Bank to have a clear strategic focus on micro, small and medium enterprises banking in line with its overall medium term plans, SAMA regulations and Vision 2030 mandates.

#### ***Business Continuity Management Committee (BCMC)***

The purpose of the BCMC is to oversee the Bank's business continuity programme in order to reduce the business interruption risk in all Bank activities and enable proactive actions to be taken for every business interruption to the Bank's Saudi Arabian and international activities.

#### ***Corporate Special Assets Committee (CSAC)***

The purpose of the CSAC is to manage, remedy and provide solutions for the Bank's special assets. The CSAC represents a forum to examine and review the Bank's assets classified as watch-list, NPLs and write off and to provide recommendation on required remedial actions to the Executive Committee for approval.

#### **Employees**

As at 31 December 2021, the Bank had 9,360 employees, of which 97.25 per cent. were Saudi citizens.

The Bank has a structured approach to the acquisition and development of talent to meet the needs of the business. Critical positions are systematically identified and comprehensive succession plans and individual development plans are aligned to ensure that a capable and high-performing talent pipeline is maintained. Development activities are focused upon the continuous improvement of employees' behavioural as well as technical capability with clarity provided through well-defined career plans leading through to senior executive roles. Training is an important component of the Bank's strategic aim of attracting and retaining highly qualified and motivated personnel. To that end, the Bank has launched an Academy covering leadership and banking operations learning programmes for its new and existing employees designed to equip them with the skills and know-how necessary to perform their functions with efficiency and to enhance their internal promotion opportunities.

The Bank has implemented a strong performance-driven employee value proposition for its employees through a systematic performance management system with measurable metrics for performance and rewards.

## THE KINGDOM OF SAUDI ARABIA BANKING SECTOR AND REGULATIONS

### General

As at the date of this Offering Circular, there were 34 commercial banks operating, or licensed to operate, in Saudi Arabia, of which 11 are incorporated in Saudi Arabia. The recent reduction in the number of commercial banks incorporated in Saudi Arabia is due to the merger of SABB and Alawwal Bank which was completed on 14 March 2021 and the merger of The National Commercial Bank and Samba Financial Group which was completed on 1 April 2021, which is now known as The Saudi National Bank. Of the remaining 23 operating, or licensed to operate, banks, six are branches of banks based in countries of the GCC other than Saudi Arabia (namely Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, First Abu Dhabi Bank, Bank Muscat and Qatar National Bank), nine are international banks (namely JPMorgan Chase, BNP Paribas, Deutsche Bank, T.C. Ziraat Bankası, MUFG Bank Ltd A.Ş., National Bank of Pakistan, Industrial and Commercial Bank of China, Credit Suisse Bank and Standard Chartered Bank) and six have been licensed but are yet to commence operations under their licences (namely Trade Bank of Iraq, Bank of China Limited, Banque Misr, National Bank of Iraq, National Bank of Egypt and Sohar International Bank). STC Bank and Saudi Digital Bank have been recently licensed as digital banks but are yet to commence operations under their licenses. 10 of the 11 Saudi operating banks are publicly-listed joint stock companies and their shares are traded on Tadawul (Gulf International Bank Saudi Arabia is not listed on Tadawul).

All 11 banks incorporated in Saudi Arabia provide a broad range of retail and wholesale banking products and services. Al Rajhi Bank, Bank Albilad, Bank AlJazira and Alinma Bank provide *Shari'ah* -compliant products and services only. The remaining seven banks provide a combination of *Shari'ah* -compliant and conventional banking products and services.

In addition to the commercial banks, there are a number of state-run credit institutions, including the Saudi Industrial Development Fund, the Real Estate Development Fund, the Saudi Arabian Agricultural Bank, the Saudi Development Fund, the Social Development Bank, the Islamic Development Fund and the Bank of Small and Medium Enterprises.

In addition, the PIF is the investment arm of the Government while the Islamic Development Bank is a multilateral development financing institution headquartered in Jeddah. On 15 June 2021, the Council of Ministers issued a decision approving the merger of the GOSI and the Public Pension Agency (“PPA”) and such merger is expected to boost investment returns and catapults the combined entity into the big league among pension funds and social welfare institutions. SAMA does not regulate any of these entities.

As of 31 December 2021, there were 1,945 bank branches, 16,544 ATMs and 1,013,141 points of sale terminals in Saudi Arabia (source: SAMA December 2021 Monthly Statistics).

Key highlights of the trends and outlook for the Saudi banking industry are as follows:

- liquidity and funding is expected to remain solid against a backdrop of limited growth;
- a move towards digitisation with the rising sophistication and education of an increasingly young Saudi population, simultaneously driving demand for retail banking services in the Kingdom;
- fee-based services and products for retail markets are proliferating, the focus being turned to non-funded business volumes and cross-selling opportunities; and
- Islamic banking continues to be an area of growth.

### History

Prior to 1976, a number of wholly foreign-owned banks operated branches and subsidiaries in Saudi Arabia.

In 1976, the Government issued a directive requiring all banks operating within its borders to convert to entities incorporated locally with at least 60 per cent. of the shares held by Saudi nationals.

In 2000, the first branch of a foreign bank was authorised to open in Saudi Arabia in over 40 years, in connection with changes in GCC countries' policies concerning cross-border banking. The new entrant was Gulf Investment Bank (“GIB”), an offshore bank based in Bahrain and owned by the six GCC states. GIB had been active in Saudi Arabia for many years, but having a Saudi Arabian branch allowed it to compete at close hand. SAMA has since granted a number of banking licences to branches of foreign banks.

In May 2020, GIB converted its branch into a locally incorporated bank jointly owned by the PIF and GIB.

There are also non-bank competitors in brokerage and personal finance. The Saudi banking sector has seen an accelerating competitive convergence focused on Islamic banking, private and affluent segments and brokerage and investment banking, as well as significant investment in new distribution, marketing and technology.

Following the licence granted to GIB in 2000, SAMA granted licences to operate branches in Saudi Arabia to Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Muscat Bank, JPMorgan Chase, BNP Paribas, Deutsche Bank, National Bank of Pakistan, T.C. Ziraat Bankası A.S, Industrial and Commercial Bank of China and Qatar National Bank, First Abu Dhabi Bank and Mitsubishi UFJ Financial Bank, Standard Chartered Bank. The Government also developed the capital markets sector in Saudi Arabia with the enactment of the Capital Market Law which also established the CMA. In line with the Government's overall desire to develop and boost the capital markets in Saudi Arabia, the CMA has encouraged the participation of foreign investment banks. According to its website in September 2021, the CMA has licensed at least 116 entities to conduct various types of securities business in Saudi Arabia, although a number of those licensed entities have not yet commenced business.

### **Corporate Banking Segment**

The majority of commercial banking assets in Saudi Arabia are loans to businesses and, as at 31 December 2021, commercial banks' claims on the private sector constituted SAR 2.03 trillion and approximately 62.1 per cent. of total commercial banks' assets (source: SAMA, December 2021 Monthly Statistics). This has been driven by the strong economic growth and the increased investment within Saudi Arabia in various sectors such as electricity, water and health services, building and construction, commercial and Government projects in oil and gas, infrastructure and education. Government stimulus to the Saudi economy has contributed to the growth in corporate assets.

Though commercial mortgages are a lucrative business in developed countries, Saudi banks have not been very active in this product due to legal and operational hurdles. However, financing is provided for real estate development purposes, which does not fall under commercial mortgages.

Investment banking activities have been growing rapidly in Saudi Arabia. Project finance has also been a strong growth area with several projects being financed in recent years. While the prevailing level of oil prices pose challenges to the Saudi economy, leading to both Government spending growth and weaker GDP growth, project finance is nonetheless expected to continue to be a strong area for banking business as a result of planned investments in infrastructure and industry in line with the reform and stabilisation programs being implemented to reduce the economy's dependency on oil-related revenues.

In August 2020, Tadawul launched the new derivatives market as part of its strategy to diversify its product offering and provide more investment opportunities for market participants. Investors have been able to trade the Saudi Futures 30, based on the MSCI Tadawul 30 Index, since 30 August 2020.

### **Personal Banking Segment**

Consumer lending increased by 9.5 per cent. from SAR 333 billion at the end of 2019 to SAR 365 billion at the end of 2020 and was SAR 428 billion as at the end of 2021 (source: SAMA, December 2021 Monthly Statistics). Historically, growth in consumer finance has been driven by several factors, including:

- economic growth coupled with favourable consumer demographics;
- growth of the credit card market;
- product innovation and a rapidly expanding range of product and service offerings; and
- the creation of SIMAH.

The value of the credit card loans market was SAR 19.5 billion as at 31 December 2021, SAR 18.4 billion as at 31 December 2020 and SAR 19 billion as at 31 December 2019 (source: SAMA, December 2021 Monthly Statistics). The credit card loan market is expected to grow as a result of the increasing use of electronic forms of payment within Saudi Arabia. The majority of personal lending is tied to electronic salary assignment, thereby enhancing asset quality and effectively reducing the risk associated with personal lending which, coupled with higher margins than in corporate lending, has made personal finance a particularly attractive segment for banks in Saudi Arabia.

### **The Saudi Credit Bureau**

In 1998, SAMA and the domestic banks operating in Saudi Arabia conducted a study with regard to establishing a centre or a company to provide credit information. As a result, SIMAH was established in 2002 and began operating in 2004. In addition, in 2008, the Council of Ministers issued a decision approving the Credit Information Law (issued pursuant to Royal Decree M/37 dated 5/7/1429H (corresponding to 8 July 2008G)), which sets out general principles and controls for the collection, exchange and protection of credit information of consumers. SIMAH, which is supervised by SAMA, was the first credit information company to be established in Saudi Arabia and offers consumer credit information services to its members in Saudi Arabia. SIMAH aggregates credit-related information among participating members to provide credit providers with credit risk information. In 2015, SIMAH introduced a number of initiatives and projects to further its strategies to provide an effective information infrastructure to enhance the ability of assessing and managing risks. For example, SIMAH established an information centre developed to international specifications (TIER IV) and published a procedural manual as part of a “Know Your Rights” Campaign to increase credit awareness among all segments of society. A number of SIMAH’s projects were acknowledged by the G-20 based on an initiative of the Financial Stability Board (of which SAMA is a member), aimed at helping financial institutions to evaluate risks in a systematic and effective manner and put regulatory and operational requirements in place, and develop products and services, to ensure stability and efficiency of the financial sector.

### **Islamic Finance**

Islamic finance has been a main growth area for the Saudi financial economy and has been one of the most significant developments in financial markets in recent years. Saudi Arabia is one of the largest and fastest growing markets for Islamic banking in the world.

The Islamic banking industry in Saudi Arabia encompasses a blend of institutions of different categories ranging from fully dedicated Islamic banks to conventional banks offering Islamic banking services through separate divisions or windows. Many banks in Saudi Arabia have *Shari’ah* boards opining as to the application of *Shari’ah* principles in financing structures and approving all Islamic products. Currently, a wide range of *Shari’ah*-compliant products are available in the market for the corporate and personal banking segments covering credit, deposit, investment and treasury offerings.

The personal banking segment has experienced the strongest demand for Islamic banking products and services with consumer Islamic assets forming the bulk of total consumer assets. In addition to deposit products, Islamic financing solutions include personal finance, home finance and Islamic credit cards. With growing business activity in the real estate sector and a growing population, *Shari’ah*-compliant home financing is expected to be a major driver of Islamic personal banking asset growth in the future.

Credit demand from the corporate banking segment is rapidly growing following the launch of infrastructure projects and increasing interest in manufacturing. Main product offerings include *Ijarah* and *Murabaha* and are offered as bilateral facilities, as well as through syndications. To cater to this market segment, Islamic banks have also introduced innovative *Shari'ah*-compliant solutions. In recent years, there have been several large size Islamic project finance transactions attracting participation from a large number of banks. This has placed the Islamic banking sector in a competitive position vis-à-vis its conventional counterpart.

The Islamic banking segment is expected to continue to grow with credit demand anticipated from corporate and consumer segments (as for the conventional banking market, growth in Islamic banking may evolve at a slower pace in light of the current economic challenges caused by a prolonged period of low oil prices). It is also expected to be accompanied by a simultaneous increase in innovative Islamic product offerings and growing awareness and demand within the general public for sophisticated *Shari'ah*-compliant solutions.

## Treasury

The treasury activities of Saudi Arabian banks have increased over the past few years as the financial markets have become more sophisticated with the increased use of financial instruments. Some Saudi banks are able to offer their customers structured products that make use of derivatives and that are also *Shari'ah*-compliant.

## Investment Banking and Asset Management

Brokerage services activity especially flourished between 2003 and 2006, when Tadawul peaked to all-time highs. The level of the Tadawul All Share Index was 8,389.23 at 31 December 2019 and 8,689.53 on 31 December 2020 and 11,281.71 on 31 December 2021.

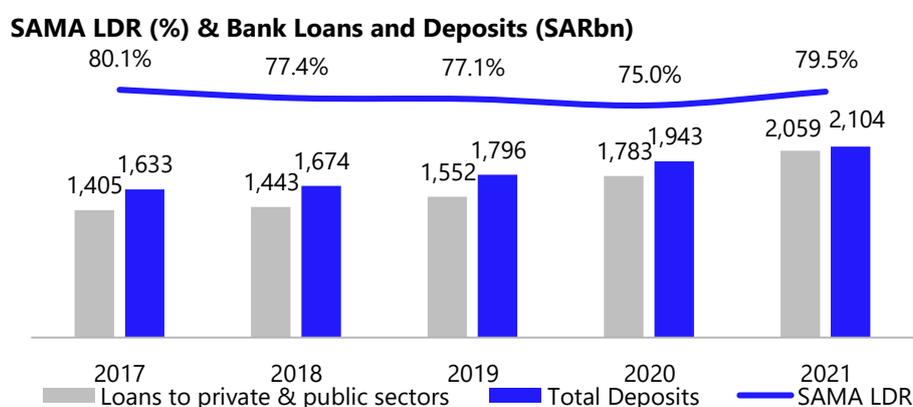
As a response to the Government's drive to develop an efficient capital markets platform, a number of banks, including the Bank, embarked on providing corporate finance and equity and debt capital markets advisory services to companies. Since 2003, a number of initial public offerings have been effected, several of which were Government initiatives.

Furthermore, the CMA has issued licences to several financial institutions to engage as principal or as an agent in equity lead arrangements, equity management arrangements and/or advisory and securities custody services. Following this, a number of Saudi banks have established separate subsidiaries to undertake these activities. Foreign financial institutions have been permitted to buy and sell shares directly in companies listed on Tadawul since 2015 in accordance with the Rules for Qualified Financial Institutions Investment in Listed Securities.

## Certain Saudi Arabian Banking Sector Metrics

### Loans to deposit ratio

The chart below shows Saudi Arabian banking sector's loans to deposit ratio as well as its total loans and total deposits as at 31 December in each of 2017, 2018, 2019, 2020 and 2021.

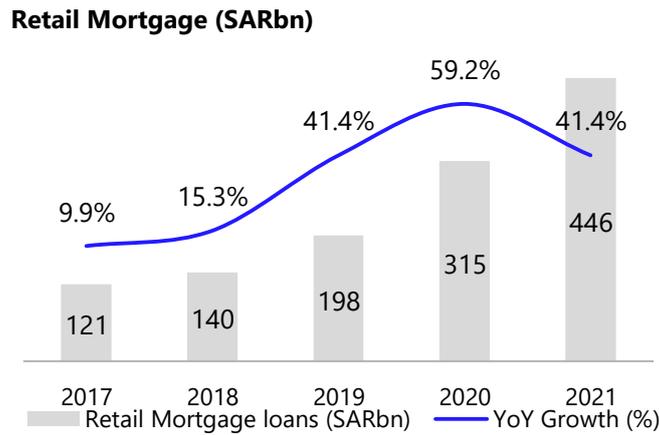


Source:  
SAMA monthly bulletins

The Saudi Arabian loan to deposit ratio has remained relatively stable since 2017, with declines as at 31 December in each of 2018, 2019 and 2020 reflecting faster growth in loans than in deposits and the increase as at 31 December 2021 reflecting a significantly greater increase in deposits than loans as the economy began to recover after the significant COVID-19 driven decline in 2020.

**Retail mortgages**

The chart below shows Saudi Arabian retail mortgage loans as at 31 December in each of 2017, 2018, 2019, 2020 and 2021.

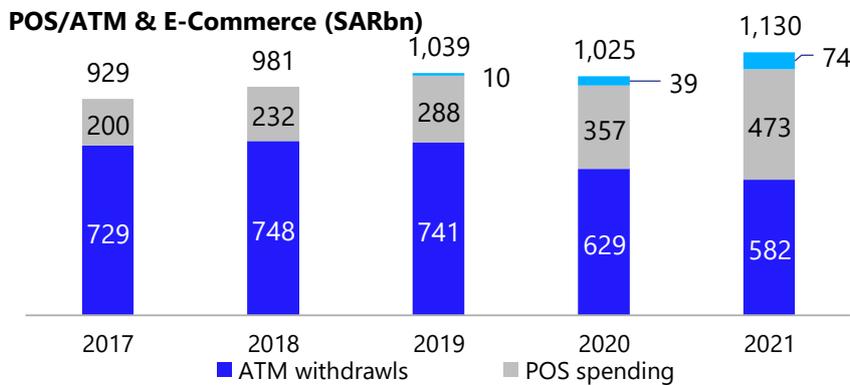


Source:  
SAMA monthly bulletins

The volume of Saudi Arabian retail mortgage loans has grown in each period since 2016, with the fall in the rate of growth as at 31 December 2021 principally reflecting a maturing market.

