

IMPORTANT NOTICE

THE ATTACHED OFFERING CIRCULAR (THE OFFERING CIRCULAR) MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (AS DEFINED BELOW)) AND ARE OUTSIDE THE UNITED STATES.

IMPORTANT: You must read the following notice before continuing. The following notice applies to the attached 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 this Offering Circular. In reading, accessing or making any other use of this Offering Circular, you agree to be bound by the following terms and conditions and each of the restrictions set out in this Offering Circular, including any modifications made to them from time to time, each time you receive any information from Alinma Tier 1 Sukuk Limited (the “**Trustee**”), Alinma Bank (the “**Bank**”) or the Joint Lead Managers (as defined below) as a result of such access. You acknowledge that this electronic transmission and the delivery of the Offering Circular is confidential and intended only for you and you agree you will not reproduce or publish this electronic transmission or forward the Offering Circular to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION OF AN OFFER TO BUY IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THIS OFFERING CIRCULAR HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (REGULATION S)) TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S).

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE JOINT LEAD MANAGERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

The distribution in the United Kingdom (the “**UK**”) of this Offering Circular and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates is being effected by a person who is not an authorised person under the Financial Services and Markets Act 2000, as amended (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(2) (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 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 (all such persons together being referred to as “**Relevant Persons**”). Persons of any other description in the UK may not receive and should not act or rely on this Offering Circular or any other marketing materials in relation to the Certificates.

Potential investors in the UK in the Certificates are advised that all, or most, of the protections afforded by the UK regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the UK Financial Services Compensation Scheme.

Any individual intending to invest in the Certificates should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

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. For example, financial institutions that are licensed by the Central Bank of the United Arab Emirates (the “**UAE**”) are restricted from investing in Additional Tier 1 sukuk issued by a financial institution which does not conduct all of its activities and business in accordance with the provisions of *Shari’a*. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Certificates are legal investments for it; (b) the Certificates can be used as collateral for various types of financing; and (c) other restrictions apply to its purchase or pledge of any Certificates. 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.

CONFIRMATION OF YOUR REPRESENTATION: By accepting this electronic communication and accessing, reading or making any other use of this Offering Circular, you shall be deemed to have represented to each of Abu Dhabi Islamic Bank PJSC, Alinma Investment Company, Emirates NBD Bank PJSC, J.P. Morgan Securities plc, MUFG Securities EMEA plc and Standard Chartered Bank (together, the “**Joint Lead Managers**”), the Trustee and the Bank that: (i) you understand and agree to the terms set out herein; (ii) you are a Relevant Person; (iii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of a U.S. person, and, to the extent that you purchase the Certificates described herein, you will be doing so pursuant to Regulation S, and that the electronic mail address that you have given is not located in the United States (including the State and District of Columbia), its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands); (iv) you are a person who is permitted under applicable law and regulation to receive this Offering Circular; (v) you consent to delivery of such Offering Circular and any supplements thereto by electronic transmission; (vi) you will not transmit this 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; (vii) if you are a person in Hong Kong, you are a “professional investor” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO and (viii) you acknowledge that you will make your own assessment regarding any credit, investment, legal, *Shari’a*, taxation or other economic considerations with respect to your decision to subscribe or purchase 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 issued by the Board of the Capital Market Authority (the “**CMA**”) of the Kingdom pursuant to its Resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017G) as amended by its resolution number 8-5-2023

dated 25/06/1444H (corresponding to 18 January 2023) and as further amended from time to time (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 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. See “*Risk Factors–The circumstances triggering a Write-down are unpredictable and Certificateholders may suffer losses in respect of their holding of the Certificates ahead of, and without, any losses being required to be borne by the Bank’s shareholders*” and “*Risk Factors–Certificateholders’ right to receive payment of the face amount of the Certificates and the Certificateholders’ right to any profit will be permanently cancelled or permanently Written-down (in whole or in part) upon 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.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this 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 this 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.

This Offering Circular does not constitute, and may not be used in connection with, an offer to sell or solicitation to buy in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of the Certificates described herein be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Bank, the Trustee or holders of the applicable Certificates in such jurisdiction.

Neither the Joint Lead Managers nor 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 any of their behalf, in connection with the Trustee, the Bank or the offer of the Certificates. The Joint Lead Managers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Joint Lead Managers or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in the Offering Circular and none of the Joint Lead Managers or any of their respective affiliates accepts any responsibility for any acts or omissions of the Trustee, the Bank or any other person in connection with the Offering Circular or the issue and offering of the Certificates.

This 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 Joint Lead Managers, the Trustee, the Bank nor any person who controls or is a director, officer, employee or agent of any Joint Lead Manager, the Trustee, the Bank nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Preliminary Offering Circular

distributed to you in electronic format and the hard copy version available to you on request from the Bank, the Trustee, the Joint Lead Managers. If you received this 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 this 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.

Notification under Section 309(B) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (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).

UK MiFIR professionals/ECPs-only/No EEA or UK PRIIPS KID: Manufacturer target market (UK MiFIR product governance) is eligible counterparties and professional clients only (all distribution channels). No EEA or UK PRIIPs key information document (KID) has been prepared as not available to retail in EEA or UK.

The distribution of this Offering Circular and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Joint Lead Managers, the Trustee and the Bank to inform themselves about, and to observe, any such restrictions.



Alinma Tier 1 Sukuk Limited

(incorporated as an exempted company with limited liability in the Cayman Islands)

U.S.\$1,000,000,000 Additional Tier 1 Capital Certificates

The U.S.\$1,000,000,000 Additional Tier 1 Capital Certificates (the “**Certificates**”) of Alinma Tier 1 Sukuk Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the “**Trustee**”) will be constituted by a declaration of trust (the “**Declaration of Trust**”) dated 6 March 2024 (the “**Issue Date**”) entered into between the Trustee, Alinma Bank (the “**Bank**”) and HSBC Bank plc as (i) the donee of certain of the Trustee’s powers and (ii) the delegate of the Trustee (the “**Delegate**”). The Certificates confer on the holders of the Certificates from time to time (the “**Certificateholders**”) the right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the “**Trust**”) over the Trust Assets (as defined herein) and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the “**Conditions**”).

If a Non-Viability Event (as defined herein) occurs prior to the Effective Date (as defined herein), a Write-down (as defined herein) shall occur on the relevant Non-Viability Event Write-down Date (as defined herein), as more particularly described in Condition 11 (*Write-down at the Point of Non-Viability*). In such circumstances, the Certificates shall be cancelled (in the case of a Write-down in whole) or Written-down (as defined herein) in part on a *pro rata* basis (in the case of a Write-down in part) by the Trustee and the Certificateholders’ rights to the Trust Assets (including the Mudaraba Assets) shall automatically be deemed to be irrevocably and unconditionally Written-down in a proportion corresponding to the relevant Write-down Amount (as defined herein). See “**Risk Factors – Certificateholders’ right to receive payment of the face amount of the Certificates and the Certificateholders’ right to any profit will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event**”).

The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. For a discussion of these risks, see “Risk Factors”. In particular, there are risks inherent in the holding of the Certificates, including the risks relating to subordination of claims in connection therewith and the circumstances in which a Certificateholder may suffer losses as a result of holding the Certificates. See “The circumstances triggering a Write-down are unpredictable and Certificateholders may suffer losses in respect of their holding of the Certificates ahead of, and without, any losses being required to be borne by the Bank’s shareholders”.

Periodic Distribution Amounts (as defined herein) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the Certificates from (and including) the Issue Date to (but excluding) 6 September 2029 (the “**First Reset Date**”) at a rate of 6.500 per cent. per annum from amounts of Rab-al-Maal Mudaraba Profit and Rab-al-Maal Final Mudaraba Profit (as further described below). If the Certificates are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Reset Date, Periodic Distribution Amounts shall be payable from (and including) the First Reset Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the First Reset Date and every five years thereafter, equal to the Relevant Five Year Reset Rate (as defined in the Conditions) plus a margin of 2.201 per cent. per annum. Periodic Distribution Amounts will, if payable pursuant to the Conditions, be payable semi-annually in arrear on 6 March and 6 September in each year, commencing on 6 September 2024. Payments on the Certificates will be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction (as defined herein) (the “**Taxes**”) to the extent described under Condition 13 (*Taxation*). Each payment of a Periodic Distribution Amount will be made by the Trustee provided that the Bank (in its capacity as Mudareb (as defined herein)) shall have paid Rab-al-Maal Mudaraba Profit and Rab-al-Maal Final Mudaraba Profit (as applicable) (each as defined in the Conditions) equal to such Periodic Distribution Amount pursuant to the terms of the Mudaraba Agreement (as defined herein). Payments of such profit amounts under the Mudaraba Agreement are subject to mandatory cancellation if a Non-Payment Event (as defined herein) occurs, and are otherwise at the sole discretion of the Bank (as Mudareb). Any Periodic Distribution Amounts not paid as aforesaid will not accumulate and neither the Trustee nor the Certificateholders shall have any claim in respect thereof.

The payment obligations of the Bank under the Mudaraba Agreement (as defined herein) (including all payments which are the equivalent of principal and profit) (the “**Relevant Obligations**”) will, in any Winding-up Proceeding (as defined in the Conditions), rank (i) subordinate and junior to all Senior Obligations but not further or otherwise; (ii) *pari passu* with all other *Pari Passu* Obligations; and (iii) in priority to all Junior Obligations (each as defined in the Conditions).

The Certificates are perpetual securities and have no fixed or final redemption date. Unless the Certificates have previously been redeemed or purchased and cancelled as provided in the Conditions, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem all but not some only of the Certificates on 6 March 2029 (the “**First Call Date**”), and on any date thereafter up to and including the First Reset Date, or on any Periodic Distribution Date thereafter in accordance with Condition 10.1(b) (*Trustee’s Call Option*). In addition, upon the occurrence of a Tax Event or a Capital Event (each as defined in the Conditions), the Certificates may be redeemed in whole (but not in part) by the Trustee (but only upon the instructions of the Bank (acting in its sole discretion), at any time on or after the Issue Date in accordance with Conditions 10.1(c) (*Redemption due to Taxation*) and 10.1(d) (*Redemption for Capital Event*). Any redemption is subject to the conditions described in Condition 10.1 (*Redemption*).

The Bank has been assigned a long term rating of “A-” with a “stable outlook” by Fitch Ratings Limited (“**Fitch**”) and “A3” with a “positive outlook” by Moody’s Investors Service Limited (“**Moody’s**”). The Certificates will not be rated by any rating agency upon their issue.

Each of Fitch and Moody’s is established in the UK and is registered in accordance with Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the “**UK CRA Regulation**”). Neither Fitch nor Moody’s is established in the EEA and has 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. The rating issued by Moody’s has been endorsed by Moody’s Deutschland GmbH in accordance with the EU CRA Regulation. Each of Fitch Ratings Ireland Limited and Moody’s Deutschland GmbH is established in the EEA and is registered under the EU CRA Regulation. As such, each of Fitch Ratings Ireland Limited and Moody’s Deutschland GmbH 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>).

A 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 rating agency. A suspension, reduction or withdrawal of any rating assigned to the Certificate may adversely affect the market price of the Certificates.

An investment in the Certificates involves certain risks. For a discussion of these risks, see “Risk Factors”.

Application has been made to the London Stock Exchange plc (the “**London Stock Exchange**”) for the Certificates to be admitted to the London Stock Exchange’s International Securities Market (the “**ISM**”). The ISM is not a regulated market for the purposes of Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of 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 United Kingdom Financial Conduct Authority (the “FCA”). The London Stock Exchange has not approved or verified the contents of this Offering Circular.

Amounts payable under the Certificates, following the First Reset Date, will be calculated by reference to rates for U.S. Treasury securities which are published by the U.S. Federal Reserve System. As of the date of this Offering Circular, the U.S. Department of Treasury does not appear on the register of administrators and benchmarks established and maintained by the Financial Conduct Authority pursuant to Article 36 of the Benchmarks Regulation (Regulation (EU) 2016/1011) as it forms part of domestic law by virtue of the EUWA.

The Certificates will be represented by interests in a global certificate in registered form (the “**Global Certificate**”) deposited on or before the Issue Date with, and registered in the name of a nominee for, a common depositary (the “**Common Depositary**”) for, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream, Luxembourg**”). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

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**”.

The transaction structure relating to the Certificates (as described in this Offering Circular) has been approved by the Internal Shari’a Supervisory Committee of Abu Dhabi Islamic Bank, PJSC the Shari’ah Committee of Alinma Bank, the Shari’ah Committee of Alinma Investment Company, the Internal Shari’ah Supervision Committee of Emirates NBD – Islamic, the Shari’a advisers of J.P. Morgan Securities plc and the Global Shari’ah Supervisory Committee of Standard Chartered Bank. 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 Joint Lead Managers (other than Abu Dhabi Islamic Bank PJSC), the Delegate nor any of the Agents (as defined in the Agency Agreement) 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**”, “**KSA**” or “**Saudi Arabia**”) except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority (the “**CMA**”) of the Kingdom pursuant to its Resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017G) as amended by its resolution number 8-5-2023 dated 25/06/1444H (corresponding to 18 January 2023) and as further amended from time to time (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.

Joint Lead Managers

Abu Dhabi Islamic Bank

Alinma Investment Company

**Emirates NBD
Capital**

MUFG

J.P. Morgan

Standard Chartered Bank

The date of this Offering Circular is 4 March 2024.

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. 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.

The Offering Circular should be read and construed together with any amendments or supplements hereto and with all documents which are incorporated herein by reference (see "*Documents Incorporated by Reference*").

Other than in relation to the documents which are deemed to be incorporated by reference (see "*Documents Incorporated by Reference*"), the information on the websites to which this Offering Circular refers does not form part of this Offering Circular and has not been scrutinised or approved by the FCA.

Certain information under the headings "*Risk Factors*", "*The Kingdom's Banking Sector and Regulations*", and "*Business Description of the Group*" has been extracted from industry sources and information provided by third-party sources that the Bank believes to be reliable (including the General Authority for Statistics ("**GASTAT**"), the SAMA, the Ministry of Finance, the Ministry of Economy and Planning and the International Monetary Fund (the "**IMF**"), the Organisation for Petroleum Exporting Countries ("**OPEC**"), the Saudi Stock Exchange ("**Tadawul**") and the Saudi Credit Bureau ("**SIMAH**") 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.

None of the Joint Lead Managers, the Delegate or the Agents (as defined in the Agency Agreement), or any of their respective directors, affiliates, advisers or agents, has independently verified the information contained or incorporated by reference herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them (i) as to the accuracy, adequacy, reasonableness or completeness of the information contained or incorporated by reference in this Offering Circular or any other information provided by the Trustee or the Bank in connection with the Certificates or (ii) 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.

To the fullest extent permitted by law, the Joint Lead Managers, the Delegate and the Agents accept no responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by a Joint Lead Manager, the Delegate or any Agent or on its behalf in connection with the Trustee, the Bank or the issue and offering of the Certificates. Each Joint Lead Manager, the Delegate and each Agent accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No person is or has been authorised by the Trustee, the Bank, the Delegate or the Agents to give information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the offering of the Certificates and, if given or made, such information or representation should not be relied upon as having been authorised by the Trustee, the Bank, the Delegate, the Agents or any of the Joint Lead Managers. None of the Joint Lead Managers, the Delegate or the Agents, or any of their respective directors, affiliates, advisers or agents make any representation or warranty or accept any liability as to the accuracy or completeness of the information contained in this Offering Circular.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Certificates shall, in any circumstances, constitute a representation or create any implication that the information contained in this Offering Circular is correct subsequent to 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, or any event reasonably likely to involve any adverse change, in the prospects or the financial or trading position of the Trustee or the Bank since the date hereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Certificates is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No comment is made, or advice given, by the Trustee, the Delegate, the Agents, the Bank or the Joint Lead Managers, or any of their respective directors, affiliates, advisers or agents, in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under applicable or similar laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

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 and, subject to certain exceptions, 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) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The transaction structure relating to the Certificates (as described in this Offering Circular) has been approved by the Internal *Shari'a* Supervisory Committee of Abu Dhabi Islamic Bank PJSC, the Internal Shariah Supervision Committee of Emirates NBD – Islamic, the Shariah Committee of Alinma Bank, the Shariah Committee of Alinma Investment Company, the Shari'a advisers of J.P. Morgan Securities plc and the Global Shariah Supervisory Committee of Standard Chartered Bank. 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 Joint Lead Managers (other than Abu Dhabi Islamic Bank PJSC), the Delegate nor any of the Agents makes any representation as to the *Shari'a* compliance of the Certificates and/or any trading thereof.

Each prospective investor is advised to consult its own *Shari'a* adviser, tax adviser, legal adviser, financial adviser and business adviser as to *Shari'a*, tax, zakat, legal, financial, business and related matters concerning the purchase of any Certificates.

This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. None of the Joint Lead Managers, the Trustee, the Delegate, the Agents or the Bank makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

The distribution of this Offering Circular and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. None of the Trustee, the Bank, the Joint Lead Managers, the Delegate or the Agents, or any of their respective directors, affiliates, advisers or agents represents that this Offering Circular may be lawfully distributed, or that Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, the Bank, the Joint Lead Managers, the Delegate or the Agents, or any of their respective

directors, affiliates, advisers or agents, which is intended to permit a public offering of the Certificates or distribution of this Offering Circular in any jurisdiction where action for that purpose is required.

Accordingly, the Certificates may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

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

Persons into whose possession this Offering Circular comes are required by the Trustee, the Bank and the Joint Lead Managers to inform themselves about and to observe any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of the Certificates in the United States, the UK, the EEA, the Cayman Islands, the KSA, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the State of Kuwait, the Kingdom of Bahrain, the State of Qatar (including the Qatar Financial Centre), Japan, Hong Kong, Malaysia and Singapore.

For a description of the restrictions on offers, sales and deliveries of Certificates and on the distribution of this Offering Circular and other offering material relating to the Certificates, see “*Subscription and Sale*”.

This Offering Circular does not constitute an offer or an invitation to subscribe for or purchase Certificates, is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Trustee, the Bank, the Delegate, the Agents or the Joint Lead Managers, or any of their respective directors, affiliates, advisers or agents that any recipient of this Offering Circular or any other information supplied in connection with the issue of the Certificates should subscribe for, or purchase, the Certificates. Each recipient of this Offering Circular should make, and shall be taken to have made, its own independent investigation and appraisal of the condition (financial or otherwise) and affairs, and its own appraisal of the creditworthiness, of the Trustee and the Bank. None of the Joint Lead Managers, the Delegate or any Agent 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 the Certificates of any information coming to the attention of any of the Joint Lead Managers, the Delegate or any Agent. None of the Joint Lead Managers, the Delegate or the Agents, or any of their directors, affiliates, advisers or agents, accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Trustee or the Bank in connection with the Certificates.

The Certificates may not be a suitable investment for all investors. Each potential investor in Certificates must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor should, either on its own or with the help of its financial and other professional advisers:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Offering Circular;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and

- (v) be able to evaluate 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 are of high risk and are not a suitable or appropriate investment for all investors. See legends “UK MiFIR product governance/professional investors and ECPs only target market”, “PRIIPs regulation/prohibition of sales to EEA retail investors”, “UK PRIIPs regulation/prohibition of sales to UK retail investors; “Risks relating to the Certificates – Certificateholders’ right to receive payment of the face amount of the Certificates and the Certificateholders’ right to any profit will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event; Risks relating to the Certificates – Basel III reforms and risk of a change in the regulations relating to loss absorption affecting the Certificates; Risks relating to the Certificates – Payments of Periodic Distribution Amounts may be cancelled and are non-cumulative. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities similar to the Certificates. There are risks inherent in the holding of the Certificates, including the risks in relation to their subordination and the circumstances in which holders of the Certificates may suffer loss as a result of holding the Certificates. See “Risk Factors” for a discussion of certain considerations to be taken into account in connection with an investment in the Certificates. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments 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 the 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 the 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. For example, financial institutions that are licensed by the Central Bank of the UAE are restricted from investing in Additional Tier 1 sukuk issued by a financial institution which does not conduct all of its activities and business in accordance with the provisions of *Shari’a*. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Certificates are legal investments for it; (b) the Certificates can be used as collateral for various types of financing; and (c) other restrictions apply to its purchase or pledge of any Certificates. 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.

STABILISATION

In connection with the issue of the Certificates, J.P. Morgan Securities plc (the “**Stabilisation Manager**”) (or persons acting on behalf of the Stabilisation Manager) may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager shall act as principal and not as agent of the Trustee or the Bank. However, there is no assurance that the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the Issue Date and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Certificates. Any stabilisation action conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) must be conducted in accordance with all applicable laws and rules.

UK MIFIR PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of 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, and professional clients, as defined in 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 manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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 UK 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.

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.

SINGAPORE SFA PRODUCT CLASSIFICATION

In connection with Section 309(B) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (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).

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 Joint Lead Managers, the Delegate or the Agents, or any of their respective directors, affiliates, advisers or agents, 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 OF THE UK

The Certificates do not constitute "alternative finance investment bonds" within the meaning of Article 77A of The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended). The Certificates represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the UK Financial Conduct Authority. Accordingly, 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 and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates 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(2) (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 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 or any other marketing materials in relation to the Certificates.

Potential investors in the UK in the Certificates are advised that all, or most, of the protections afforded by the UK regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the UK Financial Services Compensation Scheme.

Any individual intending to invest in the Certificates should consult his professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

NOTICE TO RESIDENTS OF 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 the public of the Cayman Islands to subscribe for the Certificates.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This document may not be distributed in 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.

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. 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 document, you should consult an authorised financial advisor.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Offering Circular and related offering documents may only be offered in registered form to existing account holders 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 other currency or such other amount as the CBB may determine.

This offer does not constitute an offer of securities in the Kingdom of 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 securities 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 THE STATE OF QATAR

The Certificates will not be offered, sold or delivered at any time, directly or indirectly, in 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 Qatar (including the Qatar Financial Centre). 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 Qatar and do not constitute debt financing in Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of Qatar (including the Qatar Financial Centre).

NOTICE TO RESIDENTS 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 law or regulation in 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 Kuwait.

This Offering Circular is not for general circulation to the public in Kuwait nor will the Certificates be sold by way of a public offering in Kuwait. In the event where the Certificates are intended to be purchased onshore in 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 Kuwait acknowledge that the Kuwait CMA and all other regulatory bodies in 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 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 OF MALAYSIA

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the 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 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

The financial information of the Bank and its consolidated subsidiaries (the “**Group**”) set forth herein has, unless otherwise indicated, been extracted, without material adjustment, from the Group’s:

- audited consolidated financial statements as at and for the year ended 31 December 2023, which include comparative financial information as at and for the year ended 31 December 2022 (the “**2023 Financial Statements**”); and
- audited consolidated financial statements as at and for the year ended 31 December 2022, which include comparative financial information as at and for the year ended 31 December 2021 (the “**2022 Financial Statements**” and, together, with the 2023 Financial Statements, the “**Financial Statements**”),

each incorporated by reference into this Offering Circular.

The Financial Statements were prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (“**SOCPA**”) and in compliance with the provisions of the Banking Control Law, the Regulations for Companies in the Kingdom and by- laws of the Bank.

The Saudi Riyal is the functional currency of the Bank and the presentation currency for the Financial Statements. The Financial Statements and financial information included elsewhere in this document have, unless otherwise noted, been presented in Saudi Riyal.

Independent Auditors

The Financial Statements have been jointly audited by KPMG Professional Services (“**KPMG**”) and Ernst & Young Professional Services (Professional LLC) (“**EY**”) in accordance with International Standards on Auditing (“**ISAs**”) as endorsed in the Kingdom, as stated in their joint audit reports incorporated by reference into this Offering Circular.

The address of KPMG is Roshn Front, Airport Road, P.O. Box 92876, Riyadh 11663, the Kingdom of Saudi Arabia (Commercial Registration No. 1010425494) and the address of EY is Head Office, Al Faisaliah Office Tower, 14th Floor, King Fahad Road, P.O. Box 2732, Riyadh 11461, the Kingdom of Saudi Arabia.

Sources of Financial Information and Reclassification of 2022 Financial Information

Unless otherwise indicated, the financial information included in this Offering Circular relating to the Group has been derived:

- in the case of the financial information as at, and for the years ended, 31 December 2023 and 31 December 2022, from the 2023 Financial Statements; and
- in the case of the financial information as at, and for the year ended, 31 December 2021, from the 2022 Financial Statements.

Certain line item reclassification changes were made to the comparative financial information as at and for the year ended 31 December 2022 included in the 2023 Financial Statements to match the presentation in the 2023 Financial Statements; however, no significant reclassifications have been made in the 2023 Financial Statements in respect of the comparative financial information as at and for the year ended 31 December 2022.

Alternative Performance Metrics (“APMs”)

This Offering Circular includes certain non-IFRS financial measures which the Group uses in the analysis of its business and financial position, each of which constitutes an APM. However, the Group believes that these measures provide useful supplementary information to both investors and the Group’s management, as they facilitate the evaluation of the Group’s performance. The APMs are not measurements of the Group’s operating performance or liquidity under IFRS and should not be used instead of, or considered as alternatives to, any measures of performance or liquidity under IFRS. The APMs relate to the reporting periods described in this Offering Circular and are not intended to be predictive of future results. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS. Unless otherwise stated, the list below presents the Group’s alternative performance measures:

- cost to income ratio (calculated as operating expenses before impairment charges divided by total operating income);
- cost of risk (calculated as the ratio between impairment charge on financing, net of recoveries for a given year and average funded credit facilities (calculated as the simple average of gross financing as at the start and end of the year));
- non-performing financings (“NPFs”) coverage ratio (calculated as allowance for impairment on financing divided by NPFs);
- NPF ratio (calculated as NPFs divided by gross financing);
- SAMA financing to deposit ratio (calculated in accordance with SAMA regulations as financing, net divided by the sum of customers’ deposits weighted by maturity, eligible SAMA placements in the Bank and Tier 1 sukuk);
- financing to deposit ratio (calculated as financing, net divided by customers’ deposits);
- financing to funding sources ratio (calculated as financing, net divided by the sum of due to SAMA, banks and other financial institutions and customers’ deposits);
- net income margin (calculated as net income for the year after zakat divided by total operating income for the year);
- net profit margin (calculated as income from investments and financing, net for the year divided by average profit-earning assets (calculated as the sum of daily profit-earning assets in a year divided by 365)); profit earning assets represent the sum of money market placements with SAMA, Murabaha and Wakala with banks, net, investments in sukuk held at amortised cost, net, investments in sukuk held at FVOCI, Murabaha with SAMA, net, and financing, net.
- return on average assets ratio (calculated as net income for the year after zakat divided by average total assets (calculated as the simple average of total assets as at the start and end of the year));
- return on average equity ratio (calculated as net income for the year after zakat divided by average equity attributable to the shareholders of the Bank (calculated as the simple average of equity attributable to the shareholders of the Bank as at the start and end of the year));
- CET 1 ratio (calculated in accordance with SAMA regulations and represents common equity tier 1 capital divided by total Pillar I risk-weighted assets);

- tier 1 capital adequacy ratio (calculated in accordance with SAMA regulations and represents tier 1 capital divided by total Pillar I risk-weighted assets);
- total capital adequacy ratio (calculated in accordance with SAMA regulations and represents the sum of tier 1 and tier 2 capital divided by total Pillar I risk-weighted assets);
- leverage ratio (calculated in accordance SAMA regulations and represents tier 1 capital divided by total exposures);
- liquidity coverage ratio (calculated in accordance with SAMA regulations and represents high-quality liquid assets divided by expected net cash outflows); and
- net stable funding ratio (calculated in accordance with SAMA regulations and represents total available stable funding divided by total required stable funding).

None of the APMs have been audited or reviewed by KPMG or EY.

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.

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 = U.S.\$ 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.

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, which use such financial and other information to publish statistical information. 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 Group 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 Group 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 GASTAT, SAMA, the Ministry of Finance, the Ministry of Economy and Planning, the IMF and 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.

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.alinma.com>. 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 Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (**"UAE"**));
- **"Government"** are to the government of the Kingdom;
- the **"MENA region"** are to the Middle East and North Africa region; and
- **"Saudi Arabia"** or **"the Kingdom"** are to the Kingdom of Saudi Arabia.

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 statements data in this Offering Circular has been expressed in millions of riyal and rounded to zero decimal places, with 0.50 being rounded up and 0.49 being rounded down. In addition, certain financial statement data in this Offering Circular has been expressed in billions 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 Group’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*” “*Business Description of the Group*” 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 Bank has otherwise identified in this Offering Circular, or if any of the Bank’s underlying assumptions prove to be incomplete or inaccurate, the Group’s actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections “*Risk Factors*”, “*Business Description of the Group*” 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 thereof);
- 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 Group’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 Group to meet its contractual and contingent cash flow obligations or the inability to fund its operations; and
- changes in interest or profit 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 both the Trustee's ability to pay amounts owing under the Certificates and the Bank's ability to satisfy its obligations under the 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 Group's business, results of operations, financial condition and prospects and thereby affect the Bank's ability to perform its obligations under the 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 the Certificates 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 the 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 the Certificates and of the Bank to pay amounts owing under the Transaction Documents may occur for other reasons and neither the Trustee nor the Bank represents that the statements below regarding the risks of holding the Certificates 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 27 December 2023 and has no operating history. As at the date of this Offering Circular, the Trustee has not engaged, and will not engage, in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in the capacity 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 the 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 is limited to the Trust Assets and the proceeds from the Trust Assets.

The ability of the Trustee to pay amounts due on the Certificates will be dependent upon receipt by the Trustee from the Bank of amounts to be paid under the Transaction Documents (which in aggregate may not be sufficient to meet all claims under the Certificates and the 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 Transaction Documents

The Group operates in a competitive industry

According to SAMA's website, there are 36 commercial banks licensed to operate in the Kingdom, of which 11 are incorporated in the Kingdom. Of the remaining 25 licensed banks, six are branches of banks based in countries of the GCC other than the Kingdom and 10 are international banks and six have been licensed but are yet to commence operations under their licences. In addition, three digital banks have been recently licensed by SAMA. As at the date of this Offering Circular, they have not commenced their operations. Given the growing trend towards liberalisation of the banking industry in the Kingdom, allowing the presence of both foreign banks and digital banks, and the rise of digital banking, the Bank faces the prospect of a further increased competitive environment in the future.

The Saudi Arabian market is becoming increasingly competitive, and this may increase the pressure on the Group to improve the range and sophistication of the products and services it currently offers. Competition in its key areas of operation may limit the Group's ability to implement its growth strategy, 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 Group experiences increasing margin pressure, for example the recently licensed digital banks may have lower operating cost models and be capable of generating higher returns from asset growth when they commence operations, and rising operating expenses as the banking sector in the Kingdom develops and/or the Group is not able to compete effectively against its competitors and/or the Group incurs significant additional costs as it seeks to compete effectively, these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

Risks arising from adverse changes in the credit quality and recoverability of financings, 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 risks could arise from a deterioration in the credit quality of specific financing customers, issuers and counterparties of the Group, or from a general deterioration in local or global economic conditions, or from systemic risks within the financial system, any or all of which could affect the recoverability and value of the Group's assets and require an increase in the Group's provisions for the impairment of financings, securities and other credit exposures.

In particular, the Group is exposed to the risk that its customers 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 ("NPFs"); and
- require an increase in the Group's provisions for the impairment of financing, securities and other credit exposures.

Some of the Group's customers have historically experienced, and may continue to experience, decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs. Some of these companies have been unable to meet their debt service obligations or other expenses as they become due, including amounts payable to the Group.

As at 31 December 2023, the Group's financing, net, NPFs and allowance for impairment amounted to SAR 173,624 million, SAR 2,862 million and SAR 4,433 million, respectively. As at 31 December 2022, the Group's

financing, net, NPFs and allowance for impairment amounted to SAR 146,492 million, SAR 2,920 million and SAR 3,981 million, respectively, as compared to SAR 126,271 million, SAR 2,282 million and SAR 4,041 million as at 31 December 2021. The Group's impairment charge on financing, net of recoveries amounted to SAR 1,272 million for the year ended 31 December 2023, SAR 1,198 million for the year ended 31 December 2022 and SAR 1,252 million for the year ended 31 December 2021.

In addition, financial service institutions that transact with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Group interacts on a daily basis. The Group routinely executes a high volume of transactions with numerous counterparties in the financial services industry, including brokers and dealers and commercial banks, resulting in significant credit concentration. As a result, the Group is exposed to counterparty risk and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. Moreover, problems at certain financial institutions in the Kingdom or in other countries could cause general market concerns over the health of financial institutions. Furthermore, these problems could lead to reduced access to liquidity and funding for financial institutions and/or a decline in the value of their debt or equity instruments, possibly including the Certificates, such risk being sometimes referred to as "contagion effect". In addition, many of the hedging and other risk management strategies utilised by the Group also involve transaction counterparties that are financial institutions. The "systemic risk" has further been exacerbated by the recent collapse of a number of banks worldwide, such as Credit Suisse in Europe and Silicon Valley Bank and Signature Bank in the United States. In addition, the Group has in the past witnessed an increase in payment delays and requests for restructuring and waivers of covenants, especially since the increase in systemic risks triggered by the coronavirus ("COVID-19") pandemic. In particular, in accordance with SAMA's Private Sector Financing Support Programme, the Group deferred repayments totalling SAR 2.7 billion as at 31 December 2021 across its micro-, small- and medium-sized enterprises ("SMEs") portfolio which represented 2.8 per cent. of the Group's corporate financing portfolio as at 31 December 2021. The Group also recognised modification losses on this portfolio.

Any increase in systemic risk in the future could have a material adverse effect on the Group's ability to raise new funds and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's financing, net, investment portfolio and customers' deposits are concentrated in the Kingdom

As at 31 December 2023, 98.6 per cent. of the Group's financing, net and 93.5 per cent. of the Group's investments, net were concentrated in the Kingdom. As at 31 December 2023, the Group's customers' deposits represented 92.8 per cent. of the Group's total liabilities, with 99.9 per cent. of the Group's customers' deposits as at 31 December 2023 being concentrated in the Kingdom.

As a result of the concentration of the Group's financing and investment portfolios and deposit base in the Kingdom, any deterioration in general economic conditions in the Kingdom or any failure of the Group to effectively manage its risk concentrations could have a material adverse effect on its business, financial condition, results of operations and prospects than on that of a more geographically diversified Bank. See also "– Risks Relating to the Economic, Political and Regulatory Environment in the Kingdom" below.

The Group has significant customer and sector concentrations

The Group's financial condition is sensitive to volatility and downturns in the industry sectors in which its financing is concentrated.

The Group's financing portfolio is concentrated in a small number of industry sectors, including "real estate business" and "services" which together accounted for 29.7 per cent. of the Group's financing, net as at 31 December 2023. Accordingly, the Group's significant exposure to the "real estate business" and "services" sectors, combined with any downturn or adverse trends in these sectors, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, as at 31 December 2023, the Group's top 20 borrowers accounted for 28.6 per cent. of the Group's gross financing.

Within its financing portfolio, the Group's exposure to the Government and quasi-Government entities accounted for 9.4 per cent. of its financing, net and 71.9 per cent. of its investments, net as at 31 December 2023. 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 the Kingdom 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.

In addition, the Group's exposure to the consumer segment accounted for 24.3 per cent. of the Group's financing, net as at 31 December 2023. Any deterioration in the performance of the Kingdom's economy, stagnation or a reduction in levels of personal income, individual purchasing power and consumer confidence, either generally or specifically in respect of the banking sector, as well as any overleveraging or instability in the consumer finance market and any resulting regulatory restrictions, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and, in particular, may increase the proportion of NPFs and allowance for impairment on financing thus adversely impacting the Group's profitability and reducing its capital. If the consumer market overheats and consumers become overleveraged and start to default due to various factors discussed above, the Group could be required to create significantly greater provisions to reflect rising credit risk and default rates on its retail finance portfolio, which could negatively affect its profit, capital generation and capital adequacy levels.

As at 31 December 2023, the concentration of the Group's top 20 customers' deposits accounted for 39.1 per cent. of total customers' deposits with the single largest name concentration standing at 11.9 per cent. The Government and quasi-Government depositors accounted for 34.4 per cent. of the Group's customers' deposits as at 31 December 2023. Any withdrawal or non-renewal of the Group's customers' deposits by any one or more of its material depositors (including the Government and quasi-Government depositors) could require the Group to obtain replacement funding from other sources. There could be no assurance that such funding will be available on commercially acceptable terms or at all, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects. See – "*The Group faces liquidity and funding risks*" below.

The Group faces liquidity and funding risks

The Group is exposed to liquidity risk due to the maturity mismatches between its assets and liabilities. Although the Group's management has diversified funding sources and assets are managed taking liquidity into consideration, maintaining an adequate balance of cash and cash equivalents, any maturity mismatches between the Group's assets and liabilities (including by reason of an unexpected withdrawal of funds by the Group's customers) may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

There is a correlation between the Group's liquidity position and the potential deterioration in financial positions of other institutions, corporations and commercial companies. This is because such deterioration may lead to tighter liquidity constraints and a higher cost of funds in the interbank financing market. In the financial services sector, the default of an institution on repayments may affect other institutions. Concerns about, or a default by,

one institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. A market perception of lack of credit worthiness or questions about certain counterparties could lead to liquidity problems at the market level, which could adversely affect financial institutions, including banks and securities firms with which the Group deals on a daily basis. In a worst-case scenario, this could have an adverse impact on the Group's ability to obtain funding, which may affect its business, financial position, results of operations and future prospects.

The Group meets a significant portion of its funding requirements through short-term funding sources, primarily from customers' deposits. As at 31 December 2023, customers' deposits accounted for 92.8 per cent. of the Group's total liabilities. 42.0 per cent. of the Group's customers' deposits as at 31 December 2023 were demand deposits. In the event of any downturn in confidence in the Group or the banking sector in the Kingdom more generally, the Group's customers could seek to withdraw their demand deposits or decide not to roll over their time-based deposits on maturity and consequently the Group may not have the necessary funds to meet its liabilities as they fall due, which will have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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-rate financings 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 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 debt and equity prices may also affect the values of the Group's investment and trading portfolios.

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 income. 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 U.S. Federal Reserve raised U.S. overnight interest rates by 25 basis points in March 2022, 50 basis points in May 2022, 75 basis points in each of June 2022, July 2022, September 2022 and November 2022, 50 basis points in December 2022 and 25 basis points in each of February 2023, March 2023, May 2023 and July 2023. Tracking these hikes, SAMA increased both its repo rate and its reverse repo rate by 25 basis points in March 2022, 50 basis points in each of May 2022 and June 2022, 75 basis points in each of July 2022, September 2022 and November 2022, 50 basis points in December 2022 and 25 basis points in each of February 2023, March 2023, May 2023 and July 2023. Further rate changes from central banks across the world could be forthcoming and it is unclear what impact these measures will ultimately have on their respective economies. Accordingly, aggressive or unexpected monetary policy tightening by the U.S. Federal Reserve could shock the markets, adversely affecting asset prices and ultimately economic growth. Furthermore, many of the world's economies have experienced elevated inflation since mid-2022, which is expected to remain high. For example, according to the IMF, global headline inflation for 2024 is expected to be 5.2 per cent., although considerable uncertainty

surrounds this projection. Various factors have contributed to shaping the inflation outlook, including the Russia-Ukraine conflict, which caused increases to energy prices (as discussed above) and food prices (due to disruptions in the supply of commodities such as wheat, corn and fertilisers). This conflict and the associated widespread sanctions on Russian persons, entities and institutions are likely to prolong disruptions for the remainder of 2024. In addition, increased tensions in the Middle East evidenced by the war between Israel and Hamas, attacks on shipping in the Red Sea region, the seizure of a container ship by Iran and attacks by United States and British military aircraft on Al Houthi bases in Yemen has also impacted oil prices. Prolonged inflation could affect the wider global economy (by, for example, causing prompt broad-based selling in long-duration, fixed-rate debt, which could have negative implications for equity and real estate markets) and the Group's customers and counterparties (leading to lower recoverability), which, in turn, could have an adverse effect on the Group's 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 any open currency position is 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.

Adverse movements in interest and foreign exchange rates may also adversely impact the revenues and financial condition of the Group's depositors, financing customers and other counterparties which, in turn, may impact the Group's deposit base and the quality of its credit exposures to certain financing customers and other counterparties.

The Group's net foreign exchange exposure is mostly denominated in U.S. dollars (to which the riyal is pegged). In addition, the Group's market risk positions are monitored using various indicators such as value at risk, stress testing and sensitivity analyses which are subject to internal and regulatory limits. However, 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 interest rate or currency exchange rates or from a significant change in the prices of its securities. See also “– *Risks Relating to the Economic, Political and Regulatory Environment in the Kingdom – Any alteration to, or abolition of, the foreign exchange “peg” of the 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 riyal or other such currencies*” below.

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 subject to operational risk inherent in banking activities

The Group is subject to the risk of incurring losses or undue costs due to the inadequacy or failure of internal processes or systems or human error, or from errors made during the execution or performance of operations, clerical or record-keeping errors, business disruptions (caused by various factors such as software or hardware failures and communication breakdowns), failure to execute outsourced activities, criminal activities (including credit fraud and electronic crimes), unauthorised transactions, robbery and damage to assets. The financial services industry is exposed to the risk of misconduct by employees, which could involve, among other things, the improper use or disclosure of confidential information, violation of laws and regulations concerning money laundering, or embezzlement and fraud, any of which could result in regulatory sanctions or fines, as well as serious reputational or financial harm for the Group.

The proper functioning of the Group's risk management, internal controls, accounting, customer service and other information technology systems, such as loan origination, are critical to the Group's operations.

Although the management believes the Group's risk management policies and procedures are adequate and that the Group is currently in compliance in all material respects with all laws, standards and recommendations applicable to it, any failure of the Group's risk management system to detect unidentified or unanticipated risks, or to correct operational risks, or any failure of third parties to adequately perform key outsourced activities, such as card processing and the transportation of cash, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. See “– *The Group's risk management policies, systems and procedures may leave it exposed to unidentified or unanticipated risks*” above.

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

The Group depends on its information communication technology (“ICT”) infrastructure to process 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 ICT systems, as well as the communication networks between its branches and main data processing centres, are critical to the Group's business and its ability to compete effectively. The Group's business activities would be materially disrupted if there were to be a partial or complete failure of any of the ICT systems or communications networks or a partial or complete failure of external systems (for example, those of the Group's vendors or counterparties). Such failures can be caused by a variety of factors, including natural disasters, extended power outages, computer viruses and malicious acts as well as inadequate change management processes for existing and new systems. The proper functioning of the Group's ICT 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.

The Group has an Operational Risk team which is tasked with monitoring and controlling the operational risks of the Group. Functions of this unit are guided by the Operational Risk Policy and Framework. The Group has also set up a disaster recovery data centre (housing back-up ICT operations and data storage systems) for use

in the event of a catastrophe or failure of its primary data centre and ICT infrastructure. However, there can be no assurance that these safeguards will be fully effective in all circumstances and any failure could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

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

Technology, information and cyber security risks continue to impact financial institutions and other businesses across the globe, with the threats increasing in both volume and sophistication. The attack surface continues to expand significantly with the increasing trend of digitalisation. The Group is working with various third parties as part of its digital transformation initiatives and could be adversely affected by a security breach or information breach suffered by such third parties. Additionally, remote working arrangements prompted by the pandemic, the movement of information to cloud environments and the emergence of internet of things technologies has increased the need to invest in order to deal with the ever-changing cyber threat landscape whilst protecting the Group's data, information, technology and networks and ensuring the comprehensive and continuous management of cyber threats. Potential cyber risk encompasses loss of availability of banking services, disruption to business and technology services and critical data breaches including unauthorised access to personally identifiable information and financial data. While the Group continuously invests in cybersecurity initiatives to stay ahead of the changing threat landscape, any failures could expose the Group to unplanned downtime and lost business, reputational risk, and financial losses including from regulatory penalties.

The Group is subject to litigation risk

In the ordinary course of its business, the Group may pursue litigation claims against third parties and may face litigation claims and/or regulatory proceedings filed against it. The Group has a dedicated legal team, which instructs external counsel (if required), takes out insurance for a range of risks and calculates a legal risks capital charge which it adds to its overall operational risks required capital charge. However, any such litigation could still result in substantial costs and diversion of management attention and resources. The outcome of litigation is inherently uncertain and an unfavourable resolution of one or more material claims could result in the Group's costs not being recovered or in damages being assessed against the Group, which may not be covered by the Group's insurance. Any failure by the Group to identify and adequately control any legal and/or regulatory risk may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Bank and certain of its subsidiaries are highly regulated entities and changes to, or to the interpretation or enforcement of, applicable laws or regulations, or the failure to comply with such laws or regulations by any of these entities could have an adverse impact on the Group's business

The Bank and certain of its subsidiaries 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 pursuant to Royal Decree No. M/38 dated 25/04/1442H (corresponding to 11 December 2020) which came into effect in June 2021 (the "**SIFI Law**") provides for the relevant regulator to determine whether a financial institution should be deemed to be systemically important. As of the date of this Offering Circular, the Bank has not been designated as a systemically important financial institution under the SIFI Law. However, there can be no assurance that the Bank will not be so designated in the future. The objectives of the SIFI Law include the protection of the financial system and sector in the Kingdom and minimising dependence on government support by instead utilising the resources of the relevant financial institution. Should a systemically important financial institution become unstable, affecting its continuation and ability to fulfil its obligations, 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 sukukholders of the relevant financial institution, which may include the Certificateholders.

These laws, regulations and other rules may limit the activities of the Group and increase its cost of doing business. Changes in these laws and regulations (such as those pursuant to Basel III and SAMA's Basel III Final Post Crisis Reforms Regulation (circular number 44047144) effective from 1 January 2023 (the "**Basel IV Regulation**")) 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. All of these factors could have a negative effect on the Group's regulatory capital position, which, in turn, may limit the Group's ability to exercise its strategy. 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 addition, 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, including the Kingdom, 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 Bank's ability to comply with all such applicable laws and rules is driven by the robustness of its ICT, 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, the Bank or any of its subsidiaries 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 Group may face difficulties raising capital

In order for the Group to fund its growth strategy and enter into new lines of business, it will be required to expand its base of operations while continuing to meet regulatory capital adequacy requirements.

As at 31 December 2023, the Group's tier 1 capital adequacy ratio (calculated under the Basel IV Regulation) was 16.3 per cent. and its total capital adequacy ratio was 17.5 per cent.

The Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements applicable to it. Under the Basel IV Regulation, 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 2024 would likely reduce the Group's capital adequacy ratios and any losses experienced by it in future periods

would 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. 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, financial condition, results of operations or prospects.

The Group could be adversely affected if it fails to manage its growth properly

The Group has experienced significant growth in many of its business segments in recent years. The Group intends to continue its growth in order to meet its strategic objectives, although whether this can be achieved is largely dependent on the performance of the Saudi Arabian economy and, in particular, the price of oil. See “– *Risks Relating to the Economic, Political and Regulatory Environment in the Kingdom – The Kingdom's economy is highly dependent on oil revenue*” below. The management of the Group's growth will require, among other things, continued development of its financial and information management control systems, the ability to integrate new products and services, its ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel, the presence of adequate supervision and the maintenance of consistency in customer services. If the Group fails to manage its growth properly, such failure may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

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

The Group's continued success will depend, in part, on its ability to continue to attract, retain and motivate qualified and skilled personnel, including foreign and Saudi Arabian nationals. 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. In addition, the Group is not insured against loss that may be incurred as a result of the departure of any of its key personnel. The loss of certain members of the Group's senior management team or any significant number of its mid-level managers and skilled professionals, or their counterparts within the Group's subsidiaries and associates, 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.

In addition, the Government has introduced a number of initiatives which require private sector entities to employ a certain proportion of nationals of the Kingdom among their employees (a measure known as “**Saudisation**”). As at 31 December 2023, the Bank's Saudisation level was 95.5 per cent., and the Bank strives to encourage and increase the employment of young nationals of the Kingdom. However, if further changes are implemented to the Government's Saudisation policies, such changes may adversely affect the Group's ability to recruit foreign employees in the future.

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

The Group is exposed to reputational risks related to its operations and its reputation may 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 Group currently offers a range of Islamic finance products. All of these products are reviewed and approved by The Shariah Committee of Alinma Bank (the "***Shari'a Committee***"). In doing so, each member of the *Shari'a* 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 the *Shari'a* compliance of *Shari'a* Committee-approved products offered by the Group, the Group's reputation could be negatively affected which may in turn have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

A negative change in the Bank's credit ratings could adversely affect the Bank'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 Bank's cost of financing. The profit rates of the Bank's financings are partly dependent on its credit ratings. As of the date of this Offering Circular, the Bank's long-term corporate ratings were "A-" with a "stable outlook" by Fitch and "A3" with a "positive outlook" by Moody's. 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 its cost of financing and may also limit its or its subsidiaries' or associates' ability to raise capital and funding, each of which could adversely affect its business, financial condition, results of operations and prospects.

A failure to successfully manage environmental, social and governance ("ESG") matters, including the implementation of the Group's ESG strategy, could adversely affect the Group's reputation and ability to obtain external financing.

Businesses are increasingly expected to behave in a responsible manner on a variety of ESG matters, by governmental and regulatory authorities, as well as counterparties such as suppliers, customers, investors and the public at large. This context, driven in part by a rapidly changing regulatory framework in the United States, United Kingdom and Europe, is raising new challenges and influencing businesses' strategic decisions in relation to ESG matters.

In April 2023, the Group adopted its sustainability strategy (the “**Sustainability Strategy**”). See also “*Business Description of the Group – Sustainability*”. However, no assurance can be given that the Group will be able to successfully execute the Sustainability Strategy. The Group may also be unable to meet the increasingly demanding criteria used by credit rating agencies in their credit rating assessment processes, which may result in a downgrade of the Group’s rating. In light of the rapidly changing views on acceptable levels of action across a range of ESG topics from the investor community and the public at large, the Bank may be unable to meet expectations, which, in turn, may adversely affect the Group’s reputation and ability to obtain external financing.

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

The Group is subject to economic and political risks in the Kingdom

The Group has all of its operations, and the majority of its assets, in the Kingdom and, accordingly, its business may be affected by the financial, political and general economic conditions prevailing from time to time in the Kingdom and/or the Middle East generally.

Like other countries in the Middle East, the Kingdom could be affected by political and social unrest in the region. In particular, since early 2011, there has been on-going political unrest in a range of countries in the MENA region, including Egypt, Algeria, Libya, Bahrain, Yemen, Syria, Tunisia, Kuwait, Lebanon, Jordan, Iraq and Oman. In October 2023, Israel declared war on Hamas.

In addition, the Kingdom has experienced occasional terrorist attacks and other disturbances 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. On 14 September 2019, the Abqaiq processing facility and the Khurais oil field in the Kingdom were damaged in a major act of sabotage. This resulted in the temporary interruption of the Kingdom’s production by an estimated 5.7 million barrels of crude oil per day, 2.0 billion cubic feet of associated gas, 1.3 billion cubic feet of dry gas, 500 million cubic feet of ethane and 0.5 million barrels of gas liquids. On 23 November 2020, an explosion took place as a result of a terrorist attack by a projectile, causing a fire in a fuel tank at a Saudi Aramco petroleum products distribution terminal in the north of Jeddah. In December 2021, two people were killed in Jizan in a projectile attack blamed on Yemen’s Al-Houthi rebels. In March 2022 Saudi Aramco Group’s refineries in Riyadh and Yasref and petroleum products distribution terminals in Jeddah and Jizan regions were attacked. See also “– *The Kingdom’s economy is highly dependent on oil revenue*” below. While the political situation in the Kingdom has remained stable, the Government faces a number of challenges, arising mainly from the relatively high levels of population growth and unemployment amongst Saudi Arabian youth and the security threat posed by certain groups of extremists.

Investors in emerging markets such as the Kingdom should also be aware that these markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

The Kingdom’s economy is highly dependent on oil revenue

The Kingdom’s economy is highly dependent upon oil revenue. As at 31 December 2022, the Kingdom had approximately 17.1 per cent. of proven global crude oil reserves (according to OPEC Annual Statistical Bulletin 2023). According to GASTAT, the oil sector accounted for 39.4 per cent., 37.1 per cent. and 38.5 per cent. of the Kingdom’s real GDP and 38.7 per cent., 28.2 per cent. and 21.9 per cent. of the Kingdom’s nominal GDP in each of 2022, 2021 and 2020, respectively. In addition, oil exports accounted for 79.5 per cent., 73.2 per cent. and 68.7 per cent. of the Kingdom’s total exports by value in 2022, 2021 and 2020, respectively and oil revenues

accounted for 67.6 per cent., 60.0 per cent. and 52.8 per cent. of total Government revenue in 2022, 2021 and 2020, respectively.

According to the OPEC website, the price of the OPEC Reference Basket (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) has fluctuated significantly in recent years.

As oil is the Kingdom's most important export, any change in oil prices affects various macroeconomic and other indicators, including, but not limited to, nominal GDP, Government revenues, balance of payments and foreign trade. International oil prices have fluctuated significantly in the past, and may remain volatile in the future. For example, in 2020 the yearly average OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) was U.S.\$41.47. This figure was significantly below the average for 2019 and principally reflected the impact of COVID-19 containment measures on demand and the expiry, at the end of March 2020, of the three-year partnership between OPEC and major non-OPEC providers and the subsequent new agreement which came into force in May 2020. In 2021, the yearly average OPEC Reference Basket price was U.S.\$69.89 and principally reflected the positive impact on demand of reduced COVID-19 containment measures as well as the positive impact of the new OPEC agreement. In 2022, the yearly average OPEC Reference Basket price was U.S.\$100.08 which was principally driven by supply uncertainties caused by the Russian invasion of Ukraine in February 2022 and sanctions imposed by major countries around the world on Russia as a result. In 2023, the yearly average OPEC Reference Basket price was U.S.\$82.95, principally driven by changes towards the end of 2022 in the sanctions regime imposed on Russia and announcements by OPEC and non-OPEC members towards the end of 2022 and in early 2023 with the aim of stabilising oil prices. In February 2024, the average monthly OPEC Reference Basket price was U.S.\$80.91 per barrel. The monthly price per barrel of Arabian Light Crude Oil (which is one of the five grades of crude oil produced by the Kingdom and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

In addition, terrorist attacks, acts of sabotage and other disturbances (or any prolonged period of reduced production following any other incident relating to critical oil and gas infrastructure) may have a significant impact on global oil and gas prices or demand and a corresponding impact on the Kingdom's hydrocarbon exports, Government revenues and the economy as a whole. See “– *The Group is subject to economic and political risks in the Kingdom*” above.

On 9 and 12 April 2020 a series of meetings took place between OPEC and non-OPEC oil producing countries participating in the Declaration of Cooperation, which culminated in an agreement to reduce their overall oil production in stages between 1 May 2020 and 30 April 2022 (the “**OPEC Agreement**”). According to the OPEC Agreement, during an initial two-month period beginning on 1 May 2020, production should have been reduced by a total of 9.70 million barrels per day (“**mb/d**”), followed by a six-month period starting on 1 July 2020 when production had to be reduced by a total of 7.68 mb/d and followed by a subsequent 16-month period between 1 January 2021 and 30 April 2022 when production should be reduced by a total of 5.76 mb/d. On 18 July 2021, the 19th OPEC and non-OPEC Ministerial Meeting (the “**OPEC and non-OPEC Meeting**”) decided to extend the OPEC Agreement until 31 December 2022 and adjust upward their overall production by 0.4 mb/d on a monthly basis starting August 2021 until phasing out the 5.8 mb/d production adjustment. On 1 March 2022 the Kingdom reaffirmed its commitment to the OPEC Agreement despite widening sanctions on Russia. On 5 October 2022, the 33rd OPEC and non-OPEC Meeting decided to extend the OPEC Agreement until 31 December 2023 and adjust downward the overall production by 2mb/d from the August 2022 required production levels, starting in November 2022. The 34th OPEC and non-OPEC Meeting in December 2022 and the 48th the Joint Ministerial Monitoring Committee of OPEC in April 2023 reaffirmed the decisions of the previous OPEC and non-OPEC Meetings. In addition, a number of OPEC and non-OPEC countries announced a voluntary downward production adjustment in April 2023. The 35th OPEC and non-OPEC Meeting in June 2023 decided to adjust downward the overall production to 40.46 mb/d, starting from 1 January 2024 until 31

December 2024. The 36th OPEC and non-OPEC Meeting in December 2023 reaffirmed the decisions of the previous OPEC and non-OPEC Meetings. The next market assessment is scheduled to take place in June 2024. There can however be no assurance that the OPEC Agreement will continue to be implemented by all relevant parties or that it will continue to achieve its stated goals or what effect it will have on global oil prices in the short to medium term.

Factors that may affect the price of oil include, but are not limited to:

- regional and global economic and political developments, including the Russia-Ukraine conflict and international response measures;
- maintenance of the sanctions regimes relating to Venezuela and Iran;
- general 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, global economic and political conditions, prices and availability of new technologies using alternative fuels;
- the impact of pandemics (such as COVID-19); and
- global weather and environmental conditions.

Prolonged periods of low oil prices and low demand in the future for oil may have a material adverse effect on the Kingdom's economy and revenues, and may result in an increase in budget deficits and a decrease in liquidity and funding in the financial sector. The Kingdom 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 the Kingdom's economy could, in turn, have an adverse effect on the Group's business, financial condition, results of operations or prospects.

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

While the oil sector accounts for a significant portion of the Kingdom's economy (see “– *The Kingdom's economy is highly dependent on oil revenue*” above), in recent years the Government has invested heavily in diversifying the Kingdom's economy to reduce its reliance on oil revenues. The Government has in recent years announced various measures aimed at, among other things, achieving increased diversification of the Kingdom's economy. Such measures include the National Transformation Program 2020, which envisages, among other things, the transformation of the Kingdom's healthcare sector, further development of the Kingdom's infrastructure, including through the construction of seawater desalination plants, expansion of digital transformation, development of the tourism sector and other initiatives aimed at achieving Saudi Vision 2030.

Through Saudi Vision 2030, the Government is seeking to implement far-reaching reforms of the Kingdom's economy and society. Some of the measures envisaged include 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 Bank is itself focused on the hospitality, privatisation and renewable energy segments of Saudi Vision 2030, especially in Mecca and Medina. 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 the Kingdom.

There can be no assurance that the increased contribution of the non-oil sector to the Kingdom'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 Realisation Programs (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 Realisation Programs, 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 the Kingdom's economy. Any failure to diversify the Kingdom's economy may result in the economy remaining susceptible to the risks associated with the oil sector. Any material deterioration in the Kingdom'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's business, financial condition, results of operations or prospects.

Investing in emerging markets generally involves a higher degree of risk

Investors should be aware that investments in emerging markets such as the Kingdom involve a higher degree of risk than investments in more developed markets, including risks such as higher volatility, limited liquidity and changes in the legal, economic and political environment. The Kingdom's economy is susceptible to future adverse effects similar to those suffered by other emerging market countries. In addition, as a result of "contagion", the Kingdom could be adversely affected by negative economic or financial developments in other emerging market countries, which could in turn adversely affect the trading price of the Certificates.

Specific emerging markets country risks that may have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects include, among other things:

- political, social and economic instability, riots, insurrection or other forms of civil disturbance or violence;
- war, terrorism, invasion, rebellion, malicious acts or revolution;
- government actions or interventions, including expropriation or nationalisation of assets, increased protectionism, the introduction of tariffs or subsidies;
- changing fiscal and tax regimes;
- arbitrary or inconsistent government action, including capricious application of tax laws and selective tax audits;
- changes to laws and regulations or their interpretation or enforcement;
- difficulties and delays in obtaining requisite governmental licences, permits or approvals or renewing existing ones;

- cancellation, nullification or unenforceability of contractual rights; and
- under-developed industrial and economic infrastructure.

In addition, changes in investment policies or shifts in the prevailing political or economic climate in Saudi Arabia could result in the introduction of increased regulations with respect to, among other things:

- price controls;
- export and import controls;
- zakat, income and other taxes;
- customs and immigration;
- foreign ownership restrictions;
- foreign exchange, currency and capital controls; and
- labour and welfare benefit policies.

In addition, there can be no assurance that the market for securities bearing emerging market risk, such as the Certificates, will not be affected negatively by events elsewhere, especially in the emerging markets. Accordingly, prospective investors should exercise particular care in evaluating the risks involved and must determine for themselves whether, in light of those risks, an investment in the Certificates is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

A slowdown in the economies of the Kingdom's key trading partners could adversely affect the Kingdom's economy

The Kingdom 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 the Kingdom's foreign trade and balance of payments, which could have a material adverse effect on the Kingdom's economic and financial condition.

Any sustained market and economic downturn or geopolitical uncertainties in the United States, China or any of the Kingdom's other key trading partners may exacerbate the risks relating to the Kingdom's trade with those countries which, in turn, may have a negative impact on the Kingdom'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 the Kingdom's economic and financial condition.

Any material deterioration in the Kingdom'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's business, financial condition, results of operations or prospects.

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

The Kingdom 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 the Kingdom (the "**KSA 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 KSA Courts, decisions of the KSA 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 KSA Law in a timely manner. As a result of these and other factors, the outcome of any legal disputes in the Kingdom may be uncertain.

As the legal environment remains subject to continuous development, investors in the Kingdom and the GCC countries may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in the Kingdom and the GCC countries may have a material adverse effect on the rights of holder 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, financial condition, results of operations or prospects.

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

Companies in the Kingdom are in general required by the Ministry of Human Resources and Social Development to ensure that a certain percentage of their staff are Saudi nationals. The Bank aims to recruit, train and retain Saudi nationals to comply with the relevant regulations, although, in common with other corporate entities in the Kingdom, the Bank experiences competition for, and may occasionally find it difficult to recruit and retain, qualified Saudi nationals. Failing to achieve the stipulated percentage could cause the Bank to be questioned by the Ministry of Human Resources and Social Development for non-compliance with these requirements which could, in turn, have an adverse effect on the Bank's reputation.

In addition, in recent years, the Kingdom has tightened controls on the employment of foreign workers, required increased localisation of the operations of foreign investors in the Kingdom 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 a particular segment of business, including, in particular, the construction and contracting business, which comprises a significant proportion of the Group's credit exposure. If any changes in the Kingdom's labour laws negatively affect the Group's financing customers, this could reduce the ability of those customers to meet their payment obligations to the Group. The occurrence of any such effect with respect to a major financing customer, or a group of financing customers, could have a substantial negative effect on the Group.

Any alteration to, or abolition of, the foreign exchange "peg" of the 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 riyal or other such currencies

The Group maintains its accounts and reports its results in riyals. The 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 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 such de-pegging or re-evaluation to the current exchange rate either in the Kingdom or across the wider region, particularly if such 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 the Kingdom's economic and financial condition and, in turn, on the Group's business, financial condition, results of operations 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 Ministry of Finance, the Ministry of Economy and Planning 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

Capitalised terms not defined in this section "Risks Relating to the Certificates" have the meanings given to them in "Terms and Conditions of the Additional Tier 1 Capital Certificates".

Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be permanently cancelled or permanently 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 and prior to the date on which the Applicable Statutory Loss Absorption Regime becomes effective, the Certificates will be permanently cancelled (in the case of a Write-down in whole) or permanently Written-down in part on a *pro rata* basis (in the case of a Write-down in part) by the Trustee in accordance with the Conditions and (except as described in paragraph (d) of the definition of Write-down in the Conditions) all rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, the Dissolution Distribution Amount and any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event (each as defined in the Conditions)) in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Periodic Distribution Amounts) (each as defined in the Conditions) shall, as the case may be, be cancelled or Written-down *pro rata* among the Certificateholders and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event or notice in relation thereto. Further, a Write-down in full or in part of the Certificates could occur prior to the Ordinary Shares absorbing losses in full. A Write-down shall not constitute a Dissolution Event.

The Conditions do not in any way impose restrictions on the Bank following a Write-down, including restrictions on making any distribution or equivalent payment in connection with any Junior Obligations (including, without limitation, the Ordinary Shares), any *Pari Passu* Obligations or any Senior Obligations.

Certificateholders will lose the entire amount or, as the case may be, a material amount, of their investment in the Certificates as a result of a Write-down and moreover, in such event, it is likely that Certificateholders will suffer losses in respect of their investment in the Certificates ahead of, or without, any losses being required to be borne by the Bank's shareholders.

Investors should also be aware that the application of a non-viability loss absorption feature similar to Condition 11 (*Write-down at the Point of Non-Viability*) has not been tested in the Kingdom and therefore uncertainty exists in its application.

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 Write-down of the Certificates (and write-down of any of 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
- 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.

The Group’s current and future Junior Obligations or Pari Passu Obligations might not include write-down or similar features comparable to those of the Certificates. As a result, it is possible that the Certificates will be subject to a Write-down, while certain Junior Obligations and/or Pari Passu Obligations remain outstanding and continue to receive payments and, as such, Certificateholders may be subject to losses ahead of holders of certain Junior Obligations and/or Pari Passu Obligations.

Basel III reforms and risk of a change in the regulations relating to loss absorption affecting the Certificates

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 equity 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. See “ – *Certificateholders’ right to receive payment of the face amount of the Certificates and the Certificateholders’ right to any profit will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence 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. In addition, 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 in the Kingdom.

In particular, the Law on the Treatment of Systemically Important Financial Institutions M/38 dated 25/4/1442H (corresponding to 10 December 2020) (the “**SIFI Law**”), provides that in respect of any systemically important financial institution, subject to certain conditions being met which include, among others, the financial institution being in distress or likely to become distressed, SAMA may, among other things, amend the rights of the holders of capital instruments. As of the date of this Offering Circular, the Bank has not been designated as a systemically important financial institution under SIFI Law. However, there can be no assurance that the Bank will not be so designated in the future.

The SIFI Law provides for implementing regulations to be prepared by SAMA and the CMA. On 29 August 2023, SAMA published a draft of the implementing regulations of the SIFI Law for institutions subject to the supervision of SAMA (the “**Implementing Regulations**”) for public consultation. As of the date of this

Offering Circular, the Implementing Regulations have not yet been issued and there can be no assurance that the Implementing Regulations, once they are finalised, will be consistent with the draft version that was published on 29 August 2023. The draft Implementing Regulations include certain provisions relating to the procedure for the amendment of rights of holders of capital instruments, including in relation to the required valuation by SAMA of the relevant SIFI's assets prior to the application of any such procedure to determine, among other things, the extent of the write down of relevant capital instruments.

The SIFI Law, together with its implementing regulations (once published), would likely constitute an Applicable Statutory Loss Absorption Regime for the purposes of the Certificates if, at the time of such publication, the Bank is designated as a systemically important financial institution under SIFI Law.

The Conditions provide that, on or after the date on which the Applicable Statutory Loss Absorption Regime becomes effective, the provisions of Condition 11 (*Write-down at the Point of Non-Viability*) will lapse and cease to apply, except to the extent such provisions are required by the Applicable Statutory Loss Absorption Regime or the Financial Regulator in its exercise of its powers thereunder.

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 Certificates as is required or permitted by such Applicable Statutory Loss Absorption Regime.

Whilst the SIFI Law provides that creditors whose rights are amended shall not incur greater losses than what is estimated would have been lost had the relevant financial institution been wound up, there can be no assurance, provided that the Bank is at the relevant time designated as a systemically important financial institution under the SIFI Law, that any such amendment of rights of holders or other action taken by SAMA will adhere to such objective, be similar to the loss absorption provisions set out in Condition 11 (*Write-down at the Point of Non-Viability*) or otherwise be in the interests of Certificateholders.

Accordingly, the operation of any such future legislation or implementation of an Applicable Statutory Loss Absorption Regime may result in the Certificates absorbing losses in a manner other than as described herein, which may in turn have an adverse effect on the position of the Certificateholders.

The circumstances triggering a Write-down are unpredictable and Certificateholders may suffer losses in respect of their holding of the Certificates ahead of, and without, any losses being required to be borne by the Bank's shareholders

The occurrence of a Non-Viability Event is inherently unpredictable and depends on a number of factors, many of which are outside of the Group's control. The occurrence of a Non-Viability Event is subject to, inter alia, a subjective determination by the Financial Regulator (as defined in the Conditions). As a result, the Financial Regulator may require a Write-down in circumstances that are beyond the control of the Group and with which the Group may not agree. See “ – *Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event*”. 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 the Certificates and could lead to the Certificateholders losing some or all of their investment in the Certificates.

The Financial Regulator shall, in its sole discretion, determine the occurrence and scope of a Non-Viability Event and therefore the requirement for a Write-down. Accordingly, prospective investors should note that the Financial Regulator may require a Write-down, without also requiring the Ordinary Shares and/or Other Common Equity Tier 1 Instruments to absorb any losses. In such circumstances, Certificateholders may suffer

losses in respect of their holding of the Certificates ahead of, or without, any losses being required to be borne by the Bank's shareholders.

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

The financial viability of the Group will also depend in part on decisions made by the Group in relation to its business and operations, including the management of its capital position. In making such decisions, the Group 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 Group, 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 as contained in Condition 11 (*Write-down at the Point of Non-Viability*) has not been tested in the Kingdom and therefore uncertainty exists in its application.

The payment obligations of the Bank under the Mudaraba Agreement are conditional, subordinated and unsecured obligations

Prospective investors should note that, subject to Condition 11 (*Write-down at the Point of Non-Viability*) (see “– Certificateholders’ right to receive payment of the face amount of the Certificates and the Certificateholders’ right to any profit will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event”), except upon the occurrence and continuation of any Winding-Up Proceeding and without prejudice to Condition 8 (*Periodic Distribution Restrictions*), the Relevant Obligations are conditional (in the case of payments of profit (other than in respect of Rab-al-Maal Final Mudaraba Profit payable on any Mudaraba End Date in the case of a Non-Payment Election (as defined below)), upon a Non-Payment Election or Non-Payment Event not having occurred), are unsecured and no collateral is or will be given by the Bank in relation thereto.

Payments of Periodic Distribution Amounts will be made by the Trustee provided that the Bank (as Mudareb) shall have paid to the Trustee profit amounts equal to such Periodic Distribution Amount pursuant to the terms of the Mudaraba Agreement. In this regard, prospective investors should note that upon the occurrence and continuation of any Winding-Up Proceeding, the Relevant Obligations will rank (a) subordinate and junior to all Senior Obligations but not further or otherwise, (b) *pari passu* with all other *Pari Passu* Obligations and (c) in priority only to all Junior Obligations, as more particularly described in Condition 4.2 (*Subordination*). In such case, there may not be sufficient assets to satisfy the claims of the holders of the Certificates in full.

No limitation on issuing senior securities; subordination

Other than the limitations in relation to the issue of further Additional Tier 1 Capital by the Bank as set out in Condition 4.3 (*Other Issues*) which limits the circumstances in which Additional Tier 1 Capital of the Bank can be issued that ranks senior to the Certificates, there is no restriction in the Conditions or in the terms of the Transaction Documents on the Bank (in its capacity as Mudareb or otherwise) incurring additional financing or issuing securities or creating any guarantee or contractual support arrangement which would rank senior to the Certificates and the obligations of the Bank under the Mudaraba Agreement (the “**Bank Senior Obligations**”). The issue of or the creation of any such Bank Senior Obligations may reduce the amount recoverable by the Certificateholders on a winding-up of the Bank. Accordingly, in the winding-up of the Bank and after payment of the claims of Senior Creditors, there may not be a sufficient amount to satisfy the amounts owing to the Certificateholders. See also “—The payment obligations of the Bank under the Mudaraba Agreement are conditional, subordinated and unsecured obligations”.

Payments of Periodic Distribution Amounts may be cancelled and are non-cumulative

The Bank may elect (any such election being a “**Non-Payment Election**”), in its sole discretion and by instructing the Trustee to such effect, not to make payment of a Periodic Distribution Amount (in whole or in part) to Certificateholders on the corresponding Periodic Distribution Date as more particularly provided in Condition 8.2 (*Non-Payment Election*), except that no such election may be made in respect of the Periodic Distribution Amount payable on the date on which the Certificates are to be redeemed in whole at the Bank’s discretion in accordance with Condition 10 (*Redemption*).

In addition, if a Non-Payment Event (as defined in the Conditions) occurs (which includes the case where sufficient Distributable Profits are not available in order to permit the Bank to make the relevant payment or as a result of a breach of Applicable Regulatory Capital Requirements), the Bank (in its capacity as Mudareb) shall be prohibited from paying Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as applicable, on any Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) pursuant to the Mudaraba Agreement, and as a result thereof the Trustee shall be prohibited from paying Periodic Distribution Amounts to the Certificateholders on the corresponding Periodic Distribution Date, as more particularly provided in, Condition 8.1 (*Non-Payment Event*).

In relation to the paragraph above, “**Distributable Profits**” is defined in the Conditions as “the amount of the Bank’s consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law), after the transfer of any amounts to non-distributable reserves, all as calculated by the Bank based on its most recent consolidated financial statements, or any equivalent or successor term from time to time as prescribed by the Capital Regulations”. As at 31 December 2023, the Bank’s Distributable Profits amounted to SAR 1,181 million.

If any amount of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit or Periodic Distribution Amount is not paid as a consequence of a Non-Payment Election or a Non-Payment Event then, from the date of such Non-Payment Election or Non-Payment Event (the “**Dividend Stopper Date**”), the Bank will be prohibited from declaring or paying certain distributions, dividends or other payments (other than to the extent that any such distributions, dividends or other payments are declared before such Dividend Stopper Date, and excluding securities the terms of which do not at the relevant time enable the Bank to defer or otherwise not to make such payments) and from redeeming, purchasing, cancelling, reducing or otherwise acquiring Other Common Equity Tier 1 Instruments or securities ranking as to the right of payment of capital, junior to or *pari passu* with the Relevant Obligations (excluding securities the terms of which stipulate (i) any mandatory redemption in accordance with its terms or (ii) any conversion into, or exchange for, ordinary shares of the Bank), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time, in each case unless or until the next following payment of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit following the Dividend Stopper Date has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Trustee in accordance with the Mudaraba Agreement), as more particularly described in Condition 8.4 (*Dividend and Redemption Restrictions*).

In the absence of notice of a Non-Payment Election or a Non-Payment Event, as the case may be, having been given in accordance with Condition 8.3 (*Effect of Non-Payment Event or Non-Payment Election*), the fact of non-payment of the Rab-al-Maal Mudaraba Profit (or any part thereof) on the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, as the case may be, shall be evidence of the occurrence of a Non-Payment Election or a Non-Payment Event, as the case may be. Accordingly, the Certificateholders shall have no claim in respect of any Periodic Distribution Amount not paid as a result of either a Non-Payment Election or a Non-Payment Event (irrespective of whether notice of such Non-Payment Election or Non-Payment Event, as the case may be, has been given in accordance with Condition 8.3 (*Effect of Non-Payment Event or Non-Payment Election*)) and the consequential non-payment of any Periodic Distribution Amount in such a

circumstance shall not constitute a Dissolution Event. Any Periodic Distribution Amounts not paid following either a Non-Payment Election or a Non-Payment Event will not accumulate or compound. The Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid profit (whether from its own cash resources, from the Mudaraba Reserve or otherwise) and the Trustee will not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts.

Any non-payment of Periodic Distribution Amounts or perceived risk of such non-payment may have a material adverse effect on the market value of the Certificates.

The Certificates are perpetual securities, which may be subject to early redemption (subject to certain conditions)

The Certificates are perpetual securities which have no scheduled payment date. The Trustee is under no obligation to redeem the Certificates at any time and the Certificateholders have no right to call for their redemption unless a Bank Event occurs.

The Bank Events and Certificateholders' rights following a Bank Event are set out in Condition 12 (*Dissolution Events and Winding-up*). The Dissolution Events in the Conditions are limited to: (a) Bank Events (including: (i) a failure by the Mudarab to pay an amount equivalent to principal or profit (including Additional Amounts) due and payable by it under the Mudaraba Agreement, and such failure continues for a period of (in the case of payment of principal) seven days or more or (in the case of payment of profit) 14 days or more (save, in each case, where such failure occurs solely as a result of the occurrence of a Non-Payment Event or a Non-Payment Election); or (ii) an administrator is appointed, an order is made by any competent court or the government of the Kingdom or an effective resolution is passed for the administration, winding-up, liquidation or dissolution of the Bank in accordance with applicable law or the Bank applies or petitions for a winding-up or administration order in respect of itself (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority); and (b) Trustee Events (being similar in nature to Bank Events in respect of the Trustee), all as more fully described in the Conditions.

In certain circumstances the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem the Certificates on the First Call Date and on any date thereafter up to and including the First Reset Date, or any Periodic Distribution Date thereafter, and, on any date on or after the Issue Date, if a Tax Event or a Capital Event occurs (the determination of a Capital Event being at the discretion of the Financial Regulator), as more particularly described in Condition 10 (*Redemption*), although there is no assurance that the Bank will require it to do so. Any such redemption will also be subject to a number of conditions, as set out in Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption*), including obtaining the prior consent of the Financial Regulator (unless such consent is no longer required by the Financial Regulator and/or by the Capital Regulations). There can be no guarantee that the approval of the Financial Regulator will be received on time or at all.

Therefore, prospective investors should be aware that they may be required to bear the financial risks of an investment in the Certificates indefinitely, unless:

- the Trustee (upon the Bank's instruction) exercises its rights to redeem the Certificates in accordance with Condition 10 (*Redemption*);
- the Trustee is directed by an Extraordinary Resolution of the Certificateholders, or by the Delegate (acting in accordance with the Declaration of Trust and the Conditions), following a Bank Event to redeem the Certificates; or
- they sell their Certificates.

The exercise of (or perceived likelihood of exercise of) any such redemption feature of the Certificates may limit their market value, which is unlikely to rise substantially above the price at which the Certificates can be redeemed.

If the Certificates are redeemed, there can be no assurance that Certificateholders will be able to reinvest the amount received upon redemption in a comparable security at a rate that will provide the same rate of return as their investment in the Certificates. Potential investors should consider reinvestment risk in light of other investments available at that time. See also “– *Absence of secondary market/limited liquidity*” for a description of the risks relating to the ability of holders of Certificates to sell the Certificates in the secondary market.

The Certificates will cease to accrue profit from the due date for redemption (if any)

Investors are advised that each Certificate will cease to accrue profit from the due date for redemption (following liquidation of the Mudaraba). Consequently, should payments owing to Certificateholders on the due date for redemption (if any) be received by them after the due date for any reason, no additional profit payment, late payment amount or other equivalent amount will be payable in respect of such delay. See Condition 7.3 (*Cessation of Accrual*).

Due to the deeply subordinated nature of the obligations arising under the Certificates, the Conditions contain limited Dissolution Events and remedies

The Certificates are perpetual instruments with no fixed redemption date and there is no obligation on the Trustee to pay the face amount of the Certificates other than in accordance with the exercise of a call option in accordance with Condition 10.1(b) (*Trustee's Call Option*), a redemption in accordance with Condition 10.1(c) (*Redemption due to Taxation*), a redemption in accordance with Condition 10.1(d) (*Redemption for Capital Event*) or following the occurrence of a Bank Event in accordance with Condition 12.1 (*Bank Events*). In addition, the Trustee may be prohibited from making, or instructed by the Bank not to make, payments of Periodic Distribution Amounts on the Certificates in accordance with Condition 8 (*Periodic Distribution Restrictions*) and Periodic Distribution Amounts will not therefore be due other than in the limited circumstances described in the Conditions. See also “– *Payments of Periodic Distribution Amounts may be cancelled and are non-cumulative*”.

Moreover, pursuant to Condition 12 (*Dissolution Events and Winding-up*), upon the occurrence of any Bank Event, the Mudaraba will be liquidated in accordance with the provisions of the Mudaraba Agreement and the remedies available to the Trustee, the Delegate and/or the Certificateholders (as applicable) are limited to giving notice to the Trustee and the Bank that the Certificates are, and shall immediately become, due and payable without presentation, demand, protest or other notice of any kind at their aggregate face amount together with any Outstanding Payments (as defined in the Conditions) and thereafter: (i) instituting any steps, actions or proceedings for the winding-up or bankruptcy of the Bank and/or (ii) proving in the winding-up of the Bank and/or (iii) claiming in the liquidation of the Bank and/or (iv) taking such other steps, actions or proceedings which, under the laws of the Kingdom, have an analogous effect to the actions referred to paragraphs (i) to (iii) above, in each case, for the payment of amounts due under the Mudaraba Agreement. Therefore, it will only be possible to enforce claims for payment of the applicable Dissolution Distribution Amount and/or Periodic Distribution Amounts in respect of the Certificates when the same have become due pursuant to the Mudaraba Agreement and the Conditions.

Furthermore, the claims of Senior Creditors of the Bank will first have to be satisfied in any winding-up, bankruptcy, dissolution, liquidation or analogous proceedings before the Certificateholders may expect to obtain any amounts in respect of their Certificates and prior thereto Certificateholders will have only limited (if any) ability to influence the conduct of such winding-up, liquidation or analogous proceedings.

Prospective investors should also note that any claims on a winding-up would be subject to KSA bankruptcy and other laws. Therefore there can be no assurance that Certificateholders will receive payment of their claims in full or at all in these circumstances. See also “ – *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*”.

Resetable fixed rate instruments have a market risk

A holder of an instrument with a fixed profit (or equivalent) rate that will be reset during the term of the instrument (as will be the case for the Certificates with effect from each Reset Date (as defined in the Conditions) if not previously redeemed and/or purchased and cancelled) is exposed to the risk of fluctuating profit rate levels and uncertain profit rate income. While the expected profit rate on the Certificates is fixed until the First Reset Date (with a reset of the initial profit rate on the First Reset Date as set out in the Conditions and every five years thereafter), the current investment return rate in the capital markets (the market return rate) typically changes on a daily basis. As the market return rate changes, the market value of the Certificates may also change, but in the opposite direction. If the market return rate increases, the market value of the Certificates would typically decrease. If the market return rate falls, the market value of the Certificates would typically increase. Certificateholders should be aware that movements in these market return rates can adversely affect the market value of the Certificates and can lead to losses for the Certificateholders if they sell the Certificates.

The Certificates are limited recourse obligations

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect the Certificates is limited to the Trust Assets and the proceeds of the Trust Assets are the sole source of payments on the Certificates. Upon receipt by the Trustee of a Dissolution Notice in accordance with the terms of Condition 12.1 (*Bank Events*), the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Certificateholders) will be (subject to Condition 12.3 (*Winding-up, dissolution or liquidation*)) against the Bank to perform its obligations under the Transaction Documents. Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents), the Delegate or the Agents or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets. The Bank is obliged to make certain payments under the Transaction Documents directly to, or to the order of, the Trustee or the Delegate, and the Trustee and/or the Delegate will have recourse against the Bank to recover such payments due to the Trustee pursuant to the Transaction Documents.

After enforcing or realising the rights in respect of the Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 5.3 (*The Trust*), the obligations of the Trustee in respect of the Certificates shall be satisfied and neither 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 from the Trustee remaining 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 expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Bank shall be (in accordance with Condition 12.3 (*Winding-up, dissolution or liquidation*)) to enforce their respective obligations under the Transaction Documents.

No Guarantees

Investors should be aware that no guarantee is given in relation to any amounts payable by the Bank under the Certificates or any of the Transaction Documents by the Bank, the shareholders of the Bank or by any other person.

Absence of secondary market/limited liquidity

There is no assurance that a secondary market for the Certificates 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 the Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise 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. The Certificates generally may have a more limited secondary market liquidity and may be subject to greater price volatility than conventional debt securities as they are perpetual securities (see “—*The Certificates are perpetual securities, which may be subject to early redemption (subject to certain conditions)*”), are subordinated (see “—*The payment obligations of the Bank under the Mudaraba Agreement are conditional, subordinated and unsecured obligations*”), will be fully and permanently written down upon the occurrence of a Non-Viability Event (see “—*Certificateholders’ right to receive payment of the face amount of the Certificates and the Certificateholders’ right to any profit will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event*”) and payments of Periodic Distribution Amounts may be restricted in certain circumstances (see “—*Payments of Periodic Distribution Amounts may be cancelled and are non-cumulative*”). Furthermore, certain shareholders and related parties of the Bank may participate in the offering of the Certificates. The secondary market liquidity of the Certificates may be adversely affected if, and to the extent that, such person(s) intend(s) to adopt a buy and hold strategy in respect of the Certificates.

Whilst an application has been made for the Certificates to be admitted to trading on the ISM, there can be no assurance that any such listing or admission to trading will occur on or prior to the Issue Date or at all or, if it does occur, that it will enhance the liquidity 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.

Investment in the Mudaraba Assets

Pursuant to the Mudaraba Agreement, the proceeds of the issuance of the Certificates will be contributed by the Trustee (as “**Rab-al-Maal**”) to the Mudareb which proceeds shall form the initial capital of the Mudaraba (the “**Mudaraba Capital**”). The Mudaraba Capital will be co-mingled with shareholders’ equity and invested by the Bank (as “**Mudareb**”), on an unrestricted co-mingling Mudaraba basis, in the Business Portfolio (as defined below) carried out through the General Mudaraba Pool (as defined in the Mudaraba Agreement) and, following investment of the Mudaraba Capital, the Mudaraba Capital shall constitute pro rata undivided assets in the General Mudaraba Pool (the “**Mudaraba Assets**”) with a view to earning profit therefrom, which will in turn be applied towards payments due to Certificateholders in respect of the Certificates.

Limited investigation or enquiry will be made and no due diligence will be conducted in respect of any Mudaraba Assets. The investment activities of the Mudaraba will be carried out by the Bank, and the Certificateholders shall have no ability to influence such activities. The Bank shall be granted the express entitlement to co-mingle its own assets in the General Mudaraba Pool assets and, as a result, it may not be possible to identify the Mudaraba Assets separately from the assets of the Bank.

If any of the risks relating to the business of the Bank mentioned above (see “—*Risks Relating to the Group*”) materialise or otherwise impact the Bank’s business, the value of and profit earned from the investment in such Mudaraba Assets may decrease which may, in turn, have a material adverse effect on the Bank’s ability to fulfil its payment obligations under the Mudaraba Agreement and consequently, the Trustee’s ability to make payments in respect of the Certificates.

Furthermore, whilst the Mudareb has agreed in the Mudaraba Agreement to ensure that the Mudaraba Capital is invested in accordance with the Investment Plan (and with the degree of skill and care that it would exercise in respect of its own assets), the Mudaraba Agreement also provides that there is no guarantee of any return from the Mudaraba Assets. In addition, the Trustee and the Mudareb have agreed in the Mudaraba Agreement that the Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee except to the extent such losses are caused by: (i) the Mudareb's breach of the Mudaraba Agreement; or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

Accordingly, potential investors are advised that any claim by or on behalf of the Trustee for the Mudaraba Capital following any Dissolution Event may be reduced if and to the extent that the Mudareb is able to prove that any losses to the Mudaraba Capital were not caused by: (i) the Mudareb's breach of the Mudaraba Agreement; or (ii) the Mudareb's gross negligence, wilful misconduct or fraud. If the Mudareb is able to provide such proof, Certificateholders may lose all or some of their investment. It is not possible to state with certainty what approach any court with jurisdiction will take in such circumstances.

Credit ratings assigned to the Bank may not reflect all the risks associated with an investment in the Certificates

One or more independent credit rating agencies may assign credit ratings to the Bank. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Certificates, and will not reflect the deeply subordinated nature of the Bank's payment obligations under the Transaction Documents if such ratings relate to senior payment obligations of the Bank. Credit rating agencies could also seek to rate the Bank without having been requested to do so by the Bank. Such unsolicited ratings may be lower than any ratings sought by the Bank, which could have an adverse effect on 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 will also apply in the case of credit ratings issued by third country non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant third country non-EU rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, as the case may be, 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.

Investors regulated in the UK are subject to similar restrictions under Regulation (EC) No. 1060/2009 (as amended) as it forms part of domestic law by virtue of the EUWA (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 third country 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 (i) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (ii) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Bank or the Certificates changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, 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, which may impact the value of the Certificates and their liquidity in the secondary market.

Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular. Any real or anticipated changes in the Bank's credit ratings generally will affect the market value of the Certificates.

Risks relating to Enforcement

There are uncertainties around the choice of English law as the governing law of the Transaction Documents and around enforcing arbitral awards in Saudi Arabia

The Certificates and the Transaction Documents are expressed to be governed by English law, and the parties thereto have agreed to refer any unresolved disputes in relation thereto to arbitration under the LCIA Arbitration Rules with an arbitral tribunal with its seat in London.

The Bank is a Saudi Arabian company and is incorporated in and has its operations and the majority of its assets located in the Kingdom.

Any foreign arbitral award, including an LCIA award, should be enforceable in the Kingdom in accordance with the terms of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the “**New York Convention**”), subject to filing a legal action for recognition and enforcement of foreign arbitral awards with the enforcement courts of the Kingdom (the “**Enforcement Courts**”).