**POS/ATM and e-commerce statistics**

The chart below shows the volume of withdrawals from Saudi Arabian ATMS, the spending through Saudi Arabian POS terminals and e-commerce spending in Saudi Arabia in each of 2017, 2018, 2019, 2020 and 2021.



Source:  
SAMA monthly bulletins

The growth in e-commerce spending and the fall in ATM withdrawals in each of 2020 and the nine months ended 30 September probably reflect the impact of the lock down measures to combat COVID-19 in 2020 and the digital transformation taking place in Saudi Arabia

## **Saudi Central Bank (Previously Saudi Arabian Monetary Authority)**

### ***Overview and Functions***

SAMA is the regulator and supervisor of licensed financial institutions, including banks, finance companies, leasing and real estate companies, insurance companies, money exchange companies and credit information companies in Saudi Arabia.

SAMA was established pursuant to Royal Decree No. 30/4/1/1046 dated 25/07/1371H (corresponding to 20/04/1952G), and that Royal Decree was replaced by the Royal Decree No. M/36 dated 11/4/1442H (corresponding to 26/11/2020G), which changed the name to Saudi Central Bank while maintaining the acronym SAMA. SAMA's principal functions include:

- issuing the national currency;
- dealing with the banking affairs of the Government;
- supervising commercial banks and exchange dealers;
- managing Saudi Arabia's foreign exchange reserves;
- carrying out the role of the Government's bank and advisor in monetary, banking, and financial matters;
- managing monetary policy for maintaining price and exchange rate stability;
- promoting the growth of the financial system and ensuring its soundness;
- supervising co-operative insurance companies and the self-employment professions relating to the insurance industry;
- supervising finance companies; and
- supervising credit information companies.

### ***Banking Control Law***

The BCL was issued by Royal Decree No. M/5 dated 22/02/1386H (corresponding to 12/06/1966G) with the aim of protecting banks, customers' deposits and shareholders and securing adequate liquidity levels. The law prohibits banks from undertaking certain activities that might cause damage to their shareholders and customers. In addition, the law prohibits individuals and companies from using the word "bank" or its synonyms in their names or conducting any banking activities without obtaining a licence from SAMA. The BCL sets out the framework within which banks must operate in Saudi Arabia and is supplemented by circulars, directives and guidelines issued by SAMA from time to time. These circulars and directives are generally not made publicly available outside the banking sector.

### ***Consumer Protection***

SAMA has been a strong advocate of consumer protection since obtaining its charter in 1952 and the issuance of the BCL in 1966. Consequently, SAMA has played an important role in ensuring that the financial institutions under its supervision deal with consumers fairly and honestly.

As Saudi Arabia's financial sector evolves and grows, SAMA continues to review these developments and decides on appropriate legislative, regulatory and organisational changes to provide the level of consumer protection expected from a country that is a member of the world's main economic and financial organisations.

SAMA's current objective is to ensure that all consumers who have dealings with licensed financial institutions in Saudi Arabia receive the expected level of consumer protection, including fair treatment, honesty and ease of access to financial products and services.

SAMA has set out the conduct expected from such financial institutions through various regulations, policies and issued instructions, including the "Banking Consumer Protection Principles" (the "**Principles**") issued in June 2013 which are based on the General Principles for Financial Consumer Protection developed by the Organisation for Economic Co-operation and Development (the "**OECD**") in 2011.

The Principles set out key guidelines to enable licensed banking institutions to deliver the required level of fair treatment, honesty and financial inclusiveness thereby meeting SAMA's strategic objective for financial consumer protection in Saudi Arabia. The Principles apply to the activities of banks operating by way of a licence, which are under the supervision of SAMA and which are dealing with persons who are, or may become, consumers. They also apply to the activities of any third party engaged by such banks to undertake any outsourced activities. The Principles are binding on all such banks, complementary to the instructions and internal regulations issued by any such bank and applicable to all transactions that are made with individual consumers.

The Principles were issued pursuant to powers granted to SAMA under the following legislation and regulations:

- Charter of the Saudi Arabian Monetary Authority – Article (3d), issued by Royal Decree No. 23 dated 23/05/1377H (corresponding to 15/12/1957G), as replaced by the Law of the Saudi Central Bank – Article (4.3), issued by Royal Decree No. M/36 dated 11/4/1442H (corresponding to 26/11/2020G);
- Banking Control Law issued by Royal Decree No. M/5. dated 22/02/1386H (corresponding to 12/06/1966G); and
- Ministerial Decree No.3/2149. dated 14/10/1406H (corresponding to 22/06/1986G).
- The "G20 High-Level Principles on Financial Consumer Protection" provide the background for the "General Principles for Financial Consumer protection" which are now being adopted as part of the Principles.

The Principles are further underpinned by the Responsible Lending Principles for Individual Consumers (issued by SAMA under Circular No. 46538/99 dated 17 May 2018, as amended by SAMA's Circular No. 40694/1 dated 24 May 2018) which aim to:

- (i) encourage responsible lending that meets the actual needs of consumers, especially those related to owning housing and assets rather than consumer purposes;
- (ii) enhance financial inclusion by providing adequate financing for all segments of society, taking into account reasonable deductible ratios that the consumer can afford; and
- (iii) focus on ensuring fairness and competitiveness among creditors to make sure that their procedures and mechanisms are effective and efficient.

The Responsible Lending Principles for Individual Consumers apply to all creditors and finance activities directed at consumers, encompassing all credit products and programmes designed for individuals, including, among others, personal finance, vehicle finance, credit cards and real estate finance.

In April 2018, SAMA issued the Debt Collection Regulations and Procedures for Individual Consumers applying to banks and finance companies under SAMA's supervision which set out debt collection procedures in relation to consumers, procedures for dealing with defaulting retail consumers as well as controls governing the communication with retail consumers and their guarantors in order to enable creditors to follow clear and specific procedures while protecting the rights of all relevant parties.

Further consumer protection legislation which supplements the Principles issued by SAMA (the Regulations for Issuance and Operations of Credit and Charge Cards) relates to the issuance and operation of credit and charge cards issued by banks, finance companies and other card issuers supervised by SAMA.

The consumer protection legislation has also been extended to cover finance companies pursuant to the Regulations for Consumer Finance (the "RCF"). The RCF contain a number of provisions relating to the protection of consumer rights, including:

- allowing customers to partially or fully repay their remaining finance facilities at any time during the relevant financing period;
- unifying management fees across all banks in Saudi Arabia;
- providing customers with summaries of their financings, which include basic details of the financing and also reference key provisions of the financing;
- prescribing rules and standards in relation to how banks deal with customers; and
- emphasising the principles of transparency and disclosure in consumer finance contracts.

The RCF aim to ensure that consumer finance contracts have enhanced levels of disclosure and transparency and to enable customers to be better informed of their rights and obligations under their financings. Pursuant to the RCF, consumer finance contracts should set out, among other things:

- details of the financing, including the total cost of the financing;
- the calculation method for determining profit;
- all charges, commission and administration fees;
- the consequences of delays in payment of instalments; and
- the procedure for exercising a customer's right of withdrawal, early settlement or termination.

Additionally, SAMA has published consumer protection regulations applying to insurance (the Insurance Consumer Protection Principles) as well as numerous circulars supplementing and detailing the various consumer protection regulations described above.

In order to deal with consumer complaints and monitor the performance and adherence of financial institutions to the Principles, SAMA has also established a dedicated Consumer Protection Department.

### ***Real Estate Financing and Finance Leasing***

In August 2012, the Saudi Council of Ministers issued a package of legislation approved by Royal Decrees in relation to the finance industry, including real estate financing (the "**Real Estate Finance Law**"), leasing (the "**Finance Lease Law**") and supervision of financial companies (the "**Financial Companies Control Law**"), in each case, as further described below. In February 2013, SAMA issued the implementing regulations of these laws.

### *Real Estate Finance Law*

This law provides the regulatory architecture for the authorisation and licensing of banks and finance companies to enter the real estate market. In particular:

- banks may own real estate for the purposes of real estate finance – a key feature of Islamic financing products;
- the Government publicises real estate market activity and financiers are granted access to courts and notary registers; and
- a credit check must be conducted against borrowers through one of the authorised credit bureaus.

### *Finance Lease Law*

This law prescribes the rules relating to finance leasing and specifically states that:

- the responsibilities of the lessor and lessee must be carried out in a *Shari'ah*-compliant manner (placing asset risk on the lessor during the lease term but making the lessee responsible for the relevant use);
- the transfer of leased assets is permitted to the lessee upon maturity of the lease term; and
- the lessor is permitted to request payments of future rentals if the lessee is in payment default, provided the number of such payments is not greater than the number of late payments.

The Implementing Regulations of the Financial Lease Law set out the rights and obligations of the lessor and lessee in a finance lease, outline rules relating to assignment of rights, instalment payments and ownership rights of the relevant parties and specify the requirements for establishing a company that registers finance leases and the requirements for such companies to register finance leases.

### *Financial Companies Control Law*

This law provides a regulatory and supervisory framework for *Shari'ah*-compliant finance companies to provide SAMA approved forms of financing, including real estate financing.

The Implementing Regulations of the Financial Companies Control Law set out SAMA's rules and requirements for licensing finance companies and contain corporate governance requirements, internal auditing requirements and other rules which the finance companies must comply with in order to maintain their licence.

### **Capital Market Authority**

The CMA was established by the Capital Market Law, issued by Royal Decree No. (M/30) dated 2/6/ 1424H (corresponding to 31/7/2003G) as amended by Royal Decree No. (M/16) dated 19/1/1441H (corresponding to 18 September 2019G) (the "**CML**"). The CMA is a governmental organisation with financial, legal and administrative independence.

The CMA regulates Saudi Arabia's capital markets. It issues the required rules and regulations for the implementation of the provisions of the CML aimed at creating an appropriate investment environment. Some of the CMA's major objectives are to:

- regulate and develop the capital market;
- protect investors and the general public from unfair and unsound practices involving fraud, deceit, cheating, manipulation and insider trading;

- achieve fairness, efficiency and transparency in securities transactions;
- develop measures to reduce the risks pertaining to securities transactions;
- develop, regulate and monitor the issuance of, and trading in, securities;
- regulate and monitor the activities of entities subject to the control of the CMA;
- regulate and monitor full disclosure of information related to securities and their issuers; and
- regulate proxy and purchase requests and public share offerings.

In addition, pursuant to the CML, the CMA has formed the Committee for the Resolution of Securities Disputes and the Council of Ministers has, also pursuant to the CML, formed the Appeal Committee for the Resolution of Securities Disputes. Both of these committees are quasi-judicial bodies authorised to adjudicate disputes and violations in respect of the CML or the rules and regulations of the CMA and/or Tadawul.

In 2016 the Financial Leadership Program 2020 (the “**Program**”) was launched, under which a set of initiatives on the Financial Sector Development Program (i.e. one of the Kingdom’s 2030 vision executive programmes) were enacted, including achieving the strategic objectives and initiatives of the second strategic pillar with respect to developing an advanced capital market.

Through the Program, the CMA seeks to position the Saudi capital market as the main market in the Middle East and one of the leading financial markets in the world, while being an advanced market and attractive to domestic and foreign investment, enabling it to play a pivotal role in developing the economy and diversifying its sources of income. The Program consists of four main pillars, as the follows:

- **Facilitating Funding:** Deepening the capital markets and promoting its role in raising capital;
- **Encouraging Investment:** Supporting the growth of asset management and promoting institutional investment;
- **Promoting Confidence:** Reinforcing the capital markets’ regulatory structure; and
- **Building Capacities:** Supporting the development of market participants.

The Program also has a focus on the developing regulatory environment for the Saudi financial markets to ensure investor protection, as well as enhancing adherence to international standards.

The CMA intends to increase the number of listed companies in both the main and junior parallel markets to more than 250 companies as well as doubling the invested capital via managed channels to reach SAR 650 billion of assets under management.

In accordance with the CMA’s objective of developing market-leading international best practices and with a view to collaborating with other similar institutions internationally, the CMA is an active participant in the International Organisation of Securities Commissions which is recognised as the leader in setting the standards for securities and capital markets sectors globally. In addition, the CMA is also a participant in the Ministerial Committee of the Chairpersons of GCC Capital Markets Regulators as well as the Union of Arab Securities Authorities.

### **Formation of the Saudi Exchange (Tadawul)**

On 19 March 2007, the Saudi Council of Ministers approved the formation of The Saudi Exchange (Tadawul) Company. This was in accordance with Article 20 of the Capital Market Law establishing Tadawul as a joint stock company.

In the early 1980s, the Government embarked on forming a regulated market for trading. In 1984, a Ministerial Committee comprising the Ministry of Finance and National Economy, the Ministry of Commerce and SAMA was formed to regulate and develop the market. SAMA was the government body charged with regulating and monitoring market activities until the establishment of the CMA in July 2003. As the sole regulator and supervisor of the capital markets, the CMA issues the required rules and regulations to protect investors and ensure fairness and efficiency in the market.

On 7 April 2021, The Saudi Exchange (Tadawul) Company announced its transformation into a group structure whereby The Saudi Tadawul Group will become the parent company with a portfolio of four subsidiaries including the Saudi Exchange Company – Tadawul, which will be known as the Saudi Exchange.

### **Management of Liquidity and Credit Risk**

Under the BCL, a bank's deposit liabilities must not exceed 15 times its reserves and paid-up share capital or invested capital. The current percentage specified by SAMA for a statutory deposit is 7 per cent. of total customers' demand deposits and 4 per cent. of balances due to banks and other financial institutions (excluding balances due to SAMA and non-resident foreign currency deposits), savings deposits, time deposits and margins on letters of credit and guarantees (excluding all types of repo deposits).

In addition to the statutory deposit, each bank in Saudi Arabia is also required to maintain a liquid reserve of at least 20 per cent. of its total deposit liabilities. The liquid reserve must comprise cash, gold or assets which can be converted into cash within a period not exceeding 30 days in order to comply with the requirements of the BCL.

Previously, the BCL set a maximum limit on the amount of financial liability that a bank may incur in respect of any one person. This was replaced by the SAMA Rules on Large Exposures of Banks on the latest SAMA circular on August 2019. Under this rules, a bank may not grant a loan, extend a credit facility, give a guarantee or incur any other financial liability in respect of any one person in an aggregate amount exceeding:

- in the case of banks, 25 per cent. of its total eligible capital;
- in the case of companies, 15 per cent. of its total eligible capital; and
- in the case of individuals, 5 per cent. of its total eligible capital.

SAMA also has the power to regulate the liquidity and credit risk of a bank by restricting, among other things, the maximum amount of money which may be loaned by a bank, the level of a bank's exposure to a single customer and the categories of loans which a bank can make. These restrictions may vary from bank to bank depending on the relevant circumstances and are in addition to the statutory deposit and liquid reserve requirements provided for in the BCL.

SAMA carries out a full review of the operations of each bank every three years and more regular assessments of specific functions within each institution. SAMA has also intervened to support banks that have found themselves in difficulties. Similarly, it allowed distressed banks to benefit from low cost funding in the 1980s.

Over the years, SAMA has developed a reputation as a strict regulator. In 1989, SAMA introduced accounting and disclosure standards for commercial banks in Saudi Arabia, which essentially comply with IFRS. All banks in Saudi Arabia are now in compliance with IFRS that are endorsed in Saudi Arabia and other standards and pronouncements issued by SOCPA. The banks also prepare their financial statements to comply with the BCL and the Companies Law.

### **Reporting Requirements**

Banks are required to submit monthly statements of the consolidated financial position of their domestic and foreign branches. Banks also have to submit quarterly, semi-annual and annual reports to SAMA. These reports

are comprehensive and deal with matters such as the maturity schedule of credit facilities, risk concentrations, large exposures, foreign exchange exposure, analysis of specific loan loss reserves and a calculation of the relevant bank's risk asset based capital adequacy.

Banks are required to submit their audited consolidated annual financial statements to SAMA within six months of each financial year end and listed banks are required to report within three months in accordance with the Rules on the Offer of Securities and Continuing Obligations. Annual consolidated financial statements have to be audited by two independent joint auditors. The published audited consolidated financial statements of Saudi banks are required to adopt all IFRS as endorsed in Saudi Arabia and other standards and pronouncements issued by SOCPA. The consolidated financial statements are also required to comply with the BCL and the Companies Law. Listed joint stock companies have to publish quarterly financial statements as their stocks are listed on Tadawul. However, quarterly financial statements are reviewed by the auditors in accordance with the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" that is endorsed in Saudi Arabia and are limited in terms of the scope of procedures performed.