As a party to the New York Convention, the Kingdom 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 courts of the Kingdom 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 Courts 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 order in the Kingdom; (b) there is reciprocity in the enforcement of arbitral awards between the courts of the Kingdom and the country in which the award was made; (c) the courts of the Kingdom 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 the Kingdom. There can therefore be no assurance that the courts of the Kingdom 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 public order of the Kingdom or any mandatory law of, or applicable in, the Kingdom, they would not be enforced by the Enforcement Courts.

In particular, the courts and judicial committees of the Kingdom will require any arbitral award pursuant to the arbitration agreement to satisfy certain requirements, including compliance with the principles of Shari'a. Accordingly, in any proceedings relating to the Certificates or the Transaction Documents in the Kingdom, Shari'a, as interpreted in the Kingdom, may be applied by the relevant court or judicial committee. The courts and judicial committees of the Kingdom 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. As such

there can be no assurance that the Saudi courts will recognise and enforce any arbitral award made under the arbitration agreement.

In addition, the courts and judicial committees of the Kingdom may not recognise the choice of English law and may elect to apply the laws of the Kingdom instead. Accordingly, in any proceedings relating to the Certificates, Shari'a, as interpreted in the Kingdom, may be applied by the relevant court or judicial committee. The courts and judicial committees of the Kingdom 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. Courts and judicial committees in Saudi Arabia may not give effect to the Bank Events

Prospective Certificateholders should note that the courts and judicial committees of Saudi Arabia may not give effect to any of the Bank Events (as set out in the Conditions) other than those Bank 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 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

In the event of the Bank's insolvency, bankruptcy laws in the Kingdom may adversely affect the Bank's ability to perform its obligations under the Transaction Documents. There is little precedent to predict how claims by or on behalf of the Trustee and the Certificateholders would be resolved in the event of the Bank's bankruptcy and accordingly it is uncertain exactly how and to what extent the Transaction Documents would be enforced by a Saudi Arabian adjudicatory body if such Saudi Arabian adjudicatory body were to void or otherwise cause such document, or any part thereof, to be void or ineffective and therefore there can be no assurance that the Certificateholders will receive repayment of their claims in full or at all in these circumstances.

The bankruptcy law issued pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14 February 2018), as amended by Royal Decree No. M/89 dated 09/07/1441H (corresponding to 4 March 2020) (the "**Bankruptcy Law**") provides various procedures with respect to protective settlement, financial restructuring, liquidation, and administrative liquidation and provides, among other things, that insolvency-related contract termination triggers are generally void with exceptions stipulated in relation to government contracts. Further exceptions in relation to finance transactions are to be determined by the SAMA and the CMA. The Bankruptcy Law also provides that a party may terminate a contract if such termination: (a) is in the interest of the majority of the relevant creditors; (b) would not harm the counterparty; and (c) is necessary to implement the relevant proposal.

The implementing regulations to the Bankruptcy Law issued pursuant to the Council of Ministers Resolution No. 622 dated 24/12/1439H (corresponding to 4 September 2018) (the "**Bankruptcy Law Implementing Regulations**") further provide for the bankruptcy rules and procedures in the Kingdom. The Bankruptcy Law Implementing Regulations provide that a debtor (in respect of a protective settlement) may request that the court terminates any contract that such debtor is a party to by submitting a report issued by a registered custodian that proves that such termination: (a) is in the interest of the majority of the relevant creditors; (b) would not harm the counterparty; and (c) will protect the business of the debtor.

A court may, after accepting a request to open any of the liquidation procedures set out in the Bankruptcy Law, take certain precautionary measures, at its own discretion or upon a request by an interested party, such as seizing the assets of the debtor whether such assets are held by the debtor or by third parties.

The Bankruptcy Law and its implementing regulations are relatively recent and hence their application, and how the Saudi Arabian courts and judicial committees will apply them, is yet to be seen in full effect in practice. 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 Declaration of Trust 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 Declaration of Trust (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 Declaration of Trust 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 or the Trustee on behalf of Certificateholders under the Transaction Documents pursuant to the Declaration of Trust.

The legal system in Saudi Arabia continues to develop and this, as well as certain aspects of the laws of Saudi Arabia, may create an uncertain environment for investment and business activity.

The courts and adjudicatory bodies in Saudi Arabia have wide discretion as to how laws, regulations and principles of Islamic law (*Shari'a*) are applied to a particular set of circumstances. There is no doctrine of binding precedent in the courts of Saudi Arabia, decisions of various courts and judicial committees of Saudi Arabia and Royal Decrees, ministerial decisions and resolutions, departmental circulars and other pronouncements of official bodies of Saudi Arabia which have the force of law are not generally or consistently indexed and collected in a central place or made publicly available. Accordingly, it is uncertain exactly how and to what extent any Certificate, the Conditions and/or the Transaction Documents would be enforced by a Saudi Arabian court or any other Saudi Arabian adjudicatory body, should circumstances dictate that they have jurisdiction. Further, in some circumstances, it may not be possible to obtain the legal remedies provided under the laws and regulations of Saudi Arabia in a timely manner. As a result of these and other factors, the outcome of any legal disputes in Saudi Arabia may be uncertain.

Under Islamic law (*Shari'a*) as applied in Saudi Arabia, a loan that generates a benefit to the lender is considered "*riba*". As such, an obligation to pay interest or a sum in the nature of interest (whether described as "commission", "profit" or another synonym), including any form of benefits, is not enforceable. Prospective Certificateholders should note that the provisions of the Transaction Documents relating to the payment of

commission or profit (whether described as “commission”, “profit” or another synonym) and possibly any arrangement, commitment, agency, administration or upfront fees, may not be enforceable under the laws of Saudi Arabia and therefore prospective Certificateholders may not be able to enforce their right to receive such amounts under the Transaction Documents.

A court or judicial committee in Saudi Arabia is likely to refuse to give a judgment in respect of principal amounts to the payee of such amounts in an amount greater than the principal sums found by such court or judicial committee to be due and payable less the amount of sums in the nature of interest (however described) already paid by the payer to the payee. Any amounts previously paid to the Certificateholders on the Certificates and/or pursuant to the Transaction Documents in respect of sums in the nature of commission or profit may therefore reduce the amount receivable by the Certificateholders in relation to payments of principal.

The Bank's waiver of immunity may not be effective under Saudi law

The Bank has waived its rights in relation to sovereign immunity under the Transaction Documents. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under the Transaction Documents are valid and binding under the laws of the Kingdom.

Additional Risk Factors

Certificateholders must rely on Euroclear and Clearstream, Luxembourg procedures

The Certificates will be represented on issue by a Global Certificate that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate.

While the Certificates are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates are represented by the Global Certificate, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of an ownership interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, ownership interests in the Global Certificate.

Holders of ownership interests in the 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.

No assurance can be given as to Shari'a rules

The Shariah Committee of Alinma Bank, the Internal *Shari'a* Supervisory Committee of Abu Dhabi Islamic Bank PJSC, the Internal Shariah Supervision Committee of Emirates NBD – Islamic, the Shariah Committee of Alinma Investment Company, the *Shari'a* advisers of J.P Morgan Securities plc and the Global Shariah Supervisory Committee of Standard Chartered Bank have each confirmed that the transaction structure relating to the Certificates (as described in this Offering Circular) and the Transaction Documents are, in their view, compliant with the principles of *Shari'a* 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 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 Delegate, the Agents, or any of the Joint Lead Managers (other than Abu Dhabi Islamic Bank PJSC) makes any representation as to the *Shari'a*-compliance of the Certificates and/or any trading thereof and potential investors

are reminded that, as with any *Shari'a* views, differences in opinion are possible and different *Shari'a* standards may be applied by different *Shari'a* boards. Prospective 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 the compliance of the Transaction Documents and whether the Certificates will meet their individual standards of compliance and the issue and trading of the Certificates with *Shari'a* principles, including the tradability of the Certificates on any secondary market. Questions as to the *Shari'a* compliance of the Transaction Documents or *Shari'a* permissibility of the issue and the trading of the Certificates 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 Conditions or the Transaction Documents would be, if in dispute, be referred to, and finally resolved by arbitration in London, England under the Arbitration Rules of the London Court of International Arbitration. In such circumstances, the arbitrator will apply the relevant law of the relevant Transaction Document and/or the Certificates in determining the obligation of the parties.

Shari'a requirements in relation to interest awarded by a court

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 court in connection with any dispute under the Transaction Documents. Should there be any delay in the enforcement of a judgment given against the Bank, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive all, or any part of, such interest.

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

As the Certificates have a minimum denomination consisting of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof, it is possible that the Certificates may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a Certificateholder who, as a result of trading such amounts, holds a face amount of less than U.S.\$200,000 would need to purchase an additional amount of Certificates with a face value of U.S.\$200,000 or more such that it holds an amount equal to at least U.S.\$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

If a Certificateholder holds an amount which is less than U.S.\$200,000 in his account with the relevant clearing system at the relevant time, such Certificateholder 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 an Authorised Denomination (as defined in the Conditions) 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 U.S.\$200,000 may be illiquid and difficult to trade.

Consents are required in relation to the variation of Transaction Documents and other matters

The Conditions contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally and for obtaining written resolutions on matters relating to the Certificates from Certificateholders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Declaration of Trust and whose Certificates are 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 will be entitled to rely upon:

- 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 or given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates for the time being outstanding; and
- where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, the Bank and/or the Delegate by (a) accountholders in the clearing system(s) with entitlements to the Global Certificate and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Trustee, the Bank and the Delegate 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 Declaration of Trust, 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 Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Conditions also provide that the Delegate may, without the consent or approval of the Certificateholders, agree to the substitution of another company as obligor under the Certificates in place of the Trustee, in the circumstances described in Condition 12.2 (*Trustee Events*).

The Declaration of Trust also contains provisions permitting the Delegate from time to time and at any time without the consent or approval of the Certificateholders to agree to any modification to the Conditions, the Transaction Documents or the Trustee's memorandum and articles of association if, in the sole opinion of the Delegate, such modification: (a) is of a formal, minor or technical nature; or (b) is made to correct a manifest error; or (c) is not materially prejudicial to the interests of the holders of the Certificates then outstanding and is other than in respect of a Reserved Matter (as defined in the Declaration of Trust) and is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least one-fifth of the aggregate face amount of the Certificates then outstanding. Any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.

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 make all payments on the Certificates, and the Bank will make all payments pursuant to the Transaction Documents to which it is a party, in U.S. dollars. If an investor's financial activities are denominated principally in a currency or currency unit (the Investor's Currency) other than U.S. dollars, 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 U.S. dollars 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 U.S. dollars 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 a result, investors may receive lesser amounts under the Certificates than expected, or no such amounts.

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 2023 Financial Statements with the audit report thereon (an electronic copy of which is available at: <https://www.alinma.com/-/media/Files/FinancialResults/2023/English%20consolidated%20financial%20statements%20December%202023%20-%20Final.pdf>); and
- (b) the 2022 Financial Statements together with the audit report thereon (an electronic copy of which is available at: https://www.alinma.com/wps/wcm/connect/alinmaNew/8cdd6b4d-e4c8-4944-a612-91ad2768989e/2.+Consolidated+Financial+Statements+Dec+2022.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE.Z18_MA161940L05020QL4O59CD2KO5-8cdd6b4d-e4c8-4944-a612-91ad2768989e-oqe2StB)

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

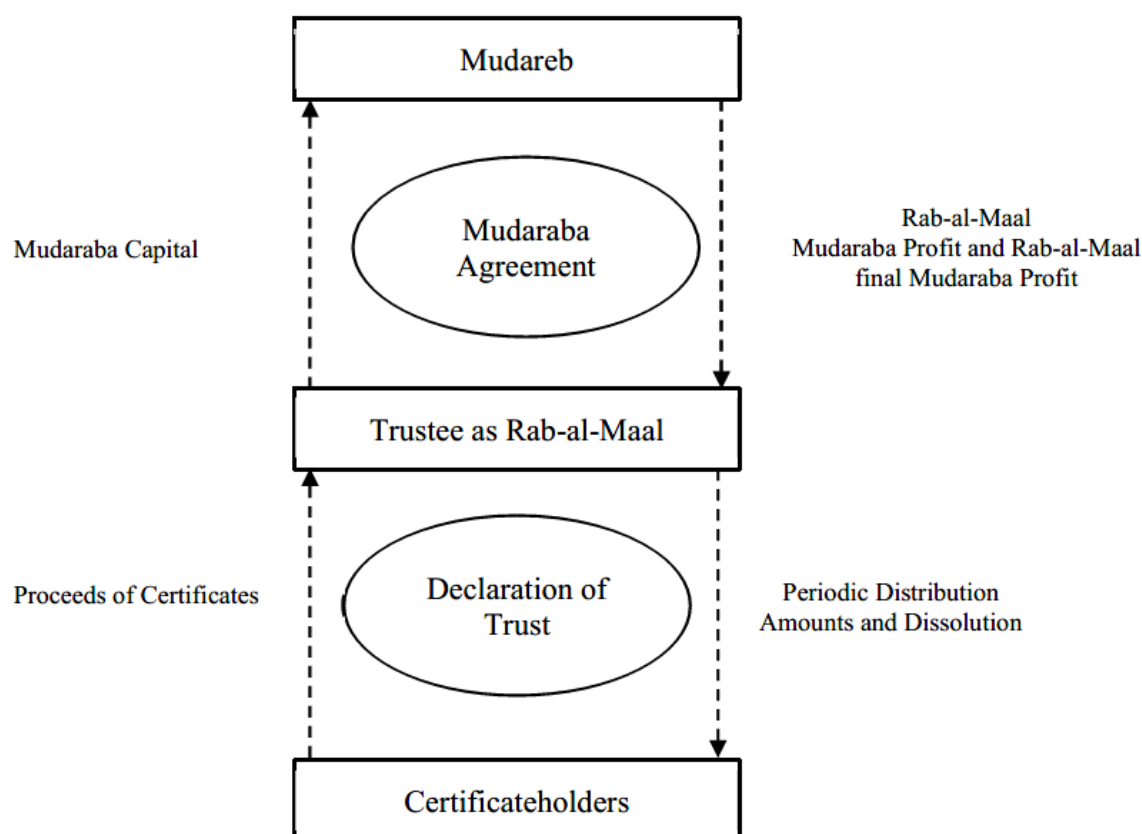
The Documents Incorporated by Reference shall be incorporated in, and form part of, this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement 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 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 <https://www.alinma.com/>.

STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing elsewhere in this Offering Circular. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Offering Circular for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. Potential investors should read this entire Offering Circular carefully, especially the risks of investing in the Certificates discussed under “Risk Factors”.

Structure Diagram



Principal Cash Flows

Payments by the Certificateholders and the Trustee

On the Issue Date, the Certificateholders will pay the issue price in respect of the Certificates to the Trustee. Pursuant to the Declaration of Trust, the Trustee will declare a trust, in favour of the Certificateholders, over:

- (a) the cash proceeds of the issuance of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets (as defined below);

- (c) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee by the Bank pursuant to clause 12.1 of the Declaration of Trust); and
 - (d) all amounts standing to the credit of the Transaction Account from time to time,
- and all proceeds of the foregoing (together, the "**Trust Assets**").

The proceeds of the issuance of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to the Mudareb on the Issue Date and shall form the initial capital of the Mudaraba (the "**Mudaraba Capital**") pursuant to the Mudaraba Agreement. The Mudaraba Capital will be co-mingled with (i) shareholders' equity, (ii) proceeds of all current savings and investments deposit accounts with the Mudareb, and (iii) any other source of funds included in the general Mudaraba Pool from time to time and invested, on an unrestricted co-mingling Mudaraba basis, by the Bank in its fully *Shari'a*-compliant financial and investment business activities (the "**Business Portfolio**") carried out through the General Mudaraba Pool and, following investment of the Mudaraba Capital, the Mudaraba Capital shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the "**Mudaraba Assets**").

Periodic payments by the Trustee

Unless a Non-Payment Event or a Non-Payment Election has occurred, prior to each Periodic Distribution Date, the Mudareb shall distribute the profit generated by the Mudaraba to both the Trustee and the Mudareb in accordance with an agreed profit sharing ratio (99 per cent. to the Trustee (as Rab-al-Maal) and 1 per cent. to the Mudareb). The Trustee shall apply its share of the profit (if any) generated by the Mudaraba on each Periodic Distribution Date to pay the Periodic Distribution Amount due to the Certificateholders on such date.

Payments of Rab-al-Maal Mudaraba Profit (as defined in the Mudaraba Agreement) by the Bank (as Mudareb) will not be made in circumstances where a Non-Payment Event has occurred or a Non-Payment Election has been made. The Mudareb shall not have any obligation to make any subsequent payment in respect of such unpaid profit (whether from its own cash resources, from the Mudaraba Reserve (as defined below) or otherwise).

Under the terms of the Mudaraba Agreement, the Mudareb shall be expressly entitled to co-mingle any of its own assets from time to time with the Mudaraba Assets.

Dissolution payments and redemption by the Trustee and the Mudareb

The Mudaraba is a perpetual arrangement with no fixed end date. Accordingly, the Certificates are perpetual securities in respect of which there is no fixed redemption date.

Subject to certain conditions set out in clause 7 of the Mudaraba Agreement, the Bank (as Mudareb) may at its option liquidate the Mudaraba in whole, but not in part, on the basis of a final actual liquidation of the Mudaraba in accordance with the Mudaraba Agreement in the following circumstances:

- (i) on the First Call Date and on any date thereafter up to and including the First Reset Date, or any Periodic Distribution Date thereafter, by giving not less than 20 nor more than 35 days' prior notice to the Trustee; or
- (ii) on any date on or after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 20 nor more than 35 days' prior notice to the Trustee:
 - (a) upon the occurrence of a Tax Event; or
 - (b) upon the occurrence of a Capital Event.

The Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, upon receipt of notice in accordance with paragraph (i) above redeem all of, but not only some of, the Certificates, and upon receipt of notice in accordance with paragraph (ii) above redeem all of, but not only some of, the Certificates by giving not less than 15 nor more than 30 days' prior notice to the Certificateholders, all as more particularly described in the Conditions and following final actual liquidation of the Mudaraba, as described above.

OVERVIEW OF THE OFFERING

The following overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Offering Circular. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Offering Circular carefully, especially the risks of investing in the Certificates discussed under “Risk Factors”.

Words and expressions defined in the Conditions shall have the same meanings in this overview.

Certificates	U.S.\$1,000,000,000 Additional Tier 1 Capital Certificates.
Trustee	Alinma Tier 1 Sukuk Limited, an exempted company incorporated with limited liability on 27 December 2023 under the laws of the Cayman Islands, with incorporation number 405800 with its registered office at c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.
Trustee Legal Entity Identifier	254900PU1O6UI27SN825
Ownership of the Trustee	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 ordinary shares of U.S.\$1.00 par value each, 250 of which are fully-paid and issued. The Trustee’s entire issued share capital is held on trust for charitable purposes by Walkers Fiduciary Limited as share trustee under the terms of a declaration of trust (the “ Share Declaration of Trust ”).
Administration of the Trustee	The affairs of the Trustee are managed by Walkers Fiduciary Limited (the “ Trustee Administrator ”), who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a corporate services agreement dated 22 January 2024 between, amongst others, the Trustee Administrator and the Trustee (the “ Corporate Services Agreement ”). The Trustee Administrator’s registered office is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.
Mudareb/Bank	Alinma Bank
Rab-al-Maal	Alinma Tier 1 Sukuk Limited
Risk Factors	Certain factors may affect the Trustee’s ability to fulfil its obligations under the Certificates and the Bank’s ability to fulfil its obligations under the Transaction Documents. In addition, certain factors are material for the purpose of assessing the market risks associated with the Certificates. These are set out under “ <i>Risk Factors</i> ”.
Joint Lead Managers	Abu Dhabi Islamic Bank PJSC, Alinma Investment Company, Emirates NBD Bank PJSC, J.P. Morgan Securities plc, MUFG Securities EMEA plc and Standard Chartered Bank.
Delegate	HSBC Bank plc

	<p>Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future powers, rights, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being requested and indemnified and/or secured and/or pre-funded to its satisfaction, be obliged to) take enforcement action in the name of the Trustee against the Mudareb and/or the Bank following a Bank Event.</p>
Principal Paying Agent, Calculation Agent and Transfer Agent	HSBC Bank plc
Registrar	HSBC Bank plc
Summary of the transaction structure and Transaction Documents	<p>An overview of the structure of the transaction and the principal cash flows is set out under “<i>Structure Diagram and Cash Flows</i>” and a description of the principal terms of certain of the Transaction Documents is set out under “<i>Summary of the Principal Transaction Documents</i>”.</p>
Issue Date	6 March 2024.
Issue Price	100 per cent. of the aggregate face amount of the Certificates.
Periodic Distribution Dates	6 March and 6 September in each year, commencing on 6 September 2024.
Periodic Distributions	<p>Subject to Condition 8 (<i>Periodic Distribution Restrictions</i>), Periodic Distribution Amounts shall be payable on each Periodic Distribution Date up to and including the First Reset Date at a rate of 6.500 per cent. per annum. If the Certificates are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Reset Date, Periodic Distribution Amounts shall be payable on each Periodic Distribution Date after the First Reset Date (subject as aforesaid) at a fixed rate, to be reset on the First Reset Date and every five years thereafter, equal to the Relevant Five year Reset Rate plus a margin of 2.201 per cent. per annum.</p> <p>If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Trustee shall not pay the corresponding Periodic Distribution Amounts (or any part thereof, as applicable) and neither the Bank nor the Trustee shall have any obligation to make any subsequent payment in respect of any unpaid Periodic Distribution Amount as more particularly described in Condition 8 (<i>Periodic Distribution Restrictions</i>). In such circumstances, distributions will not be cumulative and any distributions which are not paid will not accumulate or compound and the Certificateholders will have no right to receive such distributions at any time, even if other distributions are paid in the future.</p>

Form of Certificates

The Certificates will be issued in registered form as described in “*Global Certificate*”. The Certificates will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Definitive Certificates evidencing a holding of Certificates will be issued in exchange for interests in the Global Certificate only in limited circumstances.

Clearance and Settlement

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

Denomination of the Certificates

The Certificates will be issued in registered form in face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Status of the Certificates

Each Certificate will represent an undivided ownership interest in the Trust Assets, will be a limited recourse obligation of the Trustee and will rank *pari passu* without any preference or priority with all other Certificates; see Condition 4.1 (*Status*).

Upon the occurrence and continuation of any Winding-Up Proceeding, the Relevant Obligations will (a) constitute Additional Tier 1 Capital of the Bank, (b) constitute direct, unsecured, unconditional and subordinated obligations of the Bank, (c) rank subordinate and junior to all Senior Obligations (as defined in the Conditions), (d) rank *pari passu* with all other *Pari Passu* Obligations (as defined in the Conditions) and (e) rank in priority only to all Junior Obligations (as defined in the Conditions); see Condition 4.2 (*Subordination*).

Trust Assets

The Trust Assets consist of:

- (a) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets;
- (c) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenants given to the Trustee pursuant to clause 12.1 of the Declaration of Trust); and

(d) all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing, which will be held by the Trustee upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each such Certificateholder in accordance with the Declaration of Trust and the Conditions.

Redemption of Certificates

The Certificates are perpetual securities and accordingly do not have a fixed or final redemption date. The Certificates may be redeemed in whole but not in part only in accordance with the provisions of Condition 10 (*Redemption*).

Pursuant to Condition 10.1(b) (*Trustee's Call Option*), the Trustee may (but only upon the instructions of the Bank (acting in its sole discretion)), on the First Call Date, and on any date thereafter up to and including the First Reset Date or on any Periodic Distribution Date thereafter, redeem all, but not some only, of the Certificates at the Trustee Call Amount.

In addition (on any date on or after the Issue Date, whether or not a Periodic Distribution Date), upon the occurrence of a Tax Event or a Capital Event, all but not some only, of the Certificates may be redeemed in accordance with Conditions 10.1(c) (*Redemption due to Taxation*) and 10.1(d) (*Redemption for Capital Event*).

Any redemption of the Certificates is subject to the conditions described in Condition 10.1 (*Redemption*).

Cancellation or Write-down at the Point of Non-Viability

If a Non-Viability Event (as defined in the Conditions) occurs prior to the date on which an Applicable Statutory Loss Absorption Regime becomes effective in respect of the Certificates, a Write-down (as defined herein) shall occur on the relevant Non-Viability Event Write-down Date (as defined herein), as more particularly described in Condition 11 (*Write-down at the Point of Non-Viability*). In such circumstances, the Certificateholders' rights to the Trust Assets shall automatically be deemed to be irrevocably and unconditionally Written-down in a proportion corresponding to the relevant Write-down Amount and the Certificates shall be cancelled (in the case of a Write-down in whole) or Written-down in part on a *pro rata* basis (in the case of a Write-down in part) by the Trustee. See Condition 11 (*Write-down at the Point of Non-Viability*).

Dissolution Events

Subject to Condition 12 (*Dissolution Events and Winding-up*), if a Bank Event occurs and, if so requested in writing by the Certificateholders of at least one-fifth of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the Certificateholders in accordance with Condition 12.1 (*Bank Events*), the Trustee and/or the Delegate shall, subject to Condition 12.3 (*Winding-up*,

dissolution or liquidation), take the actions referred to therein. Please refer to “*Risk Factors – Basel III reforms and risk of change in the regulations relating to loss absorption affecting the Certificates*” for a description of consequences of a Non-Viability Event occurring on or following the date on which an Applicable Statutory Loss Absorption Regime becomes effective.

Withholding Tax

Subject to Condition 9.2 (*Payments subject to Applicable Laws*) and Condition 13 (*Taxation*), all payments in respect of the Certificates by or on behalf of the Trustee shall be made free and clear of and without withholding or deduction for, or on account of, any Taxes (as defined in Condition 13 (*Taxation*)), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay (subject to certain specified exclusions) Additional Amounts (as defined in the Conditions) so that the full amount which otherwise would have been due and payable under the Certificates in the absence of such deduction or withholding is received by the parties entitled thereto.

In addition, the Transaction Documents provide that payments thereunder by the Bank (in its capacity as the Mudareb) shall be made free and clear of and without withholding or deduction, for and on account of, any Taxes, unless such withholding or deduction 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.

Trustee Covenants

The Trustee has agreed to certain restrictive covenants as set out in Condition 6 (*Covenants*).

Ratings

The Bank has been assigned a long term rating of “A-” with a “stable outlook” by Fitch and “A3” with a “positive outlook” by Moody’s. The Certificates will not be rated by any rating agency upon their issue.

Each of Fitch and Moody’s is established in the UK and is registered in accordance with the UK CRA Regulation. Neither Fitch nor Moody’s is established in the EEA and has applied for registration under the EU CRA Regulation. As such, the rating issued by Fitch has been endorsed by Fitch Ratings Ireland Limited in accordance with the EU CRA Regulation. The rating issued by Moody’s has been endorsed by Moody’s Deutschland GmbH in accordance with the EU CRA Regulation. Each of Fitch Ratings Ireland Limited and Moody’s Deutschland GmbH is established in the EEA and is registered under the EU CRA Regulation. As such, each of Fitch Ratings Ireland Limited and Moody’s Deutschland GmbH is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at

	<p>http://www.esma.europa.eu/page/List-registered-and-certified-CRAs).</p> <p>A 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 rating agency.</p> <p>The Certificates will not be rated by any rating organisation upon their issue.</p>
Certificateholder Meetings	<p>A summary of the provisions for convening meetings of the Certificateholders to consider matters relating to their interests as such is set out in Condition 18 (<i>Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination</i>).</p>
Listing and Admission to Trading	<p>Application has been made to the London Stock Exchange for the Certificates to be admitted to trading on the ISM. The ISM is not a regulated market for the purposes of the UK MiFIR.</p>
Transaction Documents	<p>The Declaration of Trust, the Agency Agreement and the Mudaraba Agreement are referred to herein as the “Transaction Documents”.</p>
Governing Law	<p>The Declaration of Trust, the Certificates, the Conditions, the Agency Agreement, the Mudaraba Agreement and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.</p> <p>The Corporate Services Agreement and the Share Declaration of Trust and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, the laws of the Cayman Islands.</p>
Waiver of Immunity	<p>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</p>

proceedings or Disputes. See “*Risk Factors - The Bank’s waiver of immunity may not be effective under Saudi law*”.

Limited Recourse

Proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as otherwise provided in Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*), the Certificates do not represent an interest in any of the Trustee, the Delegate, the Bank, any of the Agents or any of their respective affiliates.

If the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets are not sufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets.

The Bank is obliged to make certain payments under the Transaction Documents directly to, or to the order of, the Trustee or the Delegate. Such payment obligations form part of the Trust Assets and the Trustee and/or the Delegate will, subject to Condition 4.2 (*Subordination*) and Condition 12.3 (*Winding-up, dissolution or liquidation*), have recourse against the Bank to recover payments due to the Trustee from the Bank pursuant to such Transaction Documents notwithstanding any other provision of Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*). Such right of the Trustee and the Delegate shall constitute an unsecured claim against the Bank. 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 Bank in connection with the enforcement of any such claim.

See Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*) for further details.

Selling Restrictions

There are restrictions on the distribution of this Offering Circular and the offer or sale of Certificates in the United States, the United Kingdom, the EEA, the Cayman Islands, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the State of Kuwait, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), Japan, Hong Kong, Malaysia and Singapore. See “*Subscription and Sale*”.

Use of Proceeds

See “*Use of Proceeds*”.

TERMS AND CONDITIONS OF THE ADDITIONAL TIER 1 CAPITAL CERTIFICATES

The following (except for the text in italics) is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form (if issued) and will, save as provided in “Global Certificate”, apply to the Global Certificate.

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).

Alinma Tier 1 Sukuk Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the “**Trustee**”, which expression shall where the context allows include the Delegate (as defined below) acting pursuant to the powers delegated to it by the Trustee pursuant to the Declaration of Trust (as defined below)) has issued Additional Tier 1 Capital Certificates (the “**Certificates**”) in an aggregate face amount of U.S.\$1,000,000,000. The Certificates are constituted by a declaration of trust (the “**Declaration of Trust**”) dated 6 March 2024 (the “**Issue Date**”) made between the Trustee, Alinma Bank (the “**Bank**”) and HSBC Bank plc as (i) the donee of certain powers and (ii) the delegate of the Trustee (the “**Delegate**”, which expression shall include all persons for the time being appointed as the delegate or delegates under the Declaration of Trust).

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Issue Date (the “**Agency Agreement**”) made between the Trustee, the Bank, the Delegate, HSBC Bank plc as principal paying agent (in such capacity, the “**Principal Paying Agent**” and together with any further or other paying agents appointed from time to time in respect of the Certificates, the “**Paying Agents**”), as transfer agent (in such capacity, the “**Transfer Agent**” and, together with the Registrar (as defined below) and any further or other transfer agents appointed from time to time in respect of the Certificates, the “**Transfer Agents**”) and as calculation agent (the “**Calculation Agent**”, which expression includes the Calculation Agent for the time being), and HSBC Bank plc as registrar (in such capacity, the “**Registrar**”). The Paying Agents, the Transfer Agents, the Calculation Agent and the Registrar are together referred to in these terms and conditions (the “**Conditions**”) as the “**Agents**”. References to the Agents (or any of them) shall include their successors.

These Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents (as defined in Condition 1 (*Interpretation*)). Copies of the Transaction Documents are available for inspection and/or collection during normal business hours at the specified offices of the Principal Paying Agent. The Certificateholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Transaction Documents (including, for the avoidance of doubt, the agreement to resolve any dispute by means of arbitration as more particularly set out in Condition 21.2 (*Arbitration*) and each Transaction Document) applicable to them.

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: (i) to contribute the sums paid by it in respect of its Certificate(s) to the Mudareb (as defined in Condition 5 (*The Trust*)) in accordance with the Mudaraba Agreement (as defined in Condition 5 (*The Trust*)); (ii) to act as Rab-al-Maal (as defined in Condition 5 (*The Trust*)) pursuant to the Mudaraba Agreement on its behalf (which authorisation and direction shall also apply to its successors in title and any Substituted Trustee (as defined below)); and (iii) to enter into each Transaction Document, subject to the provisions of the Declaration of Trust and these Conditions.

1 Interpretation

Words and expressions defined in the Declaration of Trust and the Agency Agreement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between any such document and these Conditions, these Conditions will prevail. In addition, in these Conditions the following expressions have the following meanings:

“**Additional Amounts**” has the meaning given to it in Condition 13 (*Taxation*);

“**Additional 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, additional tier 1 capital in accordance with the Capital Regulations;

“**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;

“**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 Conditions 11.2 (*Non-Viability Event*) and 11.3 (*Non-Viability Notice*) could cease to apply to the Certificates without giving rise to a Capital Event;

“**Authorised Denomination**” has the meaning given to that term in Condition 2.1 (*Form and Denomination*);

“**Authorised Signatory**” means any two of the following (acting jointly): the chief executive officer of the Bank, the chief financial officer of the Bank and the treasurer of the Bank or any other person(s) duly authorised by the Bank to sign on its behalf;

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

- (a) **Non-payment:** the Bank (acting in its capacity as Mudareb) fails to pay an amount which is equivalent to principal or profit (including Additional Amounts) due and payable by it pursuant to the Mudaraba Agreement and the failure continues for a period of (in the case of principal) seven days or (in the case of profit) 14 days (save, in each case, where such failure occurs solely as a result of the occurrence of a Non-Payment Event or a Non-Payment Election); or
- (b) **Winding-up:** a Winding-up Proceeding has occurred and is continuing; or
- (c) **Analogous Event:** any event occurs which under the laws of the Kingdom of Saudi Arabia has an analogous effect to any of the events referred to in paragraph (b) above;

“**Basel III**” means the set of reforms to the international regulatory capital framework issued by the Basel Committee (including, but not limited to, the Basel III Documents) 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 instruments and tier 2 capital instruments);

“**Basel III Documents**” means the Basel Committee document “*A global regulatory framework for more resilient banks and banking systems*” released by the Basel Committee on 16 December 2010 and revised in June 2011 and the Annex contained in its document “*Basel Committee issues final elements of the reforms to raise the quality of regulatory capital*” on 13 January 2011;

“**Basel Committee**” means the Basel Committee on Banking Supervision;

“Business Day” means a day on which registered banks settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Kingdom of Saudi Arabia, New York City and London;

“Capital Event” is deemed to have occurred if the Bank is notified in writing by the Financial Regulator to the effect that the outstanding face amount (or, if some amount of the Certificates outstanding is held by the Bank or is purchased with funding by the Bank, the amount that qualifies as regulatory capital) of the Certificates is excluded (in full or, to the extent not prohibited by relevant regulatory criteria for Tier 1 Capital, in part) from the consolidated Tier 1 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 Event Redemption Amount” in relation to a Certificate means 100 per cent. of its outstanding face amount together with any Outstanding Payments;

“Capital Regulations” means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect in the Kingdom of Saudi Arabia, including those of the Financial Regulator;

“Certificateholder” means a person in whose name a Certificate is registered in the Register (or in the case of joint Certificateholders, the first named thereof) and the expressions holder and holder of Certificates and related expressions shall (where appropriate) be construed accordingly;

“Code” means the U.S. Internal Revenue Code of 1986, as amended;

“Common Equity Tier 1 Capital” means capital of the Bank qualifying as, and approved by the Financial Regulator as, or capital which would, but for any applicable limitation on the amount of such capital, qualify as common equity tier 1 capital in accordance with the Capital Regulations;

“Day-count Fraction” means the actual number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed of the Periodic Distribution Period in which the relevant period falls (including the first such day but excluding the last));

“Dispute” has the meaning given to it in Condition 21.2 (*Arbitration*);

“Dissolution Distribution Amount” means the Trustee Call Amount, the Capital Event Redemption Amount or the Tax Event Redemption Amount, as the case may be, or such other amount in the nature of a redemption amount as may be determined in accordance with these Conditions;

“Dissolution Event” means a Bank Event and/or a Trustee Event;

“Dissolution Notice” has the meaning given to it in Condition 12.1 (*Bank Events*);

“Dissolution Request” has the meaning given to it in Condition 12.1 (*Bank Events*);

“Distributable Profits” means the amount of the Bank’s consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law), after the transfer of any amounts to non-distributable reserves, all as calculated by the Bank based on its most recent consolidated financial statements, or any equivalent or successor term from time to time as prescribed by the Capital Regulations;

“Existing Tier 1 Securities” means the SAR 5,000,000,000 perpetual tier 1 mudaraba sukuk issued by the Bank on 1 July 2021;

“Extraordinary Resolution” has the meaning given to it in the Declaration of Trust;

“Final Mudaraba Profit” has the meaning given to it in the Mudaraba Agreement;

“Financial Regulator” means SAMA or such other governmental authority which assumes or performs the functions of SAMA, as at the Issue Date, or such other successor authority exercising primary banking supervision, in each case with respect to prudential matters in relation to the Bank;

“First Call Date” means 6 March 2029;

“First Mudaraba Profit Distribution Date” means 6 September 2024;

“First Reset Date” means 6 September 2029;

“General Mudaraba Pool” has the meaning given to it in the Mudaraba Agreement;

“H.15” means the weekly statistical release designated as such, or any successor or replacement publication, published by the Board of Governors of the United States Federal Reserve System and **“most recent H.15”** means the H.15 published closest in time but prior to the applicable U.S. Securities Determination Date. H.15 may be currently obtained at the following website: <https://www.federalreserve.gov/releases/h15/>;

“Initial Period” means the period from (and including) the Issue Date to (but excluding) the First Reset Date;

“Initial Periodic Distribution Rate” has the meaning given to it in Condition 7.4(a) (*Periodic Distribution Rate*);

“Junior Obligations” means all claims of the holders of Ordinary Shares and all payment obligations of the Bank in respect of its Common Equity Tier 1 Capital and any other subordinated payment obligations of the Bank which rank, or are expressed to rank, junior to the Relevant Obligations;

“LCIA” means the London Court of International Arbitration;

“London Stock Exchange” means the London Stock Exchange plc or any body to which its functions have been transferred;

“Margin” means 2.201 per cent. per annum;

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

“Mudaraba Agreement” has the meaning given to it in Condition 5 (*The Trust*);

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

“Mudaraba Capital” has the meaning given to it in Condition 5 (*The Trust*);

“Mudaraba End Date” means the date on which the Mudaraba ends, being the date on which the Certificates are redeemed in whole but not in part in accordance with these Conditions;

“Mudaraba Profit” has the meaning given to that term in the Mudaraba Agreement;

“Mudaraba Profit Distribution Date” means 6 March and 6 September in each year, starting on (and including) the First Mudaraba Profit Distribution Date;

“Mudaraba Reserve” has the meaning given to it in the Mudaraba Agreement;

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

“Non-Payment Election” has the meaning given to it in Condition 8.2 (*Non-Payment Election*);

“Non-Payment Event” has the meaning given to it in Condition 8.1 (*Non-Payment Event*);

“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 of 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
- (b) 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 Write-down Date” shall be the date on which the Write-down will take place as specified in the Non-Viability Notice, which date shall be no later than 10 Business Days after the date of the Non-Viability Notice (or such earlier date as determined by the Financial Regulator);

“Non-Viability Notice” has the meaning given to it in Condition 11.3 (*Non-Viability Notice*);

“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;

“Ordinary Shares” means the ordinary shares of the Bank;

“Other Common Equity Tier 1 Instruments” means securities issued by the Bank that qualify as Common Equity Tier 1 Capital of the Bank other than Ordinary Shares;

“Outstanding Payments” means, in relation to any amounts payable on redemption of the Certificates, an amount representing accrued and unpaid Periodic Distribution Amounts for the Periodic Distribution Period during which redemption occurs to the date of redemption plus Additional Amounts thereon, if any;

“Pari Passu Obligations” means the Bank’s payment obligations under the transaction documents relating to the Existing Tier 1 Securities and all other subordinated payment obligations of the Bank which rank, or are expressed to rank, *pari passu* with the Relevant Obligations;

“Payment Business Day” has the meaning given to it in Condition 9.4 (*Payment only on a Payment Business Day*);

“Periodic Distribution Amount” has the meaning given to it in Condition 7.2 (*Periodic Distribution Amounts*);

“Periodic Distribution Date” means 6 March and 6 September in each year, starting on (and including) 6 September 2024;

“Periodic Distribution Period” means the period beginning on (and including) the Issue 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;

“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 an event which, with the giving of notice, lapse of time, determination of materiality or fulfilment of any other applicable condition (or any combination of the foregoing), would constitute a Dissolution Event;

“Proceedings” has the meaning given to it in Condition 21.4 (*Waiver of Interest*);

“Profit Rate” means, in respect of the Initial Period, the Initial Periodic Distribution Rate, and, in respect of each Reset Period thereafter, the rate calculated in accordance with the provisions of Condition 7.4(a) (*Periodic Distribution Rate*);

“Rab-al-Maal” has the meaning given to it in Condition 5 (*The Trust*);

“Rab-al-Maal Mudaraba Profit” has the meaning given to it in the Mudaraba Agreement;

“Rab-al-Maal Final Mudaraba Profit” has the meaning given to it in the Mudaraba Agreement;

“Record Date” means in the case of the payment of a Periodic Distribution Amount, the date falling on the fifteenth day before the relevant Periodic Distribution Date and, in the case of the payment of a Dissolution Distribution Amount, the date falling two Payment Business Days before the date for payment of the relevant Dissolution Distribution Amount, as the case may be;

“Register” has the meaning given to it in Condition 2.1 (*Form and Denomination*);

“Registered Account” has the meaning given to it in Condition 9.1 (*Payments in respect of the Certificates*);

“Relevant Date” in respect of a Certificate means (a) the date on which payment in respect of such Certificate first becomes due or (b) if the full amount of the money payable has not been received by the Principal Paying Agent or the Delegate on or before the due date, the date on which, the full amount of the money having been so received, notice to that effect has been duly given to Certificateholders in accordance with Condition 17 (*Notices*);

“Relevant Five Year Reset Rate” means, in respect of each Reset Period: (i) a rate per annum (expressed as a decimal) determined on the relevant U.S. Securities Determination Date equal to the yield that represents the average of the daily yields for the week immediately preceding the relevant U.S. Securities Determination Date to maturity for U.S. Treasury securities with a maturity of five years and trading in the public securities markets; or (ii) if there is no such published U.S. Treasury security with a maturity of five years and trading in the public securities markets, then the rate will be determined on the relevant U.S. Securities Determination Date by interpolation between the most recent yield that represents the average of the daily yields for the week immediately preceding the relevant U.S. Securities Determination Date to maturity for two series of U.S. Treasury securities trading in the public securities market: (A) one maturing as close as possible to, but earlier than, the immediately following Reset Date; and (B) the other maturing as close as possible to, but later than, the immediately following Reset Date, in each case as derived from the most recent H.15. If the Bank cannot procure the determination of the Relevant Five Year Reset Rate on the relevant U.S. Securities Determination Date pursuant to the methods described in (i) and (ii) above, then the Relevant Five Year Reset Rate will be: (i) equal to the rate applicable to the immediately preceding Reset Period; or (ii) in the case of the Reset Period commencing on the First Reset Date, 4.299 per cent.;

“Relevant Jurisdiction” means the Cayman Islands (in the case of any payment made by the Trustee) and the Kingdom of Saudi Arabia (in the case of any payment made by the Bank) or, in each case, any political subdivision or authority thereof or therein having the power to tax;

“Relevant Obligations” has the meaning given to it in Condition 4.2 (*Subordination*);

“Reserved Matter” has the meaning given to it in the Declaration of Trust;

“Reset Date” means the First Reset Date and each date falling every five calendar years after the First Reset Date;

“Reset Period” means the period from (and including) the First Reset Date to (but excluding) the earlier of (a) the Mudaraba End Date and (b) the following Reset Date, and (if applicable) each successive period

thereafter from (and including) such Reset Date to (but excluding) the earlier of (x) the Mudaraba End Date and (y) the next succeeding Reset Date;

“**Rules**” has the meaning given to it in Condition 21.2 (*Arbitration*);

“**SAMA**” means the Saudi Central Bank and/or any of its successors or assigns;

“**Senior Creditors**” means creditors of the Bank (including payment obligations to the Bank’s depositors (in respect of their due claims) and, for this purpose, holders of any instrument issued by, or other obligation of, the Bank which ranks senior to the claims of the Trustee in respect of the Relevant Obligations) other than creditors in respect of obligations the claims in relation to which rank or are expressed to rank *pari passu* with, or junior to, the claims of the Trustee in respect of the Relevant Obligations;

“**Senior Obligations**” means all unsubordinated payment obligations of the Bank (including payment obligations to the Bank’s depositors (in respect of their due claims)) and all subordinated payment obligations (if any) of the Bank except *Pari Passu* Obligations and Junior Obligations;

“**Shari’a Adviser**” means the Shariah Committee of Alinma Bank;

“**Statutory Loss Absorption Regime**” means any statutory regime implemented in the Kingdom of Saudi Arabia which provides the Financial Regulator with the powers to implement loss absorption measures in respect of capital instruments (such as the Certificates), including, but not limited to, any such regime which is implemented pursuant to Basel III and/or, to the extent applicable to the Bank, the Law on the Treatment of Systemically Important Financial Institutions issued by Royal Decree number M/38 dated 25/04/1442H (corresponding to 11 December 2020);

“**Subsidiary**” means any entity whose financial statements at any time are required by law or in accordance with provisions of generally accepted accounting principles to be fully consolidated with those of the Bank;

“**Substituted Territory**” has the meaning given to it in Condition 12.2 (*Trustee Events*);

“**Substituted Trustee**” has the meaning given to it in Condition 12.2 (*Trustee Events*);

“**Taxes**” has the meaning given to it in Condition 13 (*Taxation*);

“**Tax Event**” means the Bank or the Trustee (as the case may be) would, as a result of a Tax Law Change, in making any payments under the Mudaraba Agreement (in the case of the Bank (in its capacity as Mudareb)) on the next due date for a payment of Mudaraba Profit or the Certificates (in the case of the Trustee) on the next due date for payment of a Periodic Distribution Amount (as the case may be) (whether or not a Non-Payment Event has occurred or a Non-Payment Election has been made), be required to pay Additional Amounts or additional amounts under clause 5.11 of the Mudaraba Agreement (and such requirement cannot be avoided by the Bank or the Trustee (as the case may be) taking reasonable measures available to it);

“**Tax Event Redemption Amount**” in relation to a Certificate, means 100 per cent. of its outstanding face amount together with any Outstanding Payments;

“**Tax Law Change**” means any change in, or amendment to, the laws, published practice or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws, published practice or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective (or, in the case of application or official interpretation, is announced) on or after 6 March 2024);

“**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;

“**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;

“**Transaction Account**” has the meaning given to it in Condition 5 (*The Trust*);

“**Transaction Documents**” means each of the Declaration of Trust, the Agency Agreement, the Mudaraba Agreement and any other agreements, deeds, undertakings or other documents designated as such by the parties thereto;

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

“**Trustee Call Amount**” in relation to a Certificate, means 100 per cent. of its outstanding face amount together with any Outstanding Payments;

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

- (a) **Non-Payment:** default is made in the payment of the Dissolution Distribution Amount, or default is made in the payment of any Periodic Distribution Amount, in each case, on the due date for payment thereof and such default continues in the case of any Dissolution Distribution Amount for a period of seven days and, in the case of a Periodic Distribution Amount, for a period of 14 days; or
- (b) **Winding-up:** an administrator is appointed, an order is made by any competent court or the government of the Cayman Islands or an effective resolution is passed for the administration, winding-up, liquidation or dissolution of the Trustee in accordance with applicable law or the Trustee applies or petitions for a winding-up or administration order in respect of itself (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority); or
- (c) **Analogous Event:** any event occurs that under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraph (b) above.

For the purpose of paragraph (a) above, all amounts payable in respect of the Certificates shall be considered due and payable (including any amounts calculated as being payable under Condition 7.4 (*Periodic Distributions*)) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts including, without limitation, as a result of any failure by the Mudareb to comply with the matters described in Condition 4.4(c) (*Limited Recourse and Agreement of Certificateholders*) (save, in each case, where such insufficient funds arise solely as a result of the occurrence of a Non-Payment Event or a Non-Payment Election);

“**Trustee’s Territory**” has the meaning given to it in Condition 12.2 (*Trustee Events*);

“**U.S.**” means the United States of America;

“**U.S. Government Securities Business Day**” means any day except for a Saturday, Sunday or a day on which the U.S. 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;

“**U.S. Securities Determination Date**” means the second U.S. Government Securities Business Day before the commencement of the Reset Period for which the rate will apply;

“**Winding-Up Proceeding**” means an administrator is appointed, 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 administration, winding-up, liquidation or dissolution of the Bank in accordance with applicable law or the Bank applies or petitions for a winding-up or administration order in respect of itself (except, in any such case, a solvent

winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority);

“**Write-down**” means:

- (a) the Certificateholders’ rights under or in respect of the Trust Assets (including the Mudaraba Assets) shall automatically be deemed to be irrevocably and unconditionally Written-down in a proportion corresponding to the relevant Write-down Amount;
- (b) (in the case of a Write-down in whole) the Certificates shall be cancelled or (in the case of a Write-down in part) Written-down in part on a *pro rata* basis;
- (c) (in the case of a Write-down in whole) the Certificateholders’ rights under the Mudaraba Assets shall be granted to the Mudareb such that the value of the Mudaraba Assets is zero;
- (d) the Trustee shall pay (x) any accrued and unpaid Periodic Distribution Amounts (in relation to the relevant Write-down Amount); and (y) any Additional Amounts (in relation to the relevant Write-down Amount), in each case, if and only to the extent that such Periodic Distribution Amount or Additional Amount, as applicable, became due and payable 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); and
- (e) except as described in paragraph (d) above, all rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, the Dissolution Distribution Amount and any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Periodic Distribution Amounts) 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 all references to “**Written-down**” will be construed accordingly; and

“**Write-down Amount**” means the outstanding face amount of the Certificates that the Financial Regulator has determined to be Written-down.

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

2 Form, Denomination and Title

2.1 Form and Denomination

The Certificates are issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the “**Register**”).

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 definitive Certificates representing their holdings of Certificates. See “Global Certificate”.

2.2 Title

The Trustee will cause the Registrar to maintain the Register outside the United Kingdom in accordance with the provisions of the Agency Agreement. Title to the Certificates passes only by registration in the Register. The registered Certificateholder will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating any Certificateholder. The registered Certificateholder 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.

3 Transfers of Certificates

3.1 Transfers

Subject to Conditions 3.4 (*Closed Periods*) and 3.5 (*Regulations*) and the provisions of the Agency Agreement, a Certificate may be transferred in an Authorised Denomination only by depositing the Certificate by which it is represented, with the form of transfer on the back duly completed and signed, at the specified office of any of the Transfer Agents together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the individuals who have executed the forms of transfer.

Transfers of interests in the Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

3.2 Delivery of New Certificates

Each new Certificate to be issued upon any transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the specified office of the relevant Transfer Agent or mailed by uninsured mail at the risk of the holder entitled to the Certificate to the address specified in the form of transfer. For the purposes of this Condition, “**business day**” shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred to the address of such Certificateholder appearing on the Register or as specified in the form of transfer.

3.3 Formalities Free of Charge

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Trustee or any Transfer Agent except that the Trustee may require payment of a sum to it (or the giving of such indemnity as the Trustee or any Transfer Agent may reasonably require) to cover any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

3.4 Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered during the period of 15 days ending on a Periodic Distribution Date or any other date on which any payment of the face amount or payment of any premium or profit in respect of a Certificate falls due.

3.5 Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Certificates scheduled to the Declaration of Trust. The Regulations may be changed by the Trustee from time to time with the prior written approval of the Delegate (acting in accordance with the Declaration of Trust and these Conditions) and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests a copy of such regulations.

The Certificateholders shall be entitled to receive, in accordance with Condition 3.2 (*Delivery of New Certificates*), only one Certificate in respect of his entire holding of Certificates. In the case of a transfer of a portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 3.2 (*Delivery of New Certificates*).

4 Status, Subordination and Limited Recourse

4.1 Status

The Certificates represent an undivided ownership interest in the Trust Assets and are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* without any preference or priority, with all other Certificates. The rights and claims of the Trustee and the Certificateholders against the Bank in respect of the Relevant Obligations are subordinated as described in Condition 4.2 (*Subordination*).

4.2 Subordination

- (a) Upon the occurrence and continuation of any Winding-Up Proceeding, the payment obligations of the Bank under the Mudaraba Agreement (including all payments which are the equivalent of principal and profit) (the “**Relevant Obligations**”) will: (i) constitute Additional Tier 1 Capital of the Bank, (ii) constitute direct, unsecured, unconditional and subordinated obligations of the Bank, (iii) rank subordinate and junior to all Senior Obligations but not further or otherwise, (iv) rank *pari passu* with all other Pari Passu Obligations and (v) rank in priority only to all Junior Obligations.
- (b) The Trustee irrevocably waives its rights to the extent necessary to give effect to the subordination provisions of this Condition 4.2 (*Subordination*). In order to give effect to such subordination provisions, the Trustee, the Bank and the Certificateholders agree that if a Winding-Up Proceeding shall have occurred and be continuing, any amounts that would be due and payable to them (including any amounts standing to the credit of the Mudaraba Reserve) will be applied:
 - (i) first, to the payment in full of each claim in respect of a Senior Obligation (including any amount in respect of a claim accruing after the date of commencement of such Winding-Up Proceeding); and
 - (ii) thereafter, to the payment, equally and rateably, of each amount owing in respect of the Relevant Obligations and all Pari Passu Obligations.

- (c) Neither the Trustee nor any Certificateholder may exercise or claim any right of set-off in respect of any amount owed to it by the Bank arising under or in connection with the Relevant Obligations and the Trustee and, by its holding of any Certificates, each Certificateholder, shall be deemed to have waived all such rights of set-off to the fullest extent permitted by law.

As a consequence of these subordination provisions, if a Winding-Up Proceeding should occur, the Certificateholders may recover less rateably than the holders of deposit liabilities, the holders of other unsubordinated liabilities or the holders of subordinated liabilities ranking senior to the Relevant Obligations, in each case, of the Bank.

- (d) The Trustee may only exercise its enforcement rights in relation to any Relevant Obligation or in relation to any of its other rights under the Mudaraba Agreement or any other Transaction Document in the manner provided in Condition 12.3 (*Winding-up, dissolution or liquidation*).
- (e) The provisions of this Condition 4.2 (*Subordination*) apply only to the Relevant Obligations and nothing in this Condition 4.2 (*Subordination*) shall affect or prejudice the payment of the actual costs, charges, expenses, liabilities, indemnities 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 Bank.

4.3 Other Issues

So long as any of the Certificates remain outstanding, the Bank (in its capacity as Mudareb or otherwise) will not issue any securities (regardless of name or designation) or create any guarantee of, or provide any contractual support arrangement in respect of, the obligations of any other entity which in each case constitutes (whether on a solo, or a solo consolidated or on a consolidated basis) issued Additional Tier 1 Capital of the Bank if claims in respect of such securities, guarantee or contractual support arrangement would rank (as regards distributions on a return of assets on a winding-up or in respect of distribution or payment of dividends and/or any other amounts thereunder) senior to the Relevant Obligations. This prohibition will not apply if at the same time or prior thereto: (a) these Conditions and (to the extent applicable) the Transaction Documents are amended to ensure that the Trustee (on behalf of the Certificateholders) obtains and/or (b) the Relevant Obligations have, in each case, the benefit of, such of those rights and entitlements as are contained in or attached to such securities or under such guarantee or contractual support arrangement as are required so as to ensure that claims in respect of the Relevant Obligations rank *pari passu* with, and contain substantially equivalent rights of priority as to distributions or payments on, such securities or under such guarantee or contractual support arrangement.

4.4 Limited Recourse and Agreement of Certificateholders

Save as provided in this Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*), the Certificates do not represent an interest in any of the Trustee, the Delegate, the Bank, any of the Agents or any of their respective affiliates. Each Certificateholder, by subscribing for or acquiring the Certificates, acknowledges and agrees that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (a) no payment of any amount whatsoever shall be made by the Trustee or any of its directors, officers, shareholders, employees, corporate service providers or agents on its behalf except to the extent funds are available therefor from the Trust Assets;
- (b) the Trustee may not deal with the Mudaraba Assets or realise or deal with its interest, rights, title, benefit and entitlements, present and future, in, to and under the Transaction Documents and the Trust Assets except in the manner expressly permitted by the Transaction Documents;

- (c) the proceeds of the Trust Assets are the sole source of payments on the Certificates. Payment by the Trustee of any Periodic Distribution Amount or any amount required to redeem the Certificates is subject to receipt by the Trustee of the amounts expected to be received by it from the Mudareb in accordance with the provisions of the Mudaraba Agreement. The Mudaraba Agreement provides that there is no guarantee of any return from the Mudaraba Assets and the Bank's obligation to pay amounts thereunder are subject to the more detailed provisions set out therein, and references in these Conditions to "Periodic Distribution Amount", "profit" and "Profit Rate" should be construed accordingly;
- (d) if the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets is not sufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents, or any of their respective affiliates in respect of any such shortfall, and no recourse shall be had, and no Certificateholder will have any claim, 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 to the extent the Trust Assets have been exhausted (following which all obligations of the Trustee shall be extinguished) or the Delegate or the Agents;
- (e) it will not 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 or any of its directors, officers, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;
- (f) 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 arising under or in connection with these Conditions or the Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, director or corporate services provider of the Trustee in their capacity as such. The obligations of the Trustee under these Conditions and the Transaction Documents are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate services provider of the Trustee (in each of their respective capacities as such), save in the case of their wilful default or actual fraud. References in these Conditions to wilful default or actual fraud mean a finding to such effect by a court of competent jurisdiction (in relation to the conduct of the relevant party);
- (g) 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 any sums due under such Certificate. No collateral is or will be given for the payment obligations under the Certificates; and
- (h) the Trustee and the Mudareb have agreed in the Mudaraba Agreement that the Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee unless such losses are caused by (i) the Mudareb's breach of the Mudaraba Agreement or (ii) the Mudareb's gross negligence, wilful misconduct or fraud.

The Bank is obliged to make certain payments under the Transaction Documents directly to, or to the order of, the Trustee or the Delegate. Such payment obligations form part of the Trust Assets, and the Trustee and/or the Delegate will, subject to Condition 4.2 (*Subordination*) and Condition 12.3 (*Winding-up, dissolution or liquidation*), have recourse against the Bank to recover payments due to the Trustee

from the Bank pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4.4 (*Limited Recourse and Agreement of Certificateholders*). Such right of the Trustee and the Delegate shall constitute an unsecured claim against the Bank. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Bank in connection with the enforcement of any such claim.

5 The Trust

- 5.1 Alinma Tier 1 Sukuk Limited (in its capacity as Trustee and as the “**Rab-al-Maal**”) will enter into a mudaraba agreement (the “**Mudaraba Agreement**”) to be dated the Issue Date with the Bank (in such capacity, the “**Mudareb**”). Pursuant to the Mudaraba Agreement, the Rab-al-Maal will contribute the proceeds of the issue of the Certificates to the Mudareb, which proceeds will form the initial capital of the Mudaraba (as defined below) and which may be subject to change after the Issue Date in accordance with Condition 10.2 (*Purchase*) (the “**Mudaraba Capital**”). The Mudareb will invest the Mudaraba Capital in its fully Shari’a compliant financial and investment business activities carried out through the General Mudaraba Pool and following investment of the Mudaraba Capital in the General Mudaraba Pool, the Mudaraba Capital shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the “**Mudaraba Assets**”) in accordance with the Mudaraba Agreement, which shall include an investment plan prepared by the Mudareb and shall constitute a mudaraba (the “**Mudaraba**”).

The Trustee has opened a non-interest bearing U.S.\$-denominated transaction account in London (the “**Transaction Account**”) in its own name with the Principal Paying Agent into which the Mudareb will pay all amounts due to the Trustee under the Mudaraba Agreement. If the Trustee is substituted in accordance with Condition 12.2 (*Trustee Events*), the Substituted Trustee will be required to open a new non-interest bearing transaction account in London in its name with the Principal Paying Agent into which the Mudareb will pay all amounts due to the Trustee under the Mudaraba Agreement from the date of substitution onwards, and references in these Conditions to the “Transaction Account” will be construed accordingly.

- 5.2 Pursuant to the Declaration of Trust, the Trustee holds:

- (a) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets;
- (c) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee pursuant to clause 12.1 of the Declaration of Trust); and
- (d) all amounts standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing (together, the “**Trust Assets**”) upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each such Certificateholder in accordance with the Declaration of Trust and these Conditions.

- 5.3 On each Periodic Distribution Date and on any date fixed for payment of the Dissolution Distribution Amount, the Principal Paying Agent shall apply the monies standing to the credit of the 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):

- (a) first (to the extent not previously paid), to each of the Delegate and/or any Appointee (as defined in the Declaration of Trust) in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (in accordance with the Declaration of Trust) or Appointee, as applicable;
- (b) second (to the extent not previously paid), to each Agent in respect of all amounts owing to such Agent under the Transaction Documents in its capacity as Agent (in accordance with the Agency Agreement) on *pari passu* and rateable basis;
- (c) third (to the extent not previously paid), in or towards reimbursement *pari passu* and rateably of any amounts paid by any Indemnifying Party as contemplated by clause 12.8 of the Declaration of Trust;
- (d) fourth, only if such payment is due on or before a Periodic Distribution Date (to the extent not previously paid) to pay, *pro rata* and *pari passu*, (i) the Trustee in respect of all amounts owing to it under the Transaction Documents in its capacity as trustee; and (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents and the Corporate Services Agreement in its capacity as trustee administrator and registered office provider;
- (e) fifth, only if such payment is due on a Periodic Distribution Date, and subject to Condition 8 (*Periodic Distribution Restrictions*), in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts (including Additional Amounts) due but unpaid;
- (f) sixth, only if such payment is due on a date fixed for payment of the Dissolution Distribution Amount, in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount; and
- (g) seventh, only after all amounts required to be paid in respect of the Certificates have been discharged in full, in payment of any residual amount to the Bank, or prior to the Mudaraba End Date, the Mudaraba Reserve.

6 Covenants

The Trustee has covenanted in the Declaration of Trust that, *inter alia*, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate (given in accordance with the Declaration of Trust and these Conditions)):

- (a) incur any indebtedness in respect of financed, obtained 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) except, in all cases, as contemplated in the Transaction Documents;
- (b) secure any of its present or future indebtedness or present or future obligations (whether structured in accordance with the principles of *Shari'a* or otherwise) by granting or permitting to be outstanding any lien, pledge, charge, mortgage or other security interest upon any of its present or future undertakings, assets, properties or revenues (other than those arising by operation of law (if any) or under or pursuant to any of the Transaction Documents);
- (c) sell, transfer, assign, participate, exchange 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 (other than those arising by operation of law);

- (d) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (e) amend or agree to any amendment to any Certificate or Transaction Document (other than in accordance with the terms thereof);
- (f) act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (g) have any subsidiaries or employees;
- (h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (i) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents have been paid in full, put to its directors or shareholders any resolution for, appoint any administrator or liquidator for or apply or petition for, its winding-up (except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation approved by any court of competent jurisdiction or other competent authority) or any resolution for the commencement of any other bankruptcy or insolvency proceedings with respect to it;
- (j) subject to (i) above, consolidate or merge with any other person; or
- (k) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
 - (i) as 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 Periodic Distributions

7.1 Distribution of Mudaraba Profit

The Trustee has agreed in the Mudaraba Agreement that the Bank shall be entitled (in its capacity as Mudareb or otherwise) to utilise the General Mudaraba Pool to make payments in respect of the claims of Senior Creditors or to cover losses of the General Mudaraba Pool and that such entitlement shall apply at any time before an order has been made, or an effective resolution has been passed, for the winding-up, dissolution or liquidation (or other analogous event) of the Bank (in its capacity as Mudareb or otherwise).

7.2 Periodic Distribution Amounts

Subject to Conditions 4.2 (Subordination), 4.4 (*Limited Recourse and Agreement of Certificateholders*), 7.3 (*Cessation of Accrual*), 8 (*Periodic Distribution Restrictions*), 9 (*Payments*) and 11 (*Write-down at the Point of Non-Viability*), the Trustee shall distribute to Certificateholders, pro rata to their respective holdings, out of amounts transferred into the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date equal to the Periodic Distribution Amount. The “**Periodic Distribution Amount**” payable on each Periodic Distribution Date (i) falling prior to and including the

First Reset Date shall be U.S.\$32.50 per U.S.\$1,000 in face amount of the Certificates and (ii) falling after the First Reset Date shall be the relevant amount calculated pursuant to Condition 7.4 (*Periodic Distributions*).

7.3 Cessation of Accrual

Subject to Conditions 4.2 (*Subordination*), 8 (*Periodic Distribution Restrictions*) and 11 (*Write-down at the Point of Non-Viability*), each Certificate will cease to be eligible to earn Periodic Distribution Amounts from the due date for redemption, following liquidation of the Mudaraba in accordance with these Conditions and the Mudaraba Agreement.

7.4 Periodic Distributions

Subject to Condition 8 (*Periodic Distribution Restrictions*), the Certificates bear profit at the applicable Profit Rate from (and including) the Issue Date in accordance with the provisions of this Condition 7 (*Periodic Distributions*). Periodic Distribution Amounts will not be cumulative and any Periodic Distribution Amount which is not paid will not accumulate or compound and Certificateholders will have no right to receive such Periodic Distribution Amount at any time, even if Periodic Distribution Amounts are paid in the future.

Subject to Condition 8 (*Periodic Distribution Restrictions*), Periodic Distribution Amounts shall be payable on the Certificates semi-annually in arrear on each Periodic Distribution Date, in each case as provided in this Condition 7 (*Periodic Distributions*).

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Periodic Distribution Period (the “**Relevant Period**”), it shall be calculated as an amount equal to the product of: (a) the applicable Profit Rate; (b) the face amount of the relevant Certificates; and (c) the applicable Day-count Fraction for the Relevant Period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

(a) Periodic Distribution Rate

For the Initial Period, the Certificates bear profit at the Profit Rate of 6.500 per cent. per annum (the “**Initial Periodic Distribution Rate**”).

The Profit Rate will be reset on each Reset Date on the basis of the aggregate of the Margin and the Relevant Five Year Reset Rate procured by the Bank on the relevant U.S. Securities Determination Date, and notified to the Calculation Agent on such U.S. Securities Determination Date.

The Calculation Agent will, as soon as practicable upon determination of the Profit Rate which shall apply to the Reset Period commencing on the relevant Reset Date, but in no event later than the second Business Day thereafter, cause the applicable Profit Rate and the corresponding Periodic Distribution Amount to be notified to each of the Paying Agents and the Trustee shall cause such Profit Rate and the corresponding Periodic Distribution Amount to be notified to Certificateholders in accordance with Condition 17 (*Notices*).

For the avoidance of doubt, the Calculation Agent shall not be responsible to the Trustee, the Bank, the Certificateholders or any third party as a result of the Calculation Agent having relied upon any quotation, ratio or other information provided to it by any person for the purposes of making any determination hereunder, which subsequently may be found to be incorrect or inaccurate in any way.

(b) **Calculation Agent**

With effect from the First Reset Date, and so long as any Certificates remain outstanding thereafter, the Trustee will maintain a Calculation Agent. The name of the initial Calculation Agent and its initial specified office is set out at the end of these Conditions.

The Trustee may, with the prior written approval of the Delegate (given in accordance with the Declaration of Trust and these Conditions), from time to time replace the Calculation Agent with another leading investment, merchant or commercial bank or financial institution in London. If the Calculation Agent is unable or unwilling to continue to act as the Calculation Agent or (without prejudice to Condition 7.4(c) (*Determinations of Calculation Agent or Trustee Binding*)) fails duly to determine the Profit Rate in respect of any Reset Period as provided in Condition 7.4(a) (*Periodic Distribution Rate*), the Trustee shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in London approved in writing by the Delegate (in accordance with the Declaration of Trust and these Conditions) to act as such in its place. The Calculation Agent may not resign its duties or be removed without a successor having been appointed as aforesaid.

(c) **Determinations of Calculation Agent, the Bank or Trustee Binding**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Periodic Distributions*), whether by the Calculation Agent, the Trustee or the Bank (or their respective agents), shall (in the absence of manifest error) be binding on the Trustee, the Bank, the Calculation Agent, the Paying Agents, the Delegate and all Certificateholders and (in the absence of its own wilful default or gross negligence) no liability to the Trustee, the Bank, any Agent, the Delegate and the Certificateholders shall attach to the Calculation Agent or the Trustee (or its agent) in connection with the exercise or non-exercise by them of any of their powers, duties and discretions.

8 Periodic Distribution Restrictions

8.1 Non-Payment Event

Notwithstanding Condition 7.4 (*Periodic Distributions*), if any of the following events occur (each, a “**Non-Payment Event**”), the Bank (as Mudareb) shall not pay Mudaraba Profit (and, as a result, Rab-al-Maal Mudaraba Profit) or Final Mudaraba Profit (and, as a result, Rab-al-Maal Final Mudaraba Profit) on any Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), and as a result thereof the Trustee shall not pay Periodic Distribution Amounts on the corresponding Periodic Distribution Date:

- (a) the amount equal to the then applicable Periodic Distribution Amount to be paid by the Bank out of the Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as applicable (the “**Relevant Rab-al-Maal Mudaraba Profit Amount**”), when aggregated with any distributions or amounts payable by the Bank (in its capacity as Mudareb or otherwise) on the same date (or otherwise due and payable on such date) on any other obligations in respect of *Pari Passu* Obligations and Junior Obligations, exceeds, on the relevant date for payment of the Relevant Rab-al-Maal Mudaraba Profit Amount, the Distributable Profits; or
- (b) the Bank (in its capacity as Mudareb or otherwise) is, on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), in breach of (or such payment would cause a breach of) the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of any applicable capital buffers imposed on the Bank by the Financial Regulator); or

- (c) the Financial Regulator requires (i) the Bank not to pay the Relevant Rab-al-Maal Mudaraba Profit Amount to the Trustee (in its capacity as Rab-al-Maal) on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) or (ii) the Trustee (in its capacity as Rab-al-Maal) not to pay the relevant Periodic Distribution Amount on that Periodic Distribution Date, in each case, on account of the Bank making a net loss during the relevant financial period or for any other reason as it may deem necessary.

8.2 Non-Payment Election

Notwithstanding Condition 7.4 (*Periodic Distributions*), the Bank may in its sole discretion elect that Rab-al-Maal Mudaraba Profit (in whole or in part) will not be paid to the Trustee (in its capacity as Rab-al-Maal) on any Mudaraba Profit Distribution Date, and the Bank shall, in each case, instruct the Trustee not to make payment of a Periodic Distribution Amount (in whole or in part) to Certificateholders on such Periodic Distribution Date, provided that the foregoing in this Condition 8.2 (*Non-Payment Election*) shall not apply in respect of Rab-al-Maal Final Mudaraba Profit payable on any Mudaraba End Date (any such election being a “**Non-Payment Election**”). The Bank may not, however, make a Non-Payment Election once the Trustee has given notice to Certificateholders that the Certificates will be redeemed in whole in accordance with Condition 10 (*Redemption*).

8.3 Effect of Non-Payment Event or Non-Payment Election

If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, then the Bank shall (i) in the case of a Non-Payment Election, no later than 14 calendar days prior to such event, and (ii) in the case of a Non-Payment Event, as soon as practicable thereafter but in any case no later than five Business Days prior to the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, as the case may be, give notice to the Trustee and the Principal Paying Agent in accordance with the Mudaraba Agreement, the Delegate in accordance with the Declaration of Trust and Certificateholders in accordance with Condition 17 (*Notices*) in each case providing details of the Non-Payment Election (including, if relevant, details of any partial payment to be made) or Non-Payment Event, as the case may be. In the absence of notice of such Non-Payment Election or Non-Payment Event, as the case may be, having been given in accordance with this Condition 8.3 (*Effect of Non-Payment Event or Non-Payment Election*), the fact of non-payment of the Relevant Rab-al-Maal Mudaraba Profit Amount (or any part thereof) on the relevant Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) shall be evidence of the occurrence of a Non-Payment Election or a Non-Payment Event, as the case may be. Certificateholders shall have no claim in respect of any Periodic Distribution Amount (or any part thereof, as applicable) not paid as a result of either a Non-Payment Election or a Non-Payment Event (in each case, irrespective of whether notice of such Non-Payment Election or Non-Payment Event has been given in accordance with this Condition 8.3 (*Effect of Non-Payment Event or Non-Payment Election*)) and any such non-payment in whole or in part, as applicable, of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit (in the case of a Non-Payment Event only) or a Periodic Distribution Amount in such circumstance shall not constitute a Dissolution Event. The Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid profit (or any part thereof, as applicable) (whether from its own cash resources, from the Mudaraba Reserve or otherwise) and the Trustee shall not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts (or any part thereof, as applicable).

8.4 Dividend and Redemption Restrictions

If any amount of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit or Periodic Distribution Amount is not paid as a consequence of a Non-Payment Election or a Non-Payment Event pursuant to Condition 8.1 (*Non-Payment Event*) or 8.2 (*Non-Payment Election*) (as the case may be),

then, from the date of such Non-Payment Election or Non-Payment Event (the “**Dividend Stopper Date**”), the Bank will not, so long as any of the Certificates are outstanding:

- (a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares issued by the Bank (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or
- (b) declare or pay profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities ranking, as to the right of payment of dividend, distributions or similar payments, junior to or *pari passu* with the Relevant Obligations (excluding securities the terms of which do not at the relevant time enable the Bank to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time; or
- (c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any Ordinary Shares issued by the Bank; or
- (d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Bank ranking, as to the right of repayment of capital, junior to or *pari passu* with the Relevant Obligations (excluding securities the terms of which stipulate (i) any mandatory redemption in accordance with its terms or (ii) any conversion into, or exchange for, Ordinary Shares), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time,

in each case unless or until (i) the next following payment of Rab-al-Maal Mudaraba Profit or (ii) (as the case may be) payment of the Rab-al-Maal Final Mudaraba Profit, in each case following the Dividend Stopper Date, has been made in full (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Trustee in accordance with the Mudaraba Agreement).

9 Payments

9.1 Payments in respect of the Certificates

Subject to Condition 9.2 (*Payments subject to Applicable Laws*), payment of the Dissolution Distribution Amount and any Periodic Distribution Amount will be made by or on behalf of the Trustee in U.S. dollars by wire transfer in same day funds to the Registered Account (as defined below) of the Certificateholder. Payments of the Dissolution Distribution Amount will only be made against presentation and surrender of the relevant Certificate at the specified office of any of the Paying Agents. The Dissolution Distribution Amount and each Periodic Distribution Amount will be paid to the Certificateholder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition 9 (*Payments*), a Certificateholder’s “**Registered Account**” means the U.S. dollar account maintained by or on behalf of such Certificateholder with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant Record Date.

9.2 Payments subject to Applicable Laws

Payments in respect of the Certificates are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*).

9.3 No Commissions

No commissions or expenses shall be charged to the Certificateholders in respect of any payments made in accordance with this Condition 9 (*Payments*).

9.4 Payment only on a Payment Business Day

Where payment is to be made by transfer to a Registered Account, payment instructions (for value the due date or, if that is not a Payment Business Day (as defined below), for value the first following day which is a Payment Business Day) will be initiated by the Principal Paying Agent on the due date for payment or, in the case of a payment of the Dissolution Distribution Amount, if later, on the Payment Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent for value as soon as practicable thereafter.

Certificateholders will not be entitled to any additional payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day or if the relevant Certificateholder is late in surrendering its Certificate (if required to do so).

If the amount of the Dissolution Distribution Amount or, subject to Conditions 8.1 (*Non-Payment Event*) and 8.2 (*Non-Payment Election*), any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount in fact paid.

In these Conditions, “**Payment Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in New York City and London settle payments and are open for general business and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

9.5 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that: (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity); and (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, it will at all times maintain a Paying Agent, a Registrar and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system. Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Trustee in accordance with Condition 17 (*Notices*).

10 Redemption

10.1 Redemption

(a) No Fixed Redemption Date and Conditions for Redemption

The Certificates are perpetual securities in respect of which there is no fixed redemption date and the Trustee shall (subject to the provisions of Condition 4.2 (*Subordination*), Condition 11 (*Write-down at the Point of Non-Viability*) and Condition 12.3 (*Winding-up, dissolution or liquidation*) and without prejudice to the provisions of Condition 14 (*Prescription*)) only have the right to redeem the Certificates in accordance with the following provisions of this Condition 10 (*Redemption*).

The redemption of the Certificates, pursuant to this Condition 10 (*Redemption*), is subject to the following conditions (in addition to those set out elsewhere in this Condition 10.1 (*Redemption*)):

- (i) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so require(s)) the Bank having obtained the prior consent of the Financial Regulator;
- (ii) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so require(s)) at the time when the relevant notice of redemption is given, the Bank being in compliance with the Applicable Regulatory Capital Requirements;
- (iii) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so require(s)) immediately following such redemption, the Bank being in compliance with the Applicable Regulatory Capital Requirements; and
- (iv) (in the case of a redemption pursuant to Conditions 10.1(c) (*Redemption due to Taxation*) or 10.1(d) (*Redemption for Capital Event*) only) the Tax Law Change or Capital Event, as the case may be, having become, or becoming, effective on or after the Issue Date.

(b) **Trustee's Call Option**

Subject to Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption*) and Condition 10.1(e) (*No redemption following delivery of a Non-Viability Notice*), the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 15 nor more than 30 days' prior notice to the Certificateholders in accordance with Condition 17 (*Notices*) and to the Delegate in accordance with the Declaration of Trust, (which notice shall specify the date fixed for redemption and shall, subject to Condition 10.1(e) (*No redemption following delivery of a Non-Viability Notice*), be irrevocable), redeem all, but not some only, of the Certificates at the Trustee Call Amount.

Redemption of the Certificates pursuant to this Condition 10.1(b) (*Trustee's Call Option*) may occur on the First Call Date and on any date thereafter up to and including the First Reset Date, or any Periodic Distribution Date thereafter.

Prior to the publication of any notice of redemption pursuant to this Condition 10.1(b) (*Trustee's Call Option*), the Bank shall give to the Trustee and the Delegate a certificate signed by two Authorised Signatories stating that all conditions precedent to the redemption of the Certificates pursuant to this Condition 10.1(b) (*Trustee's Call Option*) (other than the notice to Certificateholders described in this Condition 10.1(b) (*Trustee's Call Option*)) have been satisfied (upon which the Delegate may rely without further enquiry and without liability to any person), and the Delegate shall accept the certificate without any further enquiry and without liability to any person as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Certificateholders.

(c) **Redemption due to Taxation**

- (i) Subject to Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption*), this Condition 10.1(c) (*Redemption due to Taxation*) and Condition 10.1(e) (*No redemption following delivery of a Non-Viability Notice*), if a Tax Event occurs, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 15 nor more than 30 days' prior notice to the Certificateholders in accordance with Condition 17 (*Notices*) and to the Delegate in accordance with the Declaration of Trust, (which notice shall specify the date fixed for redemption and applicable Record Date, and shall, subject to Condition 10.1(e) (*No redemption following delivery of a Non-Viability Notice*), be irrevocable), redeem all, but not some only, of the Certificates at the Tax Event Redemption Amount. No such notice shall be given earlier than 90 days prior to the earliest date on which the Trustee or the Bank would be obliged

to pay Additional Amounts or additional amounts under clause 5.11 of the Mudaraba Agreement. If the Bank does not instruct the Trustee to so redeem in accordance with this Condition 10.1(c)(i) (*Redemption due to Taxation*) in respect of such Tax Event then the Certificates shall continue to be perpetual securities in respect of which there is no fixed redemption date unless the Trustee shall otherwise (subject to the provisions of Condition 4.2 (*Subordination*), Condition 11 (*Write-down at the Point of Non-Viability*) and Condition 12.3 (*Winding-up, dissolution or liquidation*) and without prejudice to the provisions of Condition 14 (*Prescription*)) redeem the Certificates in accordance with the provisions of this Condition 10 (*Redemption*).

- (ii) Redemption of the Certificates pursuant to this Condition 10.1(c) (*Redemption due to Taxation*) may occur on any date on or after the Issue Date (whether or not a Periodic Distribution Date).
- (iii) Prior to the delivery of any notice of redemption pursuant to this Condition 10.1(c) (*Redemption due to Taxation*), the Bank shall give to the Trustee and the Delegate (i) a copy of the opinion of an independent tax or legal adviser of recognised standing to the effect that a Tax Event has occurred (upon which the Delegate may rely without any further enquiry and without liability to any person) and (ii) a certificate signed by two Authorised Signatories (upon which the Delegate may rely without any further enquiry and without liability to any person) stating that (A) the conditions set out in Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption*) have been satisfied; and (B) a Tax Event has occurred. Such certificate and opinion shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above in this Condition 10.1(c)(iii) (*Redemption due to Taxation*) and the Delegate shall accept and rely on such certificate and opinion without any further enquiry as sufficient evidence of the satisfaction of such conditions precedent and without liability to any person. Upon expiry of such notice, the Trustee shall redeem the Certificates.

(d) **Redemption for Capital Event**

- (i) Subject to Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption*), this Condition 10.1(d) (*Redemption for Capital Event*) and Condition 10.1(e) (*No redemption following delivery of a Non-Viability Notice*), if a Capital Event occurs and is continuing, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 15 nor more than 30 days' prior notice to the Certificateholders in accordance with Condition 17 (*Notices*) and to the Delegate in accordance with the Declaration of Trust, (which notice shall specify the date fixed for redemption and the applicable Record Date and shall, subject to Condition 10.1(e) (*No redemption following delivery of a Non-Viability Notice*), be irrevocable), redeem all, but not some only, of the Certificates at the Capital Event Redemption Amount. If the Bank does not instruct the Trustee to so redeem in accordance with this Condition 10.1(d)(i) (*Redemption for Capital Event*) in respect of such Capital Event then the Certificates shall continue to be perpetual securities in respect of which there is no fixed redemption date unless the Trustee shall otherwise (subject to the provisions of Condition 4.2 (*Subordination*), Condition 11 (*Write-down at the Point of Non-Viability*) and Condition 12.3 (*Winding-up, dissolution or liquidation*) and without prejudice to the provisions of Condition 14 (*Prescription*)) redeem the Certificates in accordance with the provisions of this Condition 10 (*Redemption*).

- (ii) Redemption of the Certificates pursuant to this Condition 10.1(d) (*Redemption for Capital Event*) may occur on any date on or after the Issue Date (whether or not a Periodic Distribution Date).
 - (iii) Prior to the delivery of any notice of redemption pursuant to this Condition 10.1(d) (*Redemption for Capital Event*), the Bank shall give to the Trustee and the Delegate a certificate signed by two Authorised Signatories (upon which the Delegate shall rely without any further enquiry and without liability to any person) stating that (A) the conditions set out in Condition 10.1(a) (*No Fixed Redemption Date and Conditions for Redemption*) have been satisfied; and (B) a Capital Event has occurred and is continuing as at the date of the certificate. Such certificate shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above in this Condition 10.1(d)(iii) (*Redemption for Capital Event*) and the Delegate shall accept and rely on such certificate without any further enquiry as sufficient evidence of the satisfaction of such conditions precedent and without liability to any person. Upon expiry of such notice the Trustee shall redeem the Certificates.
- (e) **No redemption following delivery of a Non-Viability Notice**

If the Bank has instructed the Trustee to redeem the Certificates and prior to the redemption of the Certificates 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 (upon receiving written notice of the Non-Viability Event) give notice thereof to the Certificateholders (in accordance with Condition 17 (*Notices*)), the Delegate, the Principal Paying Agent and the Registrar as soon as practicable. Further, no notice of redemption shall be given in the period following the giving of a Non-Viability Notice and prior to the relevant Non-Viability Event Write-down Date.

10.2 Purchase

Subject to the Bank (A) obtaining the prior approval of the Financial Regulator (except to the extent that the Capital Regulations and/or the Financial Regulator no longer so require(s)) and (B) being in compliance with the Applicable Regulatory Capital Requirements at the time of purchase, the Bank or any of its Subsidiaries, may purchase the Certificates in any manner and at any price. Upon any such purchase, the Bank shall deliver such Certificates to the Registrar for cancellation and, upon such cancellation, the Mudaraba Capital shall be reduced by the face amount of the Certificates so cancelled.

10.3 Cancellation

All Certificates that are redeemed, and all Certificates that are purchased pursuant to Condition 10.2 (*Purchase*) and which the Bank delivers for cancellation in accordance with Condition 10.2 (*Purchase*), will be cancelled as soon as possible and accordingly may not be held, reissued or resold.

11 Write-down at the Point of Non-Viability

11.1 Effectiveness of this Condition 11

The provisions of this Condition 11 (*Write-down at the Point of Non-Viability*) will lapse and cease to apply with effect from (and including) the date on which the Applicable Statutory Loss Absorption Regime becomes effective in respect of the Certificates (the “**Effective Date**”), except to the extent such provisions are required by the Applicable Statutory Loss Absorption Regime or the Financial Regulator in the exercise of its powers thereunder. Forthwith following the occurrence of the Effective Date, the Bank shall give notice of such occurrence to the Trustee and the Delegate in accordance with the

Declaration of Trust and to the Certificateholders in accordance with Condition 17 (*Notices*). If the Bank becomes Non-Viable on or after the Effective Date, the Financial Regulator (or the Bank on 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.

11.2 Non-Viability Event

If a Non-Viability Event occurs on or after the Issue Date and prior to the Effective Date, a Write-down (in whole or in part, as applicable) will take place in accordance with Condition 11.3 (*Non-Viability Notice*).

11.3 Non-Viability Notice

- (a) On the third Business Day following the date on which such Non-Viability Event occurs (or on such earlier date as determined by the Financial Regulator), (i) the Mudareb will notify the Trustee thereof in accordance with the Mudaraba Agreement and (ii) the Trustee will then notify the Delegate and the Certificateholders thereof and the Principal Paying Agent in accordance with Condition 17 (*Notices*) (a “**Non-Viability Notice**”).
- (b) Such Non-Viability Notice shall:
 - (i) state that a Non-Viability Event has occurred;
 - (ii) state that a Write-down will take place and, following guidance from the Financial Regulator, whether such Write-down will be a full or partial Write-down;
 - (iii) specify, in the case of a partial Write-down, the amount as determined by the Financial Regulator and notified to the Bank by which the aggregate face amount of the Certificates then outstanding is to be Written-down;
 - (iv) specify, in the case of a full Write-down, that the Bank has received written confirmation from the Financial Regulator that the Financial Regulator has determined the aggregate face amount of the Certificates then outstanding to be zero; and
 - (v) specify the Non-Viability Event Write-down Date.
- (c) A Write-down will occur on the Non-Viability Event Write-down Date.
- (d) In the case of a Write-down in full only, the Mudaraba Agreement will be automatically terminated with effect from the Non-Viability Event Write-down Date and none of the Trustee, the Certificateholders nor the Delegate shall be entitled to any claim for any amounts in connection with the Mudaraba Assets.
- (e) In the case of a Write-down in part only, the Mudaraba Capital shall be reduced in proportion to the face amount of the Certificates to be Written-down and none of the Trustee, the Certificateholders nor the Delegate shall be entitled to any claim for any amounts in connection with the Mudaraba Assets that relate to the proportion of the Mudaraba Capital that has been reduced.

11.4 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 and/or cancellation of any Certificates or termination of the Mudaraba Agreement or any claims in respect thereof, and neither the Delegate nor

any Agent shall be responsible for any calculation, determination or the verification of any calculation or determination in connection with the foregoing.

12 Dissolution Events and Winding-up

The Declaration of Trust contains provisions entitling the Delegate to claim from the Trustee and the Bank, *inter alia*, the fees, expenses and liabilities incurred by it in carrying out its duties under the Declaration of Trust. The restrictions on commencing proceedings described below will not apply to any such claim.

12.1 Bank Events

If a Bank Event occurs, the Delegate (provided it shall have been given notice in writing thereof by the Trustee or the Bank or otherwise upon the Delegate having actual knowledge of the Bank Event, and subject to it being indemnified and/or secured and/or prefunded to its satisfaction) shall promptly give notice of the occurrence of such Bank Event to the Certificateholders in accordance with Condition 17 (*Notices*) with a request to such Certificateholders to indicate to the Trustee and the Delegate in writing if they wish the Certificates to be redeemed in whole and the Trust to be dissolved (a “**Dissolution Request**”). The Delegate may and, if so requested in writing by the Certificateholders of at least one-fifth of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of Certificateholders, shall (but in each case subject to Condition 12.3(e)(i) (*Realisation of Trust Assets*)), give notice (a “**Dissolution Notice**”) to the Trustee that the Certificates are immediately due and payable at the aggregate face amount of the Certificates then outstanding together with any Outstanding Payments, whereupon the aggregate face amount of the Certificates then outstanding together with any Outstanding Payments shall become immediately due and payable without presentation, demand, protest or other notice of any kind, provided, however, that the Trustee or the Delegate may only take any such steps, actions or proceedings as described in Condition 12.3(a) (*Proceedings for Winding-up*), but may take no further or other steps, actions or proceedings to enforce, prove or claim for any such payment. A Dissolution Notice may be given whether or not a Dissolution Request has been given to Certificateholders.