Since SAMA introduced mandatory disclosure standards, there has been an improvement in the level of disclosure by Saudi banks. Banks now publish a breakdown of loans by sector and geography, in addition to loans to the Government and related parties. Banks also report doubtful loans, loan loss reserves and write-offs.

### **Anti-Money Laundering and Counter-Terrorist Financing**

Saudi Arabia is a signatory to, and has implemented measures required by, the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the International Convention for the Suppression of the Financing of Terrorism and various other international conventions and agreements relating to money laundering and terrorist financing. In June 2019, Saudi Arabia was the first Arab country to join the Financial Action Task Force (the "**FATF**"). On a regional level, Saudi Arabia is a founding member of the Middle East and North Africa Financial Action Task Force (the "**MENA-FATF**") which was created in 2004.

Money laundering is considered an offence under *Shari'ah* law. Over the past 10 years, Saudi Arabia has put into place a relatively comprehensive legislative and regulatory framework that deals with money laundering and terrorist financing. Saudi Arabia implemented its first customer identification procedure in 1975.

Saudi Arabia has comprehensive rules covering KYC, AML and counter-terrorist financing

Saudi Arabia has comprehensive rules covering KYC, AML and counter-terrorist financing requirements for the banking sector. In April 2003, SAMA issued updated Rules Governing the Opening of Bank Accounts and General Operational Guidelines (SAMA No. 3222/BCI/60: dated 8 April 2003) (the "**Account Opening Rules**"). These rules contain comprehensive requirements governing customer identification, the opening and maintenance of bank accounts, the transmission of funds and the deposit of cash and also contain detailed rules controlling the operation of bank accounts for charitable and welfare organisations. In 2008, SAMA revised the Account Opening Rules by adding additional requirements and providing guidelines on dealing with non-resident individuals, entities and multi-lateral organisations. A fourth update of these rules was issued during 2012 in which, among other changes, SAMA made certain additions to the list of specified legal entities subject to KYC requirements and account operating controls and increased the KYC required information for corporate clients to identify their beneficial owners.

Saudi Arabia's existing AML regime was overhauled by SAMA in May 2003 with its issue of Rules Governing Anti-Money Laundering and Combating Terrorist Financing (SAMA No. BCI/122: dated 27 May 2003) (the "**AML/CTF Rules**"). The AML/CTF Rules govern, among other things, the reporting of suspicious transactions, transaction monitoring, customer and transaction profiling, risk assessment, control systems, compliance programs, reviews and audits, KYC policies and standards and record retention. Since 2003, the AML/CTF Rules were updated in December 2008 and in February 2012, in line with SAMA's continued efforts to further improve and refine the AML/CTF Rules and cope with the local, regional and global developments.

In August 2003, Saudi Arabia updated its existing AML statutes with the enactment of the Anti-Money Laundering Law (pursuant to Royal Decree No. M/39 dated 24 August 2003) and its implementing regulations (the “**AML Law**”), providing an up-to-date statutory basis for money laundering and terrorist financing offences. A Financial Intelligence Unit was also established, enabling a greater international exchange of financial information in cases of suspected money laundering and terrorist financing amongst law enforcement agencies and regulators.

In November 2005, SAMA issued a circular (SAMA No. 35185/MAT/539: dated 22 November 2005) requiring all banks and financial institutions operating in Saudi Arabia to strictly comply with the provisions of the AML Law. The Authorised Persons Regulations issued by the Board of the CMA pursuant to its Resolution number 1-83-2005, dated 21/5/1426H (corresponding to 28/6/2005G), as amended also require investment banks to comply with the AML Law.

In December 2008, the Board of the CMA issued the Anti-Money Laundering and Counter-Terrorist Financing Rules pursuant to its Resolution Number 1-39-2008, dated 03/12/149H (corresponding to 01/12/2008G), as amended. The first update of the Anti-Money Laundering and Counter-Terrorist Financing Rules was issued in February 2012.

In April 2012, Saudi Arabia updated its existing AML Law and Implementing Rules (pursuant to Royal Decree No. M/31 dated 11/05/1433H), and in April 2013, SAMA issued a circular (SAMA No. 34100074807MAT, dated 15/06/1434H) requiring all banks and financial institutions operating in Saudi Arabia to strictly comply with the updated AML Law and Implementing Rules.

In October 2017, the existing Anti-Money Laundering Law and Implementing Rules were replaced by the Anti-Money Laundering Law and Implementing Rules issued pursuant to Royal Decree No. M/20 dated 05/02/1439H (corresponding to 25/10/2017G).

In September 2018, the FATF and the MENA-FATF jointly conducted an assessment of Saudi Arabia’s anti-money laundering and counter-terrorism financing system. The key findings, priority actions and recommendations for Saudi Arabia’s AML/CFT regime of this assessment were discussed in June 2018 in the joint plenary meeting of the MENA-FATF in Paris. The assessment report of Saudi Arabia can be found on the websites of MENA-FATF and FATF. In January 2020, a follow-on report was published analysing Saudi Arabia’s progress in addressing the technical compliance deficiencies that were identified in the 2018 mutual evaluation report issued by the FATF and the MENA-FATF. The report found that Saudi Arabia has made some progress in addressing the technical compliance deficiencies previously identified but will remain in enhanced follow-up and continue to report back to the FATF on the progress made to strengthen its implementation of AML and CTF measures.

In August 2020, SAMA issued guidelines to combat financial fraud in banks operating in Saudi Arabia, aiming to institutionally tackle fraud, bribery and corruption by mandating all banks operating in Saudi Arabia to implement and comply with specified controls as minimum standards.

### **Independent Auditors**

As a measure of prudence, SAMA requires all banks in Saudi Arabia to be audited jointly by two independent auditors.

### **Financial Requirements**

SAMA has introduced regulations to ensure that banks do not have disproportionate concentrations of risk in any one sector or client and that sufficient liquidity and capitalisation is maintained to support bank activities.

The most significant regulations are summarised below:

### ***Doubtful and Past Due Loans/Loan Loss Reserves***

In 2004, SAMA issued regulations regarding the classification of assets, as well as provisioning norms. The table below shows the classifications and the reserves required for prudential regulation purposes:

<b>Classification</b>	<b>Defined as</b>	<b>Reserve requirement</b>
Current.....	No problems	1 per cent. of outstanding
IA (special mention .....	Potential weakness	1 per cent. of outstanding
II (Substandard).....	Inadequate capacity to pay and/or profit or principal overdue by more than 90 days	25 per cent. of outstanding
III (Doubtful).....	Full collection questionable and/or overdue by more than 180 days	50 per cent. of outstanding
IV (Loss).....	Uncollectible and/or overdue by more than 360 days	100 per cent. of outstanding

With effect from 1 January 2018, all Saudi banks have adopted IFRS 9 “Financial Instruments”. Among other things, IFRS 9 provides a new model for the calculation of impairment provisions which are recognised based on a forward-looking “Expected Credit Loss” model. The impairment assessment is based on forward-looking elements, including an economic forecast covering key macroeconomic factors such as unemployment, GDP growth, inflation, special commission rates and other market related variables, obtained through internal and external sources.

### ***Liquidity***

Saudi banks are required to maintain liquid assets of at least 20 per cent. of deposit liabilities. For the purposes of this calculation, cash, gold, treasury bills, government bonds, up to one month placements and any asset that can be liquidated within 30 days are included. The breakdown of call deposits, savings accounts and time deposits must also be shown on the balance sheet. The maturity of assets and liabilities has to be disclosed to determine the sensitivity to commission rate risk.

### ***Capital Adequacy***

The GCC has introduced a common standard for capital adequacy based on BIS capital adequacy standards. The GCC standard applicable in Saudi Arabia recommends a minimum 8 per cent. ratio of capital to risk weighted assets, including off-balance sheet risk. Assets are categorised into four risk groups carrying varying risk weights according to the risk assessment of the counterparty. There are also two levels of country risk, one for the GCC and member countries of the OECD and others that have special lending arrangements with the IMF under its general agreement to borrow, considered a preferred risk. All other countries are considered full risk. In contrast, BIS only counts Saudi risk and not all of the GCC at par with OECD. The other major difference is that the GCC standards account for mortgage loans as 100 per cent. risk as opposed to 50 per cent. under BIS standards and SAMA standards.

Deposit liabilities of banks are limited to 15 times capital and reserves. In cases where this ratio is exceeded, banks have to place interest free deposits of half the excess amount with SAMA. Furthermore, 25 per cent. of net profits (after deduction of Zakat liabilities) have to be transferred to statutory reserves until the reserve balance equals paid-up capital.

SAMA has successfully implemented the Basel Committee on Banking Supervision rules and standards in their entirety, on a timely basis and in a prudent and conservative manner. As a result of such implementation, Saudi Arabia’s banking sector has reported among the strongest capital adequacy ratios, leverage ratios and liquidity ratios in the GCC and the MENA region.

## Basel III Framework

In response to the global financial crisis which commenced in 2007, the Basel Committee enhanced its capital measurement and capital standards by issuing a new capital framework (the “**Basel III Framework**”). The Basel III Framework focuses on strengthening the quality of regulatory capital, raising the minimum capital requirements, enhancing risk coverage and reducing cyclical of regulatory capital. It introduces new leverage and liquidity ratio requirements and capital buffers to promote the build-up of capital. These enhancements were implemented by means of a staggered approach up to 2019. On 7 December 2017, the Basel Committee published its recommendations named Basel III: Finalising post-crisis reforms (informally referred to as “**Basel IV**”). The reforms contain new requirements for credit risk, operational risk, CVA risk and a so called output floor which sets new minimum standards for capital requirements in financial institutions using advanced models for calculating capital requirements. On 27 March 2020, as a result of the COVID-19 outbreak, the Basel Committee released a statement deferring the implementation timeline of Basel IV by one year.

Since 2011, SAMA has introduced the main elements of the Basel III Framework in accordance with the timelines agreed by the Basel Committee. This includes the introduction of the leverage ratio in 2011 and the liquidity ratio in 2012 under the SAMA monitoring framework together with the final capital adequacy ratio framework in 2013.

SAMA has issued final liquidity guidelines on the Liquidity Coverage Ratio (the “**LCR**”) and the Net Stable Funding Ratio (the “**NSFR**”). The LCR and NSFR became minimum standards from 1 January 2015 and 1 January 2018, respectively.

The leverage ratio framework will be under the parallel run phase by SAMA.

The Basel III Framework requires banks’ exposures to be backed by a high quality capital base. To this end, the predominant form of Tier 1 capital must be common shares and retained earnings. The Basel Committee principles adopted by SAMA ensure that banks hold high quality Tier 1 capital that represents “Pure Capital” which is highly “Loss Absorbent” through the following measures:

- deductions from capital and prudential filters to be generally applied at the level of common equity or its equivalent;
- subordinated debt of high quality;
- fully discretionary non-cumulative dividends or coupons;
- neither a maturity date nor an incentive to redeem;
- innovative hybrid capital instruments with an incentive to redeem through features such as step-up clauses, currently limited to 15 per cent. of the Tier 1 capital base, will be phased out;
- Tier 3 capital instruments to cover market risks are eliminated; and
- to improve market discipline, the transparency of the capital base will be improved, with all elements of capital required to be disclosed along with a detailed reconciliation to the reported accounts.

Following the implementation of Basel III standards related to capital, the minimum requirements for regulatory capital, excluding capital buffers, are:

- common equity tier 1 must be at least 4.5 per cent. of risk-weighted assets at all times;
- Tier 1 Capital must be at least 6.0 per cent. of risk-weighted assets at all times; and

- Total Capital (Tier 1 Capital plus Tier 2 Capital) must be at least 8.0 per cent. of risk-weighted assets at all times.

### **Treatment of Systemically Important Financial Institutions Law**

The SIFI Law relates to the treatment of systemically important financial institutions. As at the date of this Offering Circular, the implementing regulations to the SIFI Law which will contain detailed provisions have not yet been issued. Therefore, there is a current uncertainty as to the exact scope and effect of the SIFI Law and whether and to what extent it will apply to the Bank in the future. The SIFI Law gives the relevant regulator the authority to determine, from time to time, whether a financial institution should be deemed to be systematically important. As at the date of this Offering Circular, the Bank has not been deemed to be a systematically important financial institution by the relevant regulatory.

Among other things, the SIFI Law provides that:

- the management of the relevant financial institution shall be required to notify SAMA when the financial institution is distressed or likely to become distressed;
- within 180 days of being requested by SAMA, the relevant financial institutions shall submit, for review by SAMA, a recovery plan detailing the steps and procedures to be taken for the restoration of the financial institution's financial position;
- any application for bankruptcy procedures in respect of the relevant financial institution is subject to approval by SAMA, such that SAMA may instead, commence a Treatment Plan (as defined below);
- subject to the Treatment Conditions (as defined below) being met, SAMA may prepare a treatment plan (a Treatment Plan) for the relevant financial institution group which, subject to review and input from the financial institution, and subject to approval by the Council of Economic and Development Affairs, may provide for:
  - (a) the sale of all or part of the shares, stocks, assets and/or liabilities of the Financial Institution to a third party
  - (b) incorporation of a bridge institution, to which all or part of the shares, stocks, assets and/or liabilities of the financial institution or bridge institution are transferred
  - (c) establishment of an asset management institution to whom the assets or liabilities of the financial institution are transferred; and/or
  - (d) an amendment of the rights of creditors and/or holders of capital instruments of the financial institution, including, without limitation, the reduction, cancellation or conversion thereof.

The SIFI Law also provides that in implementing the relevant Treatment Plan, shareholders and creditors shall not receive less, or shall not incur greater losses, than what is estimated would have been received or lost, had the relevant financial institution been wound up at the time of the Treatment Plan.

The "**Treatment Conditions** are:

- The Financial Institution is in distress (as further explained below), or is likely to become in distressed in a way that affects its continuity and ability to fulfil its obligations.
- The Financial Institution is unable to fulfil its obligations, affecting its ability to continue in due course, if a treatment plan is not undertaken.
- The treatment plan achieves any of the objectives of the SIFI Law.

- Implementing a treatment plan for the financial institution is better than it being wound-up.

Pursuant to the SIFI Law, in this context, ‘**distress**’ includes:

- a lack of financial and administrative resources necessary to achieve the requirements of financial adequacy, liquidity, risk management or institution management in general, and to meet the continuing obligations of licensing which, if not met, justify licensing revocation;
- where the value of the financial institution’s assets fall below, or is expected to fall below the value of its liabilities in near future;
- where the financial institution is unable, or is expected to become unable to pay its debts when due; and
- a need for exceptional government support.

### **SAMA Support Programme and Initiatives**

As part of SAMA’s role in activating monetary policy tools and preserving financial stability, as well as in support of the Government’s efforts to mitigate the expected financial and economic effects on the private sector as a result of the COVID-19 pandemic, SAMA has injected over SAR 50 billion as at June 2021 into the banking sector to enhance banking liquidity and enable banks to continue providing credit facilities for the private sector. Through this support measure, SAMA intends to help banks revise or restructure their private sector loans with no additional charges, support plans to maintain employment levels in the private sector and provide certain e-banking services for free.

SAMA’s programme aims at supporting and enabling the private sector to promote economic growth through a package of measures as set out below.

#### ***Supporting MSMEs Finance***

The purpose of the programme is to mitigate the impacts of precautionary coronavirus measures on the MSME sector, specifically by reducing the burden of cash flow fluctuations, supporting working capital, enabling the sector to grow during the coming period and contributing to supporting economic growth, and maintaining employment. The programme consists of three basic elements as follows:

#### ***Deferred Payments Programme***

Depositing approximately SAR 50 billion for banks and financing companies to delay the payment of the dues of the financial sector (banks and finance companies) from MSMEs for a period of six months as of the relevant due dates. Since its launch, this programme assisted 107,000 contracts with a total value of SAR 174 billion and the injection was increased from the original allocation of SAR 30 billion due to demand. On 3 October 2021, SAMA announced that this programme has been extended until 31 December 2021.

#### ***Guaranteed Facility Programme***

Providing concessional finance of approximately SAR 1.1 billion for MSMEs by granting loans from banks and finance companies to the MSME sector to support business continuity and sector growth in a way that contributes to supporting economic growth and maintaining employment levels in these enterprises. Since its launch, the number of relevant financing contracts totalled more than 1,100. The programme has been extended until 14 March 2022.

#### ***Loan Guarantee Programme***

Depositing an amount of SAR 22.8 million (as at June 2020) to enable banks and insurance companies to relieve MSMEs from the finance costs of the Government’s Kafalah loan guarantee programme for the purpose of

minimising finance costs for eligible entities during 2020 and to support finance expansion. Since its launch, the number of relevant financing contracts totalled more than 2,000.

On 7 March 2021, SAMA announced the extension of the loan guarantee financing programme for an additional year until 14 March 2022. The aim of the extension is to strengthen SAMA's contribution to support MSMEs and ease the effects of the pandemic.

#### ***Supporting Fees of POS and E-Commerce***

From March 2020, this was accomplished via supporting payment fees of all stores and entities in the private sector for a period of six months. SAMA paid these fees to payment service providers participating in the national system. SAMA stated that, since its launch in mid-March to the end of June 2020, the number of stores which benefited from this programme amounted to 130,000 merchants with POS and 3,600 e-commerce stores. The number of transactions exempted from fees reached 248 million for POS and 25 million for e-commerce. The value of these transactions exceeded SAR 36 billion for POS and SAR 5 billion for e-commerce. The amount of fees supported by SAMA totalled SAR 327 million.

#### ***Supporting institutions affected by the precautionary measures***

As regards institutions affected by the precautionary measures implemented in the cities of Makah and Medina, SAMA is now co-ordinating with banks and finance companies to facilitate finance repayments of such institutions.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection as set out under “General Information - Documents Available. Words and expressions defined elsewhere in this Offering Circular shall have the same meanings in this section.*

### **Master Purchase Agreement, as supplemented by each Supplemental Purchase Agreement**

The Master Purchase Agreement will be entered into on 26 April 2022 between the Trustee (in its capacity as purchaser, the “**Purchaser**”) and the Bank (in its capacity as seller, the “**Seller**”) and will be governed by Saudi Arabian law. A Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of each Tranche and will also be governed by the laws of Saudi Arabia.

Pursuant to each Supplemental Purchase Agreement, the Seller will irrevocably and unconditionally sell, transfer and assign to the Purchaser, and the Purchaser will purchase from the Seller all of: (i) (on the issue date of the first Tranche of a Series) the relevant Initial Assets and (ii) (on each date on which any additional Certificates are issued) the relevant Additional Assets, in each case, together with all of the Seller’s rights, title, interests, benefits and entitlements, present and future, in, to and under such Initial Assets or Additional Assets, as the case may be.

### **Service Agency Agreement**

The Service Agency Agreement will be entered into on 26 April 2022 between the Trustee and the Bank (in its capacity as service agent, the “**Service Agent**”) and will be governed by English law except that clause 7 of the Service Agency Agreement relating to subordination and set-off of the Tier 2 Certificates will be governed by the laws of Saudi Arabia.

Pursuant to the Service Agency Agreement, the Trustee will appoint the Service Agent to service the Wakala Portfolio relating to each Series. In particular, the Service Agent will, in relation to each Series, undertake to perform, amongst other things, the following services (the “**Services**”) on behalf of the Trustee, during the Wakala Ownership Period:

- (a) it shall ensure that on and from the Issue Date of each Series, a Shari’a Adviser is appointed (which, for the avoidance of doubt, may be Al Rajhi Capital Company’s Shari’a Committee or the Al Rajhi Bank Internal Shari'a Supervision Committee) to monitor the compliance by the Bank (acting in any capacity) with the terms of the Transaction Documents to which it is a party;
- (a) it will service the Wakala Portfolio in accordance with the wakala services schedule (the “**Wakala Services Schedule**”) (the form of which is set out in the Schedule to the Service Agency Agreement), which shall be completed by the Service Agent at the time of issue of the first Tranche of the relevant Series upon receipt from the Trustee of the relevant Supplemental Purchase Agreement;
- (b) if the Trustee issues an additional Tranche, it shall as soon as practicable after such issuance amend the Wakala Services Schedule for that Series to take into account the issuance of such additional Tranche;
- (c) it shall ensure that, at all times on or following the Issue Date of the first Tranche of a Series, the Tangibility Ratio shall be more than 50 per cent. and in respect of:
  - (i) Senior Certificates only, if, at any time, the Tangibility Ratio falls:
    - (A) to 50 per cent. or less (but is 33 per cent. or more), the Service Agent shall take any and all reasonable steps as may be required by the Shari’a Adviser to ensure that such Tangibility Ratio is restored to more than 50 per cent. within the time period determined by the Shari’a Adviser; or

- (B) below 33 per cent. (such event, being a “**Tangibility Event**” in respect of such Senior Certificates), within 10 Business Days of the Service Agent becoming aware of the occurrence of the Tangibility Event, the Service Agent shall send a Tangibility Notice notifying the Trustee and the Delegate of the occurrence of the Tangibility Event and requesting the Trustee to promptly deliver a notice to the Certificateholders (a “**Delisting Notice**” in respect of such Senior Certificates) in accordance with Condition 19 (*Notices*), specifying:
- (1) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence;
  - (2) that, as determined in consultation with the Shari’a Adviser, the Certificates shall only be tradeable in accordance with the *Shari’a* principles of debt trading (such as the principle that debt is to be traded (x) at par on a spot settlement basis; or (y) against tangible assets and/or eligible commodities on a spot settlement basis);
  - (3) that, on the Tangibility Event Delisting Date, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading; and
  - (4) the Tangibility Event Put Right Period, during which period any Certificateholder shall have the option to require the redemption of all or any of its Certificates;
- (ii) Tier 2 Certificates only:
- (A) if, at any time, the Tangibility Ratio falls to 50 per cent. or less the Service Agent shall take any and all reasonable steps as may be required by the Shari’a Adviser to ensure that such Tangibility Ratio is restored to more than 50 per cent. within the time period determined by the Shari’a Adviser (the “**Tangibility Remediation Period**”); and
  - (B) if, at any time, the Tangibility Ratio falls below 33 per cent, within 10 Business Days of the Service Agent becoming aware of the Tangibility Ratio falling below 33 per cent., the Service Agent shall send a Tangibility Notice notifying the Trustee and the Delegate of the same and requesting the Trustee to promptly deliver a notice to the Certificateholders in accordance with Condition 19 (*Notices*), specifying:
    - (1) the Tangibility Remediation Period;
    - (2) that, if the Tangibility Ratio is not restored to more than 50 per cent. within the Tangibility Remediation Period, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading on the Tangibility Event Delisting Date; and
    - (3) that, as determined in consultation with the Shari’a Adviser, the Certificates shall only be tradeable in accordance with the *Shari’a* principles of debt trading (such as the principle that debt is to be traded (x) at par on a spot settlement basis; or (y) against tangible assets and/or eligible commodities on a spot settlement basis), unless and until the Tangibility Ratio is restored to more than 50 per cent. within the Tangibility Remediation Period; and
  - (C) if, at any time, the Tangibility Ratio falls below 33 per cent, and if the Service Agent fails to restore the Tangibility Ratio to more than 50 per cent. within the Tangibility Remediation Period (such event being a “**Tangibility Event**” in respect of such Tier 2 Certificates), within 10 Business Days of the expiry of the Tangibility Remediation Period, the Service Agent shall send a Tangibility Notice notifying the Trustee and the

Delegate of the occurrence of the Tangibility Event and requesting the Trustee to promptly deliver a notice to the Certificateholders (a “**Delisting Notice**” in respect of such Tier 2 Certificates) in accordance with Condition 19 (*Notices*), specifying:

- (1) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence; and
  - (2) that, on the Tangibility Event Delisting Date, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading; and
- (D) if, at any time, the Tangibility Ratio falls below 33 per cent, and if the Tangibility Ratio is restored to more than 50 per cent. within the Tangibility Remediation Period, from the date that the Tangibility Ratio is so restored, the requirement to trade the Certificates only in accordance with *Shari’a* principles of debt trading shall cease to apply to the Certificates and the Service Agent shall send a Tangibility Notice notifying the Trustee and the Delegate of the same, and requesting the Trustee to promptly deliver a notice to the Certificateholders in accordance with Condition 19 (*Notices*) of the same;

For the avoidance of doubt, the parties acknowledge that no failure by the Service Agent to comply with any of the above obligations shall constitute an Obligor Event, save that, in respect of Senior Certificates only, a failure by the Service Agent to deliver the Tangibility Notice shall constitute an Obligor Event;

- (e) if at any time there are Wakala Portfolio Principal Revenues, to the extent that the Bank has Eligible Assets available for sale to the Trustee, the Service Agent may notify the Trustee:
- (i) that there are amounts standing to the credit of the Principal Collection Account which can be used by the Trustee for the purposes of purchasing the Eligible Assets as selected by the Bank (the “**New Wakala Assets**”) (for a purchase price not greater than the Value of such Eligible Assets) (the “**New Wakala Asset Purchase Price**”); and
  - (ii) of the details and Value of such proposed Eligible Assets;
- (f) it shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it considers (and without the need for the consent of the Trustee) reasonably necessary to ensure the assumption of, and compliance with, by each Asset Obligor, its covenants, undertakings and other obligations under the Asset Contract to which it is a party in accordance with the terms thereof and applicable law;
- (g) it shall discharge or procure the discharge of all obligations to be discharged by the Bank (in whatever capacity) in respect of all Asset Contracts relating to the Wakala Assets of each Series, it being acknowledged that the Service Agent may appoint one or more agents to discharge these obligations on its behalf;
- (h) it shall pay on behalf of the Trustee any actual costs, expenses, actual losses and taxes which would otherwise be payable by the Trustee as a result of the Trustee’s ownership of the Wakala Portfolio, and such actual costs, expenses, actual losses and taxes shall be reimbursed in accordance with the terms of the Service Agency Agreement;
- (i) it shall use all reasonable endeavours to ensure the timely receipt of all Wakala Portfolio Revenues (free and clear of, and without withholding, retention or deduction for, taxes), investigate non-payment of Wakala Portfolio Revenues and generally make all reasonable efforts to collect or enforce the collection of such Wakala Portfolio Revenues as and when the same shall become due so that the Wakala Portfolio Income Revenues in respect of each Wakala Distribution Period are at least equal to the expected return to be generated by the Wakala Portfolio on a periodic basis and shall record such Wakala Portfolio Revenues in the Collection Accounts in accordance with the terms of the Service Agency Agreement;

- (j) it shall maintain the Collection Accounts in accordance with the terms of the Service Agency Agreement;
- (k) it shall obtain all necessary licences, authorisations and consents in connection with any of the Wakala Assets and its obligations under or in connection with the Service Agency Agreement;
- (l) if any Wakala Asset comprised in the Wakala Portfolio of the relevant Series ceases to be an Eligible Asset (the occurrence of such event or circumstance being an “**Impaired Wakala Asset Event**”), it shall: (i) notify the Trustee of such event and provide details of the relevant Impaired Wakala Assets; and (ii) notify the Trustee of the availability (if any), together with all necessary details, of any Eligible Assets available for sale to the Trustee in replacement of the relevant Impaired Wakala Asset(s), to enable the Trustee to exercise its right under the Purchase Undertaking in respect of such Impaired Wakala Asset(s), *provided that* any such substitution shall otherwise be undertaken in accordance with, and subject to, the conditions of the Service Agency Agreement and the Purchase Undertaking; and
- (m) it shall carry out any incidental matters relating to any of the above.

The Service Agent shall provide the Services in accordance with all applicable laws and regulations and with the degree of skill and care that it would exercise in respect of its own assets and shall service the Wakala Portfolio relating to each Series in accordance with *Shari’a* principles as laid down by the Shari’a Adviser.

Upon receipt of the notification from the Service Agent referred to in paragraph (e) above, the Trustee shall (subject to the execution, and pursuant to and on the terms, of a Supplemental Purchase Agreement) pay, or procure the payment by the Service Agent of, the New Wakala Asset Purchase Price to, or to the order of, the Obligor against the sale, transfer, assignment and conveyance to, or for the benefit of, the Trustee of all of the Obligor’s rights, title, interests, benefits and entitlements, present and future, in, to and under the New Wakala Assets. Such New Wakala Assets so acquired by or on behalf of the Trustee shall form part of the Wakala Portfolio, in respect of which the Bank and the Service Agent shall provide certain representations and warranties on the date of such acquisition as set out in the Service Agency Agreement. Each of the Trustee, the Service Agent and the Obligor agrees that the payment of the New Wakala Assets Purchase Price referred to above shall be effected by the creation of a ledger entry by the Service Agent (on behalf of the Trustee) debiting the amount of the New Wakala Asset Purchase Price from the Principal Collection Account which shall satisfy in full the Trustee’s obligation under the relevant provision of the Service Agency Agreement.

The Service Agent undertakes, in relation to each Series, that it shall maintain rights, title, interests, benefits or entitlement in or actual or constructive possession, custody or control of all of the Wakala Assets comprising the Wakala Portfolio during the Wakala Ownership Period.

The parties to the Service Agency Agreement have agreed and confirmed that the Service Agent shall have no investment agency responsibilities, and shall not undertake any investment activities (including any discretionary investment responsibilities with respect to monies received by it pursuant to the Transaction Documents or any discretionary substitution of a Wakala Asset), and shall not undertake any investment activities, in each case with respect to its appointment as agent of the Trustee under the Service Agency Agreement and is not permitted to trade in the Wakala Assets save, in all cases, as provided for in the Transaction Documents.

The Service Agent shall be entitled to receive a fee for acting as Service Agent which will comprise a fixed fee of U.S.\$100 (the receipt and adequacy of which will be acknowledged by the Service Agent under the Service Agency Agreement) and may also receive incentive payments as described below.

In relation to each Series, the Service Agent will maintain the Income Collection Account, the Principal Collection Account and the Reserve Account in its books (each of which shall be denominated in the Specified

Currency) in which all Wakala Portfolio Revenues will be recorded. All Wakala Portfolio Revenues in relation to each Series will be recorded:

- (a) to the extent that any such amounts comprise Wakala Portfolio Income Revenues, in the Income Collection Account; and
- (b) to the extent that any such amounts comprise Wakala Portfolio Principal Revenues, in the Principal Collection Account.

Amounts standing to the credit of the Income Collection Account relating to each Series will be applied by the Service Agent on each “**Wakala Distribution Determination Date**” (being the Payment Business Day immediately prior to the relevant Periodic Distribution Date under the Certificates of the relevant Series) in the following order of priority:

- (a) *first*, in repayment to the Bank or any relevant third party of any amounts advanced by it to the Trustee by way of a Liquidity Facility;
- (b) *second*, in payment to the Service Agent of any due but unpaid Wakala Liabilities Amounts in respect of the Wakala Distribution Period ending immediately before the immediately following “**Wakala Distribution Date**” (being the date which corresponds with the relevant Periodic Distribution Date under the Certificates of the relevant Series) and (if applicable) any Wakala Liabilities Amounts for any previous Wakala Distribution Period that remain unpaid;
- (c) *third*, in payment into the relevant Transaction Account of an amount equal to the lesser of the Required Amount payable on the immediately following Periodic Distribution Date and the balance of the Income Collection Account; and
- (d) *fourth*, in the case of any amounts still standing to the credit of the Income Collection Account immediately following payment of all of the above amounts by debiting from the Income Collection Account and crediting to the Reserve Account such amounts.

If, there is a shortfall on a Wakala Distribution Determination Date (after payment into the Transaction Account of the relevant amount as described above) between (i) the amount standing to the credit of the Transaction Account; and (ii) the Required Amount payable on the immediately following Periodic Distribution Date (the difference between such amounts being referred to as a “**Shortfall**”), amounts standing to the credit of the Reserve Account (if any) shall be applied by the Service Agent by payment into the Transaction Account of an amount equal to the Shortfall (or such lesser amount as is then standing to the credit of the Reserve Account). If, following payment of amounts standing to the credit of the Reserve Account as described above, a Shortfall remains on any Wakala Distribution Determination Date, the Bank may either (A) provide *Shari’a* compliant funding to the Trustee itself, or (B) procure the provision to the Trustee of *Shari’a* compliant funding from a third party, in each case, to the extent necessary to ensure that the Trustee receives, on each Wakala Distribution Determination Date, the Required Amount payable by it in accordance with the Conditions of the relevant Series on the immediately following Periodic Distribution Date, by payment of the same into the Transaction Account and on terms that such funding is to be settled (i) from Wakala Portfolio Income Revenues, or (ii) on the relevant Dissolution Date (such funding in relation to a Series, a “**Liquidity Facility**”).

The Service Agent has agreed in the Service Agency Agreement that all payments by it under the Service Agency Agreement must be made in the Specified Currency and without any withholding, retention or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind. If there is any such withholding, retention or deduction, the Service Agent will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

The Service Agent has undertaken in the Service Agency Agreement that, in the case of Senior Certificates, any payment obligations of the Service Agent under the Service Agency Agreement will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative*

*Pledge*)) unsecured obligations of the Service Agent and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Service Agent from time to time outstanding. In the case of Tier 2 Certificates, any payment obligations of the Service Agent under the Service Agency Agreement will be direct, unconditional, unsecured and subordinated obligations which shall, in the case of a Winding-Up Proceeding, rank: (a) subordinate to claims in respect of Senior Obligations; (b) at least *pari passu* with claims in respect of Parity Obligations and (c) in priority to all claims in respect of Junior Obligations. The Trustee will irrevocably waive its rights to the extent necessary to give effect to the subordinate provisions set forth above.

### **Purchase Undertaking**

The Purchase Undertaking will be executed as a deed on 26 April 2022 by the Bank in favour of the Trustee and the Delegate, and will be governed by English law, except that clause 5 of the Purchase Undertaking relating to subordination and set-off of the Tier 2 Certificates will be governed by the laws of Saudi Arabia.