12.2 Trustee Events

- (a) The Bank has undertaken in the Declaration of Trust that, as soon as practicable following the occurrence of a Trustee Event, it will procure (without the consent of the Certificateholders and notwithstanding any provisions to the contrary in Condition 18.1), subject to the consent of the Financial Regulator, the substitution of any newly formed special purpose company in form substantially the same as that of the Trustee, in place of the Trustee (the “**Substituted Trustee**”), or of any previous substituted company, as trustee and issuer under the Declaration of Trust and the Certificates, provided that:
 - (i) a deed is executed or undertaking given by the Substituted Trustee to the Delegate, in form and manner satisfactory to the Delegate (acting in accordance with the Declaration of Trust and these Conditions), agreeing to be bound by the Declaration of Trust, the Certificates and the Transaction Documents (with any consequential amendments as the Delegate may deem appropriate) as if the Substituted Trustee had been named in the Declaration of Trust, the Certificates and the other Transaction Documents as trustee and issuer in place of the Trustee;
 - (ii) if the Substituted Trustee is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the “**Substituted Territory**”) other than the territory of the taxing jurisdiction to which (or to any such authority of or in which) the Trustee is subject generally (the “**Trustee’s Territory**”), the Substituted Trustee shall

give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to Condition 13 (*Taxation*) with the substitution for or the addition to the references in that Condition to the Trustee's Territory of references to the Substituted Territory or any political sub-division or authority thereof or therein having the power to tax whereupon the Declaration of Trust and the Certificates shall be read accordingly (and the Bank shall also be required to give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to the last paragraph of Condition 13 (*Taxation*), extending its obligations thereunder to the Substituted Territory);

- (iii) two directors of the Substituted Trustee certify that it will be solvent immediately after such substitution (the Delegate need not have regard to the Substituted Trustee's financial condition, profits or prospects or compare them with those of the Trustee); and
 - (iv) the Trustee, the Substituted Trustee and the Bank comply with such other requirements as the Delegate may direct in the interests of the Certificateholders; and
 - (v) if the Trustee is substituted in accordance with this Condition 12.2 (*Trustee Events*), the Substituted Trustee will open a new non-interest bearing transaction account in London in its name with the Principal Paying Agent into which the Bank will pay all amounts due to the Trustee under the Mudaraba Agreement from the date of substitution onwards, and references in these Conditions to the "Transaction Account" will be construed accordingly.
- (b) Subject to this Condition 12.2 (*Trustee Events*), the Delegate may agree to the substitution of the Substituted Trustee without obtaining the consent or approval of the Certificateholders (it being acknowledged that each Certificateholder has by virtue of the last paragraph of the preamble to these Conditions authorised each Substituted Trustee to act as Rab-al-Maal pursuant to the Mudaraba Agreement on its behalf). The Bank shall give to the Delegate a certificate signed by two Authorised Signatories stating that the conditions set out in Condition 12.2(a) above have been satisfied. Such certificate shall be conclusive and binding evidence of the satisfaction of the conditions set out in Condition 12.2(a) above and the Delegate shall accept and rely on such certificate without any further enquiry as sufficient evidence of the satisfaction of such conditions and without liability to any person.
- (c) The Substituted Trustee shall deliver or procure to be delivered to the Delegate one or more legal opinions in a form approved by the Delegate confirming that: (i) it has obtained all necessary governmental and regulatory approvals and consents necessary for its assumption of the duties and liabilities as Substituted Trustee; (ii) such approvals and consents are at the time of substitution in full force and effect; and (iii) any documents to which the Substituted Trustee is a party in accordance with this Condition 12.2 (*Trustee Events*) constitute legal, valid and binding obligations of the Substituted Trustee, and the Delegate shall be entitled to rely on such legal opinions without liability to any person.
- (d) If the Bank fails to comply with the foregoing provisions of this Condition 12.2 (*Trustee Events*) within 60 days of the occurrence of the relevant Trustee Event, Conditions 12.1 (*Bank Events*) and 12.3 (*Winding-up, dissolution or liquidation*) shall apply to the relevant Trustee Event as if it was a Bank Event.

12.3 Winding-up, dissolution or liquidation

(a) Proceedings for Winding-up

If a Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 12.1 (*Bank Events*), the Mudaraba will be liquidated in accordance with the provisions of the Mudaraba

Agreement, and either the Trustee or the Delegate may at its discretion, and the Delegate shall, in each case subject to Condition 12.3(e)(i) (*Realisation of Trust Assets*), if it shall have been so requested by an Extraordinary Resolution of the Certificateholders or so requested in writing by the Certificateholders holding at least one-fifth of the aggregate face amount of the Certificates then outstanding (i) institute any steps, actions or proceedings for the winding-up of the Bank and/or (ii) prove in the winding-up of the Bank and/or (iii) institute any steps, actions or proceedings for the bankruptcy of the Bank and/or (iv) claim in the liquidation of the Bank and/or (v) take such other steps, actions or proceedings which, under the laws of the Kingdom of Saudi Arabia, have an analogous effect to the actions referred to in (i) to (iv) above, in each case, for (subject as set out below) all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents, provided, however, that the Trustee or the Delegate may only take any such steps, actions or proceedings as described in this Condition 12.3(a) (*Proceedings for Winding-up*), but may take no further or other steps, actions or proceedings to enforce, prove or claim for any payment and provided further that neither the Trustee nor the Delegate may take any steps, actions or proceedings against the Bank with respect to any sum that the Bank has paid into the Transaction Account in accordance with the Transaction Documents in circumstances where the Trustee has failed to pay that amount to Certificateholders in accordance with these Conditions. No payment in respect of the Transaction Documents may be made by the Bank as a result of any steps, actions or proceedings taken pursuant to Condition 12.1 (*Bank Events*), nor will the Trustee or the Delegate accept the same, otherwise than during or after a winding-up (or analogous event) of the Bank, unless the Bank has given prior written notice (with a copy to the Trustee and the Delegate) to, and received no objection from, the Financial Regulator (which the Bank shall confirm in writing to the Trustee and the Delegate).

(b) **Enforcement**

Without prejudice to Condition 12.1 (*Bank Events*) and the remaining provisions of this Condition 12.3 (*Winding-up, dissolution or liquidation*), the Trustee (or the Delegate) may at its discretion and the Delegate shall, in each case subject to Condition 12.3(e)(i) (*Realisation of Trust Assets*), if it shall have been so requested by an Extraordinary Resolution of the Certificateholders or so requested in writing by the Certificateholders holding at least one-fifth of the aggregate face amount of the Certificates then outstanding and without further notice institute such steps, actions or proceedings against the Bank and/or the Trustee, as it may think fit to enforce any term or condition binding on the Bank or the Trustee (as the case may be) under the Certificates and the Transaction Documents (other than any payment obligation of the Bank under or arising from the Transaction Documents, including, without limitation, payment of any principal or premium or satisfaction of any payments in respect of the Transaction Documents, including any damages awarded for breach of any obligations), including, without limitation, any failure by the Bank to procure the substitution of the Trustee in the circumstances described in Condition 12.2 (*Trustee Events*). However, in no event shall the Bank, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it in accordance with the Transaction Documents. Nothing in this Condition 12.3 (*Winding-up, dissolution or liquidation*), however, shall prevent the Trustee (or the Delegate) from taking such steps, actions or proceedings as described in Condition 12.3(a) (*Proceedings for Winding-up*) in respect of any payment obligations of the Bank arising from the Mudaraba Agreement or any other Transaction Document (including any damages awarded for breach of any obligations).

(c) **Non-Viability**

All claims by the Delegate and/or the Certificateholders against the Trustee under the Certificates and all claims by the Trustee (or the Delegate) against the Bank under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Trustee and/or the Bank under the Certificates or the Transaction Documents, as the case may be) shall be subject to, and shall be superseded by the provisions of Condition 11 (*Write-down at the Point of Non-Viability*), 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 actual costs, charges, expenses, liabilities, indemnities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

(d) **Extent of Certificateholder remedy**

No remedy against the Bank, other than as referred to in this Condition 12 (*Dissolution Events and Winding-up*), shall be available to the Delegate, the Trustee or the Certificateholders, whether for the recovery of amounts owing in respect of the Transaction Documents or in respect of any breach by the Bank of any of its other obligations under or in respect of the Transaction Documents.

(e) **Realisation of Trust Assets**

- (i) Neither the Trustee nor the Delegate shall be bound to take any steps, actions or proceedings to enforce or to realise the Trust Assets or any of the actions, steps or proceedings referred to in these Conditions in respect of the Bank or, in the case of the Delegate only, the Trustee to enforce the terms of the Certificates or the Transaction Documents or give a Dissolution Notice (including, without limitation, pursuant to this Condition 12 (*Dissolution Events and Winding-up*)), unless, in either case, (a) it shall have been so requested by an Extraordinary Resolution of the Certificateholders or in writing by Certificateholders holding at least one-fifth of the aggregate face amount of the Certificates then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.
- (ii) No Certificateholder shall be entitled to proceed directly against the Trustee or the Bank or to take the actions, steps or proceedings referred to in Conditions 12.3(a) (*Proceedings for Winding-up*) and 12.3(b) (*Enforcement*) above, unless the Trustee or the Delegate (as the case may be), having become so bound 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.
- (iii) Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the 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 Bank shall be to enforce their respective obligations under the Certificates and the Transaction Documents.
- (iv) The foregoing paragraphs in this Condition 12.3(e) (*Realisation of Trust Assets*) are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the net proceeds thereof in accordance with the Declaration of Trust, 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 any steps against the Delegate) to recover any

further sums in respect of the Certificates and the right to receive any such sums from the Trustee 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.

13 Taxation

All payments in respect of the Certificates by or on behalf of the Trustee shall be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction (“**Taxes**”), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts (“**Additional Amounts**”) so that the full amount which otherwise would have been due and payable under the Certificates in the absence of any such deduction or withholding is received by the parties entitled thereto, except that no such Additional Amount shall be payable in relation to any payment in respect of any Certificate:

- (a) the holder of which is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or
- (b) presented for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Business Day.

In these Conditions, references to the Dissolution Distribution Amount or any Periodic Distribution Amounts (and related expressions including, without limitation, the “**face amount**” of the Certificates and “**Outstanding Payments**”) shall be deemed to include any Additional Amounts payable under this Condition 13 (*Taxation*) or any undertaking given in addition to or in substitution for it under the Declaration of Trust.

Notwithstanding any other provision in these Conditions, the Trustee and the Agents shall be permitted to withhold or deduct any amounts imposed pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof), or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof, implementing legislation adopted by another jurisdiction in connection with these provisions, or any agreement with the U.S. Internal Revenue Service (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA withholding**”). None of the Trustee, the Delegate or any Agent will have any obligation to pay Additional Amounts or otherwise indemnify a Certificateholder for any FATCA withholding deducted or withheld by the Trustee, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.

Neither the Delegate nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 13 (*Taxation*) or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Trustee, the Bank, any Certificateholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Delegate or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), any additional amount or other amount under or in respect of the Certificates without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

The Mudaraba Agreement provides that payments made thereunder by the Bank (in its capacity as the Mudareb) to the Trustee shall be made free and clear of, and without withholding or deduction for, or on account of, any

present or future Taxes, unless such withholding or deduction is required by law. In such event, and/or if Additional Amounts are payable by the Trustee in respect of the Certificates in accordance with this Condition 13 (*Taxation*), the Mudaraba Agreement provides for the payment by the Bank of such additional amounts by payment to the Transaction Account in U.S. dollars by wire transfer for same day value so that the net amounts received by the Certificateholders shall equal the respective amounts that would have been received in the absence of such withholding or deduction and in the absence of the withholding or deduction to which this Condition 13 (*Taxation*) applies.

14 Prescription

Subject to applicable law, the right to receive any amount in respect of the Certificates shall be prescribed and become void unless claimed within 10 years (in the case of Dissolution Distribution Amounts) and within five years (in the case of Periodic Distribution Amounts) from the Relevant Date thereof.

15 Delegate

15.1 Delegation of Powers

The Trustee will in the Declaration of Trust irrevocably and unconditionally appoint the Delegate to be its 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 Declaration of Trust, 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, (i) exercise all of the rights of the Trustee and have all the protections of the Trustee under the Mudaraba Agreement 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 Declaration of Trust (together, the “**Delegation**” of the “**Relevant Powers**”), provided that: (a) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (b) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets; and (c) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve the trusts constituted by the Declaration of Trust 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 Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust.

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.

15.2 Indemnification

The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust or the other Transaction

Documents, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so in accordance with Condition 12 (*Dissolution Events and Winding-up*), and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction. The Declaration of Trust provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Delegate shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Certificateholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

15.3 No Liability

- (a) The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Bank or the Trustee under the Transaction Documents and shall not under any circumstances have any liability or be obliged to account to the Certificateholders in respect of any payments which should have been paid by the Bank or the Trustee but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.
- (b) Each of the Trustee and the Delegate is exempted from: (i) any liability in respect of any loss or theft of the Trust Assets or any cash, unless such loss or theft arises as a result of fraud, wilful default or gross negligence by the Trustee or the Delegate, as the case may be; (ii) any obligation to monitor or insure the Trust Assets or any cash; and (iii) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee.

15.4 Reliance on Opinions, Certificates, Reports and/or Information

The Delegate may rely on any opinion, certificate, report or information of the auditors or insolvency officials (as applicable) of the Trustee or the Bank or any other expert or other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Declaration of Trust or the other Transaction Documents and such opinion, certificate, report or information may be relied upon by the Delegate (without liability to any person) as sufficient evidence of the facts stated therein notwithstanding that such opinion, certificate, report, information and/or any engagement letter or other document contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee or the Bank or such other expert or other person in respect thereof and notwithstanding that the scope and/or basis of such opinion, certificate, report or information may be limited by an engagement or similar letter or by the terms of the opinion, certificate, report or information itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability, delay or inconvenience that may be occasioned by its failure to do so.

15.5 Proper performance of duties

Nothing shall, in the case of the Trustee (having regard to the provisions of the Declaration of Trust conferring on it any trusts, powers, authorities or discretions) or in the case of the Delegate as donee and delegate (having regard to the powers, authorities and discretions conferred on it by the Declaration of Trust and to the Relevant Powers delegated to it), respectively exempt the Trustee or the Delegate from or indemnify either of them against any liability for gross negligence, wilful default or fraud of which either of them may be guilty in relation to their duties under the Declaration of Trust.

15.6 Illegality

The Delegate may without liability refrain from taking any action in any jurisdiction (including, but not limited to, the Kingdom of Saudi Arabia, England and Wales, the United States of America or any jurisdiction forming a part of it, and the European Union) if the taking of such action in that jurisdiction would or might, in its opinion, be contrary to any law of that jurisdiction or any directive or regulation of any agency of such state or jurisdiction and may without liability do anything which is, in its opinion, necessary to comply with any such law, directive or regulation. Furthermore, the Delegate may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

15.7 Delegate not Precluded from Conducting Business with the Trustee and the Bank

The Delegate is entitled, *inter alia*, (i) to enter into business transactions with the Trustee, the Bank and/or any entity related to the Trustee and/or the Bank and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Trustee and/or any entity related to the Trustee and/or the Bank, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Certificateholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15.8 Notice of Events

The Delegate shall not be responsible for monitoring or ascertaining whether or not a Non-Payment Event, Non-Payment Election, Capital Event, Tax Event, Non-Viability Event, Dissolution Event or Potential Dissolution Event has occurred or exists or is continuing or will or may occur or exist and, unless and until the Delegate shall have actual knowledge or received express written notice to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred or is continuing (without any liability to the Certificateholders or any other person for so doing).

15.9 Delegate Contracting with the Trustee and the Bank

The Declaration of Trust 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 and the Bank 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.

16 Replacement of Certificates

If a definitive Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar (and if the Certificates are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee, the Bank, the Registrar, the Paying Agent or the Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

17 Notices

Notices to Certificateholders will be deemed to be validly given if mailed to Certificateholders by pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register. The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Certificates are for the time being admitted to listing, trading and/or quotation. Any notices shall be deemed to have been given on the day (being a day other than a Saturday or a Sunday) after being so mailed (or on the date of publication, or if so published more than once or on different dates, on the date of the first publication).

Notices to be given by any Certificateholder shall be in writing and given by lodging the same, together with evidence of entitlement to the relevant Certificates, with the Principal Paying Agent.

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 Certificateholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing. Any such notice shall be deemed to have been given to the Certificateholders on the day on which such notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other clearing system.

18 Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination

18.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons present holding or representing in aggregate more than 50 per cent. in face amount of the Certificates for the time being outstanding, or at any adjourned such meeting one or more persons whatever the face amount of the Certificates held or represented, except that any meeting the business of which includes consideration of proposals, *inter alia*, (i) to modify any date for payment (including any optional redemption date) in respect of the Certificates, (ii) to reduce or cancel or vary the method or basis for calculating the amount of any payment due in respect of the Certificates, (iii) to change any of the Trustee's and the Bank's covenants set out in the Transaction Documents, (iv) to alter the currency of payment or denomination of the Certificates, (v) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (vi) to sanction any such scheme or proposal or substitution as is described in paragraphs 2.10 and 2.11 of Schedule 3 to the Declaration of Trust, or (vii) to amend the above list or the proviso to paragraph 2 of Schedule 3 to the Declaration of Trust, in which case the quorum shall be one or more persons holding or representing in aggregate not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in face amount of the Certificates for the time being outstanding. To be passed, an Extraordinary Resolution requires (i) a majority in favour consisting of not less than 75 per cent. of the votes cast, (ii) 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 then outstanding (a "**Written Resolution**") or (iii) where the Certificates are held by or on behalf of a clearing system or clearing systems, approval 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 then outstanding (an "**Electronic Consent**"). Any

Extraordinary Resolution, if duly passed, will be binding on all Certificateholders, whether or not they were present at the meeting at which such resolution was passed and whether or not they voted.

- 18.2 The Declaration of Trust provides that a Written Resolution or an Electronic Consent 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 Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. Such a Written Resolution and/or Electronic Consent will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.
- 18.3 The Delegate may (but shall not be obliged to), without the consent or approval of the Certificateholders (i) agree to any modification to these Conditions, any provisions of the Transaction Documents or to the Trustee's memorandum and articles of association which, in the sole opinion of the Delegate, is of a formal, minor or technical nature or is made to correct a manifest error; (ii) agree to any modification (other than in respect of a Reserved Matter) of these Conditions, any provisions of the Transaction Documents or the Trustee's memorandum and articles of association, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or the other Transaction Documents; or (iii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in the case of (ii) and (iii) above that such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and that such waiver, authorisation or determination is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least one-fifth of the aggregate face amount of the Certificates then outstanding.
- 18.4 In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, those referred to in this Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*)), the Delegate shall have regard to the interests of the Certificateholders as a class (but shall not have regard to any interests 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) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except to the extent provided in Condition 13 (*Taxation*).
- 18.5 Any modification, waiver, authorisation or determination shall be binding on all of the Certificateholders and shall be notified by the Trustee to the Certificateholders as soon as practicable thereafter in accordance with Condition 17 (*Notices*).

This Condition 18 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*) is without prejudice to Condition 10.1(c) (*Redemption due to Taxation*) and Condition 10.1(d) (*Redemption for Capital Event*).

19 Currency Indemnity

If any sum due from the Trustee in respect of the Certificates or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of: (a) making or filing a claim or proof against the Trustee; (b) obtaining an order or judgment in any court or other

tribunal; or (c) enforcing any order or judgment given or made in relation to the Certificates, the Trustee shall indemnify each Certificateholder, on the written demand of such Certificateholder addressed to the Trustee and delivered to the Trustee or to the specified office of the Principal Paying Agent, against any actual loss (excluding opportunity loss) suffered as a result of any discrepancy between: (i) the spot rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency; and (ii) the spot rate or rates of exchange at which such Certificateholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Trustee and shall give rise to a separate and independent cause of action. In no circumstances will the Delegate incur any liability by virtue of this Condition 19 (*Currency Indemnity*).

20 Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21 Governing Law and Arbitration

21.1 Governing Law

The Declaration of Trust (including these Conditions), the Agency Agreement, the Mudaraba 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.

21.2 Arbitration

The Delegate, the Trustee and the Bank have in the Declaration of Trust agreed that (subject as provided therein) any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Declaration of Trust (which includes the Certificates, these Conditions and this Condition 21.2 (*Arbitration*)) (including any dispute claim, difference or controversy as to the existence, validity, interpretation, performance, breach or termination of the Declaration of Trust 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 referred to and finally resolved by arbitration, with a seat (or legal place) of arbitration in London, England conducted in the English language by three arbitrators pursuant to the arbitration rules of the LCIA (the “**Rules**”) (such arbitration to also be administered by the LCIA in accordance with those Rules). The claimant (or claimants jointly) shall nominate one arbitrator for appointment by the LCIA Court. The respondent (or respondents jointly) shall nominate one arbitrator for appointment by the LCIA Court. The third arbitrator, who shall act as presiding arbitrator of the tribunal, shall be nominated by the two arbitrators nominated by the parties. 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 Court. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

21.3 Consolidation

The Delegate, the Trustee and the Bank have in the Declaration of Trust:

- (a) agreed that the arbitration agreement set out in this Condition 21 and the arbitration agreement contained in each Relevant Agreement shall together be deemed to be a single arbitration agreement;

- (b) agreed to the consolidation of any two or more arbitrations commenced pursuant to this Condition 21 and/or the arbitration agreement contained in any Relevant Agreement, subject to and in accordance with the Rules. Notwithstanding anything to the contrary in the Rules, the Delegate, the Trustee and the Obligor have agreed that no arbitrations other than those referred to in this Condition 21.3(b) may be consolidated. For the avoidance of doubt, this Condition 21.3(b) is an agreement in writing by all parties for the purposes of Article 22.7(i) and Article 22.8(i) of the Rules. The parties to the Declaration of Trust have further agreed that:
 - (A) if a tribunal has been constituted in more than one of the arbitrations in respect of which consolidation is sought pursuant to this Condition 21.3(b), the tribunal which shall have the power to order consolidation shall be the tribunal appointed first in time; and
 - (B) the requirement in the Rules that a tribunal considering whether to consolidate disputes should give the parties a reasonable opportunity to state their views shall extend to all parties to each of the arbitrations in respect of which consolidation is sought; and
- (c) to the extent permitted by law, waived any objection, relating to the fact that a Dispute has been resolved in a manner contemplated by this Condition 21.3, to the validity and/or enforcement of any arbitral award.

In this Condition 21.3, “**Relevant Agreement**” means each Transaction Document other than the Declaration of Trust.

21.4 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 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.

21.5 Waiver of Interest

- (a) Each of the Trustee, the Delegate and the Bank has irrevocably agreed in the Declaration of Trust that no interest will be payable or receivable under or in connection with the Declaration of Trust and if it is determined that any interest is payable or receivable in connection with the Declaration of Trust by any of the Trustee, the Delegate or the Bank, 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, in the case of the Bank, deal with such amount as directed by the *Shari’a* Adviser and, in all other cases, promptly donate the same to a registered or otherwise officially recognised charitable organisation.
- (b) For the avoidance of doubt, nothing in this Condition 21.4 (*Waiver of Interest*) shall be construed as a waiver of rights in respect of Mudaraba Profit, Final Mudaraba Profit, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit, Periodic Distribution Amounts,

Outstanding Payments or profit of any kind howsoever described payable by the Bank or the Trustee pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

21.6 Service of Process

Each of the Trustee and the Bank has in the Declaration of Trust irrevocably appointed Walkers (Europe) at its registered office at The Scalpel, 11th Floor, 52 Lime Street, London, EC3M 7AF, England to receive for it and on its behalf, service of process in any proceedings in England or elsewhere.

GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.

1 Form of the Certificates

The Certificates will be in registered form and will be issued outside the United States to persons who are not U.S. persons in reliance on Regulation S.

The Certificates will be represented by ownership interests in a global certificate in registered form (the “**Global Certificate**”). The Global Certificate will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the common depositary. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Certificates in fully registered form.

2 Holders

For so long as the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the “**Registered Holder**”). Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate face amount of such Certificates (the “**Accountholders**”) (in which regard any certificate or other document issued by a clearing system as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder as against the Trustee (and such payment obligations of the Trustee will be discharged by payment to the Registered Holder in respect of each amount so paid), and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder, and the expressions “**Certificateholder**” and “**holder of Certificates**” and related expressions shall be construed accordingly. In addition, Accountholders will not have a direct right to vote in respect of the relevant Certificates. Instead, Accountholders 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.

3 Amendments to Conditions

The Global Certificate contains provisions that apply to the Certificates that it represents, some of which modify the effect of the Conditions. The following is a summary of those provisions:

3.1 Payments

All payments in respect of Certificates represented by the 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.

3.2 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.

3.3 Trustee's Option

Any option of the Trustee provided for in the Conditions shall be exercised by the Trustee giving notice to the Certificateholders and the relevant clearing systems (or procuring that such notice is given on its behalf) within the time limits set out in and containing the information required by the Conditions.

3.4 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 Certificates in the Register.

3.5 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.

4 Exchange for Definitive Certificates

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for Definitive Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 17 (*Notices*) if an Exchange Event occurs. For these purposes, “**Exchange Event**” means that: (i) a Dissolution Event (as defined in the Conditions) has occurred; or (ii) the Certificates represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, and any such clearing system has been closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no successor or alternative clearing system satisfactory to the Delegate is available. If an Exchange Event occurs, any of the Trustee, the Delegate or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar within ten days following the request for exchange for completion and dispatch to the Certificateholders. A person having an interest in the Global Certificate must provide the Registrar with a

written order containing instructions (and such other information as the Trustee and the Registrar may require) to complete, execute and deliver such Definitive Certificates.

In this Offering Circular, “**Definitive Certificate**” means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in the Schedules to the Declaration of Trust.

5 Electronic Consent and Written Resolution

While any Global Certificate is registered in the name of any nominee for Euroclear or Clearstream, Luxembourg, then:

- (a) 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 by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (an “**Electronic Consent**” as defined in the Declaration of Trust) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum (as specified in the Declaration of Trust) was satisfied), 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; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Declaration of Trust) has been validly passed, the Trustee, the Bank and the Delegate shall be entitled to rely on consent or instructions given in writing directly to the Trustee, the Bank and/or the Delegate, as the case may be, by (a) Accountholders in the clearing system(s) with entitlements to such Global Certificate and/or (b) where the Accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that Accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Trustee, the Bank and the Delegate 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. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EasyWay system or Clearstream, Luxembourg’s Xact Web Portal system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Certificates is clearly identified together with the amount of such holding. None of the Trustee, the Bank and/or the Delegate shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

USE OF PROCEEDS

The net proceeds of the issue of the Certificates will be paid by the Trustee (as Rab-al-Maal) to the Bank (as Mudareb) as Mudaraba Capital and will be used by the Bank to improve its Tier 1 capital and for general banking purposes, all in accordance with the investment plan set out in the Mudaraba Agreement.

DESCRIPTION OF THE TRUSTEE

The Trustee

The Trustee, an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 27 December 2023 under the Companies Act (As Revised) of the Cayman Islands with company registration number 405800. The registered office of the Trustee is at the offices of Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

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 Walkers Fiduciary 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 Charity (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 its Memorandum of Association as registered or adopted on 27 December 2023.

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, Walkers Fiduciary 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
Linval Stewart	Vice President, Walkers Fiduciary Limited
Jordan Hebert	Vice President, Walkers Fiduciary Limited
Gennie Bigord	Senior Vice President, Walkers Fiduciary Limited

The business address of Jordan Hebert is c/o Walkers Professional Services (Middle East) Limited, Level 14, Burj Daman, DIFC, PO Box 506513, Dubai, United Arab Emirates.

The business address of Gennie Bigord is c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The business address of Linval Stewart is c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, 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

Other than in their capacities as employees and officers of the Trustee Administrator (as defined below), 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.

The Trustee Administrator

Walkers Fiduciary 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 UAE 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 c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The directors of the Trustee are all employees or officers of the Trustee Administrator or an affiliate thereof.

The Trustee has no employees and is not expected to have any employees in the future.

SELECTED FINANCIAL INFORMATION

The following information has been derived from, and should be read in conjunction with, and is qualified in its entirety by reference to the Financial Statements and the notes thereto as incorporated by reference herein.

The table below provides the Group's consolidated statement of financial position data as at 31 December 2023, 31 December 2022 and 31 December 2021.

	As at 31 December		
	2023	2022	2021
		(SAR'000)	
ASSETS			
Cash and balances with Saudi Central Bank (SAMA).....	12,598,444	9,723,259	9,177,296
Due from banks and other financial institutions, net.....	1,700,907	1,454,458	738,073
Investments held at fair value through statement of income (FVSI) ⁽¹⁾	2,610,274	1,641,496	2,365,750
Investments held at fair value through other comprehensive income (FVOCI)	13,505,282	12,084,604	7,412,625
Investments held at amortized cost, net	27,105,159	24,721,320	23,432,514
Investments in associate and joint venture.....	15,637	70,214	66,680
Financing, net	173,624,044	146,491,956	126,271,491
Property, equipment and right of use assets, net	2,888,209	2,632,794	2,382,732
Other assets ⁽²⁾	2,667,142	1,616,128	1,628,923
TOTAL ASSETS	236,715,098	200,436,229	173,476,084
LIABILITIES AND EQUITY			
LIABILITIES			
Due to SAMA, banks and other financial institutions	7,431,230	16,483,039	15,239,791
Customers' deposits.....	187,900,581	145,168,490	121,060,551
Amount due to Mutual Funds' unitholders	93,510	136,570	495,990
Other liabilities	6,956,176	6,771,817	5,968,725
TOTAL LIABILITIES	202,381,497	168,559,916	142,765,057
EQUITY			
Share capital	20,000,000	20,000,000	20,000,000
Treasury shares	(225,611)	(66,021)	(94,159)
Statutory reserve	3,378,431	2,168,630	1,268,845
Other reserves	62,359	(507,396)	122,601
Retained earnings	1,118,422	4,285,004	3,618,609
Proposed issue of bonus shares.....	5,000,000	—	—
Proposed dividends	—	996,096	795,131
Equity attributable to the shareholders of the Bank	29,333,601	26,876,313	25,711,027

	As at 31 December		
	2023	2022	2021
		(SAR'000)	
Tier 1 Sukuk	5,000,000	5,000,000	5,000,000
TOTAL EQUITY	34,333,601	31,876,313	30,711,027
TOTAL LIABILITIES AND EQUITY	236,715,098	200,436,229	173,476,084

Notes:

- (1) In the 2022 Financial Statements, "Investments held at fair value through statement of income (FVSI)" as at 31 December 2022 was SAR 1,652,479 thousand. The difference between "Investments held at fair value through statement of income (FVSI)" as at 31 December 2022 as shown in the 2022 Financial Statements and as shown in the 2023 Financial Statements reflected the reclassification in the 2023 Financial Statements of positive fair value derivatives from "Investments held at fair value through statement of income (FVSI)" to "Other assets" as at 31 December 2022.
- (2) In the 2022 Financial Statements, "Other assets" as at 31 December 2022 was SAR 1,605,145 thousand. The difference between "Other assets" as at 31 December 2022 as shown in the 2022 Financial Statements and as shown in the 2023 Financial Statements reflected the reclassification described above in note (1).

The table below shows the Group's consolidated statement of income and comprehensive income data for the years ended 31 December 2023, 31 December 2022 and 31 December 2021.

	For the year ended 31 December		
	2023	2022	2021
		(SAR'000)	
Income from investments and financing	13,227,509	7,612,961	5,677,771
Return on time investments	(5,572,995)	(1,546,495)	(537,386)
Income from investments and financing, net.....	7,654,514	6,066,466	5,140,385
Fees from banking services-income.....	2,426,703	1,901,510	1,560,543
Fees from banking services-expense.....	(967,712)	(692,578)	(486,223)
Fees from banking services, net.....	1,458,991	1,208,932	1,074,320
Exchange income, net.....	330,291	290,836	214,614
Income from FVSI financial instruments, net.....	211,721	279,308	129,398
Gain from FVOCI sukuk investments, net.....	—	993	209
Dividend income on FVOCI equity investments	30,798	30,545	8,820
Other operating income	39,342	85,980	91,848
Total operating income.....	9,725,657	7,963,060	6,659,594
Salaries and employees' related expenses.....	1,466,521	1,325,324	1,116,674
Rent and premises related expenses.....	73,651	68,225	56,824
Depreciation and amortisation	325,313	279,116	251,160
Other general and administrative expenses.....	1,178,041	1,092,312	932,910
Operating expenses before impairment charges	3,043,526	2,764,977	2,357,568
Impairment charge on financing, net of recoveries.....	1,272,104	1,197,700	1,251,603
Impairment charge / (reversal) on other financial assets.....	26,524	(8,982)	14,728

	For the year ended 31 December		
	2023	2022	2021
		(SAR'000)	
Total operating expenses	4,342,154	3,953,695	3,623,899
Net operating income	5,383,503	4,009,365	3,035,695
Share of income / (loss) from an associate and a joint venture...	12,021	3,534	(14,140)
Income for the year before zakat	5,395,524	4,012,899	3,021,555
Zakat for the year.....	(556,318)	(413,759)	(312,168)
Net income for the year after zakat	4,839,206	3,599,140	2,709,387
Basic and diluted earnings per share (SAR)	2.33	1.73	1.31
Net income for the year after zakat	4,839,206	3,599,140	2,709,387
Other comprehensive income / (loss):			
<i>Items that cannot be recycled back to consolidated statement of income in subsequent periods</i>			
Net change in fair value of FVOCI equity investments	461,304	(412,976)	(411)
Share of associate's other comprehensive income	10,868	—	—
Actuarial gain / (loss) on re-measurement of End of Service Benefits ⁽¹⁾	19,637	12,226	(6,311)
<i>Items that can be recycled back to consolidated statement of income in subsequent periods</i>			
Net change in fair value of FVOCI sukuk investments.....	108,987	(247,262)	(41,482)
Net gain realised on sale of FVOCI sukuk investments.....	—	(993)	(209)
Total other comprehensive income / (loss)	600,796	(649,005)	(48,413)
Total comprehensive income for the year	5,440,002	2,950,135	2,660,974

Note:

(1) This line item was labelled as "Actuarial gain/ (loss) on re-measurement of End of Service Benefits Scheme Balances" in the 2022 Financial Statements.

The table below provides key ratios for the Group as at and for the years ended 31 December 2023, 31 December 2022 and 31 December 2021.

Ratio	As at / for the year ended 31 December		
	2023	2022	2021
		(%)	
Cost to income ⁽¹⁾	31.3	34.7	35.4
Cost of risk ⁽²⁾	0.8	0.9	1.0
NPF ⁽³⁾	1.6	1.9	1.8
NPF coverage ⁽⁴⁾	154.9	136.3	177.1
SAMA financing to deposit ⁽⁵⁾	80.5	82.8	85.8
Financing to deposit ⁽⁶⁾	92.4	100.9	104.3
Financing to funding sources ⁽⁷⁾	88.9	90.6	92.6
Net income margin ⁽⁸⁾	49.8	45.2	40.7
Net profit margin ⁽⁹⁾	3.8	3.6	3.4
Return on average assets ⁽¹⁰⁾	2.2	1.9	1.6
Return on average equity ⁽¹¹⁾	17.2	13.7	10.8
CET1 capital adequacy ⁽¹²⁾	14.0	15.8	18.2
Tier 1 capital adequacy ⁽¹³⁾	16.3	18.6	21.6
Total capital adequacy ⁽¹⁴⁾	17.5	19.8	22.8
Leverage ⁽¹⁵⁾	13.4	15.2	17.3
Liquidity coverage ⁽¹⁶⁾	146.8	133.6	134.1
Net stable funding ratio ⁽¹⁷⁾	108.8	106.1	111.7

Notes:

- (1) Calculated as operating expenses before impairment charges divided by total operating income.
- (2) Calculated as the ratio between impairment charge on financing, net of recoveries for a given year and average funded credit facilities (calculated as the simple average of gross financing as at the start and end of the year).
- (3) Calculated as NPFs divided by gross financing.
- (4) Calculated as allowance for impairment on financing divided by NPFs.
- (5) Calculated in accordance with SAMA regulations as financing, net divided by the sum of customers' deposits weighted by maturity, eligible SAMA placements in the Bank and Tier 1 sukuk.
- (6) Calculated as financing, net divided by customers' deposits.
- (7) Calculated as financing, net divided by the sum of due to SAMA, banks and other financial institutions and customers' deposits.
- (8) Calculated as net income for the year after zakat divided by total operating income for the year.
- (9) Calculated as income from investments and financing, net for the year divided by average profit-earning assets (calculated as the sum of daily profit-earning assets in a year divided by 365). Profit earning assets represent the sum of money market placements with SAMA, Murabaha and Wakala with banks, net, investments in sukuk held at amortised cost, net, investments in sukuk held at FVOCI, Murabaha with SAMA, net, and financing, net.
- (10) Calculated as net income for the year after zakat divided by average total assets (calculated as the simple average of total assets as at the start and end of the year).
- (11) Calculated as net income for the year after zakat divided by average equity attributable to the shareholders of the Bank (calculated as the simple average of equity attributable to the shareholders of the Bank as at the start and end of the year).
- (12) Calculated in accordance with SAMA regulations and represents common equity tier 1 capital divided by total Pillar I risk-weighted assets.
- (13) Calculated in accordance with SAMA regulations and represents tier 1 capital divided by total Pillar I risk-weighted assets.
- (14) Calculated in accordance with SAMA regulations and represents the sum of tier 1 and tier 2 capital divided by total Pillar I risk-weighted assets.
- (15) Calculated in accordance SAMA regulations and represents tier 1 capital divided by total exposures.
- (16) Calculated in accordance with SAMA regulations and represents high-quality liquid assets divided by expected net cash outflows.
- (17) Calculated in accordance with SAMA regulations and represents total available stable funding divided by total required stable funding.

BUSINESS DESCRIPTION OF THE GROUP

Overview

The Bank is a commercial bank operating in the Kingdom under Commercial Registration No. 1010250808 dated 21 Jumada Al-UIa 1429, corresponding to 26 May 2008. The Bank's head office is located at King Fahad Road, P.O. Box 66674, Riyadh 11586, Kingdom of Saudi Arabia.

The Bank is a full service bank, which offers a full range of Islamic banking products and services to the retail and corporate sector, in addition to investment advisory services, asset management, underwriting and brokerage services, and treasury services.

According to figures published by the Tadawul, the Bank was the sixth largest listed commercial bank in the Kingdom as at 31 December 2023 by total assets (based on the latest available financial statements of the banking industry), with total assets of SAR 236.7 billion. As at 31 December 2023, the Bank's total customers' deposits amounted to SAR 187.9 billion, which represented approximately 7.6 per cent. of the market share in the Kingdom in terms of customer deposits. The Bank's net income after zakat was SAR 4,839 million for the year ended 31 December 2023, SAR 3,599 million for the year ended 31 December 2022 and SAR 2,709 million for the year ended 31 December 2021.

As at 31 December 2023, the Bank had a network of 108 branches, 1,504 ATMs, 133,928 POS terminals and a wide range of digital distribution channels.

Through a combination of active marketing and investment in its distribution channels, the Bank had built a retail customer base of over 4.6 million individuals as of 31 December 2023. The Bank had 234,500 corporate customers (including SMEs) as at 31 December 2023.

History

The Bank was established under Royal Decree No. M/15, dated 28 Safar 1427, corresponding to 28 March 2006, and under Commercial Registration No. 1010250808 dated 21 Jumada Al-UIa 1429, corresponding to 26 May 2008.

The founding shareholders of the Bank were the Public Investment Fund, the Public Pension Agency and the General Organization for Social Insurance. Upon the establishment of the Bank, 10 per cent. of its shares were allocated to each of the three founding shareholders. The remaining 70 per cent. of the shares were offered for public subscription in Rabie II 1429 (April 2008).

The Bank is authorised to engage in all aspects of *Shari'a*-compliant banking and investment services and activities.

Strengths

The Bank's management believes that it enjoys a number of strengths in terms of its capital structure, history, management and shareholders, market presence, financial portfolio and growth and product and services offering, as set out below:

- **Robust Capital Structure:** The Bank believes that it has a robust capital structure, as demonstrated by its total capital ratio of 17.5 per cent. as at 31 December 2023, which is significantly above the 10.5 per cent. (including a capital conservation buffer of 2.5 per cent.) requirement imposed by SAMA. The Bank's share capital was SAR 20 billion as at 31 December 2023, SAR 20 billion as at 31 December 2022 and SAR 20 billion as at 31 December 2021.
- **Strong Profitability deriving from a High Quality Financing Portfolio and Prudent Risk Management:** The Bank believes that its emphasis on prudent risk management has contributed to its

strong profitability. The Bank's return on average equity was 17.2 per cent., 13.7 per cent. and 10.8 per cent. for the year ended 31 December 2023, the year ended 31 December 2022 and for the year ended 31 December 2021, respectively. The Bank's net income after zakat was SAR 4,839 million for the year ended 31 December 2023, SAR 3,599 million for the year ended 31 December 2022 and SAR 2,709 million for the year ended 31 December 2021. The Bank's NPF ratio (calculated as NPFs divided by gross financing) was 1.6 per cent. as at 31 December 2023, 1.9 per cent. as at 31 December 2022 and 1.8 per cent. as at 31 December 2021 (see “– *Financial Review – Consolidated Statement of Financial Position - Financing, net – Classification Process for Non-Performing Financings*”).

- ***Experienced management and investment in individuals:*** The senior management team of the Bank has considerable and diversified experience in the banking industry and extensive skills in the operation of financial institutions in the local, regional and international markets. Employee training and development is at the core of the Bank's strategic objective of enabling employees to perform to the highest standards. For these purposes, in 2021, the Bank launched the Alinma Academy for Education and Development. In 2023, the Bank delivered 96,744 training hours to its 2,739 employees.
- ***Extensive channel distribution network:*** The Bank has a branch network throughout the Kingdom, with a total of 108 branches as at 31 December 2023. The Bank's customer service offering is further enhanced by its increasing focus on digital transformation and improvement of its e-banking channels. The Bank was among the first banks in Saudi Arabia to launch online updating of account information and opening of current accounts for individuals and businesses. For the year ended 31 December 2023, 98.4 per cent. of the Bank's customers' transactions were executed digitally.
- ***Market Leading Position in Islamic Corporate Financing Offering a Platform for Further Growth and Enhanced Opportunities for Cross-Selling:*** The Bank is a recognised and strong brand in the Saudi market. The Bank is one of the Kingdom's leading providers of Islamic financing to large and medium sized corporations, with a particular expertise in project finance. As at 31 December 2023, the assets attributable to the Bank's corporate banking segment amounted to SAR 131.4 billion (or 55.5 per cent. of the Bank's total assets), and principally consisted of the corporate financing portfolio. The Bank is well placed to utilise opportunities created by the strong synergies between its corporate and retail banking business segments.
- ***One of the fastest growing retail banks in the Kingdom:*** The Bank is considered to be one of the fastest growing retail banks in the Kingdom in terms of overall income. In addition, the Bank's high-quality retail service offering has resulted in notable growth in retail customer numbers, from 2.9 million as at 31 December 2021 to over 4.6 million as at 31 December 2023.
- ***Effective Cost Management:*** The Bank has historically maintained a low cost to income ratio when compared to the banking sector in the Kingdom as a whole by maintaining a stringent approach to cost control. The Bank's cost to income ratio was 31.3 per cent., 34.7 per cent. and 35.4 per cent. for the year ended 31 December 2023, for the year ended 31 December 2022 and for the year ended 31 December 2021, respectively, compared to the averages for the Kingdom's banking sector of 32.0 per cent., 32.5 per cent. and 34.8 per cent., respectively, in the same years.

Strategy

The Bank's vision is to be recognised as the fastest (by turnaround time for key products and services), most digitally advanced and most convenient bank in the Kingdom. It aims to achieve its vision through the following strategy.

- ***Customer Engagement:*** The Bank aims to achieve the highest “Net Promoter Score” (a customer loyalty and satisfaction measurement) across all banks in the Kingdom. In order to do so, the Bank intends to

adopt simple processes with simple language, encourage digital solutions wherever possible and offer a 24/7 service to ensure customers can access the Bank's products and services at their convenience. The Bank strives to achieve the shortest turnaround times across key product and service processes, the lowest wait times for service and instant or same day credit approvals, where possible. To be the bank of convenience, the Bank aims to reduce the complexities of its digital platforms as well as the number of document submissions required by its customers. In addition, excellent service is another value that the Bank considers paramount and it seeks to offer its customers an exceptional in-branch experience starting with a staff greeter guiding customers to complete their transactions. The Bank has also set up a "Customer Care" programme to assist with the resolution of any customer complaints. This service also enhances the awareness of the Bank's offerings.

- **Digitalisation:** Digitalisation is at the heart of the Bank's strategy. In 2021, the Bank increased its focus on its digital capabilities to enhance the customer experience and improve operational efficiency. The Bank continues to pursue initiatives across advanced analytics ("AA") and big data, artificial intelligence ("AI") and robotic process automation ("RPA"), including chatbots, customer 360 degree views and data mining. Through these initiatives, the Bank seeks to continue to improve its operating model across all business segments and product and service processes and to continue to deliver with speed, quality and efficiency, particularly in an increasingly agile working environment. The Bank has also refined the customer journey to ensure each customer is provided with a unique and tailored experience. See further "*– Digital Transformation of the Bank*" below.
- **Renewed Growth in Retail Banking:** The Bank seeks to become the most digitally advanced, fastest (by turnaround time for key products and services) and most convenient retail bank in the Kingdom. In addition, the Bank intends to grow its retail banking offering further, with a focus on expanding two particular customer groups: (i) digitally-enabled affluent and high net worth customers, including experienced professionals and self-employed Saudis; and (ii) digitally-enabled youth customers, including young professionals and university students, in each case through investment in people, infrastructure and systems and cross-selling.
- **Growth in Corporate Banking:** The Bank aims to be the corporate bank with the best customer experience and offering the fastest turnaround time in the Kingdom. The Bank intends to evolve its offering for large and mid-sized corporate customers and project finance partners across diversified sectors, develop a high-quality and growing SME proposition and grow its cash management and trade finance businesses. The Bank intends to achieve this through the development of an increasingly integrated digital offering focused on customers and by assigning relationship managers, product specialists and industry experts to corporate and commercial customers across all its business lines. The Bank aims to enhance its products and services offering in core cross-selling categories and is targeting a diversified portfolio of customers in various economic sectors, including the manufacturing sector, the commercial sector and the services sector as well as continuing to target established customers in the contracting and real estate sectors. The Bank aims to establish long-term banking relationships with all of its corporate banking customers. The Bank plans to continue to grow its market share in terms of assets and presence in the cash management and trade finance businesses. In addition, the Bank plans to grow U.S. dollar based financing to its corporate customers (see "*– Innovation in Islamic Banking*" below). In addition, the Bank intends to generate new opportunities with SME customers by expanding its portfolio across medium and large corporate customers as well as driving growth through the Kafala Programme.
- **Innovation in Islamic Banking:** The Bank is constantly innovating and upgrading the range of products and services that it offers customers across its business lines. The Bank seeks to be the most innovative *Shari'a*-compliant treasury partner throughout the Kingdom. The Bank's Treasury Group has to date

focused on its existing foreign exchange (“FX”) offering serviced directly through the Treasury Group and has built a strong track record with a well-managed liquidity profile and this is reflected in the overall growth in investment revenue. The Bank intends to leverage its Treasury Group’s expertise in Islamic derivatives products by expanding its range of products and risk advisory solutions, and pursuing cross-selling activities through business lines and subsidiaries. In particular, the Bank intends its Treasury Group to be the core partner for corporate customers for their hedging and investment needs. The Bank has recently introduced *Shari’a*-compliant derivative products in the form of FX *Waad* (forward), profit rate swaps and FX swaps. The Bank will be able to use these derivative products for hedging purposes. In order to diversify its funding base, the Bank is focusing on growing its financial institution customer franchise with dedicated coverage teams to these customers to help them navigate all of the Bank’s products and services. In addition, the Bank will continue to maintain and evolve its high quality asset liability management function in order to maintain its healthy balance sheet with a focus on liquidity and stable funding ratios.

- **Investment in people:** The Bank seeks to be the employer of choice across all of the banks in the Kingdom, by transforming the culture of the Bank to attract the best talent, focusing on the empowerment of women and having among the lowest employee turnover levels in the Kingdom, according to the industry benchmark.

Competition

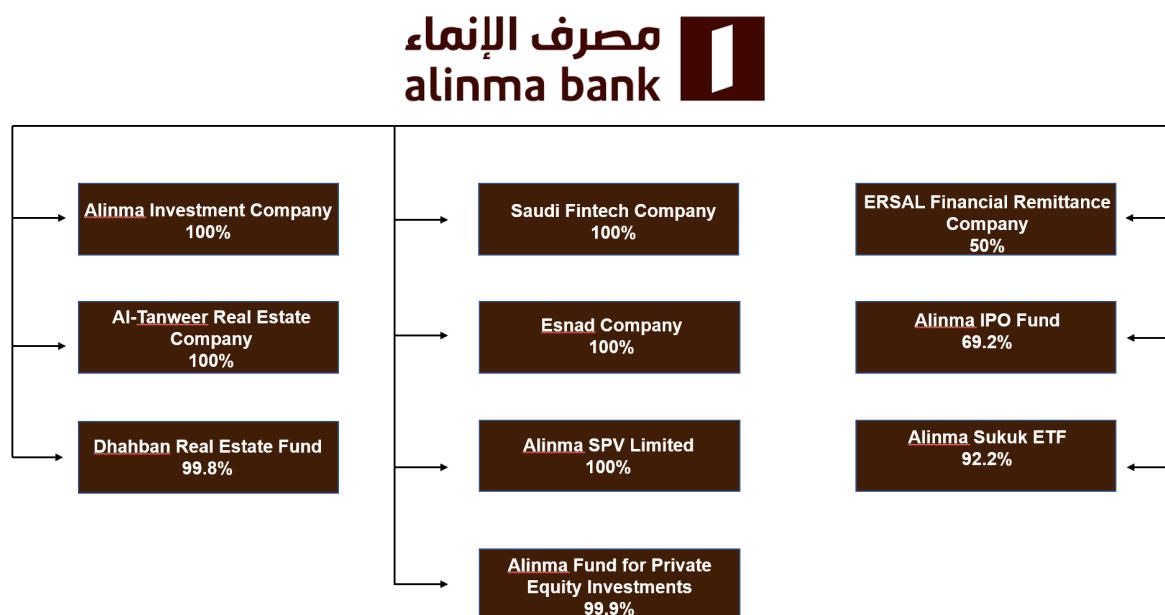
According to SAMA’s website, there are 36 commercial banks licensed to operate in the Kingdom, of which 11 are incorporated in the Kingdom. Of the remaining 25 licensed banks, six are branches of banks based in countries of the GCC other than the Kingdom (namely Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Muscat Bank, Qatar National Bank, and First Abu Dhabi Bank), 10 are international banks (namely Deutsche Bank, BNP Paribas, J.P. Morgan Chase N.A., National Bank Of Pakistan, T.C. Ziraat Bankası A.Ş., Industrial and Commercial Bank of China, MUFG Bank, Ltd., Credit Suisse Bank, Standard Chartered Bank and National Bank of Iraq) 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 Egypt, Sohar International Bank, and Bank of Jordan). In addition, three digital banks (namely STC Bank, D360 bank and Saudi Digital Bank) have been recently licensed by SAMA but have not yet commenced their operations. A digital bank does not operate through physical branches but only provides remote banking services (i.e. through online banking). Apart from Gulf International Bank Saudi Arabia, all of the 11 Saudi operating banks are publicly listed joint stock companies and their shares are traded on the Tadawul.

In the corporate banking sector, the Bank competes to attract large national corporate customers that can provide significant volumes of business directly and present opportunities to cross-sell retail banking services to their employees. The Bank considers its primary competitors in this area to be The Saudi National Bank, Riyadh Bank, Saudi British Bank and Banque Saudi Fransi.

The Bank also competes with all Saudi banks across its retail products including The Saudi National Bank, a Saudi bank majority owned by Government institutions. This includes relatively recent competition from Emirates NBD and Gulf International Bank which are providing fully digital banking propositions for the mass market. In addition, a number of financial technology companies (“fintechs”) that provide limited banking services such as e-wallets, which enable several transactions such as merchant payments, remittance, and inter-bank transfers have been established in recent years. Although the Bank faces limited competition from these fintechs at present due to their functionalities being underpinned by the need for a traditional bank account, their high adoption rate and innovative digital platforms may pose a threat over time to more traditional banks. However, as a relatively recent market entrant, with less of a historical focus on more traditional banking products than some of its competitors, the Bank believes that it is well positioned to grow through innovation.

Corporate Structure of the Bank

The following structure chart sets out the key operating subsidiaries, entities under effective control and a joint venture of the Bank as at 31 December 2023:



Share Capital and Ownership Structure

Since its establishment, the Bank has been listed on the Saudi Stock Exchange (Tadawul) (ISIN: SA122050HV19).

As at 31 December 2023, the Bank's market capitalisation was SAR 77.3 billion, making it the fifth largest bank in the Kingdom by capitalisation according to Tadawul.

As at 31 December 2023, the equity attributable to the shareholders of the Bank amounted to SAR 29.3 billion.

As at the date of this Offering Circular, the authorised, issued and fully paid up share capital of the Bank consists of 2,000 million shares of SAR 10 each. The table below provides the details of the shareholders with an interest of 5.0 per cent. or more in the Bank as at 31 December 2023:

Name	Percentage Shareholding
Public Investment Fund	10 per cent.

Digital Transformation of the Bank

One of the pillars of the Bank's strategy is to provide the Bank's customers with the most innovative banking products and services. The key initiatives aimed at achieving this include development of the Bank's AA capabilities (including the establishment of the AA Center of Excellence), streamlining and digitalisation of the Bank's operations, including the integration of AI, AA and RPA into the Bank's business processes, expanding the digital services offering at the Bank's branches, enhancing the user experience and interface of the Bank's digital channels and automation of a number of internal processes and procedures with the aim of reducing the turnaround time and increasing efficiencies.

In 2023, the Bank implemented the following high-priority initiatives:

- Launch of “SuperApp”, a new state-of-the-art mobile application;
- soft launch of “Iz Youth”, a new mobile application for Bank’s youth customers;
- launch of the marketplace (in which customers can securely browse and digitally pay for e-vouchers and physical items offered by approved merchants through the Bank’s digital channels) and integration of the marketplace into the Bank’s loyalty programmes; and
- certification of open banking and use-case development.

Operations

The Bank has four principal reporting segments which correspond to its core business lines. These are:

- *Retail banking*, which provides banking services to private, affluent and mass retail customers;
- *Corporate banking*, which provides banking services to large and mid-corporates, Government and public entities and SMEs;
- *Treasury*, which manages the Bank’s liquidity, ensures the Bank is in compliance with liquidity ratios prescribed by SAMA and offers derivative and other structured products to the Bank’s customers; and
- *Investment and brokerage*, which provides securities brokerage, asset management and corporate finance services to the Bank’s customers.

Retail Banking

The retail banking segment is the Bank’s largest business line in terms of the number of customers. The retail banking’s segment net income before zakat was SAR 2,054 million for the year ended 31 December 2023, SAR 1,224 million for the year ended 31 December 2022 and SAR 1,303 million for the year ended 31 December 2021. The total assets of the retail banking segment amounted to SAR 41.3 billion as at 31 December 2023, SAR 35.6 billion as at 31 December 2022 and SAR 26.6 billion as at 31 December 2021. Financing, net to customers of the retail banking segment stood at SAR 41.3 billion as at 31 December 2023, SAR 35.6 billion as at 31 December 2022 and SAR 26.6 billion as at 31 December 2021. Customers’ deposits within the retail banking segment amounted SAR 117.8 billion as at 31 December 2023, SAR 97.1 billion as at 31 December 2022 and SAR 81.5 billion as at 31 December 2021.

As at 31 December 2023, the Bank had over 4.6 million retail customers.

The Bank’s retail banking business comprises the following segments:

- private banking, which provides tailored financial planning, portfolio management and investment advisory solutions to the Bank’s high net worth customers;
- affluent banking, which provides a full suite of retail financing, saving and deposit products to the Bank’s affluent customers; and
- mass retail banking, which provides a full suite of retail financing, saving and deposit products to the Bank’s retail customers.

The Bank’s vision for its retail banking segment is to become the fastest, most digitally advanced and most convenient retail bank in the Kingdom. The Bank’s objectives for retail banking are to:

- build a digital-savvy private and affluent banking customer franchise;
- grow the digital-savvy youth customer franchise;

- focus on meeting the growing banking demands of the underserved female population; and
- offer the best customer experience and operational excellence.

Mass retail banking

Real Estate Finance

The Bank offers a full range of residential finance products, which includes Murabaha, self-construction finance, land finance, ready unit financing, equity release financing and off-plan finance. As at 31 December 2023, the Bank had granted mortgage financing to its retail customers that amounted to SAR 21.2 billion.

Deposit Solutions

The Bank offers a wide range of deposit solutions, including savings accounts, term deposits and structured deposits. As at 31 December 2023, the Bank's retail banking customers' deposits amounted to SAR 117.8 billion.

Bank Cards

As at 31 December 2023, the number of active bank cards issued exceeded 1.5 million. The Bank offers its customers a broad range of Visa charge cards, pre-paid cards and debit cards. All of the cards offered by the Bank are *Shari'a*-compliant.

Education Financing

The Bank provides its retail customers with access to *Shari'a*-compliant education finance plans. Education finance plans help to cover the cost of education for children across all education levels, from kindergarten through to high school as well as training institutes.

Insurance and Protection Programmes

The Bank provides a full range of *Shari'a*-compliant insurance and protection programmes. Under these programmes, the Bank deducts certain amounts from participating customers' accounts, which are then invested and managed by Alinma Investment Company ("AIC") on behalf of such customers. The insurance and protection programmes offered by the Bank include both general and special purpose investment programmes, such as programmes assisting the Bank's customers with saving and financial planning to cover the costs of marriage or higher education for their children. The number of participating customers in the Bank's insurance and protection programmes exceeded 1,465 as at 31 December 2023.

Local and international remittances

Through ERSAL Financial Remittance Company, the Bank offers a broad range of local and international remittance services to its customers. The Bank has an active partnership with several money transfer systems, such as Inma Express and Western Union, enabling its customers to transfer funds in substantially all currencies and to substantially all countries abroad. In 2023, the Bank's customers transferred more than SAR 195 million locally and abroad.

Brokerage and investment funds

The Bank provides its retail customers with access to both international and Saudi securities markets through its subsidiary, AIC. In addition, Alinma Investment offers a wide range of managed investment solutions such as mutual funds and managed portfolios for the Bank's retail customers. See "*Investment and Brokerage*" below.

Affluent banking

The Bank's affluent customers include customers with a monthly salary of SAR 45,000 or more payable to their accounts with the Bank or with an average minimum balance with the Bank of at least SAR 500,000 over the last three months and/or customers who have made a deposit with the Bank of at least SAR 1 million. In addition to the mass retail banking products, the Bank's affluent customers are entitled to a range of benefits, including the assistance of a dedicated relationship manager (in case such customers meet certain requirements), access to VIP lounges at airports worldwide and special rates and discounts on certain of the Bank's products.

Private banking

The Bank's private customers include customers with an average balance with the Bank of SAR 5 million or with an investment portfolio of at least SAR 15 million with AIC and/or individuals who have obtained financing of at least SAR 20 million from the Bank. The Bank's private banking business offers a wide range of tailored financial planning, portfolio management and investment advisory solutions. In addition, the Bank's private customers are entitled to a range of benefits, including the assistance of a dedicated relationship manager, access to VIP lounges at airports worldwide, fee exemptions on most of the Bank's products and special rates and discounts on stock trading services provided by Alinma Invest. Customers of the Bank's private and affluent banking also have access to the mass retail banking products.

Distribution Channels

Branches

The table below provides the number of branches (excluding ladies' sections) operated by the Bank as at 31 December 2023, 31 December 2022 and 31 December 2021:

Year	Branches (excluding ladies' sections)
31 December 2021	100
31 December 2022	104
31 December 2023	108

The Bank's branches and sales centres are spread across the Kingdom and are divided into three regional management groups for operational purposes, which reflect the administrative zoning of the country, and as at 31 December 2023 comprised:

- Western Region (Jeddah): 30 branches;
- Central Region (Riyadh): 54 branches;
- Eastern Region (Dammam – Al Khobar): 24 branches;

In addition, the Bank has four fully automated self-service branches at King Khaled International Airport and King Fahad International Airport in Dammam, its Riyadh Tahlia Branch and the Digital City branch.

All branches are equipped with state-of-the-art ATMs and self-service kiosks, which allow banking operations to be processed directly by customers.

The Bank's focus is not only on increasing the number of branches selectively, but also the modernisation of its network to make the older branches more user-friendly for customers and to improve the Bank's retail product distribution and reach.

Automated Teller Machines (ATMs)

The Bank had a network of 1,504 ATMs as at 31 December 2023, as compared to 1,564 ATMs as at 31 December 2022 and 1,584 ATMs as at 31 December 2021. The Bank assesses its ATMs' profitability on an ongoing basis and closes down unprofitable ATMs whilst exploring locations with greater economic potential.

E-banking

The Bank uses e-banking technologies in order to enhance its distribution channels. These include online transfers, including intra-Bank, local and international transfers, utility payments, account opening, requests for finance and credit cards as well as ID/information updates (such as access to transaction history and statements), online access to investment profiles and accounts with AIC, subscription and management of time deposit products and online customer support. In addition, the Bank has a number of unique online products, such as emergency cash, which enables customers to withdraw cash from the Bank's ATMs without the need for a physical card, and the family account, which enables customers to create and manage their families' accounts and cards.

Competition/positioning

The Bank is operating in a competitive environment. The Bank aims to offer a full range of Islamic products and services to its retail customers, while differentiating itself from its competitors through quality of service and responsiveness. It has adopted a strategy of focusing on the middle and upper income market segments as well as providing a balanced and digitalised approach.

Corporate Banking

The Bank's corporate banking segment provides corporate finance, cash management, transactional banking services and deposit solutions to the Bank's large and mid-sized corporate customers, SMEs and government and public entities, primarily in the Kingdom.

The Bank's vision in the corporate banking segment is to evolve as the core bank for large and mid-sized corporates customers across diversified sectors, to develop a high-quality and growing SME proposition and to grow its cash management and trade finance business.

The corporate banking segment's net income before zakat was SAR 2,067 million for the year ended 31 December 2023, SAR 1,402 million for the year ended 31 December 2022 and SAR 543 million for the year ended 31 December 2021. The total assets of the corporate banking segment amounted to SAR 131.4 billion as at 31 December 2023, SAR 110.0 billion as at 31 December 2022 and SAR 98.8 billion as at 31 December 2021. Financing, net to corporate customers stood at SAR 131.4 billion as at 31 December 2023, SAR 110.0 billion as at 31 December 2022 and SAR 98.8 billion as at 31 December 2021. Customers' deposits within the corporate banking segment amounted to SAR 22.8 billion as at 31 December 2023 and SAR 23.7 billion as at each of 31 December 2022 and 31 December 2021.

As at 31 December 2023, the Bank's corporate banking segment had 2,824 customers.

The Bank classifies its corporate customer base into the following categories:

- Large corporates, being companies with annual revenues exceeding SAR 1 billion;
- Mid-sized corporates, being companies with annual revenues from SAR 200 million to SAR 1 billion;
- Government entities, being entities wholly owned by the Government and Government agencies and departments; and
- SMEs, being companies with annual revenues of SAR 200 million or lower.

The corporate banking business provides the following solutions and segments:

Corporate Finance

The Bank offers a wide range of *Shari'a*-compliant corporate finance solutions, which include project finance, syndicated finance and other long-term financing and working capital finance solutions.

- Project Finance

The Bank finances both greenfield and brownfield projects in the Kingdom through non-recourse or limited recourse financial structures, all of which are *Shari'a* compliant. In the year ended 31 December 2023, the Bank participated in 350 project finance transactions and funded more than SAR 24.7 billion in project finance transactions.

The Bank's strength in project finance is underpinned by its dedicated team of professionals who have demonstrated expertise in deal structuring and debt refinancing.

- Syndicated Finance

The Bank is an active participant in the Kingdom's syndicated finance market. In the year ended 31 December 2023, the Bank participated as arranger or co-arranger in nine syndicated finance transactions in the Kingdom and funded more than SAR 1.9 billion in petrochemicals and education syndicated finance transactions.

- Other Long-Term Financing

In addition to project finance and syndicated finance, the Bank provides other long-term finance solutions, such as real estate financing, investment financing and contract financing. In the year ended 31 December 2023, the Bank provided such long-term financing in the aggregate amount of SAR 31,126 million.

- Working Capital Finance

The Bank provides working capital facilities with a maturity of up to 360 days.

SME Banking

The Bank offers a number of finance products which are tailor-made for SMEs, including POS terminal solutions (see - "*POS Terminals and Solutions*" below).

The Bank's SME clients are served through two main tracks, SME Banking and SME Sales Network. SME Banking represents a traditional lending track which has similar procedures to large and mid-sized corporate lending including requirements for audited financial statements and a detailed credit proposal for each loan request. The SME Sales Network relies on programme-based lending products which do not require audited financial statements, have less requirements, and a fast approval track, such as POS Financing, Current Account Based Financing, Supply Chain Financing, and Performance Bond (Daman).

In addition, the Bank participates in the Kafala Programme. Under the Kafala Programme, banks offering finance to eligible customers receive a guarantee from the Kafala Programme, covering up to 90 per cent of the financing amount. As at 31 December 2023, financing extended by the Bank under the Kafala Programme amounted to SAR 1,391 million.

International Transaction Services

The Bank provides a comprehensive suite of documentary operations and trade finance instruments for its customers. Such instruments include letters of credit, such as revolving documentary letters of credit,

transferable documentary letters of credit and standby letters of credit, which are used by the Bank's corporate customers in their import and export operations. The Bank also provides a wide range of guarantee services which include bid bonds, performance bonds, advance payments, payment guarantees, retention bonds, zakat and income tax bonds, shipping guarantees and counter guarantees. In addition, the Bank's trade finance solutions product offering includes documentary collection services and import/export documentary collection services, such as post finance letters of credit and bills discounting.

Cash Management

The Bank provides a wide range of cash management and deposit solutions, which include maintenance of borrowing and non-borrowing accounts, demand and margin deposits as well as cash collection services. As at 31 December 2023, customers' deposits attributable to the corporate banking segment amounted to SAR 22.8 billion.

POS terminals and solutions

POS terminals

Since 2015, the Bank has significantly increased its share in the market for POS terminals used by retailers. The Bank provides POS terminals to numerous well-established commercial centres, hypermarkets, restaurants and other vendors.

Expanding in this sector is part of the Bank's long-term strategy and the Bank intends to continue to build its existing portfolio of relationships where the Bank believes it can maintain good returns and keep risks at a reasonable level. As at 31 December 2023, the Bank had 133,928 POS terminals (7.9 per cent. of the market share) in operation throughout the Kingdom, compared to 125,247 POS terminals and 100,764 POS terminals as at 31 December 2022 and, respectively, representing 8.8 per cent. and 9.9 per cent., respectively, of the market share in the Kingdom in terms of the number of POS terminals. The Bank was the fifth among the 11 local banks in terms of the number of POS terminals in operation as at 31 December 2023.

POS Solutions

The Bank provides a wide range of POS-finance services, through which shoppers are provided with flexible, pay-over-time instalment options. The Bank's POS financing customer base has increased from SAR 224 million (276 customers) as at 31 December 2021 to SAR 944 million (4,156 customers) as at 31 December 2023.

Distribution Channels

Corporate banking customers of the Bank benefit from dedicated teams of relationship managers, assigned on the basis of the size and geographical location of the customer. The Bank's relationship managers are based in the head office in Riyadh and each of the Bank's three regional offices. Operational banking requirements are met through the branch network and designated corporate lounges. The Bank also offers its corporate customers access to the specialist e-banking systems which provide cash management services and access to the Bank's international transaction services.

Treasury Segment

The Bank's Treasury Group comprises six main desks: (i) Balance Sheet Management, (ii) Investment, (iii) Global Sales and Trading, (iv) Financial Institutions, (v) Treasury Excellence and Support and (vi) Treasury Product Development, each catering for the needs of the Bank's customers.

The treasury segment's net income before zakat was SAR 745 million for the year ended 31 December 2023, SAR 923 million for the year ended 31 December 2022 and SAR 789 million for the year ended 31 December

2021. Total assets attributable to the treasury segment amounted to SAR 61.4 billion as at 31 December 2023, SAR 52.4 billion as at 31 December 2022 and SAR 45.7 billion as at 31 December 2021.

Balance Sheet Management

The primary role of the treasury segment is to manage the Bank's short-term liquidity. The Balance Sheet Management desk manages the liquidity needs of the Bank by identifying investment opportunities and tapping multiple funding sources using different financial products. The Balance Sheet Management desk also facilitates the Bank's relationship with SAMA and manages the Bank's account in the SAR Interbank Express system. The desk manages the Bank's *nostro* accounts for major currencies and its liquidity gaps on an ongoing basis within the risk limits approved by the Asset and Liability Committee (the "**ALCO**"). Finally, this desk also monitors and manages the prudential regulatory ratios and takes necessary action to ensure the Bank's compliance with such ratios.

Investment

The primary objective of this desk is to manage the Bank's investment portfolio and trading portfolio within the limits set by the ALCO and the Investment Committee of the Bank.

Global Sales and Trading

The main responsibilities of the Global Sales and Trading desk are:

- cross-selling products across all segments of the Bank's customers;
- raising funds to meet the Bank's liquidity requirements;
- playing a major role in expanding the Bank's customer base;
- managing and funding the Bank's *nostro* accounts for its FX business;
- developing the Bank's range of treasury products; and
- being a primary dealer by creating a secondary market for sukuk and establishing a nationwide awareness for investors with the Kingdom's National Debt Management Centre.

Financial Institutions

The main responsibilities of the Financial Institutions desk are to:

- manage relationships and prepare proposals for correspondent banks for establishing funded and unfunded trade/treasury limits with minimum turnaround times in order to facilitate customers routing business through the Bank;
- market the Bank's products and services to financial institutions customers;
- negotiate better terms and conditions with different foreign banks for required *nostro* accounts and enhance their trade and treasury lines for the Bank;
- represent the Bank across all platforms within the Kingdom and internationally help build the Bank's reputation; and
- propose maximum risk exposures for the banking activities as well as being responsible for assessing and recommending cross-border exposure on a country-wide basis.

Treasury Excellence and Support

The main responsibilities of the Treasury Excellence and Support desk are to:

- review and manage the Bank's policies, procedures and service level agreements in conjunction with other stakeholders;
- supervise the Bank's daily dealing activities (cash flow, gap analysis, maturity profiles, outstanding positions, regulatory ratios and SAMA reports) and ensure adherence to the internal controls and limits as required by SAMA, the Bank's risk function and the ALCO;
- manage the Bank's systems development and other issues including change requests, business requirements documents and service level agreements with IT and other stakeholders; and
- manage all internal and external audit, *Shari'a* and SAMA inspections and group projects.

Treasury Product Development

The main responsibilities of the Treasury Product Development desk are to:

- form product ideas and conduct feasibility studies;
- improve existing products in line with the Bank's efficiency and profitability requirements;
- conduct analysis of products offered by the Bank's competitors and seek necessary approvals to offer such products.

Products

The Bank offers the following products to its customers through its Treasury Group (all of which are *Shari'a*-compliant):

- FX: FX-spot and foreign currency and local currency bank notes;
- term deposits: direct investment and "Nama" accounts;
- interbank: Commodity *murabaha*, direct investment, *wakala*, SAMA *murabaha* and interbank repurchase agreements;
- equity investment and sukuk investment;
- export letters of credit, letters of credit and letters of guarantee risk participation, documentary collection and counter letters of guarantee; and
- Islamic derivatives: FX *waad* (forward), profit rate swaps and FX swaps.

Investment and Brokerage Segment

The Bank conducts its investment and brokerage business through its subsidiary, AIC, which offers asset management, custodianship, advisory, underwriting and brokerage services. It is licensed as an "Authorised Person" by the CMA.

The investment and brokerage segment's net income before zakat was SAR 529 million for the year ended 31 December 2023, SAR 463 million for the year ended 31 December 2022 and SAR 387 million for the year ended 31 December 2021. Total assets attributable to the investment and brokerage segment amounted to SAR 2.6 billion as at 31 December 2023, SAR 2.5 billion as at 31 December 2022 and SAR 2.4 billion as at 31 December 2021.

Brokerage

According to the Tadawul, as at 31 December 2023, AIC was ranked the sixteenth largest local equity broker in the Kingdom in terms of total value traded with a market share of approximately 2.6 per cent. of the Saudi

local brokerage market. AIC ranked amongst the top ten brokers in the Kingdom in terms of total turnover in its international brokerage business in 2023.

AIC provides a wide trading and price dissemination network, through its online trading system, as well as its trading desk, enabling customers to access the Saudi listed securities markets easily. For the year ended 31 December 2023, approximately 92.0 per cent. of trades by volume undertaken by AIC were executed through its online trading system.

Asset Management

AIC has operated an asset management division since its establishment. Currently, AIC's asset management business offers a variety of mutual funds and investment solutions for all segments of customers, including retail, high net worth individuals, corporate and government customers.

As at the date of this Offering Circular, AIC offers 32 private mutual funds and nine public mutual funds, all of which are *Shari'a*-compliant and are managed locally. The public mutual funds comprise three equity funds, one multi-assets fund, two money market and Murabaha funds, two REIT funds and one exchange traded fund ("ETF"). In addition, as at 31 December 2023, AIC managed five public endowment funds on behalf of licensed endowments in the Kingdom, offering multi-asset diversification to the endowment portfolios.

As at 31 December 2023, AIC's total assets under management amounted to more than SAR 82.7 billion (U.S.\$ 22.0 billion) and the listed ETF had a market capitalisation of more than SAR 424 million (U.S.\$ 113 million). According to the CMA's Capital Market Institutions Report for the third quarter of 2023, AIC's share in "Assets under Management (Public, Private Funds and Discretionary Portfolio Management)" was 8.5 per cent.

As at 31 December 2023, AIC had a distribution team of approximately 13 employees, with responsibility for marketing both its asset management and brokerage products and solutions.

Investment Banking

AIC offers the full range of investment banking services in Saudi Arabia. Its main services are split into three broad categories:

- equity capital markets;
- debt capital markets; and
- mergers and acquisitions ("M&A") advisory.

In 2023, AIC was involved in 11 investment banking transactions. The work on some of these transactions is ongoing. In 2023, AIC acted as financial advisor in connection with two initial public offerings ("IPOs") and lead manager in connection with two IPOs on the Parallel Market of Tadawul. In addition, AIC acted as financial advisor, underwriter and lead manager on two rights issues transaction on the Main Market of Tadawul and as arranger, joint lead manager and dealer on four sukuk issuances. AIC also acted as a sell-side advisor on a merger transaction in 2023.

Subsidiaries and a Joint Venture

In addition to AIC, the Bank has a number of other subsidiaries, associates, joint ventures and entities under effective control, including:

Al-Tanweer Real Estate Company ("ARE"): ARE, a wholly-owned subsidiary, facilitates real estate financing by holding the legal title of properties financed by the Bank and properties pledged as collateral against financing extended by the Bank.

Alinma Isnad Company (“AIS”): AIS, a wholly-owned subsidiary, provides outsourced staff to the Bank including customer services, management support and technical support.

Saudi Fintech Company (“SFC”): SFC, a wholly-owned subsidiary, provides financial technology products and services to the Bank. SFC provides digital financial products and services together with digital financial platforms and engages in banking agency activity for e-commerce payment services.

Alinma SPV Limited (“Alinma SPV”): SPV, a wholly-owned subsidiary, is engaged in financial derivative transactions and repurchase agreements with international banks.

Alinma Fund for Private Equity Investments (“Alinma Private Equity”): Alinma Private Equity, a 99.9 per cent. subsidiary, is engaged in private equity investments in the Kingdom.

Alinma Sukuk ETF (“Alinma ETF”): Alinma ETF, a 92.2 per cent. owned subsidiary, invests in local sovereign Sukuk issued by the Kingdom.

Alinma IPO Fund (“Alinma IPO”): Alinma IPO, a 69.2 per cent. owned subsidiary, invests in equities of Saudi joint stock companies.

Dhahban Real Estate Fund (“Dhahban”): Dhahban, a 99.8 per cent. owned subsidiary, invests in the real estate sector in the city of Jeddah.

ERSAL Financial Remittance Company (“ERSAL”)

The Bank has invested SAR 25 million in ERSAL, giving it a 50 per cent. shareholding. ERSAL was established under Commercial Registration No. 1010431244 dated 21 Jumada I 1436H (corresponding to 12 March 2015) with a paid-up capital of SAR 50 million. ERSAL is a money transfer service that facilitates international remittances from Saudi Arabia using the latest in transfer technology and leveraging international best practices.

Shared Services Group

Organisation

The Shared Services Group runs technology and operations related decision-making, collaboration, operations and information sharing in formalised committees such as the Shared Services Steering Committee, which addresses investments, operations and IT and is led by the Vice President of the Shared Services Group. The Shared Services Group also comprises an IT Portfolio Committee led by the head of the Shared Services Strategy and Project Management Office.

Portfolio reviews are conducted every quarter with the heads of business lines.

The Shared Services Group has five divisions which are (i) Information Technology, (ii) Operations and Engineering, (iii) Procurement, (iv) Shared Services Planning & Excellence, and (v) Access Management. All these divisions collaborate to provide, manage and support business functions and requirements.

Production

The Information Technology Division operates two data centres on a 24/7 basis. The main data centre is in Al Olaya, Riyadh and the data recovery data centre is located in Al Naseem, Riyadh.

The Shared Services Group also operates a business recovery centre with the necessary number of ready to operate workstations covering the main critical functions in case of disaster.

Centres, branches and offices are connected through a high bandwidth backbone. Every location has a second line using different service providers, to ensure the availability of uninterrupted services. The Bank has adopted a multi-vendor policy of communication services to ensure competitiveness in maintaining the service level and to reduce the risk of failure.

Technology Security

Since the introduction of online banking in March 2009, the Bank has dedicated considerable investment and effort towards the development and improvement of the security of its systems. Information Technology works in co-ordination with the Information Security Management Division to formulate and regulate information security, following best practice and local and international standards. These efforts were recognised in 2019 when the Bank was awarded the Digital Services Award by the Union of Arab Banks and the Arab Organization for Information and Communication Technologies in recognition of the Bank's efforts to provide partners with the easiest and most convenient financial and technological solutions through digital channels.

The Bank has put in place several security controls to ensure that only authorised individuals obtain access to its systems. The Bank has implemented a users' identity management system to ensure access to all applications is managed and based on the approved privileges granted by Access Management. In addition, the system manages the revocation of any such access in a timely manner. To ensure that suspicious behaviour is monitored, detected and acted upon in a timely manner, the Bank has implemented numerous monitoring and detection controls.

To measure and improve security effectiveness and minimise security breaches, the Bank has established a Cybersecurity Steering Committee. The Bank has also laid the foundations for a proactive 24/7 incident management system and established a dedicated security operations centre that takes a proactive approach to security.

The Bank has established a dedicated ongoing awareness programme to ensure that its staff remains vigilant when it comes to protecting the Bank's information assets.

To ensure continuous and thorough verification of systems security, the Bank has implemented a 4-tier system, including an application risk assessment system to ensure the early identification and mitigation of system risks. The Bank has dedicated considerable efforts towards remaining in compliance with industry standards and best practices regarding security, for instance, the deployment of automated firewall rules analysers and reviewers.

Core Banking Implementation

The Bank is managing IT services with the help of many applications including customised third-party applications and in-house developed applications.

Compliance Division

Compliance with laws and regulations is a top priority for the Bank. The Bank believes that transparent and accountable adherence to laws, rules and regulations in its daily operations supports its prosperity, together with that of its shareholders, customers, other stakeholders, employees and society in general.

The Compliance Division is an independent control function at the Bank. The Compliance Division supports the Bank's pursuit of its growth strategies and in managing compliance risk management in areas including AML and counter terrorist financing ("CTF"). As part of its key responsibilities, the Compliance Division supports all business lines and control functions by providing necessary advice, training, tools and resources to achieve strict adherence and strong compliance risk management.

In addition, the Compliance Division conducts control and monitoring reviews and performs quality assurance assessments to ensure compliance with regulatory rules and to mitigate financial crime, bribery and corruption risks via robust monitoring and reporting methods. The Compliance Division also supervises the whistle blowing mechanism to monitor, investigate and report on whistle blowing incidents.

In order to combat the risks of money laundering and terrorist financing, the Compliance Division has built a robust mechanism of monitoring, investigating and submitting suspicious activity reports to the competent authorities. A KYC programme that complies with local and international laws, regulations and best practices

including AML, CTF and sanctions programmes, has been implemented to classify the Bank's customer identification and acceptance. All categories of new high-risk customer relationships and ratification of existing high risk customers require the approval of the Compliance Division.

The Chief Compliance Officer participates in the meetings of the Board of Directors, Audit Committee and various management committees' meetings and regularly updates the Board of Directors and Audit Committee on the status of compliance in the Bank and the measures required to ensure a high level of compliance with applicable laws, rules and regulations.

Additionally, a high-level Compliance Committee comprising senior executives has been formed to oversee compliance risk management. The Compliance Committee meets on a periodic basis to discuss the overall management of compliance risk. The activities of the Compliance Committee are reported to the Audit Committee.

Legal Group

The Legal Group is responsible for providing legal advice and consultation on all general and corporate legal matters, managing any litigation to which the Bank is a party and managing all corporate governance affairs. It is also responsible for reviewing, negotiating and drafting facility agreements, treasury documents, workouts, trade finance documents and commercial agreements between the Bank and third parties as well as any other agreement that the Bank may enter into from time to time. It also provides advice on regulatory matters and manages any litigation to which the Bank is a party, when required. The Bank uses external legal advisers where appropriate.

Litigation

As at 31 December 2023, there were no significant legal proceedings outstanding against the Bank.

Sustainability

In April 2023, the Group adopted the Sustainability Strategy, which applies to all business units of the Group. The Sustainability Strategy is focused on the following six pillars, which align with Saudi Vision 2030: (i) accelerating sustainable finance; (ii) fostering environmental stewardship and a circular carbon economy; (iii) empowering the Bank's customers; (iv) building a thriving workplace; (v) strengthening our communities and contributing to a greater financial inclusion and (vi) ensuring robust governance and responsible operations.

Furthermore, in 2022, the Bank established the governance and sustainability committee (the "**Governance and Sustainability Committee**"). See "*Management and Employees – the Governance and Sustainability Committee*". The Bank additionally published its first sustainability report in 2022.

The ESG initiatives implemented by the Bank from 2021 to 2023 include the:

- installation of energy-efficient lighting and air-conditioning timers across all of its branches;
- roll-out of solar energy systems in over 50 of its branches; and
- roll-out of digital signatures with the aim of reducing paper consumption.

For the years ended 31 December 2023, 31 December 2022 and 31 December 2021, the Group's total expenditure on corporate and social responsibility projects amounted to SAR 20 million.

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 the Kingdom and other standards and pronouncements issued by SOCPA. 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 “Cautionary Statement Regarding Forward-looking Statements” and “Risk factors”.

See “Presentation of Certain 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 a commercial bank operating in the Kingdom under Commercial Registration No. 1010250808 dated 26 May 2008. The Bank’s head office is located at King Fahad Road, P.O. Box 66674, Riyadh 11586, Kingdom of Saudi Arabia. The telephone number of the Bank’s head office is +966 11 218 5555.

The Bank is a full service bank, which offers a full range of Islamic banking products and services to the retail and corporate sector, in addition to investment advisory services, asset management, underwriting and brokerage services, and treasury services.

According to figures published by the Tadawul, the Bank was the sixth largest listed commercial bank in the Kingdom as at 31 December 2023 by total assets (based on the latest available financial statements of the banking industry), with total assets of SAR 236.7 billion. As at 31 December 2023, the Group’s total customers’ deposits amounted to SAR 187.9 billion which represented approximately 7.6 per cent. of the market share in the Kingdom in terms of customer deposits.

The Group provides a comprehensive range of Islamic banking products and services to retail, corporate, and public customers.

Significant Factors Affecting Results of Operations

Factors affecting income from investments and financing, net

The Group’s income from investments and financing, net is the major contributor to its total operating income, comprising 78.7 per cent., 76.2 per cent. and 77.2 per cent. of the Group’s total operating income for the years ended 31 December 2023, 31 December 2022 and 31 December 2021, respectively.

Within the Group’s income from investments and financing, net:

- total income from financing (which comprises *Murabaha*, *Ijarah*, *Bei Ajel* and other financing products) is the major contributor, accounting for 87.5 per cent., 85.1 per cent. and 85.6 per cent. of the gross income from investments and financing for the years ended 31 December 2023, 31 December 2022 and 31 December 2021, respectively. The Group’s other sources of income from investments and financing, net, are investments in sukuk held at amortised cost, investments in sukuk held at FVOCI, investments in *Murabaha* with SAMA, and *Murabaha* with banks and other financial institutions; and
- the return paid on the Group’s customers’ time investments is the major contributor to the Group’s total return on time investments, comprising 91.6 per cent., 75.4 per cent. and 80.0 per cent. of the Group’s

total return on time investments for the years ended 31 December 2023, 31 December 2022 and 31 December 2021.

The Group's income from investments and financing, net 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 rates paid on time investments.

For a discussion of the changes in the Group's income from investments and financing, net in each of the years under review, see "*Financial Review – Income from investments and financing, net*".

Movements in impairment charge on financing, net of recoveries

The Group's impairment charge on financing, net of recoveries comprises its ECL charge for impairment on financing less any recoveries of previously written off bad debts, plus / minus charge for / reversal of impairment of non-funded financing and credit related commitments. The Group's impairment charge on financing, net of recoveries amounted to SAR 1,272 million for the year ended 31 December 2023, SAR 1,198 million for the year ended 31 December 2022 and SAR 1,252 million for the year ended 31 December 2021.

Market conditions in the Kingdom

According to GASTAT, the Kingdom's GDP at constant prices (including import duties) was SAR 2,532.6 billion in the year ended 31 December 2020, SAR 2,614.7 billion in the year ended 31 December 2021 and SAR 2,984.6 billion in the year ended 31 December 2022, an increase of 3.2 per cent. in 2021 compared to 2020 and an increase of 14.1 per cent. in 2022 compared to 2021.

According to SAMA, the Kingdom's financial sector increased its lending to the private sector by 12.6 per cent. for the year ended 31 December 2022, by 15.3 per cent. for the year ended 31 December 2021 and by 14.3 per cent. for the year ended 31 December 2020.

According to the Ministry of Finance, the Government recorded a budget surplus of SAR 104 billion and revenues of SAR 1,268 billion in 2022. Actual expenditure was estimated to have increased by 21.9 per cent. from SAR 1,039 billion in 2021 to SAR 1,164 billion in 2022 primarily as a result of continued infrastructure investments in the local economy.

The Government continues to place an emphasis on development projects that enhance growth sustainability and promote long-term development, including through the construction of new houses, hospitals, schools, universities and other similar facilities. This has presented and may continue to present the Group with a number of opportunities, including:

- Neom, Qiddiya (Entertainment Mega Project);
- Red Sea Development; and
- Diriyah Gate Development.

Given the Group's extensive financing and investment banking capabilities, its management believes that the Group is well placed to benefit from these trends.

Critical Accounting Judgments, Estimates and Assumptions

In preparing the Group's financial statements, management is required to make certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. The management is also required to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical

experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances. For a description of the most critical accounting judgments, estimates and assumptions made in the preparation of the Financial Statements, see note 2.(e) to the 2023 Financial Statements. These predominantly relate to the determination of expected credit losses (“ECLs”), fair value measurement, and the classification of financial assets.

Consolidated Statement of Financial Position Data

The table below provides the Group’s consolidated statement of financial position data as at 31 December 2023, 31 December 2022 and 31 December 2021.