In relation to each Series, the Bank will irrevocably grant to the Trustee and the Delegate (in each case, for and on behalf of the Certificateholders) each of the following rights:

- (a) *provided that* a Dissolution Event has occurred and is continuing, to require the Bank to purchase on the Dissolution Event Redemption Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;
- (b) to require the Bank to purchase, on the Scheduled Dissolution Date, all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;
- (c) in the case of Senior Certificates only, *provided that* (i) Certificateholder Put Right is specified as applicable in the relevant Pricing Supplement (and Optional Dissolution Right is specified as not applicable in each relevant Pricing Supplement) and (ii) one or more Certificateholders have exercised the Certificateholder Put Right in accordance with the Conditions, to require the Bank to purchase on the Certificateholder Put Right Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the applicable portion of the Wakala Assets at the Certificateholder Put Right Exercise Price specified in the relevant Exercise Notice; and
- (d) in the case of Senior Certificates only, *provided that* (i) a Tangibility Event has occurred and (ii) one or more Certificateholders have exercised the Tangibility Event Put Right in accordance with the Conditions, to require the Obligor to purchase on the Tangibility Event Put Right Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Tangibility Event Put Right Wakala Assets at the Tangibility Event Put Right Exercise Price specified in the relevant Exercise Notice;
- (e) *provided that* the Trustee has received notice, or otherwise becomes aware, of the occurrence of an Impaired Wakala Asset Event in accordance with the terms of the Purchase Undertaking or the Service Agency Agreement, to require the Bank to assign, sell, transfer and convey to the Trustee on the substitution date all of the Bank's rights, title, interests, benefits and entitlements, present and future, in, to and under the new Wakala Assets against the assignment, transfer and/or conveyance to the Bank of all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Impaired Wakala Assets, subject to certain conditions set out in the Purchase Undertaking;
- (f) in the case of Tier 2 Certificates only, *provided that* a Non-Viability Event has occurred, to require the Obligor to purchase on the date specified in the Non-Viability Notice (the "**Non-Viability Event Write-down Date**") all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in,

to and under the Write-down Wakala Assets comprised in the Wakala Portfolio applicable to the relevant Series at the Non-Viability Event Exercise Price specified in the relevant Exercise Notice; and

- (g) provided that, following the occurrence of a Non-Viability Event and the receipt by the Trustee of a Non-Viability Notice from the Obligor, on the relevant Non-Viability Event Write-down Date, the obligation of the Obligor to pay the amount of the Non-Viability Event Exercise Price and (where payment of such amount would be prohibited by the Financial Regulator or the Capital Regulations at such time) paragraph (b) of the definition of Non-Viability Event Exercise Price shall automatically be deemed to be written-down to zero and the Obligor's obligation to pay such amounts shall be deemed to have been satisfied,

in each case, on an "as is" basis but free and clear of any adverse claim (without any warranty express or implied and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Purchase Undertaking.

The Bank has covenanted and undertaken in the Purchase Undertaking that:

- (a) if, at the time of delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking, the Bank (acting in any capacity) holds any rights, title, interests, benefits or entitlement in or is in actual or constructive possession, custody or control of all or any part of the Wakala Assets comprising the Wakala Portfolio, the Certificateholder Put Right Wakala Assets or the Tangibility Event Put Right Wakala Assets, as the case may be; and
- (b) if, following delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking, the Bank fails to pay the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be, in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, and provided that the Obligor (acting in any capacity) holds any rights, title, interests, benefits or entitlement in or is in actual or constructive possession, custody or control of all or part of the relevant Wakala Assets, Certificateholder Put Right Wakala Assets or Tangibility Event Put Right Wakala Assets, as the case may be, on the relevant Exercise Price Due Date,

the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates or the relevant Certificates to be redeemed on the Certificateholder Put Right Date or the Tangibility Event Put Right Date, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Certificateholder Put Right Exercise Price or the Tangibility Event Put Right Exercise Price, as the case may be.

Following payment in full of an amount equal to the Exercise Price, the Certificateholder Put Right Exercise Price or the Tangibility Event Put Right Exercise Price, as the case may be, in accordance with the Purchase Undertaking, the Bank will irrevocably undertake to enter into a Sale Agreement with the Trustee.

The Bank has agreed in the Purchase Undertaking that all payments by it under the Purchase Undertaking must be made in the Specified Currency and without any withholding, retention or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind. If there is any such withholding, retention or deduction, the Bank will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

The Bank has undertaken in the Purchase Undertaking that:

- (i) in the case of Senior Certificates, any payment obligations of the Bank under the Purchase Undertaking are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) unsecured obligations of the Bank and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge

provisions described in Condition 7 (*Obligor Negative Pledge*)), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Bank from time to time outstanding; and

- (ii) in the case of Tier 2 Certificates, any payment obligations of the Bank under the Purchase Undertaking are and will be direct, unconditional, subordinated and unsecured obligations of the Bank and shall, at all times rank subordinate to claims in respect of Senior Obligations, at least equally with all other present and future Parity Obligations and in priority to claims in respect of Junior Obligations of the Bank from time to time outstanding.

In the case of Tier 2 Certificates only, provided that a Non-Viability Event (as defined below) has occurred, the Trustee will be entitled to require the Bank, on the date specified in the Non-Viability Notice (the “**Non-Viability Event Write-down Date**”), to purchase or procure the purchase of all of the Trustee’s rights, title, interests, benefits and entitlements in, to and under the Write-down Wakala Assets at the Non-Viability Event Exercise Price (as defined below) specified in the Exercise Notice (as defined in the Purchase Undertaking).

A “**Non-Viability Event**” means that the Financial Regulator has notified the Bank in writing that it has determined that the Bank is, or will become, Non-Viable without:

- (i) a Write-down of the Certificates (and write-down of any of the Trustee’s or the Bank’s other capital instruments or other obligations constituting Tier 1 Capital and/or Tier 2 Capital of the Bank that, pursuant to their terms or by operation of law, are capable of being written-down and/or converted into equity); or
- (ii) a public sector injection of capital (or equivalent support), provided that such injection of capital is not made (i) by a shareholder of the Bank or (ii) on terms that are more favourable to the Bank than those that would be accepted by private investors in comparable transactions;

“**Non-Viability Event Exercise Price**” means, in relation to each Series of Tier 2 Certificates, an amount equal to the aggregate of:

- (i) the Write-Down Proportion of the aggregate face amount of such Series of Tier 2 Certificates then outstanding as at the Non-Viability Event Write-down Date; plus
- (ii) (only where no Certificate remains outstanding following the Non-Viability Event Write-down) to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility and (ii) due but unpaid Wakala Liabilities Amounts; less
- (iii) if a Commodity Murabaha Investment forms part of the relevant Series, the amount of the Deferred Payment Price cancelled with effect from the Non-Viability Event Write-down Date pursuant to clause 6.2(i) of the Master Murabaha Agreement.

“**Write-Down Proportion**” means, in relation to a Series of Tier 2 Certificates, such proportion (expressed as a percentage) as is determined by dividing (a) the aggregate face amount of the Certificates of such Series of Tier 2 Certificates that the Financial Regulator has determined to be written-down by (b) the aggregate face amount of the Certificates of such Series of Tier 2 Certificates then outstanding.

If the Delegate exercises any of the options described above, an exercise notice will be required to be delivered by the Delegate under the Purchase Undertaking.

If the Bank fails to pay all or part of any Exercise Price that is due in accordance with the Purchase Undertaking or an equivalent amount by way of indemnity (as further described below), then the Bank will agree in the Purchase Undertaking that it will irrevocably, unconditionally and automatically (without the necessity for any notice or any other action) continue to act as Service Agent for the provision of the Services in respect of the relevant Portfolio on the terms and conditions, mutatis mutandis, of the Service Agency Agreement.

## Sale and Substitution Undertaking

The Sale and Substitution Undertaking will be executed as a deed on 26 April 2022 by the Trustee in favour of the Bank and will be governed by English law.

In relation to each Series, the Trustee will irrevocably grant to the Bank each of the following rights:

- (a) *provided that* a Tax Event has occurred, to require the Trustee to sell, assign, transfer and convey to the Bank on the Early Tax Dissolution Date specified in the Exercise Notice all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;
- (b) *provided that* Optional Dissolution Right is specified as applicable in each relevant Pricing Supplement (and Certificateholder Put Right is specified as not applicable in each relevant Pricing Supplement), to require the Trustee to sell, assign, transfer and convey to the Bank on the Optional Dissolution Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the applicable portion of the Wakala Assets at the Optional Dissolution Exercise Price specified in the relevant Exercise Notice;
- (c) following delivery of the Registered Certificate representing the cancelled Certificates to the Registrar for cancellation pursuant to Condition 9(h) (*Purchases*), to require the Trustee to assign, transfer and convey to the Bank on the cancellation date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the cancellation Wakala Assets subject to certain conditions set out in the Sale and Substitution Undertaking;
- (d) to require the Trustee to assign, transfer and convey to the Bank on the substitution date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under, the substituted Wakala Assets against the sale, assignment, transfer and conveyance to the Trustee of all of the Bank's rights, title, interests, benefits and entitlements, present and future, in, to and under, the new Wakala Assets subject to certain conditions set out in the Sale and Substitution Undertaking;
- (e) if 75 per cent. or more of the aggregate face amount of Certificates of a Series have been redeemed pursuant to Condition 9(f) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*), to require the Trustee to sell, assign, transfer and convey to the Bank on the Clean Up Call Dissolution Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice; and
- (f) in the case of Tier 2 Certificates only, provided that a Capital Disqualification Event has occurred, to require the Trustee to sell, assign, transfer and convey to the Bank on the Capital Disqualification Event Dissolution Date specified in the Exercise Notice all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to the relevant Series at the Exercise Price specified in the relevant Exercise Notice

in each case, on an "as is" basis but free and clear of any adverse claim (without any warranty express or implied and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Sale and Substitution Undertaking.

## Master Murabaha Agreement

The Master Murabaha Agreement will be entered into on 26 April 2022 between the Trustee (in its capacity as seller, the "**Commodity Seller**"), the Bank (in its capacity as buyer, the "**Commodity Buyer**") and the Delegate and will be governed by English law, except that clause 9 of the Master Murabaha Agreement relating to subordination and set-off of the Tier 2 Certificates will be governed by the laws of Saudi Arabia.

Pursuant to the Master Murabaha Agreement, and in connection with each relevant Tranche of Certificates, the Commodity Seller may enter into a Commodity Murabaha Investment with the Commodity Buyer using a portion of the issue proceeds of the relevant Tranche as specified in the relevant Pricing Supplement (being no more than 25 per cent. of the aggregate face amount of the Certificates of that Tranche). In accordance with the Master Murabaha Agreement, on receipt of a duly completed Notice of Request to Purchase from the Commodity Buyer, the Commodity Seller (acting through the Commodity Agent) may purchase the relevant Commodities on the relevant Issue Date from a commodity supplier on a spot basis at the relevant Commodity Purchase Price.

Upon completion of the purchase of the Commodities by the Commodity Seller and the Commodity Seller gaining title thereto and (actual or constructive) possession thereof, the Commodity Seller may deliver to the Commodity Buyer a duly completed Offer Notice by no later than 1.00 p.m. (London time) (or such other time as may be agreed in writing by the Commodity Buyer and the Commodity Seller) on the relevant Issue Date.

*Provided that* the Commodity Buyer has received the Offer Notice delivered to it in accordance with the terms of the Master Murabaha Agreement and wishes to enter into a Murabaha Contract, the Commodity Buyer will accept the terms of, countersign and deliver to the Commodity Seller such Offer Notice and purchase the relevant Commodities acquired by the Commodity Seller for the relevant Deferred Payment Price, in each case no later than 2.00 p.m. (London time) (or such other time as may be agreed between the Commodity Buyer and the Commodity Seller) on the relevant Issue Date.

As soon as the Commodity Buyer has accepted the Commodity Seller's offer by countersigning the relevant Offer Notice, a Murabaha Contract shall be created between the Commodity Seller and the Commodity Buyer upon the terms of the Offer Notice and incorporating the terms and conditions set out in the Master Murabaha Agreement and ownership of and all risks in and to the relevant Commodities shall immediately pass to and be vested in the Commodity Buyer, together with all rights and obligations relating thereto.

The Commodity Buyer will agree in the Master Murabaha Agreement that all payments by it under the Master Murabaha Agreement must be made in the Specified Currency and without any withholding, retention or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind and, in such case, the Commodity Buyer will pay all additional amounts as will result in the receipt by the Commodity Seller of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

The Commodity Buyer has undertaken in the Master Murabaha Agreement that any payment obligations of the Commodity Buyer under the Master Murabaha Agreement will be:

- (i) in the case of Senior Certificates only, direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) unsecured obligations of the Commodity Buyer and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Commodity Buyer from time to time outstanding; and
- (ii) in the case of Tier 2 Certificates only, direct, unconditional, unsecured and subject to provisions of clause 9 of the Master Murabaha Agreement, subordinated obligations of the Commodity Buyer.

## **Trust Deed**

The Master Trust Deed will be entered into on 26 April 2022 between the Bank, the Trustee and the Delegate and will be governed by English law except that clauses 3.3 and 8.5 of the Master Trust Deed, which will be governed by the laws of Saudi Arabia. A Supplemental Trust Deed between the same parties shall be entered into on the Issue Date of each Tranche and shall also be governed by English law.

Upon issue of a Series of Certificates, the Master Trust Deed as supplemented by each relevant Supplemental Trust Deed shall together constitute the Trust declared by the Trustee in relation to such Series (the Master Trust

Deed as supplemented by each relevant Supplemental Trust Deed for each Series being referred to herein as the “**Trust Deed**”).

The Trust Assets in respect of each Series shall comprise:

- (a) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio;
- (c) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (excluding the Excluded Representations and the covenant given to the Trustee pursuant to clause 13.1 of the Master Trust Deed);
- (d) all moneys standing to the credit of the Transaction Account from time to time; and
- (e) all proceeds of the foregoing.

Pursuant to the relevant Trust Deed, the Trustee will, in relation to each Series of Certificates, amongst other things, hold the relevant Trust Assets on trust absolutely for the Certificateholders of such Series *pro rata* according to the face amount of Certificates of that Series held by each Certificateholder and act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the relevant Trust Deed. Pursuant to the Master Trust Deed, the Trustee will, by way of security for the performance of all covenants, obligations and duties of the Trustee to the Certificateholders under the relevant Trust Deed, irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed to:

- (a) execute, deliver and perfect all documents; and
- (b) exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed and the Certificates,

that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (i) exercise all of the rights, powers, authorities and discretions of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Conditions and the Trust Deed (together the “**Delegation**” of the “**Relevant Powers**”), *provided that* (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, authority or discretion to dissolve the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee has undertaken in the Master Trust Deed to ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of its powers pursuant to the Delegation.

The Delegation is to be made by the Trustee to the Delegate for the benefit of the Delegate and the Certificateholders, subject to the terms of the Conditions and the Trust Deed.

In addition to the Delegation of the Relevant Powers, certain powers, rights, authorities and discretions under the Master Trust Deed will be vested solely in the Delegate, including, amongst other things, the power to call and conduct meetings at the request of Certificateholders, to determine whether a certain event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates so as to qualify as a Trustee Event or Obligor Event, and the powers set out in Condition 14 (*Dissolution Events*) to decide, pursuant to the provisions

therein, whether the Certificates should become immediately due and payable subject to and in accordance with Condition 14 (*Dissolution Events*) and the power to consent to certain types of amendments to any Transaction Document or the memorandum and articles of association of the Trustee, in each case as more particularly described in the Master Trust Deed.

The Bank has covenanted and undertaken in the Master Trust Deed, among other things, as follows:

- (a) to comply with and perform and observe all provisions of the Conditions which are expressed to be applicable to it including, without limitation, the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*); and
- (b) that it shall forthwith notify the Delegate and the Trustee in writing of any Dissolution Event (and the steps, if any, being taken to remedy it) and/or Potential Dissolution Event, Non-Viability Event, Capital Disqualification Event and Tangibility Event (and provide a description of such Tangibility Event), in each case promptly upon becoming aware of its occurrence.

The Bank has acknowledged in the Master Trust Deed that the Obligor Events applicable to it are set out in full in the Conditions, that it is fully aware of and understands the terms thereof and that the occurrence thereof shall constitute a Dissolution Event for the purposes of the Conditions.

The Bank has also covenanted and undertaken in the Master Trust Deed that:

- (a) if, at the time of delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, the Bank (acting in any capacity) holds any rights, title, interests, benefit or entitlement in or is in actual or constructive possession, custody or control of all or any part of the Wakala Assets comprising the Wakala Portfolio, the Certificateholder Put Right Wakala Assets, the Tangibility Event Put Right Wakala Assets or the Optional Dissolution Wakala Assets, as the case may be; and
- (b) if, following delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, the Bank fails to pay the relevant Exercise Price, Certificateholder Put Right Exercise Price, Tangibility Event Put Right Exercise Price or Optional Dissolution Exercise Price, as the case may be, in accordance with the provisions of the Purchase Undertaking or the Sale and Substitution Undertaking (as the case may be) for any reason whatsoever,

the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates, the Certificateholder Put Right Certificates the Tangibility Event Put Right Certificates or the Optional Dissolution Certificates, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Put Right Exercise Price or the Optional Dissolution Exercise Price, as the case may be.