	As at 31 December		
	2023	2022	2021
		(SAR'000)	
ASSETS			
Cash and balances with Saudi Central Bank (SAMA).....	12,598,444	9,723,259	9,177,296
Due from banks and other financial institutions, net.....	1,700,907	1,454,458	738,073
Investments held at fair value through statement of income (FVSI) ⁽¹⁾	2,610,274	1,641,496	2,365,750
Investments held at fair value through other comprehensive income (FVOCI).....	13,505,282	12,084,604	7,412,625
Investments held at amortized cost, net.....	27,105,159	24,721,320	23,432,514
Investments in associate and joint venture.....	15,637	70,214	66,680
Financing, net.....	173,624,044	146,491,956	126,271,491
Property, equipment and right of use assets, net.....	2,888,209	2,632,794	2,382,732
Other assets ⁽²⁾	2,667,142	1,616,128	1,628,923
TOTAL ASSETS	236,715,098	200,436,229	173,476,084
LIABILITIES AND EQUITY			
LIABILITIES			
Due to SAMA, banks and other financial institutions.....	7,431,230	16,483,039	15,239,791
Customers’ deposits.....	187,900,581	145,168,490	121,060,551
Amount due to Mutual Funds’ unitholders.....	93,510	136,570	495,990
Other liabilities.....	6,956,176	6,771,817	5,968,725
TOTAL LIABILITIES	202,381,497	168,559,916	142,765,057
EQUITY			
Share capital.....	20,000,000	20,000,000	20,000,000
Treasury shares.....	(225,611)	(66,021)	(94,159)
Statutory reserve.....	3,378,431	2,168,630	1,268,845
Other reserves.....	62,359	(507,396)	122,601
Retained earnings.....	1,118,422	4,285,004	3,618,609

	As at 31 December		
	2023	2022	2021
		(SAR'000)	
Proposed issue of bonus shares.....	5,000,000	—	—
Proposed dividends.....	—	996,096	795,131
Equity attributable to the shareholders of the bank.....	29,333,601	26,876,313	25,711,027
Tier 1 Sukuk	5,000,000	5,000,000	5,000,000
TOTAL EQUITY	34,333,601	31,876,313	30,711,027
TOTAL LIABILITIES AND EQUITY.....	236,715,098	200,436,229	173,476,084

Notes:

- (1) In the 2022 Financial Statements, "Investments held at fair value through statement of income (FVSI)" as at 31 December 2022 was SAR 1,652,479 thousand. The difference between "Investments held at fair value through statement of income (FVSI)" as at 31 December 2022 as shown in the 2022 Financial Statements and as shown in the 2023 Financial Statements reflected the reclassification in the 2023 Financial Statements of positive fair value derivatives from "Investments held at fair value through statement of income (FVSI)" to "Other assets" as at 31 December 2022.
- (2) In the 2022 Financial Statements, "Other assets" as at 31 December 2022 was SAR 1,605,145 thousand. The difference between "Other assets" as at 31 December 2022 as shown in the 2022 Financial Statements and as shown in the 2023 Financial Statements reflected the reclassification described above in note (1).

Assets

The Group's total assets as at 31 December 2023 were SAR 236.7 billion, a 18.1 per cent. increase as compared to SAR 200.4 billion as at 31 December 2022, which in turn represented an increase of 15.5 per cent. as compared to SAR 173.5 billion as at 31 December 2021. These increases were primarily attributable to an increase in financing, net and net investments.

The Group's net retail financing book (comprising mortgage financing, consumer financing and credit cards combined) increased by 15.7 per cent. as at 31 December 2023 from 31 December 2022 and by 32.8 per cent. as at 31 December 2022 from 31 December 2021 while net corporate financing increased by 19.5 per cent. as at 31 December 2023 from 31 December 2022 and by 11.3 per cent. as at 31 December 2022 from 31 December 2021.

Cash and Interbank Positions

The Group's cash and balances with SAMA was SAR 12.6 billion as at 31 December 2023, an increase of 29.6 per cent. as compared to SAR 9.7 billion as at 31 December 2022, which in turn represented an increase of 5.9 per cent. as compared to SAR 9.2 billion as at 31 December 2021. These increases were primarily attributable to an increase in statutory deposit, current account and money market placements. The Group's due from banks and other financial institutions, net was SAR 1,701 million as at 31 December 2023, an increase of 16.9 per cent. as compared to SAR 1,454 million as at 31 December 2022, which in turn represented an increase of 97.1 per cent. as compared to SAR 738 million as at 31 December 2021.

The Group's due to SAMA, banks and other financial institutions was SAR 7,431 million as at 31 December 2023, a decrease of 54.9 per cent. as compared to SAR 16,483 million as at 31 December 2022, which in turn represented an increase of 8.2 per cent. as compared to SAR 15,240 million as at 31 December 2021. The increase in 2022 principally reflected higher due to SAMA while the decrease in 2023 principally reflected the repayment in 2023 by the Group of some of the interest free deposits received from SAMA in order to support

the Group in its implementation of various regulatory packages given by the Government in response to the COVID-19 pandemic.

The table below shows the Group's cash and the interbank positions as at 31 December 2023, 31 December 2022 and 31 December 2021:

	2023	2022	2021
		(SAR'000)	
Cash and balances with Saudi Central Bank (SAMA).....	12,598,444	9,723,259	9,177,296
Due from banks and other financial institutions, net.....	1,700,907	1,454,458	738,073
Due to SAMA, banks and other financial institutions	7,431,230	16,483,039	15,239,791

Investments

The Group maintains an investment portfolio for its own account consisting mainly of fixed income instruments, the purpose of which is two-fold:

- to cater for the Group's liquidity risk management, ensuring a cushion of assets that the Group can liquidate easily (either by a sale or a repurchase agreement) in the case of a sudden withdrawal of deposits; and
- to reduce the mismatch between assets and liabilities.

The Group's portfolio of investments comprises mainly Government sukuk, *Murabaha* notes and quasi-Government sukuk which represented SAR 31.1 billion out of a total of SAR 43.2 billion of net investments as at 31 December 2023, SAR 28.3 billion out of a total of SAR 38.5 billion of net investments as at 31 December 2022, and SAR 24.6 billion out of a total of SAR 33.3 billion of net investments as at 31 December 2021. Unrated investments in the form of local and foreign equities and mutual fund investments were SAR 3,558 million as at 31 December 2023, SAR 1,567 million as at 31 December 2022 and SAR 2,308 million as at 31 December 2021.

The table below provides a breakdown of the Group's investment portfolio as at 31 December 2023, 31 December 2022 and 31 December 2021:

Analysis of investments by composition	Quoted			Unquoted			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
					(SAR'000)				
Investments held at FVSI									
Equities	77,272	52,779	15,564	153,273	92,271	108,441	230,545	145,050	124,005
Funds ⁽¹⁾	337,928	234,258	1,297,537	2,041,801	1,262,188 ⁽²⁾	944,208	2,379,729	1,496,446 ⁽³⁾	2,241,745
Total	415,200	287,037	1,313,101	2,195,074	1,354,459⁽⁴⁾	1,052,649	2,610,274	1,641,496⁽⁵⁾	2,365,750
Investments held at FVOCI									
Fixed-rate investments	2,155,054	1,913,938	2,201,833	3,520,982	2,310,877	960,615	5,676,036	4,224,815	3,162,448
Floating-rate investments	1,668,031	1,657,147	7,424	5,014,220	4,764,183	3,779,177	6,682,251	6,421,330	3,786,601
Equities	1,122,156	1,416,680	447,372	24,839	21,779	16,204	1,146,995	1,438,459	463,576
Total	4,945,241	4,987,765	2,656,629	8,560,041	7,096,839	4,755,996	13,505,282	12,084,604	7,412,625
Investments held at amortised cost, net									
Fixed-rate investments	25,448,549	23,716,551	22,526,031	23,000	99,868	—	25,471,549	23,816,419	22,526,031

Analysis of investments by composition	Quoted			Unquoted			Total		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
					(SAR'000)				
Floating-rate investments	7,231	—	—	1,626,379	904,901	906,483	1,633,610	904,901	906,483
Total	25,455,780	23,716,551	22,526,031	1,649,379	1,004,769	906,483	27,105,159	24,721,320	23,432,514
Investments in associate and joint venture									
Equities	—	56,158	53,910	15,637	14,056	12,770	15,637	70,214	66,680
Total	30,816,221	29,047,511	26,549,671	12,420,131	9,470,123⁽⁶⁾	6,727,898	43,236,352	38,517,634⁽⁷⁾	33,277,569

Notes:

- (1) This line item was labelled "Funds and others" in the 2022 Financial Statements.
- (2) In the 2022 Financial Statements, the amount disclosed was SAR 1,273,171 thousand. The difference between the amount as shown in the 2023 Financial Statements and as shown in the 2022 Financial Statements reflected the reclassification in the 2023 Financial Statements of positive fair value derivatives from "Investments held at fair value through statement of income (FVSI)" to "Other assets" as at 31 December 2022.
- (3) In the 2022 Financial Statements, the amount disclosed was SAR 1,507,429 thousand. The difference between the amount as shown in the 2022 Financial Statements and as shown in the 2023 Financial Statements reflected the reclassification described above in note (1).
- (4) In the 2022 Financial Statements, the amount disclosed was SAR 1,365,442 thousand. The difference between the amount as shown in the 2023 Financial Statements and as shown in the 2022 Financial Statements reflected the reclassification described above in note (1).
- (5) In the 2022 Financial Statements, the amount disclosed item was SAR 1,652,479 thousand. The difference between the amount as shown in the 2022 Financial Statements and as shown in the 2023 Financial Statements reflected the reclassification described above in note (1).
- (6) In the 2022 Financial Statements, the amount disclosed was SAR 9,481,106 thousand. The difference between the amount as shown in the 2023 Financial Statements and as shown in the 2022 Financial Statements reflected the reclassification described above in note (1).
- (7) In the 2022 Financial Statements, this amount disclosed was SAR 38,528,617 thousand. The difference between this line item as at 31 December 2022 as shown in the 2023 Financial Statements and as shown in the 2022 Financial Statements reflected the reclassification described above in note (1).

Investments held at FVOCI included Islamic securities (*sukuk*) of SAR 12,358 million as at 31 December 2023, SAR 10,646 million as at 31 December 2022 and SAR 6,949 million as at 31 December 2021. As at 31 December 2023, investments held at FVOCI also included a portfolio of equity securities of SAR 1,147 million as compared to SAR 1,438 million as at 31 December 2022 and SAR 464 million as at 31 December 2021. The marked to market value of the equity portfolio is recognised through equity, under the "FVOCI" classification.

The table below provides the composition of the Group's investment portfolio by counterparty as at 31 December 2023, 31 December 2022 and 31 December 2021.

Analysis of investments by counter-parties	2023	2022	2021
		(SAR'000)	
Government and quasi government ⁽¹⁾	31,104,550	28,321,390	24,629,700
Banks and other financial institutions	5,699,015	4,586,481	2,582,744
Corporate ⁽²⁾	6,432,787	5,609,763	6,065,125
Total⁽³⁾	43,236,352	38,517,634	33,277,569

Notes:

- (1) In the 2022 Financial Statements, "Government and quasi government" as at 31 December 2022 was SAR 25,936,741 thousand. The difference between "Government and quasi government" as at 31 December 2022 as shown in the 2022 Financial Statements and as shown in the 2023 Financial Statements reflected the reclassification in the 2023 Financial Statements of a portion of Sukuk investments from "Corporate" to "Government and quasi government" in the 2023 Financial Statements.
- (2) In the 2022 Financial Statements, "Corporate" as at 31 December 2022 was SAR 8,005,395 thousand. The difference between "Corporate" as at 31 December 2022 as shown in the 2022 Financial Statements and as shown in the 2023 Financial Statements reflected the reclassification described above in note (1) as well as the reclassification in the 2023 Financial Statements of positive fair value derivatives from "Investments held at fair value through statement of income (FVSI)" to "Other assets" as at 31 December 2022.

Analysis of investments by counter-parties

2023	2022	2021
	(SAR'000)	

- (3) In the 2022 Financial Statements, "Total" as at 31 December 2022 was SAR 38,528,617 thousand. The difference between "Total" as at 31 December 2022 as shown in the 2022 Financial Statements and as shown in the 2023 Financial Statements reflected the reclassification in the 2023 Financial Statements of positive fair value derivatives from "Investments held at fair value through statement of income (FVSI)" to "Other assets" as at 31 December 2022.

The table below provides a breakdown of the Group's sukuk and Murabaha investments by risk rating as at 31 December 2023, 31 December 2022 and 31 December 2021:

Analysis of sukuk and Murabaha investments by risk rating

	12-month ECL		
	2023	2022	2021
		(SAR'000)	
Murabahas with SAMA investments – amortized cost			
Grades 1-4: investment grade.....	1,626,379	904,901	906,617
Sukuk investments – amortized cost			
Grades 1-4: investment grade.....	25,422,871	22,477,405	22,479,261
Grades 5-6: good/satisfactory	75,763	1,355,172	56,522
	25,498,634	23,832,577	22,535,783
Sukuk investments – FVOCI			
Grades 1-4: investment grade.....	11,488,199	9,595,856	6,291,476
Grades 5-6: good / satisfactory	870,088	1,050,289	657,573
	12,358,287	10,646,145	6,949,049
Murabahas with SAMA and Sukuk investments – Total			
Grades 1-4: investment grade.....	38,537,449	32,978,162	29,677,354
Grades 5-6: good / satisfactory	945,851	2,405,461	714,095
Gross.....	39,483,300	35,383,623	30,391,449
Allowance for impairment	(19,854)	(16,158)	(9,886)
Net	39,463,446	35,367,465	30,381,563

Notes:

- (1) Rating Scale (1-4) represents substantially credit risk free, exceptionally strong credit quality, excellent credit risk quality and very good credit risk quality.
(2) Rating Scale (5-6) represents good to satisfactory credit quality.
(3) Rating Scale (7) represents watch list category.

Investment grade includes investments having credit exposure equivalent to S&P rating of AAA to BBB. The remaining portion of the Bank's investments are unrated investments including primarily local and foreign funds and equities.

The Group's total investments was SAR 43.2 billion as at 31 December 2023, an increase of 12.3 per cent. as compared to SAR 38.5 billion as at 31 December 2022, which in turn represented an increase of 15.7 per cent. as compared to SAR 33.3 billion as at 31 December 2021. These increases were primarily due to increases in investments held at fair value through other comprehensive income (FVOCI) and investments held at amortised cost, net. The Group's total investments comprised Government sukuk, *Murabaha* notes and quasi-Government sukuk (accounting for 71.9 per cent., 73.5 per cent. and 74.0 per cent. of the investment portfolio as at 31 December 2023, 31 December 2022 and 31 December 2021, respectively) and corporate sukuk, equities and funds (accounting for 14.9 per cent., 14.6 per cent. and 18.2 per cent. of the investment portfolio as at 31 December 2023, 31 December 2022 and 31 December 2021, respectively). The balance of the Group's investment portfolio mainly comprised sukuk of banks and other financial institutions.

Financing, net

The table below provides the Group's financing portfolio as at 31 December 2023, 31 December 2022 and 31 December 2021:

	Performing	Non-performing	Gross	Allowance for impairment	Financing, net
			(SAR'000)		
2023					
Retail	42,374,048	851,915	43,225,963	(979,914)	42,246,049
Corporate	132,820,236	2,010,546	134,830,782	(3,452,787)	131,377,995
Total	175,194,284	2,862,461	178,056,745	(4,432,701)	173,624,044
2022					
Retail	36,814,136	461,214	37,275,350	(751,658)	36,523,692
Corporate	110,739,162	2,458,700	113,197,862	(3,229,598)	109,968,264
Total	147,553,298	2,919,914	150,473,212	(3,981,256)	146,491,956
2021					
Retail	27,818,477	148,958	27,967,435	(460,500)	27,506,935
Corporate	100,211,706	2,133,063	102,344,769	(3,580,213)	98,764,556
Total	128,030,183	2,282,021	130,312,204	(4,040,713)	126,271,491

The Group's financing, net was SAR 173.6 billion as at 31 December 2023, an increase of 18.5 per cent. as compared to SAR 146.5 billion as at 31 December 2022, which in turn represented an increase of 16.0 per cent. as compared to SAR 126.3 billion as at 31 December 2021. These increases were primarily due to increases in the retail banking segment's *Murabaha* and *Bei Ajel* products, as well as corporate banking segment's *Ijarah* and *Bei Ajel* products.

The Group's performing financing was SAR 175.2 billion as at 31 December 2023, an increase of 18.7 per cent. as compared to SAR 147.6 billion as at 31 December 2022, which in turn represented an increase of 15.2 per cent. as compared to SAR 128.0 billion as at 31 December 2021. These increases were primarily attributable to the growth in the Group's corporate banking and retail banking segments. The Group's gross financing to retail customers (comprising real mortgage financing, consumer financing and credit cards combined) was SAR 43.2 billion as at 31 December 2023, an increase of 16.0 per cent. as compared to SAR 37.3 billion as at 31 December 2022, which in turn represented an increase of 33.3 per cent. as compared to SAR 28.0 billion as at 31 December

2021. The Group's gross financing in the corporate banking segment was SAR 134.8 billion as at 31 December 2023, an increase of 19.1 per cent. as compared to SAR 113.2 billion as at 31 December 2022, which in turn represented an increase of 10.6 per cent. as compared to SAR 102.3 billion as at 31 December 2021.

The Group's non-performing financing was SAR 2,862 million as at 31 December 2023, a decrease of 2.0 per cent. as compared to SAR 2,920 million as at 31 December 2022, which in turn represented an increase of 28.0 per cent. as compared to SAR 2,282 million as at 31 December 2021. The decrease in the Group's non-performing financing as at 31 December 2023 was attributable to recoveries of amounts overdue under impaired corporate financings. The increase in the Group's non-performing financing as at 31 December 2022 was primarily attributable to the growth of the Group's gross financing.

The Group's NPF ratio was 1.6 per cent., 1.9 per cent. and 1.8 per cent. as at 31 December 2023, 31 December 2022 and 31 December 2021, respectively.

The Group's allowance for impairment on financing was SAR 4,433 million as at 31 December 2023, an increase of 11.3 per cent. as compared to SAR 3,981 million as at 31 December 2022, primarily as a result of the increase in gross financing. As at 31 December 2023, this allowance comprised SAR 686 million in Stage 1 provisions, SAR 1,716 million in Stage 2 provisions and SAR 2,030 million in Stage 3 provisions.

The allowance for impairment on financing was SAR 3,981 million as at 31 December 2022, a decrease of 1.5 per cent. as compared to SAR 4,041 million as at 31 December 2021, primarily due to the improving macroeconomic environment in the Kingdom, resulting in a lower ECL risk assessment on the Group's financing. As at 31 December 2022, the Group's allowance for impairment of financing comprised SAR 691 million in Stage 1 provisions, SAR 1,632 million in Stage 2 provisions and SAR 1,658 million in Stage 3 provisions. As at 31 December 2021, the Group's allowance for impairment of financing comprised SAR 601 million in Stage 1 provisions, SAR 2,010 million in Stage 2 provisions and SAR 1,429 million in Stage 3 provisions.

The Group's NPF coverage ratio was 154.9 per cent., 136.3 per cent. and 177.1 per cent. as at 31 December 2023, 31 December 2022 and 31 December 2021, respectively.

Financing, net by sector distribution

The tables below provide the sector distribution of the Group's financing, net as at 31 December 2023, 31 December 2022 and 31 December 2021:

2023	Performing	Non-performing	Lifetime ECL for credit impaired financing	Financing, net
			(SAR'000)	
Government and quasi government	16,301,450	—	—	16,301,450
Manufacturing	9,417,958	1,329,925	(762,407)	9,985,476
Electricity, water, gas & health services	6,819,438	—	—	6,819,438
Building and construction.....	8,974,525	26,551	(19,913)	8,981,163
Services	22,912,063	68,761	(40,145)	22,940,679
Mining	1,981,418	—	—	1,981,418
Agriculture.....	2,831,795	—	—	2,831,795
Consumer financing.....	42,374,048	851,915	(638,641)	42,587,322
Transportation and communication	5,791,424	27,516	(27,516)	5,791,424

2023	Performing	Non- performing	Lifetime ECL for credit impaired financing	Financing, net
			(SAR'000)	
Commerce.....	12,108,629	553,083	(539,786)	12,121,926
Real estate business	28,686,575	4,710	(2,002)	28,689,283
Others	16,994,961	—	—	16,994,961
	175,194,284	2,862,461	(2,030,410)	176,026,335
ECL against performing financing.....				(2,402,291)
Financing, net.....				173,624,044

2022	Performing	Non- performing	Lifetime ECL for credit impaired financing	Financing, net
			(SAR'000)	
Government and quasi government	13,681,025	—	—	13,681,025
Manufacturing	9,093,796	1,098,045	(650,398)	9,541,443
Electricity, water, gas & health services	5,312,933	—	—	5,312,933
Building and construction.....	7,908,210	8,218	(6,163)	7,910,265
Services	17,422,594	66,162	(43,246)	17,445,510
Mining	2,826,249	—	—	2,826,249
Agriculture.....	3,302,830	—	—	3,302,830
Consumer financing.....	36,814,217	461,133	(322,446)	36,952,904
Transportation and communication	6,741,803	27,516	(20,637)	6,748,682
Commerce.....	9,727,806	716,119	(373,954)	10,069,971
Real estate business	20,180,174	516,936	(219,743)	20,477,367
Others	14,541,661	25,785	(21,428)	14,546,018
	147,553,298	2,919,914	(1,658,015)	148,815,197
ECL against performing financing.....				(2,323,241)
Financing, net.....				146,491,956

2021	Performing	Non- performing	Lifetime ECL for credit impaired financing	Financing, net
			(SAR'000)	
Government and quasi government	12,429,991	—	—	12,429,991

2021	Performing	Non-performing	Lifetime ECL for credit impaired financing	Financing, net
			(SAR'000)	
Manufacturing	10,014,669	1,150,141	(922,636)	10,242,174
Electricity, water, gas & health services	5,032,171	—	—	5,032,171
Building and construction	6,555,210	579,964	(286,711)	6,848,463
Services	15,137,291	76,668	(27,607)	15,186,352
Mining	—	—	—	—
Agriculture	3,484,484	—	—	3,484,484
Consumer financing	27,818,477	148,958	(65,412)	27,902,023
Transportation and communication	6,046,234	—	—	6,046,234
Commerce	9,902,252	99,494	(43,929)	9,957,817
Real estate business	19,123,535	206,437	(61,932)	19,268,040
Others	12,485,869	20,359	(21,191)	12,485,037
	128,030,183	2,282,021	(1,429,418)	128,882,786
ECL against performing financing				(2,611,295)
Financing, net				126,271,491

Financing, net by geographical distribution

The tables below provide the geographical distribution of the Group's financing, net as at 31 December 2023, 31 December 2022 and 31 December 2021:

2023	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
			(SAR'000)		
Retail	42,246,049	—	—	—	42,246,049
Corporate	128,893,436	—	—	2,484,559	131,377,995
Total	171,139,485	—	—	2,484,559	173,624,044

2022	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
			(SAR'000)		
Retail	36,523,692	—	—	—	36,523,692
Corporate	107,017,039	—	—	2,951,225	109,968,264
Total	143,540,731	—	—	2,951,225	146,491,956

2021	Kingdom of Saudi Arabia	Other GCC and Middle East countries	Europe	Other countries	Total
			(SAR'000)		
Retail	27,506,935	—	—	—	27,506,935
Corporate	96,058,887	—	—	2,705,669	98,764,556
Total	123,565,822	—	—	2,705,669	126,271,491

Classification Process for Non-Performing Financings

The Group's provisioning policy for consumer credit financings is guided by the Credit Risk Classification and Provisioning Policy under IFRS 9. The stage classification rules are in accordance with the IFRS 9 standards and prevalent regulatory conditions.

The following table shows the credit quality of the Group's financings as at 31 December 2023:

31 December 2023				
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired (non- Performing)	Total
			(SAR'000)	
Financing to customers (at amortised cost) – Retail				
Unrated	41,365,515	1,008,533	—	42,374,048
Impaired financing	—	—	851,915	851,915
Gross financing	41,365,515	1,008,533	851,915	43,225,963
Allowance for impairment	(225,433)	(115,840)	(638,641)	(979,914)
	41,140,082	892,693	213,274	42,246,049
Financing to customers (at amortised cost) – Corporate				
Grades 1-4: investment grade	74,180,382	—	—	74,180,382
Grades 5-6: good/satisfactory	49,074,485	7,588,368	—	56,662,853
Grades 7: Watch-list	—	1,977,001	—	1,977,001
Impaired financing	—	—	2,010,546	2,010,546
Gross financing	123,254,867	9,565,369	2,010,546	134,830,782
Allowance for impairment	(460,499)	(1,600,519)	(1,391,769)	(3,452,787)
	122,794,368	7,964,850	618,777	131,377,995
Financing to customers (at amortised cost) – Total				

31 December 2023

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired (non- Performing)	Total
			(SAR'000)	
Grades 1-4: investment grade ⁽¹⁾	74,180,382	—	—	74,180,382
Grades 5-6: good/satisfactory ⁽²⁾	49,074,485	7,588,368	—	56,662,853
Grades 7: Watch-list ⁽³⁾	—	1,977,001	—	1,977,001
Unrated	41,365,515	1,008,533	—	42,374,048
Impaired financing.....	—	—	2,862,461	2,862,461
Gross financing	164,620,382	10,573,902	2,862,461	178,056,745
Allowance for impairment.....	(685,932)	(1,716,359)	(2,030,410)	(4,432,701)
Financing, net	163,934,450	8,857,543	832,051	173,624,044

Notes:

- (1) Rating Scale (1–4) represents: Substantially credit risk free (1), Exceptionally strong credit quality (2), Excellent credit risk quality (3) and Very good credit risk quality (4).
(2) Rating Scale (5–6) represents: Good to satisfactory credit quality (5) and borderline credit quality (6).
(3) Rating Scale (7) represents: Watch list category.

Other than in the case of retail financings, where such financings are written off after 360 days past due, the Group writes off its doubtful financings only when all means of recovery have been exhausted. Such write offs amounted to SAR 826 million, SAR 1,128 million and SAR 510 million for the years ended 31 December 2023, 31 December 2022 and 31 December 2021, respectively. The contractual amount outstanding on financial assets that were written off and that were subject to enforcement activity was SAR 3,189 million, SAR 2,575 million and SAR 1,489 million as at 31 December 2023, 31 December 2022 and 31 December 2021, respectively.

Substantially all of the Group's non-performing financings and impairment for credit losses are concentrated in the Kingdom. The table below provides the non-performing financing and allowance for impairment on financing as at 31 December 2023, 31 December 2022 and 31 December 2021:

	31 December 2023		31 December 2022		31 December 2021	
	Non-performing net	Allowance for impairment of credit losses	Non-performing net	Allowance for impairment of credit losses	Non-performing net	Allowance for impairment of credit losses
				(SAR'000)		
Total	2,862,461	4,432,701	2,919,914	3,981,256	2,282,021	4,040,713

The table below provides the movement in gross financing exposure and the allowance for impairment on financing, in each case as at 31 December 2023 and 31 December 2022:

Gross exposure	31 December 2023			Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
		(SAR'000)		
Retail				
Balance at the beginning of the year	35,678,542	1,135,594	461,214	37,275,350
Transfer to 12-month ECL.....	307,412	(290,816)	(16,596)	—
Transfer to life time ECL, not credit impaired.....	(741,041)	742,673	(1,632)	—
Transfer to life time ECL, credit impaired...	(369,898)	(253,535)	623,433	—
New financial assets, net of financial assets derecognised and repayments	6,490,500	(325,383)	389,332	6,554,449
Write-off	—	—	(603,836)	(603,836)
Balance as at 31 December 2023	41,365,515	1,008,533	851,915	43,225,963
Corporate				
Balance at the beginning of the year	103,416,908	7,322,254	2,458,700	113,197,862
Transfer to 12-month ECL.....	677,165	(673,591)	(3,574)	—
Transfer to life time ECL, not credit impaired.....	(3,593,144)	3,669,574	(76,430)	—
Transfer to life time ECL, credit impaired...	(30,466)	(253,938)	284,404	—
New financial assets, net of financial assets derecognised and repayments	22,784,404	(498,930)	(430,650)	21,854,824
Write-off	—	—	(221,904)	(221,904)
Balance as at 31 December 2023	123,254,867	9,565,369	2,010,546	134,830,782
Total				
Balance at the beginning of the year	139,095,450	8,457,848	2,919,914	150,473,212
Transfer to 12-month ECL.....	984,577	(964,407)	(20,170)	—
Transfer to life time ECL, not credit impaired.....	(4,334,185)	4,412,247	(78,062)	—
Transfer to life time ECL, credit impaired...	(400,364)	(507,473)	907,837	—
New financial assets, net of financial assets derecognised and repayments	29,274,904	(824,313)	(41,318)	28,409,273
Write-off	—	—	(825,740)	(825,740)
Balance as at 31 December 2023	164,620,382	10,573,902	2,862,461	178,056,745

31 December 2023

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Allowance for impairment		(SAR'000)		
Retail				
Balance at the beginning of the year	265,329	163,803	322,526	751,658
Transfer to 12-month ECL.....	38,569	(27,971)	(10,598)	—
Transfer to life time ECL, not credit impaired.....	(6,927)	7,902	(975)	—
Transfer to life time ECL, credit impaired...	(5,830)	(47,533)	53,363	—
Net (reversal) / charge for the year	(65,708)	19,639	878,161	832,092
Write-off.....	—	—	(603,836)	(603,836)
Balance as at 31 December 2023.....	225,433	115,840	638,641	979,914
Corporate				
Balance at the beginning of the year	425,859	1,468,250	1,335,489	3,229,598
Transfer to 12-month ECL.....	54,420	(53,348)	(1,072)	—
Transfer to life time ECL, not credit impaired.....	(53,438)	85,921	(32,483)	—
Transfer to life time ECL, credit impaired...	(696)	(94,087)	94,783	—
Net charge for the year	34,354	193,783	216,956	445,093
Write-off.....	—	—	(221,904)	(221,904)
Balance as at 31 December 2023.....	460,499	1,600,519	1,391,769	3,452,787
Total				
Balance at the beginning of the year	691,188	1,632,053	1,658,015	3,981,256
Transfer to 12-month ECL.....	92,989	(81,319)	(11,670)	—
Transfer to life time ECL, not credit impaired.....	(60,365)	93,823	(33,458)	—
Transfer to life time ECL, credit impaired...	(6,526)	(141,620)	148,146	—
Net (reversal) / charge for the year	(31,354)	213,422	1,095,117	1,277,185
Write-off.....	—	—	(825,740)	(825,740)
Balance as at 31 December 2023.....	685,932	1,716,359	2,030,410	4,432,701

31 December 2022

	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
Gross exposure				
		(SAR'000)		
Retail				
Balance at the beginning of the year	27,627,040	191,437	148,958	27,967,435
Transfer to 12-month ECL.....	20,480	(16,644)	(3,836)	—
Transfer to life time ECL, not credit impaired.....	(353,972)	356,946	(2,974)	—
Transfer to life time ECL, credit impaired...	(75,456)	(43,980)	119,436	—
New financial assets, net of financial assets derecognised and repayments	8,460,450	647,835	299,292	9,407,577
Write-off.....	—	—	(99,662)	(99,662)
Balance as at 31 December 2022.....	35,678,542	1,135,594	461,214	37,275,350
Corporate				
Balance at the beginning of the year	91,280,300	8,931,406	2,133,063	102,344,769
Transfer to 12-month ECL.....	373,019	(373,019)	—	—
Transfer to life time ECL, not credit impaired.....	(289,006)	318,602	(29,596)	—
Transfer to life time ECL, credit impaired...	(7,121)	(1,818,621)	1,825,742	—
New financial assets, net of financial assets derecognised and repayments	12,059,716	263,886	(442,038)	11,881,564
Write-off.....	—	—	(1,028,471)	(1,028,471)
Balance as at 31 December 2022.....	103,416,908	7,322,254	2,458,700	113,197,862
Total				
Balance at the beginning of the year	118,907,340	9,122,843	2,282,021	130,312,204
Transfer to 12-month ECL.....	393,499	(389,663)	(3,836)	—
Transfer to life time ECL, not credit impaired.....	(642,978)	675,548	(32,570)	—
Transfer to life time ECL, credit impaired...	(82,577)	(1,862,601)	1,945,178	—
New financial assets, net of financial assets derecognized and repayments	20,520,166	911,721	(142,746)	21,289,141
Write-off.....	—	—	(1,128,133)	(1,128,133)
Balance as at 31 December 2022.....	139,095,450	8,457,848	2,919,914	150,473,212

12 month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	(SAR'000)		

Retail

Balance at the beginning of the year	341,134	53,953	65,413	460,500
Transfer to 12-month ECL.....	6,868	(4,694)	(2,174)	—
Transfer to life time ECL, not credit impaired.....	(4,888)	6,292	(1,404)	—
Transfer to life time ECL, credit impaired...	(1,028)	(11,641)	12,669	—
Net (reversal) / charge for the year	(76,757)	119,893	347,684	390,820
Write-off.....	—	—	(99,662)	(99,662)
Balance as at 31 December 2022.....	265,329	163,803	322,526	751,658

Balance at the beginning of the year	260,351	1,955,857	1,364,005	3,580,213
Transfer to 12-month ECL.....	4,806	(4,806)	—	—
Transfer to life time ECL, not credit impaired.....	(2,907)	32,503	(29,596)	—
Transfer to life time ECL, credit impaired...	(87)	(507,836)	507,923	—
Net (reversal) / charge for the year	163,696	(7,468)	521,628	677,856
Write-off.....	—	—	(1,028,471)	(1,028,471)
Balance as at 31 December 2022.....	425,859	1,468,250	1,335,489	3,229,598

Balance at the beginning of the year.....	601,485	2,009,810	1,429,418	4,040,713
Transfer to 12-month ECL.....	11,674	(9,500)	(2,174)	—
Transfer to life time ECL, not credit impaired.....	(7,795)	38,795	(31,000)	—
Transfer to life time ECL, credit impaired...	(1,115)	(519,477)	520,592	—
Net charge for the year	86,939	112,425	869,312	1,068,676
Write-off.....	—	—	(1,128,133)	(1,128,133)
Balance as at 31 December 2022.....	691,188	1,632,053	1,658,015	3,981,256

The Group's cost of risk ratio was 0.8 per cent. for the year ended 31 December 2023, 0.9 per cent. for the year ended 31 December 2022 and 1.0 per cent. for the year ended 31 December 2021.

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	31 December		
	2023	2022	2021
	(SAR'000, except percentages)		
Gross financing portfolio as at year end	178,056,745	150,473,212	130,312,204
Average gross financing portfolio (simple average of gross financing as at the start and end of the year).....	164,264,979	140,392,708	122,386,727
Impairment charge on financing, net of recoveries.....	1,272,104	1,197,700	1,251,603
Cost of risk (%).....	0.8	0.9	1.0

Liabilities

Deposits

The Group's funding remains well diversified through its pool of customers from its different business lines. In order to mitigate liquidity risk on the liability side, the Group also maintains liquid reserves of not less than 20 per cent. of its deposit liabilities in the form of cash, Government securities or assets which can be converted into cash within a period not exceeding 30 days. The Group can also raise additional funds through *Shari'a*-compliant repo facilities available with SAMA against its holding of Government securities.

The Group's total customers' deposits was SAR 187.9 billion as at 31 December 2023, an increase of 29.4 per cent. as compared to SAR 145.2 billion as at 31 December 2022, which in turn represented an increase of 19.9 per cent. as compared to SAR 121.1 billion as at 31 December 2021.

The Group's non-profit bearing customers' deposits (demand and others) was SAR 80.7 billion as at 31 December 2023, an increase of 7.1 per cent. as compared to SAR 75.4 billion as at 31 December 2022, which in turn represented an increase of 3.9 per cent. as compared to SAR 72.6 billion as at 31 December 2021.

Profit-bearing customers' deposits (savings and customers' time investments) was SAR 107.2 billion as at 31 December 2023, an increase of 53.6 per cent. as compared to SAR 69.8 billion as at 31 December 2022, which in turn represented an increase of 43.8 per cent. as compared to SAR 48.5 billion as at 31 December 2021.

The table below provides total customers' deposits as at 31 December 2023, 31 December 2022 and 31 December 2021:

	2023	2022	2021
		(SAR'000)	
Demand	78,955,995	73,887,522	71,323,060
Savings	9,833,634	7,093,170	7,114,298
Customers' time investments ⁽¹⁾	97,348,367	62,679,182	41,390,005
Others ⁽²⁾	1,762,585	1,508,616	1,233,188
Total	187,900,581	145,168,490	121,060,551

Notes:

(1) Customers' time investments represent Murabaha and Mudaraba with customers.

(2) Others represent cash margins for letters of credit and guarantees.

The table above includes foreign currency deposits as follows:

	2023	2022	2021
		(SAR'000)	
Demand	1,292,098	1,674,700	1,941,424
Customers' time investments.....	4,530,535	6,051,283	3,147,831
Others	107,245	121,403	80,051
Total.....	5,929,878	7,847,386	5,169,306

The ratio of non-profit bearing deposits to total deposits decreased to 43.0 per cent. as at 31 December 2023 from 51.9 per cent. as at 31 December 2022 and from 59.9 per cent. as at 31 December 2021. These decreases were due to a growth in customers' time investments which outpaced the growth in non-profit bearing deposits.

In line with the Group's assets and liabilities statistical model, the average maturity of non-profit bearing deposits (which are categorised as demand deposits) was 2.49 years as at 31 December 2023, 2.45 years as at 31 December 2022 and 3.13 years as at 31 December 2021.

SAMA Financing to Deposit Ratio and Financing to Deposit Ratio

The Group's SAMA financing to deposit ratio was 80.5 per cent., 82.8 per cent. and 85.8 per cent. as at 31 December 2023, 31 December 2022 and 31 December 2021, respectively.

The table below provides the calculation of the Group's financing to deposit ratio for each of the years ended 31 December 2023, 31 December 2022 and 31 December 2021:

	31 December		
	2023	2022	2021
	(SAR'000, except percentages)		
Financing, net	173,624,044	146,491,956	126,271,491
Customers' deposits.....	187,900,581	145,168,490	121,060,551
Financing to deposit (%).....	92.4	100.9	104.3

The level of concentration of deposits has increased since 2021 with the Group's 20 largest depositors representing 39.1 per cent. of total deposits as at 31 December 2023, as compared to 32.9 per cent. in 2022 and 32.8 per cent. in 2021. These depositors are large Saudi corporates, funds and Government-related companies.

Term Financings

The Group had no term financings outstanding as at 31 December 2023.

Equity

The table below provides the sources of the Group's equity capital funding as at 31 December 2023, 31 December 2022 and 31 December 2021:

	2023	2022	2021
		(SAR'000)	
Equity			
Share capital.....	20,000,000	20,000,000	20,000,000
Treasury shares.....	(225,611)	(66,021)	(94,159)
Statutory reserve	3,378,431	2,168,630	1,268,845
Other reserves	62,359	(507,396)	122,601
Retained earnings.....	1,118,422	4,285,004	3,618,609
Proposed issue of bonus shares	5,000,000	—	—
Proposed dividends	—	996,096	795,131
Equity attributable to the shareholders of the Bank...	29,333,601	26,876,313	25,711,027
Tier 1 Sukuk	5,000,000	5,000,000	5,000,000

The Group's paid up share capital was SAR 20.0 billion as at 31 December 2023, as at 31 December 2022 and as at 31 December 2021.

During the year ended 31 December 2023, the Board of Directors of the Bank (the “**Board of Directors**”) approved a total interim dividend of SAR 1,690 million. This resulted in a net payment of SAR 0.85 per share to the shareholders of the Bank. On 20 December 2022, the Board of Directors proposed a final dividend of SAR 996 million for the year ended 31 December 2022 which was approved by the extraordinary general assembly held on 30 April 2023. This resulted in a net payment of SAR 0.50 per share to the shareholders of the Bank.

On 31 December 2023, the Board of Directors recommended to the extraordinary general assembly to increase the share capital of the Bank by SAR 5,000 million through capitalisation from the retained earnings by way of granting one share for every four shares. The proposed grant is conditional on obtaining the approval of the official authorities and the extraordinary general assembly on the increase in the capital and the number of shares granted.

Equity attributable to the shareholders of the Bank was SAR 29.3 billion as at 31 December 2023, an increase of 9.1 per cent. as compared to SAR 26.9 billion as at 31 December 2022, which in turn represented an increase of 4.5 per cent. as compared to SAR 25.7 billion as at 31 December 2021. The increase in equity attributable to the shareholders of the Bank as at 31 December 2023 was primarily due to the proposed issue of bonus shares, higher statutory reserve and other reserves, each of which reflected higher net income for the year after zakat. The increase in equity attributable to the shareholders of the Bank as at 31 December 2022 was primarily due higher statutory reserve, retained earnings and proposed dividend, each of which reflected higher net income for the year after zakat, offset by lower other reserves, which reflected the movements in net change in fair value of FVOCI equity investments and net change in fair value of FVOCI sukuk investments for the year ended 31 December 2022.

Capital Adequacy

The Bank's objectives when managing capital are to comply with the capital requirements set by SAMA, safeguard the Bank's ability to continue as a going concern and maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management. SAMA requires to hold and maintain a ratio of total regulatory capital to the risk-weighted assets at or above the Basel prescribed minimum percentage.

The Bank actively manages its capital base to cover the risks inherent in its business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by SAMA's Basel III Final Reforms Regulation (circular number 44047144) effective from 1 January 2023 (the "**Basel IV Regulation**"). The Basel IV Regulation measures capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires holding a minimum level of regulatory capital and maintaining a ratio of total regulatory capital to risk-weighted assets ("**RWA**") at or above 10.5 per cent. including a capital conservation buffer (2.5 per cent.).

In accordance with SAMA's Guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures issued on 26 April 2020 (as amended), SAMA allowed the banks to add-back up to 100 per cent. of the day 1 impact of IFRS 9 transitional adjustment amount to Common Equity Tier 1 (CET1) for each of 2020 and 2021. The add-back amount must be then phased-out on a straight-line basis over the subsequent three years. The Bank has applied the aforementioned transitional arrangement in the calculation of its capital adequacy ratios effective from 31 March 2020. Previously, the Bank was applying the ECL accounting transitional arrangement for regulatory capital that allowed banks to transition the day 1 impact of IFRS 9 (applicable from 1 January 2018) on regulatory capital over five years by using the dynamic approach to reflect the impact of the transition in accordance with SAMA Circular No. 391000029731 dated 15 Rabi-I 1439H (corresponding to 3 December 2017).

In this section "*Financial Review – Capital Adequacy*", the total capital adequacy ratio, the credit risk weighted risk assets, the operational risk weighted assets, the market risk weighted assets, total pillar-I risk weighted assets, tier I capital, tier II capital, total tier I & tier II capital, capital adequacy ratio, CET1 capital adequacy ratio, tier 1 capital adequacy ratio and total capital adequacy ratio are presented, in the case of numbers as at 31 December 2023, as per the Basel IV Regulation and, in the case of numbers as at 31 December 2022 and 31 December 2021, as per Basel III regulations.

The Bank's total capital adequacy ratio was 17.5 per cent., 19.8 per cent. and 22.8 per cent. as at 31 December 2023, 31 December 2022 and 31 December 2021. The decrease in the total capital adequacy ratio as at 31 December 2023 was primarily attributable to the 21.9 per cent. increase in the Group's total pillar-1 risk weighted assets as at 31 December 2023 as compared to 31 December 2022. The decrease in the total capital adequacy ratio as at 31 December 2022 was primarily due to the 19.5 per cent. increase in the Group's total pillar – I risk weighted assets as at 31 December 2022 as compared to 31 December 2021.

The table below provides the Bank's capital adequacy ratios as at 31 December 2023, 31 December 2022 and 31 December 2021:

Particulars	As at 31 December		
	2023	2022	2021
	(SAR'000)		
Credit Risk Weighted Assets	200,114,001	160,491,295	133,095,735
Operational Risk Weighted Assets	6,040,617	12,713,318	11,242,756
Market Risk Weighted Assets.....	5,439,506	399,339	945,712

	As at 31 December		
	2023	2022	2021
		(SAR'000)	
Total Pillar-I Risk Weighted Assets	211,594,124	173,603,952	145,284,203
Tier I Capital.....	34,574,557	32,358,224	31,433,895
Tier II Capital	2,423,433	2,006,141	1,663,697
Total Tier I & II Capital	36,997,990	34,364,365	33,097,592

	As at 31 December		
	2023	2022	2021
		(%)	
Capital Adequacy Ratio ⁽¹⁾			
CET1 Capital Adequacy	14.0	15.8	18.2
Tier 1 Capital Adequacy	16.3	18.6	21.6
Total Capital Adequacy	17.5	19.8	22.8

Notes:

- (1) In accordance with SAMA's Guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures issued on 26 April 2020 (as amended), SAMA allowed banks to add-back up to 100 per cent. of the Day 1 impact of the IFRS 9 transitional adjustment amount to CET1 for each of 2020 and 2021. The add-back amount must be phased-out on a straight-line basis over the subsequent three years. The Bank has applied this transitional arrangement in the calculation of its capital adequacy ratios with effect from 31 March 2020.