Payment of an amount equal to the Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Put Right Exercise Price, Non-Viability Event Exercise Price or the Optional Dissolution Exercise Price, as the case may be, into the Transaction Account in accordance with the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, shall evidence the acceptance by the Bank of the Exercise Notice delivered in accordance with the provisions of the Purchase Undertaking and the conclusion of the transfer of the Trustee's title, rights, benefits and entitlements in, to and under the Wakala Assets comprising the Wakala Portfolio, the Certificateholder Put Right Wakala Assets, the Tangibility Event Put Right Wakala Assets or the Optional Dissolution Wakala Assets, as the case may be.

Following payment in full of an amount equal to the Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Put Right Exercise Price, Non-Viability Event Exercise Price, or the Optional Dissolution Exercise Price, as the case may be, in accordance with the Purchase Undertaking or the Sale and

Substitution Undertaking, as the case may be, the Bank will irrevocably undertake to enter into a Sale Agreement with the Trustee.

The Bank has also covenanted and undertaken in the Master Trust Deed that if, in relation to a Murabaha Contract, the outstanding Deferred Payment Price is not paid on the relevant Dissolution Date in accordance with the provisions of the Master Murabaha Agreement for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify (on an after Tax basis) the Trustee for the purpose of redemption of the outstanding Certificates of such Series, and the amount payable under any such indemnity claim will equal the outstanding Deferred Payment Price.

In addition, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 12 (*Taxation*), the Bank has covenanted and undertaken in the Master Trust Deed that it will unconditionally and irrevocably (irrespective of the payment of any fee), as a continuing obligation, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any withholding, retention or deduction for or on account of tax) equals any and all additional amounts required to be paid by it in respect of the Certificates pursuant to Condition 12 (*Taxation*).

If and to the extent the Trustee has exercised its rights under Condition 20 (*Further Issues*) to issue additional Certificates in respect of a Series, on the date of issue of such additional Certificates, the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so created and issued, declaring that the relevant Additional Assets (as defined in the relevant Declaration of Commingling of Assets) and the Wakala Assets comprised in the Wakala Portfolio as in existence immediately prior to the creation and issue of such additional Certificates and, if applicable, each Commodity Murabaha Investment made pursuant to the Master Murabaha Agreement (and all rights arising under or with respect thereto) in respect of the relevant Series, are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the Master Trust Deed.

### **Agency Agreement**

The Agency Agreement will be entered into on 26 April 2022 in relation to the Certificates between, amongst others, the Trustee, the Bank, the Delegate, the Principal Paying Agent and the Registrar. The Agency Agreement will govern the arrangements between the Trustee and the agents named therein for the issuance of Certificates and the making of payments in respect thereof. The Agency Agreement will be governed by English law.

### **Shari'a Compliance**

Each Transaction Document to which it is a party provides that each of Al Rajhi Sukuk Limited and Al Rajhi Banking and Investment Corporation agrees that it has accepted the *Shari'a* compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of *Shari'a*;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

For these purposes:

“**Asset Contract**” means a Financing Contract and/or any other contract, agreement, or document evidencing or otherwise related to or associated with a Wakala Asset, as the case may be;

“**Asset Obligor**” means a Lessee, a Tradable Sukuk and/or any other person that is a party to an Asset Contract (other than Bank or any party acting on behalf of the Bank) obliged to make payments thereunder, as the context so requires;

“**Certificateholder Put Right Exercise Price**” means, in relation to each Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the relevant Certificates to be redeemed on the Certificateholder Put Right Date; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the relevant Certificates; plus
- (c) if all of the Certificates of a Series are being redeemed, to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) due but unpaid Wakala Liabilities Amounts; plus
- (d) without double counting, if all of the Certificates of a Series are being redeemed, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate pursuant to paragraph (i) of Condition 5(b) (*Application of Proceeds from Trust Assets*)); plus
- (e) without double counting, any other amounts payable in relation to the relevant Certificates as specified in the relevant Pricing Supplement; less
- (f) if a Commodity Murabaha Investment forms part of the relevant Series, the applicable portion of the aggregate amounts of Deferred Payment Price outstanding on the Certificateholder Put Right Date which has been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement;

“**Eligible Asset**” means a Financing Asset or a Tradable Sukuk:

- (a) in respect of which: (i) the Bank is generating cashflows under the related Asset Contract relating to an activity which does not conflict with the principles of *Shari'a*; and (ii) the relevant Asset Obligor under the related Asset Contract is not in breach of its payment obligations in respect of that Asset Contract;
- (b) which is held or owned by the Seller in a manner consistent with its usual credit and origination and/or investment policies as approved by the Shari'a Adviser;
- (c) in respect of which the obligations contained in the related Asset Contract entered into by the Asset Obligor thereof constitute legal, valid, binding and (subject to the laws of bankruptcy and other laws affecting enforceability generally) enforceable obligations of the Asset Obligor under the governing law of that Asset Contract and any related transaction documents and in the jurisdiction in which such Asset Obligor is located;
- (d) in respect of which the Seller is entitled to receive all payments due;
- (e) in respect of which there has not occurred any acceleration or analogous event; and
- (f) in respect of which the Seller's rights, title, interests, benefits and entitlements, present and future, therein are capable of being sold, transferred and assigned by the Seller to the Purchaser in accordance with all applicable laws, its own terms and the terms set out in the Master Purchase Agreement;

**“Exercise Price”** means, in relation to each Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the Certificates then outstanding on the relevant Dissolution Date; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates; plus
- (c) to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) due but unpaid Wakala Liabilities Amounts; plus
- (d) without double counting, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate pursuant to paragraph (i) of Condition 5(b) (*Application of Proceeds from Trust Assets*)); plus
- (e) in respect of Senior Certificates only, without double counting, any other amounts payable on redemption of the Certificates as specified in the relevant Pricing Supplement; less
- (f) if a Commodity Murabaha Investment forms part of the relevant Series, the aggregate amounts of Deferred Payment Price outstanding on the relevant Dissolution Date which have been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement;

**“Financing Asset”** means a Real Estate Financing Asset or a Non-Real Estate Financing Asset, as the case may be;

**“Financing Contract”** means a Real Estate Financing Contract or a Non-Real Estate Financing Contract, as the case may be;

**“Lessee”** means a Real Estate Financing Lessee or a Non-Real Estate Financing Lessee, as the case may be;

**“Non-Real Estate Financing Asset”** means a tangible asset, other than a Real Estate Financing Asset, in relation to which the Bank or any person on its behalf has entered into a Non-Real Estate Financing Contract; *provided, however, that* such tangible asset is in existence on the date on which it becomes part of the relevant Wakala Portfolio;

**“Non-Real Estate Financing Contract”** means (a) an ijara contract entered into by the Bank or any person on its behalf (the **“Non-Real Estate Financing Lessor”**) and another person (the **“Non-Real Estate Financing Lessee”**) pursuant to which the Non-Real Estate Financing Lessor leases a tangible asset (other than a real estate asset) to the Non-Real Estate Financing Lessee, and in respect of which lease payments are due from the Non-Real Estate Financing Lessee to the Non-Real Estate Financing Lessor, including any other agreements or documents associated with that contract; or (b) any arrangement similar in economic effect to that described in item (a);

**“Optional Dissolution Exercise Price”** means, in relation to each Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the relevant Certificates to be redeemed on the Optional Dissolution Date; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the relevant Certificates; plus
- (c) if all of the Certificates of a Series are being redeemed, to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) due but unpaid Wakala Liabilities Amounts; plus
- (d) without double counting, if all of the Certificates of a Series are being redeemed, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but

not limited to costs and expenses due but unpaid to the Delegate pursuant to paragraph (i) of Condition 5(b) (*Application of Proceeds from Trust Assets*); plus

- (e) without double counting, any other amounts payable in relation to the relevant Certificates as specified in the relevant Pricing Supplement; less
- (f) if a Commodity Murabaha Investment forms part of the relevant Series, the applicable portion of the aggregate amounts of Deferred Payment Price outstanding on the Optional Dissolution Date which has been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement;

**“Real Estate Financing Asset”** means a real estate asset located in Saudi Arabia in relation to which the Bank or any person on its behalf has entered into a Real Estate Financing Contract; *provided, however, that* such real estate asset is in existence on the date on which it becomes part of the relevant Wakala Portfolio;

**“Real Estate Financing Contract”** means (a) an ijara contract entered into by the Bank or any person on its behalf (the **“Real Estate Financing Lessor”**) and another person (the **“Real Estate Financing Lessee”**) pursuant to which the Real Estate Financing Lessor leases a real estate asset located in Saudi Arabia to the Real Estate Financing Lessee, and in respect of which payments are due from the Real Estate Financing Lessee to the Real Estate Financing Lessor, including any other agreements or documents associated with that contract; or (b) any arrangement similar in economic effect to that described in item (a);

**“Tangibility Event Put Right Exercise Price”** means, in relation to each relevant Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the Tangibility Event Put Right Certificates; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Tangibility Event Put Right Certificates; plus
- (c) if all of the Certificates of a Series are being redeemed, to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding (i) amounts repayable in respect of any Liquidity Facility; and (ii) due but unpaid Wakala Liabilities Amounts; plus
- (d) without double counting, if all of the Certificates of a Series are being redeemed, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to costs and expenses due but unpaid to the Delegate pursuant to paragraph (i) of Condition 5(b) (*Application of Proceeds from Trust Assets*)); plus
- (e) without double counting, any other amounts payable in relation to the Tangibility Event Put Right Certificates as specified in the relevant Pricing Supplement; less
- (f) if a Commodity Murabaha Investment forms part of the relevant Series, the Tangibility Event Put Right Proportion of the aggregate amounts of Deferred Payment Price outstanding on the Tangibility Event Put Right Date which has been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement;

**“Wakala Distribution Period”** means, in relation to a Series, the period beginning on (and including) the Issue Date of the first Tranche of such Series and ending on (but excluding) the first Wakala Distribution Date and each successive period beginning on (and including) a Wakala Distribution Date and ending on (but excluding) the next succeeding Wakala Distribution Date, each such period also being a Periodic Distribution Period; and

**“Wakala Ownership Period”** means, in relation to each Series, the period commencing on the Issue Date of the first Tranche of such Series and ending on the date on which all of the Certificates of that Series are redeemed in full.

## TAXATION

*The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those jurisdictions or elsewhere, nor does it address the considerations that are dependent on individual circumstances. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.*

### **Cayman Islands**

*The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.*

Under existing Cayman Islands laws, payments on Certificates to be issued will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax. On 10 February 2022, the Trustee received an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Act (As Revised) of the Cayman Islands, that for a period of 20 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Act (As Revised). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. However, an instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### **Saudi Arabia**

Unless otherwise stated, capitalised terms in this sub-section shall have the meanings given to them in "*Taxation—Saudi Arabia—General*" below.

The statements herein regarding taxation/Zakat are based on the Kingdom's laws in effect as of the date of this Offering Circular and are subject to any changes occurring after such date, which changes could have retroactive effect. These include the Income Tax Law promulgated under Royal Decree No. M/1 dated 15/1/1425H (corresponding to 6 March 2004) and its By-Laws issued under Ministerial Resolution No. 1535 dated 11/6/1425H (corresponding to 29 July 2004), as amended from time to time (collectively the "**Income Tax Law**"), and the Zakat Collection Regulations issued pursuant to Royal Decree No. 17/04/28/8634 dated 29/06/1370H (corresponding to 7 April 1951) and the Implementing Zakat Regulations under Ministerial Resolution No. 2216 dated 7/7/1440H (corresponding to 14 March 2019) ("**Zakat Regulations**"), and the Value Added Tax Law promulgated under Royal Decree No. M113 dated 2/11/1438H (Corresponding to 25 July 2017) and its implementing regulations notified under the ZATCA Board of Directors Resolution No. 3839 dated 14/12/1438H (corresponding to 5 September 2017), as amended from time to time, with the most recent being a Royal Order (A/638) issued on 15/10/1441H (corresponding to 7 June 2020) ratifying the amendment, with effect from 1 July 2020G, of Article 2 of the Value Added Tax ("**VAT**") Law, increasing the VAT rate from 5 per cent. to 15 per cent. (the "**KSA VAT Law**")

The following summary is a general description of certain Saudi Arabian tax and Zakat considerations relating to the Certificates. It does not purport to be a comprehensive description of all the tax and Zakat considerations which may be relevant for a decision to subscribe for, purchase, own or dispose of the Certificates and does not purport to deal with the tax and Zakat consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Certificates are advised to consult their own Saudi Arabian tax and Zakat advisers concerning the overall tax and Zakat consequences of their ownership of the Certificates.

## **Overview of Saudi Tax and Zakat**

### *Corporate Income Tax*

Persons Subject to Taxation include a Resident capital company owned by non-GCC persons and a non-Resident who carries out business in the Kingdom through a Permanent Establishment (other than a Permanent Establishment of GCC persons that meet the conditions set out under Article 2(4) of the Zakat Regulations) are subject to corporate income tax in the Kingdom.

As per the Income Tax Law, Persons Subject to Taxation are subject to 20 percent corporate income tax (other than legal entities Resident in the Kingdom which are engaged in oil and hydrocarbon) in the Kingdom on their gross income, less deduction of allowable costs and certain other tax adjustments.

However, legal entities Resident in the Kingdom (other than legal entities Resident in the Kingdom which are engaged in oil and hydrocarbon and natural gas production), which are owned jointly by GCC persons and non-GCC persons are subject to corporate income tax in respect of the share of their profit attributable to the ownership percentage held by non-GCC persons and Zakat on the ownership percentage held by GCC persons.

Non-GCC natural persons Resident in the Kingdom who are not performing commercial activities in the Kingdom (as defined in Article 1 of the Income Tax Law and Article 2 of the By-laws to the Income Tax Law) are not currently subject to corporate income tax in the Kingdom.

In determining the tax or Zakat profile of a legal entity Resident in the Kingdom, the ZATCA applies a “look-through” approach to determine whether the up-stream shareholding structure at any point exists outside of the GCC. However, the “look-through” approach only applies to shareholders that are GCC Resident persons. Therefore, the percentage of the share capital of a legal entity Resident in the Kingdom that is owned by a shareholder entity incorporated outside the GCC is subject to corporate income tax regardless of the nationalities of the ultimate shareholder in such non-GCC incorporated entity.

Finally, as per the Income Tax Law, legal entities Resident in the Kingdom which are engaged in oil and hydrocarbon and natural gas production are subject to corporate income tax in the Kingdom at levels either between 50 per cent. and 85 per cent. (in the case of oil and hydrocarbon production) depending on the level of total capital investment of such entity or 20 per cent. (in the case of natural gas production) on their gross income, less deduction of allowable costs and certain other tax adjustments, regardless of their shareholders being GCC and/or non-GCC persons.

Resident companies engaged in oil and hydrocarbons production activities as well as engaged in related downstream activities are subject to 20 percent corporate income tax on their profits attributable to downstream activities for the first five years starting from 1 January 2020 if certain conditions are fulfilled.

### *Zakat*

Zakat is an obligation imposed on Muslims by the *Shari'a* law to pay a fixed percentage of their wealth for the relief of poverty.

Zakat is a religious levy subject to varying interpretations and complex computation rules. Separate rules are applicable for the calculation of Zakat by Zakat payers who are engaged in the Kingdom in financing activities (licensed by the Saudi Arabian Monetary Authority) and Zakat payers who are engaged in the Kingdom in non-

financing activities. Persons Subject to Zakat (as defined below) include companies that are owned by GCC persons and/or a Permanent Establishment of GCC Persons in the Kingdom (meeting the conditions set out under Article 2(4) of the Zakat Regulations).

This section broadly covers the Zakat consequences of investment in Certificates by investors who are engaged in non-financing activities in the Kingdom. In general, Zakat on Zakat payers engaged in non-financing activities is currently levied on the higher of the adjusted Zakatable profits and the Zakat base. Zakat base, in general, comprises equity, provisions, loans and credit balances (subject to certain conditions) reduced by certain deductible long-term investments, fixed assets etc. plus/minus adjusted profit (loss) for the year for Zakat purposes. The Zakat rate on the Zakat base is 2.578 per cent. if a Zakat payer is following the Gregorian financial year and 2.5 per cent. if a Zakat payer is following the Hijri financial year. The Zakat rate on adjusted net profit is 2.5 per cent. regardless of the financial year (Gregorian or Hijri) followed by the Zakat payer.

Under Article 5(4) of the Zakat Regulations which are in effect as of the date of this Offering Circular in the Kingdom, receivable loans, subordinated/ additional financing and equivalents provided to the investee are not considered as valid deductible investments for Zakat purposes. Therefore, investments in Certificates (whether short term or long term) are not deductible from the Zakat base of the Certificateholders for Zakat purposes.

### Special Zakat Rules for Financing Activities

Special Zakat rules were issued pursuant to Ministerial Decision No. 2215 dated 07/07/1440H (corresponding to 14 March 2019G) (*Zakat Calculation for Financing Companies*) which are applicable to resident Zakat payers engaged in financing activities, such as banking and finance lease activities, and which are licenced by SAMA. These Zakat rules are based on the attributable method in computing Zakat, by calculating the Zakatable assets and sources of funds subject to Zakat which depend on the residual maturity profile of all assets and liabilities.

The rules provide for minimum and maximum cap amounts for the Zakat base depending on the net profit or net loss of the Zakat payer as per their financial statements:

	If the Zakat payer has reported net profit <sup>(1)</sup>	If the Zakat payer has not reported net profit <sup>(2)</sup>
Minimum cap .....	4 times net profit	4 times of 10 per cent. of gross profit
Maximum cap .....	8 times net profit	8 times of 10 per cent. of gross profit

Notes:

- (1) Net profit means profit before provision for Zakat.
- (2) If there is no gross profit, the minimum and maximum caps shall not apply.

### Withholding Tax (“WHT”)

Residents of the Kingdom and the Permanent Establishment of a non-Resident are required to withhold taxes on certain payments to non-Residents of the Kingdom, including to residents of the other GCC countries if such payment is from a source in the Kingdom. The WHT rate varies from 5 percent to 20 percent depending on the nature of the underlying payment. Income earned by Certificateholders from their investments in the Certificates in substance a rental charges and a financing activity and as such it should be considered akin to a Loan Charge (akin in interest) as per Article 5(1) of the By-laws to Income Tax Law.

WHT is imposed on payments against services and not on goods. Services are defined to mean any work performed for compensation except for the purchase and sale of goods or any other properties.

A Loan Charge paid to non-Residents attracts 5 percent WHT unless such WHT is reduced or eliminated pursuant to the terms of an applicable double tax treaty between Saudi Arabia and the country of such non-Resident beneficiary. As at the date of this Offering Circular, no effective tax treaty between Saudi Arabia and the Cayman Islands is in place. Moreover, as of the date of this Offering Circular, the Kingdom had double tax treaties that are currently or about to be effective with 53 countries.

In view of the above, payment of periodic distributions by the Bank to the Trustee (being a non-resident) will be subject to a 5 per cent. WHT as a Loan Charge.

The Transaction Documents provide that payments by the Bank (in its relevant capacity) shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in the Conditions), unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by the Bank of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee. In addition, Condition 12 (*Taxation*) provides that all payments by the Trustee in respect

of the Certificates shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee shall pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates is received by the parties entitled thereto, subject to certain exceptions described in Condition 12 (*Taxation*). The Trust Deed provides that, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 12 (*Taxation*), the Bank will pay to the Delegate (for the benefit of the Certificateholders) an amount equal to the liability of the Trustee in respect of any and all additional amounts required to be paid by it in respect of the Certificates pursuant to those provisions.

### **Value Added Tax (“VAT”)**

Saudi Arabia introduced VAT with effect from 1 January 2018 pursuant to ratifying the GCC Framework Agreement with the remaining GCC member states. The VAT legislation was implemented in Saudi Arabia in line with the GCC Framework Agreement.

All goods and services supplied within or imported into Saudi Arabia are subject to VAT, unless they are classified as exempt or outside the scope for VAT purposes. Certain supplies are prescribed to be subject to VAT at a zero rate (including qualifying medicines and medical goods, exports, international transportation etc.). From 1 July 2020, the standard rate of VAT was increased from five per cent to fifteen per cent and is applicable on all the standard-rated taxable supplies made in Saudi Arabia.

Certain financial services, including those where the consideration payable in respect of the services is by way of an implicit margin or spread (including but not limited to interest, spread, margin or other implicit margin), are treated as exempt supplies from a Saudi Arabian VAT perspective. Further, the exemption also applies to the issue or transfer of a debt security, equity security, or any other transferable document recognising an obligation to pay a monetary amount to the bearer.

“Capital certificate” is not a defined term for Saudi Arabian VAT purposes, but is akin in nature to a debt security and should be exempt for Saudi Arabian VAT purposes where the supply is made by a registered taxpayer in Saudi Arabia as a part of its regular economic activity. However, the issue of securities by persons residing outside Saudi Arabia would be outside the scope of VAT in Saudi Arabia. Any additional fee, such as an administration charged in relation to the issue of a security, would be treated as consideration for a taxable supply subject to VAT where the supply is made in Saudi Arabia. Such an additional fee could be subject to VAT under a reverse charge mechanism if it is received by a VAT-registered taxpayer in Saudi Arabia from a supplier located outside Saudi Arabia.

Profits generated by holding the Certificate or trading gains from its sale should be treated as VAT-exempt or outside the scope of VAT (depending on the client-specific circumstances of the transaction) for Saudi Arabian VAT purposes. The VAT exemption does not apply to fees charged by brokers or other intermediary parties for their services.

Further, should certain services be subject to Saudi Arabian VAT, supplies that are not related to Saudi Arabian real estate services may qualify zero rating if supplied to a Saudi Arabian non-resident who benefits from the service outside of Saudi Arabia, subject to the fulfilment of the relevant conditions as mentioned in Article 33 of the Saudi Arabian VAT implementing regulations. Otherwise, the services would be subject to VAT at the standard rate of 15%.

The precise reporting requirements related to the various payments and receipts associated with the aforementioned transactions will depend on the residence of the Certificateholders, their types of activity and whether they are registered for Saudi Arabian VAT purposes. However, with the exception of explicit fees or charges, any trading gains should not be subject to VAT charge as they should either be treated as outside the scope or exempt for the purposes of Saudi Arabian VAT.

### **Real Estate Transaction Tax (“RETT”)**

Pursuant to the Royal Decree No. (A/84) dated 1 October 2020, new rules were announced treating certain supplies of real estate as exempt from Saudi Arabian VAT and implementing RETT at the rate of 5%. The tax base for RETT should be the value agreed upon between the parties, or the value of the property, *provided that* it is not less than the fair market value at the date of disposal. This law became effective from 4 October 2020.

Specifically, the supply of real estate in Saudi Arabia that results in the transfer of legal ownership or possession will be VAT-exempt. Further, RETT at 5% will be imposed on certain real estate transactions. As explained above, the transactions under consideration refer to any legal act transferring ownership or possession of Saudi Arabian real estate, including - but not limited to - contracts intended for transferring the right of usage or the right to a long-term lease. As an example, this would include the transfer of shares in a so-called “real estate company”. The term “real estate company” is not defined in the RETT Regulations. However, the guidelines on RETT issued by ZATCA clarify that a company will be considered as a “real estate company” if the real estate assets constitute more than 50% by value of the assets or capital. The guidelines further clarify that the rationale behind this principle is that the transfer of shares in a real estate company is, in effect, an indirect transfer of ownership of the real estate assets of such a company.

RETT would not be applicable if the underlying real estate is located outside Saudi Arabia.

Each real estate transaction must be registered with ZATCA and RETT accounted for by the seller on each transaction separately. Certain real estate transactions are exempt from RETT, for example: disposals related to family or charitable endowments; dividing property for inheritance purposes; gifts between relatives up to second degree; disposals by a government entity acting in its capacity as a public authority, or a government agency or legal public body for public benefit; temporary disposals for the purpose of a guarantee for financing or credit or transferring between a fund and custodian; a contribution for shares, provided the shares are not disposed of within five years; disposals if one of the parties is a foreign government, international organization, diplomatic or military body, or mission or a member of the diplomatic, consular or military corps accredited in Saudi Arabia, provided reciprocity applies.

### **Capital Gains Tax (“CGT”)**

According to Article 2 of the Income Tax Law, Persons Subject to Taxation (as defined below) include non-Residents in the Kingdom with taxable income generated from sources in the Kingdom and without a Permanent Establishment for tax purposes in the Kingdom (other than Permanent Establishment of a GCC person as defined under Article 2 of the Zakat Regulations, the treatment of which is discussed in “—*Zakat*” above).

Further, Article 1(2) of the By-Laws to the Income Tax Law defined the applicable tax on such a Person as to being subject to the following:

- (a) WHT, if the income generated is stipulated under Article 68 of the Income Tax Law (as discussed in “— *Withholding Tax (“WHT”)* and “—*Certain tax and Zakat implications for Certificateholders—Certificateholders who are not Resident in the Kingdom*”); and
- (b) capital gains tax, if the income is derived from disposal of fixed and traded assets, or from disposal of shares in a resident company under the general provisions of the Income Tax Law.

Based on the above, if the sale of the Certificates by the Certificateholders is considered a source of income in the Kingdom, then the related income (or capital gain) will be subject to 20 per cent. corporate income tax in the Kingdom according to the rules for computation of capital gain tax provided in the Income Tax Law for non-Residents.

Capital gains realised from disposal of securities (such as the Certificates) traded inside or outside the Kingdom are exempt from tax in the Kingdom if the following conditions are met:

- The disposal is carried out in accordance with the regulations of a stock exchange in the Kingdom or the disposal is carried out outside of the Kingdom, but such securities are also traded on Tadawul; and
- The investor did not hold the securities before the effective date of the Income Tax Law (i.e., 30 July 2004).

The above exemption provided in the Income Tax Law is not applicable to the Certificates, as the Certificates will not be listed on a stock exchange in the Kingdom and, therefore, the exemption is not considered in the below taxation summary.

Capital gains realised from disposal of the Certificates by (a) a Resident Certificateholder, (b) a non-resident Certificateholder with a Permanent Establishment for tax purposes (if such gain is attributed to such Permanent Establishment's activities) and (c) a Permanent Establishment of a Certificateholder that is a GCC person as defined under Article 2 of the Zakat Regulations (if such gain is attributed to the Permanent Establishment's activities) will not be subject to capital gains tax. However, such gains will be included in the total income of such Certificateholders subject to corporate income tax or Zakat in the Kingdom.

### ***Transfer Pricing***

Saudi Arabia has introduced Transfer Pricing (“TP”) by-laws in February 2019 that require, Saudi Arabian entities and branches of foreign companies that are subject to Income Tax Law in Saudi Arabia, to file the TP disclosure form and affidavit issued by a licensed Certified Public Accountant in Saudi Arabia.

Taxpayers are also required to maintain a TP master file and local file. The thresholds for maintaining TP master file and local file documentation are connected to the aggregate annual arm's-length value of the controlled transactions. If the annual value is below SAR 6 million in a given fiscal year, that entity will be exempted from this mandate.

Multinational enterprise groups (MNE Group -either Zakat or taxpayers) operating in Saudi Arabia are expected to file a country-by-country report (“CbCR”) if their consolidated group revenues exceed SAR 3.2 billion, within 12 months of the end of the fiscal year. MNE can also file a CbCR at their headquartered location instead of Saudi Arabia or other countries where they operate, subject to certain conditions. These qualifying multinational enterprises also need to file a CbCR notification form along with their annual tax return within 120 days from the end of the fiscal year end (i.e., 30 April 2022).

Article 10 of Zakat regulations empowered the ZATCA to re-allocate revenues and expenses in transactions between related parties to reflect the returns that would have resulted if the parties were independent or unrelated. Furthermore, Article No. 9 of the Zakat regulation prohibits the deductibility of extra costs in materials and services provided by related parties, in excess of the pricing between non-related parties. Moreover, Article No. 63(c) of Tax Law empowered the ZATCA to re-allocate revenues and expenses in transactions between related parties to reflect the returns that would have resulted if the parties were independent or unrelated. Furthermore, Article No. 10(11) of the tax by-laws prohibits the tax deductibility of expenses which are not at arm's length.

### ***E-invoicing***

On 28 May 2021, the ZATCA has published the e-invoicing resolution setting out the controls, requirements, technical specifications, and procedural rules covering the generation and integration phases, which includes value-added tax (VAT) invoices, debit notes, and credit notes.

The generation phase will be mandated from 4 December 2021, and the integration will be implemented in phases starting from 1 January 2023.

## **The Organization for Economic Co-operation and Development's ("OECD") Multilateral Convention ("MLI") to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("BEPS")**

The Kingdom of Saudi Arabia has signed the MLI to Implement Tax Treaty Related Measures to Prevent BEPS issued by the OECD on 18 September 2018. The MLI allows countries to implement the anti-tax treaty abuse BEPS measures and other aspects of the OECD BEPS programme into existing double tax treaties ("DTTs"). The MLI (once ratified) does not directly amend the underlying text of a DTT, but will instead be applied alongside existing DTTs, modifying their application.

### ***Certain tax and Zakat implications for Certificateholders***

#### **(A) *Certificateholders who are GCC persons and Resident in the Kingdom***

All income in the nature of a Loan Charge or capital gains realised in respect of the Certificates will be part of such Certificateholder's Saudi Arabian reportable gross income subject to Zakat. This summary does not consider the extent to which such Certificateholder would be liable to Zakat as a consequence of acquiring, holding or disposing of its Certificates. It should be noted that under Article 5(4) of the Zakat Regulations which is in effect as of the date of this Offering Circular in the Kingdom, investment in the Certificates (whether short term or long term) are not deductible from the Zakat base of the Certificateholders for Zakat purposes.

##### *Legal Entities Resident in Saudi Arabia but not Wholly Owned by GCC Persons*

Certificateholders that are legal entities Resident in the Kingdom owned jointly by GCC persons and non-GCC persons are subject to Zakat and corporate income tax in the Kingdom, based on the percentage of shares held by GCC and non-GCC shareholders, respectively in respect of any income received in the nature of Loan Charge or capital gains realised in respect of the Certificate.

##### *Certificateholders that are GCC Natural Persons and Resident in Saudi Arabia*

Certificateholders that are GCC natural persons and Resident in the Kingdom are not subject to Zakat in the Kingdom as per the Zakat Regulations in respect of any income received in the nature of a Loan Charge or capital gains realised in respect of the Certificates, unless such Certificateholder's investment in the Certificates is connected to such Certificateholder's business activity in the Kingdom. If such payment is connected to such Certificateholder's business activity in the Kingdom, such amounts generally will be subject to Zakat in the Kingdom.

#### **(B) *Certificateholders who are Non-GCC persons and Resident in the Kingdom***

Certificateholders that are non-GCC persons and Resident in the Kingdom will be subject to corporate income tax in the Kingdom.

Income in the nature of a Loan Charge or capital gains realised in respect of the Certificates will be part of such Certificateholder's Saudi Arabian reportable gross income, subject to 20 per cent. corporate income tax (other than in respect of persons engaged in oil and hydrocarbon and natural gas production).

Certificateholders Resident in the Kingdom and engaged in oil and hydrocarbon and natural gas production in the Kingdom are subject to corporate income tax in the Kingdom. Any income received in the nature of a Loan Charge or capital gains realised in respect of the Certificates is subject to corporate income tax on the gross income, less deduction of allowable costs and certain other tax adjustments between 50 to 85 per cent. (in the case of oil and hydrocarbon production) or 20 per cent. (in the case of natural gas production).

Certificateholders that are non-GCC natural persons and Resident in the Kingdom are not subject to income tax, be it by way of withholding or by way of direct corporate income tax, in respect of any income received in the nature of a Loan Charge or capital gains realised in respect of the Certificates

unless such Certificateholder's investment in the Certificates is connected to such Certificateholder's business activity in the Kingdom. If such payment is connected to such Certificateholder's business activity in the Kingdom (including on capital gains realised from disposal of Certificates), such amounts generally will be subject to 20 per cent. corporate income tax in the Kingdom.

**(C) Certificateholders who are not Resident in the Kingdom**

Certificateholders, either natural persons or legal entities, that are not Resident and do not have a permanent establishment in the Kingdom, (whether such Certificateholders are GCC persons (other than the Kingdom) or non-GCC persons), prima facie, should not be subject to Saudi Arabian tax since any payment (i.e., a Loan Charge) flows from a non-Resident entity (i.e., the Trustee) to Certificateholders that are non-Resident.

However, direct payments by the Bank (if any) that are in the nature of a Loan Charge (other than capital gain realised from disposal of Certificate) in respect of the Certificates (as provided by the Terms and Conditions of the Certificates) to Certificateholders that are resident outside the Kingdom are subject to WHT at a rate of 5 per cent. in the Kingdom. In a few limited instances, Certificateholders may claim a refund of the WHT where a double tax treaty is in place between the Kingdom and the country in which the Certificateholder is resident for tax purposes and where such treaty provides for an exemption, lower tax rate or refund subject to meeting certain conditions and submission of prescribed documents).

Certain Transaction Documents require the Bank to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Trustee, or by the Trustee to Certificateholders, which are intended to fund Periodic Distribution Amounts and Dissolution Distribution Amounts.

Generally, the capital gains arising from the disposal of Certificates will be subject in the Kingdom to 20 per cent. capital gains tax *provided that* the resulting capital gain is considered to be a source of income in the Kingdom.

Certificateholders, be it natural persons or legal entities, that are not Resident in the Kingdom (whether such Certificateholders are GCC persons or non-GCC persons) with a Permanent Establishment in the Kingdom for tax purposes as defined in Article 4 of the Income Tax Law (other than Permanent Establishment of a GCC person as defined under Article 2 of the Zakat Regulations) will be subject to corporate income tax on the income earned by the Permanent Establishment in the nature of a Loan Charge or capital gains realised from the disposal of Certificates if such a Loan Charge or capital gains realised from the disposal of Certificates is attributable to the Permanent Establishment's activities in the Kingdom. A non-resident GCC person with a Permanent Establishment in Saudi Arabia will be subject to income tax unless such person qualifies as a Zakat payer under Article 2 of the Zakat Regulations. If such person qualifies as a Zakat payer, such person will be subject to Zakat on the payment received as Loan Charge or capital gains realised from the disposal of Certificates if such a Loan Charge or capital gains realised from the disposal of Certificates is attributable to the Permanent Establishment's activities in the Kingdom.

The income earned by the Permanent Establishment in the nature of a Loan Charge or capital gains realised from the Certificates is subject to 20 per cent. corporate income tax (*provided that* such income from the Certificates is attributable to the Permanent Establishment). Furthermore, any transfer of the profit to the head office of the Permanent Establishment will be considered to be a distribution of profit and will be subject to a 5 per cent. WHT.

**(D) Other Taxes**

(1) *Inheritance Tax*

Currently, there is no inheritance or other taxes of a similar nature in the Kingdom.

(2) *Residency*

Certificateholders will not be deemed to be Resident, domiciled or carrying on business in the Kingdom solely by holding any Certificates.

(3) *Local Income Taxes*

There are no local, state, or provincial government taxes on income other than the regular income tax or Zakat as mentioned above.

(4) *Other Taxes*

There is no form of stamp duty, transfer, sales, turnover, or production taxation, except in so far as they may fall within the scope of Zakat, which is applicable only to Saudi nationals.

(5) *Corporate - Branch Income*

Taxable income from a branch of a non-Saudi based corporation is taxed at 20%. Certain charges incurred by the headquarters are not deductible in the branch tax return.

### **General**

For the purposes of this summary:

“**Dependent Agent**” means, as per Article 4(1) of the By-Laws to the Income Tax Law, an agent who:

- (a) is authorised to negotiate on behalf of a non-resident;
- (b) is authorised to enter into contracts on behalf of a non-resident;
- (c) has a stock of goods, owned by a non-resident, located in Saudi Arabia to supply the client’s demands on behalf of the non-resident.

“**GCC**” means the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom and the United Arab Emirates.

“**GCC person**” means (a) a citizen of any of the member country of the Cooperation Council of the Arab States of the Gulf (namely, the Kingdom, the United Arab Emirates, the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar and the State of Kuwait), (b) a legal entity owned by GCC citizens and established under the laws of a GCC country and (c) public shareholders (or persons who hold shares for speculation) in a resident listed company (irrespective of their nationalities).

The following persons are not considered to be a GCC person irrespective of their nationalities:

- (a) shareholders of Resident legal entities engaged in oil and hydrocarbons production;
- (b) shareholders of Resident legal entities engaged in natural gas production; and
- (c) shareholders of Resident legal entities if such shares are ultimately owned by a Resident legal entity engaged in the oil and hydrocarbon production (directly or indirectly). Effective 1 January 2020, this provision will not apply to shares held directly or indirectly in the resident capital companies listed on Tadawul in Saudi Arabia and shares held by such listed companies in other capital companies.

“**Resident**” means any natural person or company that satisfies the residency conditions stipulated in Article 3 of the Income Tax Law or any governmental department or ministry, public entity, or other corporate person or entity formed in the Kingdom (Article 1 of the Income Tax Law).

The concept of Residency in the Kingdom as defined in Article 3 of the Income Tax Law is set out below:

- (A) a natural person is considered to be a Resident in the Kingdom for a taxable year if he/she meets either of the two following conditions:

- (a) he/she has a permanent place of abode in the Kingdom and is physically residing in the Kingdom for a period, in aggregate, of not less than 30 days during the taxable year; or
- (b) he/she is physically residing in the Kingdom for a period of not less than 183 days in the taxable year.

For the purposes of this paragraph, residence in the Kingdom for part of a day is considered residence for the whole day, except in the case of a person in transit between two points outside the Kingdom.

- (B) a company is considered resident in the Kingdom during the taxable year if it meets either of the following conditions:
  - (a) it is formed in accordance with the Saudi Arabian Companies Regulations; or
  - (b) its central management is located in the Kingdom.

**“Loan Charge”** as defined in Article 5(1) of the By-Laws to Income Tax Law means an amount paid for the use of money. This includes income realised from loan transactions of any type, whether secured by guarantees or not, or by giving rights to participate in the profits of the debited person or not. It also includes income realised from governmental and non-governmental bonds.

**“Persons Subject to Taxation”** as defined in Article 2 of the Income Tax Law, are:

- (a) a Resident capital company on non-GCC shares (owned directly or indirectly);
- (b) a Resident non-GCC natural person who does business in the Kingdom;
- (c) a non-Resident who does business in the Kingdom through a Permanent Establishment;
- (d) a non-Resident, on income subject to tax from sources within the Kingdom;
- (e) a person engaged in the field of natural gas investment;
- (f) a person engaged in the production of oil and hydrocarbon products; and
- (g) persons subject to taxation also include a resident capital company in respect of those shares owned directly or indirectly by persons operating in oil and hydrocarbon production. Effective 1 January 2020, this provision will not apply to shares held directly or indirectly in the resident capital companies listed on Tadawul in Saudi Arabia and shares held by such listed companies in other capital companies.

**Note:** A capital company, as per Article 1 of the Income Tax Law, is a joint stock company, a limited liability company or a company limited by shares. For purposes of the Income Tax Law, investment funds shall be considered capital companies.

**“Persons Subject to Zakat”** as per Article 2 of the Zakat Regulations, are:

- (a) Saudi and GCC nationals residing in the Kingdom, carrying on business activity in the Kingdom.
- (b) Companies (listed and unlisted) Resident in the Kingdom in respect of shares owned by GCC persons, as well as anyone who carries on business activity under a license issued by a competent governmental or administrative authority in accordance with rules established by the authority.
- (c) Companies (listed) Resident in the Kingdom in respect of shares owned by Non-GCC persons, other than the founders and their assigns, in accordance with the memorandum of association or statutory documents, and the shareholders of Saudi governmental authorities, bodies and institutions.
- (d) Effective 1 January 2020, Resident listed companies (and their Resident investees) with respect to shares owned directly or indirectly by person engaged in oil and hydrocarbon production.
- (e) Permanent Establishment of GCC persons as per Article 2(4) of the Zakat Regulations.

The following shall be excluded from the provisions of Article 2(4):

- (a) Resident capital companies, in respect of the shares directly/indirectly owned by Zakat payers engaged in the production of oil and hydrocarbons, whether natural or legal persons, resident or non-resident.
- (b) A Zakat payer who is not subject to levy of Zakat per a decision from ZATCA.

“**Permanent Establishment**” for income tax purposes means a permanent place of a non-Resident’s activity through which it carries out its business activity, in full or in part; including business carried out through its agent (an agent having the meaning specified in the Article 4(1) of the By-laws to the Income Tax Law). A non-Resident carrying out an activity in the Kingdom through a licensed branch (as defined in Article 4(b) 4 of the Income Tax Law) is considered to have a Permanent Establishment in the Kingdom.

“**Permanent Establishment of GCC persons**” is subject to Zakat provided at least two of the following three conditions are met in respect of the central management of such Permanent Establishment (as set out under Article 2(4) of the Zakat Regulations):

- (a) board of directors’ ordinary meetings which are held regularly and where main policies and decisions relating to management and running of the Permanent Establishment’s business are held in and made from the Kingdom;
- (b) senior executive decisions relating to the Permanent Establishment’s functions such as executive directors / deputies’ decisions are made in the Kingdom; and
- (c) the Permanent Establishment’s business is mainly (i.e. 50 per cent. of its revenues) generated from the Kingdom.

“**ZATCA**” means the Zakat, Tax and Customs Authority.

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (“**foreign pass thru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign pass thru payments are published in the U.S. Federal Register and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign pass thru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Certificates (as described under “*Terms and Conditions of the Certificates— Condition 20 (Further Issues)*”) that are not distinguishable from previously issued Certificates are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Certificates, including the Certificates offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.

## SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the “**Programme Agreement**”) dated 26 April 2022, agreed with the Trustee and the Bank a basis upon which they or any of them may from time to time agree to purchase Certificates.

In accordance with the terms of the Programme Agreement, each of the Trustee and the Bank has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Certificates under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### United States

Each Dealer has acknowledged and agreed that the Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that, it has not offered or sold the Certificates and each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, it will not offer or sell any Certificates (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Certificates of the Tranche of which such Certificates are a part, as determined and certified as provided below, within the United States or to, or for the account or benefit of, U.S. persons.

The Certificates are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. Each Dealer who purchases Certificates of a Tranche (or in the case of a sale of a Tranche of Certificates issued to or through more than one Dealer, each of such Dealers as to the Certificates of such Tranche to be purchased by or through it or, in the case of a syndicated issue, the relevant Lead Manager) shall determine and certify to the Principal Paying Agent the completion of the distribution of the Certificates of such Tranche.

On the basis of such notification or notifications, the Principal Paying Agent has agreed to notify such Dealer/Lead Manager of the end of the distribution compliance period with respect to such Tranche. Each Dealer has also agreed that, at or prior to confirmation of sale of Certificates, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Certificates from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Certificate, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of the Certificates within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

### **Prohibition of Sales to EEA Retail Investors**

Unless the Pricing Supplement in respect of any Certificates specifies the “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, each Dealer has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
  - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation; and
- (b) the expression an “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

### **UK**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Certificates which have a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Bank; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the UK.

### **Prohibition of Sales to UK Retail Investors**

Unless the Pricing Supplement in respect of any Certificates specifies the “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, each Dealer has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates to any retail investor in the UK. For the purposes of this provision,

- (a) the expression “**retail investor**” means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or
  - (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and

- (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and
- (b) the expression an “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates.

#### **State of Qatar (including the Qatar Financial Centre).**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Offering Circular: (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre); (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

#### **Japan**

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold Certificates, and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

#### **Kuwait**

Each Dealer has represented and agreed that the Certificates have not been and will not be offered, marketed and/or sold by it in the State of Kuwait, except through a licensed person duly authorised to undertake such activity pursuant to Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and Regulating of Securities Activities and its executive bylaws (each as amended) (the “CML Rules”) and unless all necessary approvals from the Kuwait Capital Markets Authority pursuant to the CML Rules, together with the various resolutions, regulations, directives and instructions issued pursuant thereto or in connection therewith (regardless of nomenclature or type), or any other applicable law or regulation in the State of Kuwait, have been given in respect of the offering, marketing and/or sale of the Certificates.

#### **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant

person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA;
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification: In connection with Section 309B(1)(c) of the SFA and the CMP Regulations 2018, unless otherwise specified in the relevant Pricing Supplement, the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

## **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong by means of any document any Certificates other than to (a) "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "SFO") and any rules made thereunder, or (b) in circumstances which do not result in the document being a "prospectus" as defined in the Companies Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (b) it has not issued or had in its possession, for the purposes of issue, whether in Hong Kong or elsewhere, and will not issue or have in its possession any advertisement, invitation or document relating to the Certificates which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Certificates which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors," as defined in the SFO and any rules made under the SFO.

## **Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 8 of the “Rules on the Offer of Securities and Continuing Obligations” as issued by the Board of the Capital Market Authority (the “**CMA**”) resolution number 3-123-2017 dated 27 December 2017, as amended by CMA resolution number 5-5-2022 dated 5 January 2022, as amended (the “**KSA Regulations**”), made through a capital market institution licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 10 of the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “institutional and qualified clients” under Article 8(a)(1) of the KSA Regulations or by way of a limited offer under Article 9 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates made by it to a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article 9 of the KSA Regulations.

Each offer of Certificates shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 14 of the KSA Regulations.

## **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

## **Dubai International Financial Centre**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the “**DFSA**”) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

## **Kingdom of Bahrain**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an “**accredited investor**” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more (excluding that person’s principal place of residence);
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

## **Cayman Islands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make any offer or invitation (whether directly or indirectly) to the public in the Cayman Islands to subscribe for any Certificates.

## **Malaysia**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Securities Commission of Malaysia under the CMSA. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b) and Part I of Schedule 7 or Section 230(1)(b), read together with Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

## **General**

These selling restrictions may be modified by the agreement of the Trustee, the Bank and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the relevant Pricing Supplement issued in respect of the issue of Certificates to which it relates or in a supplement to this Offering Circular.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Certificates or possesses or distributes this Offering Circular and neither the Trustee, the Bank nor any of the other Dealers shall have any responsibility therefor.

None of the Trustee, the Bank and the Dealers represents that (i) Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale or (ii) any action has been, or will be taken in any jurisdiction that would permit a public offering of any Certificates, or possession or distribution of this Offering Circular or any other offering material or any relevant Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

## GENERAL INFORMATION

### Admission to Trading

Application has been made to the London Stock Exchange for Certificates issued under the Programme during the 12 months from the date of this Offering Circular to be admitted to trading on the ISM. The ISM is not a regulated market within the meaning of UK MiFIR. The ISM is a market designated for professional investors. Certificates admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

Certificates may also be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Trustee and the Bank.

### Authorisation

Each of the Trustee and the Bank has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates and the entry into and performance of the Transaction Documents to which it is a party. The establishment of the Programme was authorised by a resolution of the board of directors of the Trustee dated 21 April 2022 and a resolution of the board of directors of the Bank dated 15 December 2021.

### Significant or Material Change

There has been no significant change in the financial or trading position, or material adverse change in the prospects, of the Trustee since the date of its incorporation.

There has been no significant change in the financial or trading position of the Bank or the Group since 31 December 2021 and there has been no material adverse change in the prospects of the Bank or the Group since 31 December 2021.

### Litigation

Neither the Trustee nor the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee or the Bank is aware) in the 12 months preceding the date of this Offering Circular which may have or has had in the recent past significant effects on the financial position or profitability of the Trustee, the Bank or the Group.

### Clearing Systems

Certificates are expected to be accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Tranche of Certificates will be set out in the relevant Pricing Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Pricing Supplement.

### Documents Available

For the 12 months following the date of this Offering Circular, physical copies of the following documents (together with English translations, when appropriate) may be (i) inspected during normal business hours at the registered offices of the Trustee and the specified office of the Principal Paying Agent; or (ii) at the option of the Principal Paying Agent, emailed to any Certificateholder, at its request (subject to provision of proof of holding satisfactory to the Principal Paying Agent and the Obligor):

- (a) each relevant Pricing Supplement and the other Transaction Documents in relation to each Series (save that such documents will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of the relevant Certificate and identity);
- (b) the constitutional documents of the Trustee and the Bank;
- (c) the Financial Statements, in each case, together with the audit reports thereon and the notes thereto;
- (d) the most recently published consolidated financial statements of the Bank and interim condensed consolidated financial information of the Bank, in each case, together with any audit or review reports thereon and the notes thereto; and
- (e) this Offering Circular together with any supplement to this Offering Circular or further Offering Circular.

### **Independent Auditors**

The joint auditors of the Bank are KPMG and EY. The business address of KPMG is Riyadh Front, Airport road, P O Box 92876, Riyadh 11663, Kingdom of Saudi Arabia and the business address of EY is Al Faisaliah Office Tower, 14th Floor, King Fahad Road, P.O. Box 2732, Riyadh 11461, Kingdom of Saudi Arabia. KPMG and EY are independent auditors regulated by and registered to practice as auditors with the SOCPA in Saudi Arabia.

The Financial Statements were jointly audited by KPMG and EY, in each case without qualification, in accordance with the International Standards on Auditing as endorsed in the Kingdom, as stated in their joint audit reports incorporated by reference herein.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

### **Cayman Islands Data Protection**

The Cayman Islands Government enacted the Data Protection Act (As Revised) of the Cayman Islands (the “DPA”) on 18 May 2017 which was brought into force on 30 September 2019. The DPA introduces legal requirements for the Trustee based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Certificates and the associated interactions with the Trustee and its affiliates and/or delegates, or by virtue of providing the Trustee with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Trustee and its affiliates and/or delegates (including, without limitation, the Trustee Administrator) with certain personal information which constitutes personal data within the meaning of the DPA. The Trustee shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Trustee Administrator, may act as data processors (or data controllers in their own right in some circumstances).

For further information on the application of the DPA to the Trustee, please refer to the Privacy Notice (a copy of which may be requested from the Trustee Administrator by email at [dubai@maples.com](mailto:dubai@maples.com)), which provides an outline of investors’ data protection rights and obligations as they relate to the investment in the Certificates.

Oversight of the DPA is the responsibility of the Ombudsman’s office of the Cayman Islands. Breach of the DPA by the Trustee could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

### **Dealers transacting with the Bank**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Bank and its affiliates in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank financings) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, the Bank and their affiliates, including, without limitation, the Certificates. Certain of the Dealers or their affiliates that have a financing relationship with the Trustee, the Bank and their affiliates may routinely hedge their credit exposure to the Trustee, the Bank and their affiliates consistent with their customary risk-management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially any Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of Certificates issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**THE TRUSTEE**

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