Classification and Measurement of Financial Assets

The classification and measurement of financial instruments under IFRS 9 is a result of two main assessments, namely, business model assessment and analysis of contractual cash flows.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how management personnel of the business are compensated, for instance, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group changes the classification of the remaining financial assets held in that business model.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at fair value through statement of income (“**FVSI**”) because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit

For the purposes of this assessment, ‘principal’ is the fair value of the financial asset on initial recognition. ‘Profit’ over financings is calculated with the consideration for the time value of money, the credit and other basic financing risk associated with the principal amount outstanding during a particular period and other basic operational and financing costs (including liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group’s claim to cash flows from specified assets (for instance, non-recourse asset arrangements); and
- features that modify consideration of the time value of money (for instance, periodical reset of profit rates).

Based on the said assessment, on initial recognition, a financial asset is classified as measured at either amortised cost, fair value through other comprehensive income (“**FVOCI**”) or FVSI.

Financial asset held at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVSI:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and return on the principal amount outstanding.

Generally, financing to customers, due from banks and other financial institutions, SAMA *Murabaha* and certain investments in Sukuk qualify for measurement under amortised cost.

Financial assets held at FVOCI

Sukuk and like instruments: are measured at FVOCI only if they meet both of the following conditions and are not designated at FVSI:

- the asset is held with a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and return on the principal amount outstanding.

Equity instruments: on initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income (“OCI”). This election is made on an investment-by-investment basis.

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair values recognised in OCI. Profit and foreign exchange gains and losses are recognised in profit or loss.

Financial assets held at FVSI

All other financial assets are classified as measured at FVSI. Financial assets in this category are classified as either investments held for trading or designated as FVSI on initial recognition. Financial assets classified as held for trading are acquired principally for the purpose of selling in the short term.

In addition, on initial recognition, the Group may irrevocably designate a financial asset to be measured at FVSI that otherwise meets the requirements to be measured at amortised cost or at FVOCI, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at FVSI are recorded in the consolidated statement of financial position at fair value. Changes in the fair value are recognised in the consolidated statement of income for the year in which it arises. Transaction costs, if any, are not added to the fair value measurement at initial recognition of FVSI investments and are expensed through the consolidated statement of income. Dividend income on financial assets held as FVSI is reflected as “Income from FVSI financial instruments, net” in the Group’s consolidated statement of income.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

A financial asset is measured initially at fair value plus, for an item not at FVSI, transaction costs that are directly attributable to its acquisition or issue.

Classification and measurement of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds and costs that are an integral part of the financial liability’s effective interest rate.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or commitment. Subsequently, financial guarantees and loan commitments are measured at higher of amortised cost and the amount of ECL.

A financial liability is measured initially at fair value, plus, for an item not at FVSI, transaction costs that are directly attributable to its acquisition or issue.

Impairment of financial assets

The Group recognises impairment allowances based on a forward looking ECL approach on financial assets that are not measured at FVSI. This mainly includes financing, other investments that are measured at amortised cost or at FVOCI (other than equity investments), interbank placements, financial guarantees, lease receivables and credit commitments.

No impairment loss is recognised on FVOCI equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a financial asset to have low credit risk when the credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers its exposure to other banks, financial institutions and Sukuk investments to have low credit risk as their credit risk rating is equivalent to the globally accepted definition of 'investment grade'.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

Credit-impaired assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

For further details of the Group's impairment policy, see Note 3.j to the 2023 Financial Statements.

De-Recognition and Modifications of Financial Assets and Financial Liabilities

For details of the Group's policy in respect of de-recognition of financial assets and financial liabilities and modifications of financial assets and financial liabilities, see Note 3.g(3) and Note 3.g(4) to the 2023 Financial Statements.

Results of operations for the years ended 31 December 2023, 31 December 2022 and 31 December 2021

Consolidated Statements of Income and Comprehensive Income Data

The table below provides the Group's consolidated statements of income and comprehensive income data for the years ended 31 December 2023, 31 December 2022 and 31 December 2021:

	For the year ended 31 December		
	2023	2022	2021
		(SAR'000)	
Income from investments and financing.....	13,227,509	7,612,961	5,677,771
Return on time investments	(5,572,995)	(1,546,495)	(537,386)
Income from investments and financing, net.....	7,654,514	6,066,466	5,140,385
Fees from banking services-income.....	2,426,703	1,901,510	1,560,543
Fees from banking services-expense.....	(967,712)	(692,578)	(486,223)
Fees from banking services, net.....	1,458,991	1,208,932	1,074,320
Exchange income, net.....	330,291	290,836	214,614
Income from FVSI financial instruments, net.....	211,721	279,308	129,398
Gain from FVOCI sukuk investments, net.....	—	993	209
Dividend income on FVOCI equity investments.....	30,798	30,545	8,820
Other operating income	39,342	85,980	91,848
Total operating income.....	9,725,657	7,963,060	6,659,594
Salaries and employees' related expenses.....	1,466,521	1,325,324	1,116,674
Rent and premises related expenses.....	73,651	68,225	56,824
Depreciation and amortisation	325,313	279,116	251,160
Other general and administrative expenses.....	1,178,041	1,092,312	932,910
Operating expenses before impairment charges	3,043,526	2,764,977	2,357,568
Impairment charge on financing, net of recoveries.....	1,272,104	1,197,700	1,251,603
Impairment charge / (reversal) on other financial assets.....	26,524	(8,982)	14,728
Total operating expenses.....	4,342,154	3,953,695	3,623,899
Net operating income.....	5,383,503	4,009,365	3,035,695
Share of income / (loss) from an associate and a joint venture...	12,021	3,534	(14,140)
Income for the year before zakat.....	5,395,524	4,012,899	3,021,555
Zakat for the year.....	(556,318)	(413,759)	(312,168)
Net income for the year after zakat.....	4,839,206	3,599,140	2,709,387
Basic and diluted earnings per share (SAR).....	2.33	1.73	1.31
Net income for the year after zakat.....	4,839,206	3,599,140	2,709,387

	For the year ended 31 December		
	2023	2022	2021
		(SAR'000)	
Other comprehensive income / (loss):			
<i>Items that cannot be recycled back to consolidated statement of income in subsequent periods</i>			
Net change in fair value of FVOCI equity investments	461,304	(412,976)	(411)
Share of associate's other comprehensive income	10,868	—	—
Actuarial gain / (loss) on re-measurement of End of Service Benefits ⁽¹⁾	19,637	12,226	(6,311)
<i>Items that can be recycled back to consolidated statement of income in subsequent periods</i>			
Net change in fair value of FVOCI sukuk investments.....	108,987	(247,262)	(41,482)
Net gain realised on sale of FVOCI sukuk investments.....	—	(993)	(209)
Total other comprehensive income / (loss)	600,796	(649,005)	(48,413)
Total comprehensive income for the year	5,440,002	2,950,135	2,660,974

Note:

(1) This line item was labelled as "Actuarial gain/ (loss) on re-measurement of End of Service Benefits Scheme Balances" in the 2022 Financial Statements.

Overview

The Group's total operating income for the year ended 31 December 2023 was SAR 9,726 million, an increase of 22.1 per cent. as compared to SAR 7,963 million for the year ended 31 December 2022, which in turn represented an increase of 19.6 per cent. as compared to SAR 6,660 million for the year ended 31 December 2021. The increase in the Group's total operating income in 2023 was primarily as a result of increases in income from investments and financing, net and fees from banking services, net.

The increase in the Group's total operating income in 2022 was primarily as a result of an increase in income from investments and financing, net and income from FVSI financial instruments, net. The Group's fees from banking services, net was SAR 1,459 million (or 15.0 per cent. of the Group's total operating income), SAR 1,209 million (or 15.2 per cent. of the Group's total operating income) and SAR 1,074 million (or 16.1 per cent. of the Group's total operating income) for the years ended 31 December 2023, 31 December 2022 and 31 December 2021, respectively.

The Group's total operating expenses was SAR 4,342 million for the year ended 31 December 2023, an increase of 9.8 per cent. as compared to SAR 3,954 million for the year ended 31 December 2022, which in turn represented an increase of 9.1 per cent. as compared to SAR 3,624 million for the year ended 31 December 2021. These increases were primarily due to an increase in operating expenses before impairment charges.

The Group's impairment charge on financing, net of recoveries was SAR 1,272 million for the year ended 31 December 2023, an increase of 6.2 per cent. as compared to SAR 1,198 million for the year ended 31 December 2022, which in turn represented a decrease of 4.3 per cent. as compared to SAR 1,252 million for the year ended 31 December 2021.

Reflecting the above factors, the Group's net income for the year after zakat for the year ended 31 December 2023 was SAR 4,839 million, an increase of 34.5 per cent. as compared to SAR 3,599 million for the year ended

31 December 2022, which in turn represented a 32.8 per cent. increase as compared to SAR 2,709 million for the year ended 31 December 2021.

Revenues and expenses

The table below summarises the Group's income from investments and financing, net and fees from banking services, net as well as its expenses for the years ended 31 December 2023, 31 December 2022 and 31 December 2021:

	31 December		
	2023	2022	2021
		(SAR'000)	
Income from investments and financing, net	7,654,514	6,066,466	5,140,385
Fees from banking services, net	1,458,991	1,208,932	1,074,320
Investment gains and other operating income, net ⁽¹⁾	612,152	687,662	444,889
Total operating income	9,725,657	7,963,060	6,659,594
Operating expenses before impairment charges	3,043,526	2,764,977	2,357,568
Impairment charge on financing, net of recoveries	1,272,104	1,197,700	1,251,603
Impairment charge / (reversal) on other financial assets	26,524	(8,982)	14,728
Share of income / (loss) from an associate and a joint venture ..	12,021	3,534	(14,140)
Income for the year before zakat	5,395,524	4,012,899	3,021,555

Note:

- (1) This line item comprises the sum of the following line items: "Exchange income, net", "Income from FVSI financial instruments, net", "Gain from FVOCI sukuk investments, net", "Dividend income on FVOCI equity investments" and "Other operating income".

Income from investments and financing, net

The Group's income from investments and financing, net was SAR 7,655 million for the year ended 31 December 2023, an increase of 26.2 per cent. as compared to SAR 6,066 million for the year ended 31 December 2022, which in turn represented an increase of 18.0 per cent. as compared to SAR 5,140 million for the year ended 31 December 2021. These increases were primarily attributable to growth in the financing and investment portfolios and an increase in yield rates.

The table below provides the fees generated from the Group's banking services, net as well its income/loss and gain from other activities for the years ended 31 December 2023, 31 December 2022 and 31 December 2021:

	31 December		
	2023	2022	2021
		(SAR'000)	
Fees from banking services-income	2,426,703	1,901,510	1,560,543
Fees from banking services-expense	(967,712)	(692,578)	(486,223)
Fees from banking services, net	1,458,991	1,208,932	1,074,320
Exchange income, net	330,291	290,836	214,614
Income from FVSI financial instruments, net	211,721	279,308	129,398
Gain from FVOCI sukuk investments, net	—	993	209

	31 December		
	2023	2022	2021
		(SAR'000)	
Dividend income on FVOCI equity investments	30,798	30,545	8,820
Other operating income	39,342	85,980	91,848

Fees from banking services, net

Fees from banking services, net was SAR 1,459 million as at 31 December 2023, an increase of 20.7 per cent. as compared to SAR 1,209 million for the year ended 31 December 2022, which in turn represented a 12.5 per cent. increase as compared to SAR 1,074 million for the year ended 31 December 2021. These increases were primarily attributable to an increase in bank cards issued as well as growth in the Group's trade finance, transaction banking, asset management and brokerage business.

Fees from banking services are generated from the management of the following product lines and entities:

- Brokerage fees;
- Trade finance services;
- Card services; and
- Fund management and other banking services.

The table below provides a breakdown of the Group's banking services fees for each of the years ended 31 December 2023, 31 December 2022 and 31 December 2021.

	2023	2022	2021
		(SAR'000)	
Income from:			
Trade finance services	172,452	124,583	118,433
Card services	1,301,748	1,071,806	739,892
Brokerage fees	138,961	88,613	128,192
Fund management and other banking services	813,542	616,508	574,026
	2,426,703	1,901,510	1,560,543
Expense on:			
Card services	(931,727)	(663,360)	(470,707)
Other fees.....	(35,985)	(29,218)	(15,516)
Fees from banking services, net.....	1,458,991	1,208,932	1,074,320

The Group's income from trade finance services was SAR 172 million for the year ended 31 December 2023, a 38.4 per cent. increase as compared to SAR 125 million for the year ended 31 December 2022, which in turn represented a 5.2 per cent. increase as compared to SAR 118 million for the year ended 31 December 2021. The increase for the year ended 31 December 2023 was primarily attributable to general growth in the Group's trade finance business. The increase for the year ended 31 December 2022 was primarily due to general growth in the Group's trade finance business and collection of overdue fees on letters of guarantees issued by the Group.

The Group's income from card services was SAR 1,302 million for the year ended 31 December 2023, a 21.5 per cent. increase as compared to SAR 1,072 million for the year ended 31 December 2022, which in turn represented a 44.9 per cent. increase as compared to SAR 740 million for the year ended 31 December 2021. The increase in 2023 was primarily attributable to an increase in volumes of points-of-sale and e-commerce transactions. The increase in 2022 was primarily attributable to an increase in volume of points-of-sale and e-commerce transactions.

The Group's income from brokerage fees was SAR 139 million for the year ended 31 December 2023, an increase of 56.8 per cent. as compared to SAR 89 million for the year ended 31 December 2022, which in turn represented a decrease of 30.9 per cent. as compared to SAR 128 million for the year ended 31 December 2021. The increase in 2023 was primarily due to an increase in trading activities of the Group's customers. The decrease in 2022 was primarily due to lower trading volume and trading value on Tadawul.

The Group's income from fund management and other banking services was SAR 814 million for the year ended 31 December 2023, an increase of 32.0 per cent. as compared to SAR 617 million for the year ended 31 December 2022, which in turn represented an increase of 7.4 per cent. as compared to SAR 574 million for the year ended 31 December 2021. The increases in income from fund management were primarily due to growth of assets under management in 2023 and 2022.

Exchange income, net

The Group's exchange income, net is income arising from foreign exchange gains. Exchange income, net was SAR 330 million for the year ended 31 December 2023, an increase of 13.6 per cent. as compared to SAR 291 million for the year ended 31 December 2022, which in turn represented an increase of 35.5 per cent. as compared to SAR 215 million for the year ended 31 December 2021. The increases were primarily due to an increased volume of foreign currency transactions in 2023 and 2022.

Income from FVSI financial instruments, net

The Group's income from FVSI financial instruments, net was SAR 212 million for the year ended 31 December 2023, SAR 279 million for the year ended 31 December 2022 and SAR 129 million for the year ended 31 December 2021. The decrease for the year ended 31 December 2023 was primarily attributable to decrease in net asset value of the fund portfolio and was partially offset by an increase in dividend income which, in turn, was a result of growth in the FVSI investment portfolio. The increase for the year ended 31 December 2022 was primarily attributable to an increase in the net asset value of the fund portfolio as well as growth in equity portfolio which, in turn, resulted in increased dividend income.

Operating expenses before impairment charges

The Group's operating expenses before impairment charges was SAR 3,044 million for the year ended 31 December 2023, an increase of 10.1 per cent. as compared to SAR 2,765 million for the year ended 31 December 2022, which in turn represented an increase of 17.3 per cent. as compared to SAR 2,358 million for the year ended 31 December 2021.

The increase in the Group's operating expenses before impairment charges for the year ended 31 December 2023 was primarily driven by a SAR 141 million increase in salaries and employee related expenses and a SAR 86 million increase in general and administrative expenses.

The increase in the Group's operating expenses before impairment charges for the year ended 31 December 2022 was primarily driven by a SAR 209 million increase in salaries and employee related expenses and a SAR 159 million increase in other general and administrative expenses.

The increases in salaries and employee related expenses for the years ended 31 December 2023 and 31 December 2022 were primarily driven by an increase in the Group's headcount to support its continued business

growth. The increases in other general and administrative expenses for the years ended 31 December 2023 and 31 December 2022 were primarily attributable to an increase in communications expenses as a result of an increase in transaction volumes and SMS, point-of-sales maintenance, consultancy and other professional fees, marketing expenses and other costs required for the implementation of the Group's strategy.

Impairment charge on financing, net of recoveries

The Group's impairment charge on financing, net of recoveries was SAR 1,272 million for the year ended 31 December 2023, an increase of 6.2 per cent. as compared to SAR 1,198 million for the year ended 31 December 2022, which in turn represented a decrease of 4.3 per cent. as compared to SAR 1,252 million for the year ended 31 December 2021. The increase in 2023 was primarily due to an increase in gross financing. The decrease in 2022 was primarily attributable to the improving economic environment in the Kingdom resulting in a lower ECL risk assessment on the Group's financing and repayments of NPFs.

Impairment charge / (reversal) on other financial assets

The Group's impairment charge on other financial assets was SAR 27 million as at 31 December 2023, as compared to a reversal of SAR 9 million as at 31 December 2022 and a charge of SAR 15 million as at 31 December 2021. The movement in 2023 was primarily attributable to increases in long-outstanding points-of-sale fee and management fee receivables. The movement in 2022 was primarily attributable to a recovery of long-outstanding management fee receivables due to the Group.

Share of income / (loss) from an associate and a joint venture

Investment in an associate

Investment in an associate represents the Bank's share of investment of nil as at 31 December 2023 and 28.75 per cent. as at 31 December 2022 in Alinma Tokio Marine Company (a cooperative insurance company) ("ATMC"). In 2023, ATMC merged with Arabian Shield Cooperative Insurance Company and therefore ceased to exist as a legal entity. As a result of the merger, the Bank recognised a gain on derecognition of investment in associate of SAR 5 million.

Investment in a joint venture

Investment in a joint venture represents the Group's 50 per cent. holding in ERSAL Financial Remittance Company (a joint venture between the Bank and Saudi Post) ("ERSAL"). The Group's share of net profit in a joint venture for the year ended 31 December 2023 was SAR 2 million compared to its share of net profit of SAR 1 million for the year ended 31 December 2022 and share of net loss of SAR 8 million for the year ended 31 December 2021.

Key Performance Ratios

Net Income Margin

The table below provides the calculation of the Group's net income margin for the years ended 31 December 2023, 31 December 2022 and 31 December 2021.

	31 December		
	2023	2022	2021
		(SAR'000)	
Total operating income	9,725,657	7,963,060	6,659,594
Net income for the year after zakat.....	4,839,206	3,599,140	2,709,387

	31 December		
	2023	2022	2021
		(SAR'000)	
Net Income Margin (%)	49.8	45.2	40.7

The Group's net income margin was 49.8 per cent. for the year ended 31 December 2023, an increase of 4.6 percentage points as compared to 45.2 per cent. for the year ended 31 December 2022, which in turn represented an increase of 4.5 percentage points as compared to 40.7 per cent for the year ended 31 December 2021. The increase for the year ended 31 December 2023 was primarily attributable to an increase in income from investments and financing, net and fees from banking services. The increase for the year ended 31 December 2022 was primarily due to a decrease in impairment charge on financing, net of recoveries.

Return on Average Assets Ratio and Return on Average Equity Ratio

The table below provides the calculation of the Group's return on average assets ratio and return on average equity ratio for the years ended 31 December 2023, 31 December 2022 and 31 December 2021.

	31 December		
	2023	2022	2021
		(SAR'000)	
Average total assets	218,575,664	186,956,157	165,176,444
Average equity attributable to the shareholder of the Bank	28,104,957	26,293,670	25,069,907
Net income for the year after zakat	4,839,206	3,599,140	2,709,387
Return on average assets (%)	2.2	1.9	1.6
Return on average equity (%)	17.2	13.7	10.8

The Group's return on average assets ratio and return on average equity ratio was 2.2 per cent. and 17.2 per cent., respectively, for the year ended 31 December 2023 as compared to 1.9 per cent. and 13.7 per cent., respectively, for the year ended 31 December 2022, and 1.6 per cent. and 10.8 per cent. for the year ended 31 December 2021. The movements in these ratios were primarily attributable to the increase in net income for the year after zakat.

Cost to Income Ratio

The table below provides the calculation of the Group's cost to income for the years ended 31 December 2023, 31 December 2022 and 31 December 2021.

	2023	2022	2021
		(SAR'000)	
Total operating income	9,725,657	7,963,060	6,659,594
Operating expenses before impairment charges	3,043,526	2,764,977	2,357,568
Cost to income ratio (%)	31.3	34.7	35.4

The Group has implemented stringent cost controls throughout its activities in order to reduce its cost to income ratio. The Group's cost to income ratio was 31.3 per cent., 34.7 per cent. and 35.4 per cent. for the years ended 31 December 2023, 31 December 2022 and 31 December 2021, respectively.

Performance – Business Segments

To report its published financial performance by business activities, the Group uses the format (the “**SAMA Format**”) imposed by SAMA. The SAMA Format applies universally across the financial sector in the Kingdom for comparison purposes. The word “segment” refers to regulatory disclosure while “business line” designates an activity run by a business unit or a separate legal entity specific to the Group's own organisation. The business segments below are described in a manner consistent with the disclosure within the notes to the 2023 Financial Statements. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are distinct from those of other business segments.

The description of the business segments set out under “*Business Description of the Group – Operations*” reflects the SAMA Format of the business segments described therein. Accordingly, the classification in the table below is used to provide financial reporting in relation to the operations of each business line within the Group.

The table below shows the Group's internal organisation and the way each of its business lines' performance is reported in the SAMA Format (corresponding to the Group's internal organisation and business segments as dictated by the SAMA Format):

Business Model and Bank's Internal Organisation		Business Segment as per the SAMA Format
Business Model	Business Lines	Reported in
Retail Banking	Financing, deposit and other products and services for individuals	Retail Banking
Corporate Banking	Financing, deposit and other products and services for corporate, SME and institutional customers	Corporate Banking
Treasury	Murabahas with banks, investments and treasury services	Treasury Banking
Investment & brokerage	Asset management, custodianship, advisory, underwriting and brokerage services	Investment Banking and Brokerage

The table below provides the Group's net income before zakat by business segment following the reporting format published in the Financial Statements:

	Retail	Corporate	Treasury	Investment & brokerage	Total
			(SAR'000)		
Net income for the year ended 31 December 2023 before zakat	2,054,029	2,067,283	745,339	528,873	5,395,524
Net income for the year ended 31 December 2022 before zakat	1,224,367	1,402,229	922,861	463,442	4,012,899

	Retail	Corporate	Treasury	Investment & brokerage	Total
			(SAR'000)		
Net income for the year ended 31					
December 2021 before zakat	1,302,649	543,055	789,003	386,848	3,021,555

Note:

- (1) In the 2022 Financial Statements, net income for the year ended 31 December 2022 before zakat attributable to the retail, corporate and treasury segments was SAR 1,277,122 thousand, SAR 1,349,219 thousand and SAR 923,116 thousand, respectively. The difference between net income for the year ended 31 December 2022 before zakat attributable to the retail, corporate and treasury segments as shown in the 2022 Financial Statements and as shown in the 2023 Financial Statements primarily reflected the transfer of income attributable to points-of-sale business to the retail segment.

The following is a summary explanation of the Group's net income per business segment:

Retail banking – this segment includes the retail banking group and the wealth management (private banking and affluent banking) division. The Retail banking segment's net income for the year before zakat for the year ended 31 December 2023 was SAR 2,054 million, an increase of 67.8 per cent. as compared to SAR 1,224 million for the year ended 31 December 2022, which in turn represented a decrease of 6.0 per cent. as compared SAR 1,303 million for the year ended 31 December 2021. The increase in 2023 was primarily attributable to an increase in financing attributable to the retail banking segment and an increase in yield rates. The decrease in 2022 was primarily attributable to an increase in impairment charge on financing, net of recoveries attributable to the retail banking segment.

Corporate banking – this segment includes the corporate banking group (large corporate and financial institutions clients) and the commercial banking division (small and medium sized enterprises). The Corporate banking segment's net income for the year before zakat for the year ended 31 December 2023 was SAR 2,067 million, an increase of 47.4 per cent. as compared to SAR 1,402 million for the year ended 31 December 2022, which in turn represented an increase of 158.2 per cent as compared to SAR 543 million for the year ended 31 December 2021. These increases were primarily attributable to an increase in financing attributable to the corporate banking segment and an increase in yield rates.

Treasury – this segment includes the capital market activities of the Group and the performance of its investment portfolio. The Treasury segment's net income for the year before zakat for the year ended 31 December 2023 was SAR 745 million, a decrease of 19.2 per cent. as compared to SAR 923 million for the year ended 31 December 2022, which in turn represented an increase of 17.0 per cent. as compared to SAR 789 million for the year ended 31 December 2021. The decrease in 2023 was primarily attributable to a decrease in income from FVSI financial instruments and a decrease in income from investments and financing, net. The increase in 2022 was primarily attributable to an increase in the Group's investments, net and an increase in yield rates.

Investment and brokerage – this segment includes the Group's asset management, brokerage and investment banking activities. The Investment and brokerage segment's net income for the year before zakat for the year ended 31 December 2023 was SAR 529 million, an increase of 14.1 per cent. as compared to SAR 463 million for the year ended 31 December 2022, which in turn represented an increase of 19.8 per cent. as compared to SAR 387 million for the year ended 31 December 2021. These increases were attributable to an increase in income from investments and financing, net, which in turn was mainly attributable to the increase in investment trading activities of the Group's customers.

Credit Ratings

The Group is rated by Fitch and Moody's. The table below shows the Group's credit rating as at the date of this Offering Circular:

	Long Term Rating	Short Term Bank	Outlook / Review
Fitch.....	A-	F2	Stable
Moody's	A3	P-2	Positive

Credit related Commitments and Contingencies

Credit related commitments and contingencies comprise letters of guarantee, letters of credit, acceptances and unused irrevocable commitments to extend financing facilities. The tables below provide the Group's credit-related commitments and contingencies as at 31 December 2023, 31 December 2022 and 31 December 2021.

2023	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
	(SAR'000)				
Letters of credit.....	2,369,762	1,402,770	150,445	—	3,922,977
Letters of guarantee	3,111,702	7,604,171	8,302,668	33,603	19,052,144
Acceptances	1,254,199	—	—	—	1,254,199
Irrevocable commitments to extend credit...	—	—	12,136,338	—	12,136,338
Total.....	6,735,663	9,006,941	20,589,451	33,603	36,365,658

2022	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
	(SAR'000)				
Letters of credit.....	3,283,947	1,259,353	61,777	51,833	4,656,910
Letters of guarantee	1,274,686	6,735,169	7,248,594	376,117	15,634,566
Acceptances	486,488	71,287	—	—	557,775
Irrevocable commitments to extend credit...	—	—	2,750,501	—	2,750,501
Total.....	5,045,121	8,065,809	10,060,872	427,950	23,599,752

2021	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
	(SAR'000)				
Letters of credit.....	968,796	893,385	164,553	—	2,026,734
Letters of guarantee	735,700	5,412,284	4,572,057	341,022	11,061,063
Acceptances	323,329	21,633	—	—	344,962
Irrevocable commitments to extend credit...	—	—	512,273	—	512,273
Total.....	2,027,825	6,327,302	5,248,883	341,022	13,945,032

Guarantees and standby letters of credit represent irrecoverable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as investments and financing.

Documentary letters of credit are generally collateralised by the underlying assets to which they relate, and therefore have significantly lower risk.

Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by customers.

Commitments to extend credit represent an unused portion of authorisations to extend credit, principally in the form of financing, guarantees and letters of credit. With respect to these commitments, the Group is exposed to an insignificant potential credit risk as most commitments to extend credit are contingent upon customers maintaining specific credit standards. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded. The outstanding unused portion of non-firm commitments which can be revoked unilaterally at any time by the Group as at 31 December 2023 was SAR 35.1 million as compared to SAR 35.3 billion as at 31 December 2022 and SAR 29.3 billion as at 31 December 2021.

Related Parties

In the ordinary course of its activities, the Group transacts business with related parties. The related party transactions are governed by limits set by the Banking Control Law and applicable Rules and Regulations issued by SAMA. The balances as at 31 December 2023, 31 December 2022 and 31 December 2021 resulting from such transactions included in the consolidated financial statements are as follows:

	As at 31 December		
	2023	2022	2021
		(SAR'000)	
Directors, key management personnel, major shareholders and affiliates			
Financing to key management personnel.....	56,022	50,503	43,685
Financing to other related parties.....	1,433,866	935,993	745,520
Customers' deposits.....	58,959	107,960	323,538
Investments in associate and joint venture.....	15,637	70,214	66,680
Bank's mutual funds			
Investments in mutual funds.....	953,614	625,708	1,755,631
Deposits from mutual funds.....	335,531	796,174	216,662
Borrowings from mutual fund	—	—	50,388

RISK MANAGEMENT

Pro-active and efficient management of the risks involved in the Bank's activities is critical to its long-term financial strategy, profitability, assets and stakeholders' confidence. The Bank has established a risk management framework ("**Risk Management Framework**") to ensure strong risk management awareness and culture, and to instil these practices in its day-to-day business activities and responsibilities. The Risk Management Framework entails pro-active identification, measurement, monitoring and mitigation/control of key risks backed by strong risk governance and organisation.

Risk Governance

Risk management is undertaken independently from the business units of the Bank. The Bank's approach is to identify, analyse and respond appropriately to all risks. The approved risk appetites and tolerances for each type of risk will determine the appropriate risk response. The Bank aims to enforce a strong risk management culture through a comprehensive set of processes that are designed to effectively identify, measure, monitor, report, mitigate and control risk exposures effectively.

The Board of Directors has ultimate responsibility for the Bank's overall enterprise risk management philosophy, strategy, risk tolerance levels and risk policies. The Board of Directors establishes board committees for risk functions, while retaining the responsibility for each committee. The Board of Directors delegates the day-to-day monitoring of risks to management, but remains accountable in ensuring these are carried out within the ambit of statutory, regulatory and good banking practices.

The Board Risk Committee ("**BRC**") of the Board of Directors is responsible for assisting the Board of Directors in overseeing the enterprise risk management process and discharging other related responsibilities. This includes ongoing review and oversight of the Risk Appetite Framework and Policy of the Bank and its supporting risk management framework and recommending any relevant changes for the Board of Directors' approval.

The board committees (mainly the BRC, the Audit Committee, the Nominations and Remuneration Committee (the "**NRC**") and the Executive Committee ("**EC**")) are supported by Executive Management Committees and Senior Management. The Board of Directors has delegated the oversight of enterprise risk management to the EC. The EC reviews and approves all risk management policies and specific large credits beyond the limits delegated to the Bank's management pursuant to the credit approval authority delegation matrix (the "**Credit Approval Authority Delegation Matrix**"). The EC also regularly reviews and assesses the Bank's overall risk profile and advises the senior management to take action, where necessary. For further information regarding the Board of Director's committees and management committees, see "*– Management and Employees*".

In addition, in the spirit of enhanced risk culture throughout the Bank, three lines of defence are in operation:

- As the first line of defence, the business units have ownership, responsibility and accountability for assessing, controlling and mitigating risks with assistance from the support units. The retail, corporate and treasury groups are the key business units charged with originating, recommending, and managing the largest portion of the Bank's overall risk asset exposure. These key business units have the primary responsibility to implement the risk policies in their respective units under the monitoring and oversight of the Risk Management Group ("**RMG**"). The support units perform risk and control self-assessment periodically to identify, analyse and evaluate operational risks in their respective business activities in support of the business units.
- As the second line of defence, the RMG, ALCO, the Credit Committee ("**CC**"), the Impairment Committee, the Investment Committee ("**IC**") and control units (*Shari'a* and Compliance) facilitate and monitor the implementation of effective risk management practices by business and operational

management, and assist the risk owners in reporting appropriate risk-related information to the relevant stakeholders.

- **ALCO:** The Bank's ALCO policies provide the framework for the management and control of liquidity and profit rate risk. Day to day operational responsibility resides with the ALCO, reporting to the Treasurer, with governance oversight provided by the ALCO. The ALCO oversees, on behalf of the Board of Directors, the liquidity position of the Bank and also evaluates, establishes, promulgates and enforces policies on market and liquidity risk management and strategies with the aim of optimising shareholders' value through effective management of the Bank's balance sheet. The ALCO also assumes management level oversight on the review, approval, implementation and monitoring of the Bank's Risk Appetite Framework and Policy.
- **CC:** The CC is the main reviewing and approving authority for all credit exposures to counterparties, corporate customers, financial institutions, private banking/high net-worth customers and individual, salary-based retail accounts. All credit approvals require the signature of at least one authorised credit approver from Credit Management in addition to the authorised credit approvers from the Corporate Banking Group and/or Retail Group, as the case may be.
- **Impairment Committee:** The Board has authorised the formation of the Impairment Committee to oversee the implementation and maintenance of the Bank-wide framework for assessing credit impairment charges pursuant to regulatory requirements of the Basel Committee on Banking Supervision ("BCBS") Guidance on credit risk and accounting for expected credit losses and IFRS 9 standards.
- **IC:** The IC is tasked with preparing, reviewing and recommending strategic investment policies of the Bank. It also reviews and approves specific Bank investments and regularly monitors the performance of various new and existing Bank investment assets.
- **RMG:** In partnership with the Bank's business and the support units, the RMG (which is organised into Anti-Fraud Management; Risk Management Excellence; Basel Reporting; Credit Risk Management; Operational Risk Management; Market Risk Management; and Cyber Security teams, each of which works independently from the business units of the Bank to identify, measure and mitigate risks on a pre-emptive basis) is responsible for formulating and implementing procedures and processes that assist staff and management with recognising, assessing and mitigating the occurrence of all types of risk. When necessary, the RMG escalates these to the Chief Risk Office ("CRO"), the Chief Executive Officer ("CEO"), the EC and the Board of Directors for their information and required action. With respect to credit risk, which is the largest risk of the Bank, the RMG conducts independent reviews and assessments of credit risks through the CRO and the Chief Credit Officer. As part of the CC, they decide whether to approve, modify the terms, or reject any extension of credit. The RMG also ensures that the Policies and Guidelines on Risk Taking (including the Risk Appetite Framework) are complied with.
- **Control units:** The control units ensure that the Bank is compliant with *Shari'a* guidelines and laws and regulations of the Kingdom by reviewing the Bank's transactions, activities and executive procedures.
- As the third line of defence, the internal audit function, through a risk-based audit approach, provides independent assurance to the Board of Directors and senior management on the effectiveness of the risk

management process in the Bank, in terms of assessment and management of its risks, including the manner in which the first and second lines of defence operate.

Risk Organisation

The Bank has a well-defined risk taxonomy (within the overall framework of credit, market and operational risks) following the BCBS classification and best practice guidelines for newer risk types. The CRO heads the RMG and is responsible for overall implementation of the risk objectives of the Bank.

For this purpose, in line with the risk framework, the RMG's divisions are functionally tasked to analyse and mitigate risks as follows:

Credit Risk

Credit risk arises when a counterparty fails to fulfil its contractual obligations to the Bank. All credit proposals are subjected to a high degree of due diligence intended to identify all risks associated with granting the credit.

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board of Directors has appointed the BRC which has the responsibility to monitor the overall risk process within the Bank.

The Bank's credit policy provides detailed guidelines on managing credit risk effectively. It is reviewed and updated from time to time based on experience, emerging issues, best market practices and directives from regulatory authorities. The credit policy is designed to ensure clear recognition of credit risk management strategies and objectives. The Bank regularly stress tests its credit portfolios, in order to evaluate the potential impact of negative factors on asset quality, risk ratings, profitability and capital allocations.

To generate an internal risk rating for its corporate clients, the Bank uses the Moody's CreditLens system ("MCL") system which is used by many leading banks globally and in the Kingdom. It enables the Bank to assign a risk rating to a single obligor. The risk rating is a point-in-time, 12-month probability of default ("PD"). The Bank assigns a rating from a 10-point rating scale with 1 as the best and 10 as the worst. The rating uses sub-grades (e.g. 3+, 3, and 3-) for a granular assessment of the PD. As part of the Bank's policy, only obligors with risk ratings of 6 or better are eligible for financing. The Bank reviews and validates the MCL system on a regular basis – calibrating score ranges with rating grades and associated PDs. All credit exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade because of various qualitative and quantitative aspects related to the specific obligor, such as changes in its audited financial statements, compliance with covenants, management changes, as well as changes in the economic and business environment. Credit risks in the retail portfolio are estimated based on individual credit-worthiness scores derived from an automated credit scoring platform.

The RMG owns and controls the policies established for financing. It regularly reviews and revises the Bank's credit policies, guidelines and processes to ensure the management and control of credit risks are within the Risk Appetite Criteria of the Bank and to minimise credit-related losses. The RMG also ensures that credit policies are aligned and adjusted in accordance with the economic, market, regulatory and legal landscape.

The Bank also attempts to control credit risk by monitoring credit exposures and limiting transactions with specific counterparties. The Bank's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits.

Actual exposures against limits are monitored daily and reported periodically or whenever required. In addition to monitoring credit limits, the Bank manages the credit exposure relating to its trading activities by entering into collateral arrangements with counterparties in appropriate circumstances, and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counterparties to mitigate credit risk.

The Bank manages various credit portfolios for diversification. Concentration in the portfolio mix is managed in terms of economic activity, geography, collateral and underlying product. The Bank seeks diversification of its credit portfolios through acquiring customers across different industries, economic activities and geographical areas across the country. It also targets large, medium and small corporate clients as well as individual clients. Obligor and sector concentrations are monitored to assess different types of financing concentrations. The Bank regularly stress tests its credit portfolios, in order to evaluate the potential impact of negative factors on asset quality, risk ratings, profitability and capital allocations.

The Bank uses collateral when mitigating its credit risk on financial assets. The collateral comes in various forms including cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. To the extent possible, the Bank uses active market data for valuing financial assets held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as real estate valuation agencies, mortgage brokers or based on housing price indices.

The Bank's Credit Administration and Control unit is responsible for post-sanction credit controls. Its role includes:

- ensuring that documentation and securities are obtained and comply with the terms of approval prior to limit activation;
- monitoring limit excesses and credit exceptions; and
- escalating exceptions and reporting on the credit portfolio.

If a retail banking financing is in arrears, it is processed in accordance with standard operating procedures whereby the financing is considered to be past due one day after payments under the financing were due to be made.

A retail financing account becomes non-performing when no payment or instalment is made for over 90 days. The collection unit pursues all available avenues, in adherence to collection regulation, to collect the outstanding amount from a debtor including, amongst other methods, filing a claim with the court and starting a court proceeding in relation to personal and home financings, making claims on order notes and foreclosing on any relevant collateral in accordance with the enforcement law. However, prior to initiating any litigation activity, a cost benefit assessment in terms of recovery potential is performed.

A remedial financing is written off generally after 360 days past due, as the Bank does not forfeit its right to recover and recovery activities remain in action until the dues are collected.

Corporate customers who display weaknesses in the timely repayment of their obligations due to financial constraints are managed in accordance with SAMA's guidelines on Management of Problem Loans and Rules dated 30 January 2020. These financing accounts are categorised as Special Mention or Stressed Accounts and periodic discussions are conducted to identify the issues involved and find suitable action plans to contain the situation. The Bank has implemented IFRS 9 provisioning standards according to which the customers are categorised into Stage 1, Stage 2 and Stage 3. The customers who are in default for over 90 days are considered 'Non-Performing' unless there is evidence suggesting potential, imminent repayment despite the period of time elapsed.

The Bank's Special Assets Management team ("SAM") is responsible for the management of non-performing credit exposures for all businesses except consumer credit, which is managed by a separate collections division. SAM conducts diagnostic review and analysis for newly transferred cases, discusses and negotiates with clients for their outstanding payments, including using measures for rescheduling or restructuring the repayments.

As part of such repayment restructuring, SAM may request additional collateral or modification of the other terms and conditions (including the pricing). Restructuring plans negotiated by SAM are submitted to the relevant Credit Committee within the Bank for decision.

If negotiations are not successful and both parties are unable to reach a settlement, the Recovery Unit takes over and provides a more assertive approach by initiating legal proceedings to recover the Bank's money through legal channels.

SAM is responsible for the overall management of the non-performing financings including drawing up work-out plans, realising the collateral and instituting legal action (where necessary) through the Bank's Legal team.

Market risk

Market risk is the risk that the fair value or the future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices. The Bank classifies market risk exposures into either trading, non-trading or banking book. Market risk is controlled by setting market risk limits (including position limits) and implementing risk policies that not only meet regulatory requirements but also are designed to mitigate and/or cap potential exposure.

The Market Risk Management Team under the RMG independently monitors the market risk exposure of the Bank and prepares regular reports for the ALCO, through the CRO. The ALCO is responsible for monitoring the market risk exposure against the approved Risk Appetite Framework and the Treasury Risk Policy. The ALCO's primary objective is to manage volatility in earnings and control the liquidity risk at the Bank level and it reports to the BRC, the Board of Directors and local regulators.

Market risk within the trading and banking book is managed and monitored using various indicators such as value at risk ("VAR"), stress testing and sensitivity analyses.

Market risk – trading book

The Bank is exposed to an insignificant market risk on its trading book position of equities in local currency which is regularly marked to market and losses or gains on equity prices are taken directly into the consolidated statement of income.

The Board of Directors has set limits for the acceptable level of risks in managing the trading book. In order to manage the market risk in the trading book, the Bank, on a daily basis, applies VAR methodology based on historical rate changes observed in the market. The Bank also performs daily stress testing to estimate the potential economic loss based on a defined set of significant changes in market conditions.

VAR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time period. The Bank uses simulation models to assess the possible changes in the market value of the trading book based on historical data. VAR models are usually designed to measure the market risk in a normal market environment and therefore the use of VAR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The measure of the Bank's VAR is an estimate, using a confidence level of 99 per cent., of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. The use of a 10 per cent. confidence level depicts that within a two-week period, losses exceeding the VAR figure should not occur, on average, more than once every 10 days.

VAR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results may differ from the VAR

calculations. The calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VAR limitations mentioned above, the Bank also carries out daily stress tests of its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the ALCO through the CRO for its review.

Market risk – non-trading book

Market risks on non-trading book mainly arise from profit rate movements and, to a minor extent, from currency fluctuations. The Bank also faces price risks on investments held at “FVOCI”.

Profit rate risk

Profit rate risk arises from changes in profit rates which affect either the fair values or the future cash flows of profit-rate sensitive financial instruments in the banking book. The Bank has a low tolerance to this risk. It is the Bank’s policy to transfer profit rate risk positions from all business lines for central management, whereby short-term positions are managed by the Treasury Group and long-term positions by the ALCO. Exposures are managed in accordance with ALCO-approved risk tolerance and pre-defined limits. The amount of the Bank’s profit receivable is used to manage net exposures arising from contractual and assumed re-pricing mismatches. Stress testing and sensitivity analyses are also performed on a regular basis, with results reported to the ALCO.

The Bank uses the Economic Value of Equity methodology and an income-based approach to assess the profit rate risk in the banking book. The Board of Directors (acting through the EC) has established profit rate sensitivity limits for stipulated periods.

The Bank is exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities. The Bank monitors positions daily and has hedging strategies in place to ensure maintenance of positions within the established gap limits.

This policy is in line with the liquidity risk management policy (see – “*Liquidity Risk*”) insofar as the liquidity created by the excess from deposits and working capital over core assets is invested in instruments, the liquidity of which then stays within the Bank.

Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board of Directors (acting through the EC) has set limits on positions by currencies, which are monitored daily, and hedging strategies are also in place to ensure that positions are maintained within the limits.

The table below shows the Group’s summarised exposure to foreign currency exchange rate risk as at 31 December 2023, 31 December 2022 and as at 31 December 2021.

Assets	2023	2022	2021
		(SAR’000)	
Cash and balances with SAMA.....	122,668	230,297	199,392
Due from banks and other financial institutions	487,098	1,311,119	738,069
Investments, net	4,821,685	3,550,121	1,541,066
Financing, net.....	5,487,801	4,389,664	3,831,989
Other assets	636,662	9,955	6,157
Total currency risk on assets	11,555,914	9,491,156	6,316,673

Assets	2023	2022	2021
		(SAR'000)	
Liabilities			
Due to SAMA, banks and other financial institutions.....	2,410,785	1,518,272	1,331,069
Customers' deposits	5,929,878	7,847,386	5,169,306
Other liabilities.....	464,493	252,655	78,578
Total currency risk on liabilities	8,805,156	9,618,313	6,578,953
Foreign currency forwards, net	(901,874)	—	—
Net position – (asset)/liability	1,848,884	(127,157)	(262,280)

In addition, the Bank manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors (acting through the ALCO and the EC) sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily by the Bank's Market Risk Management team. As at 31 December 2023, 31 December 2022 and 31 December 2021, the Bank had the following significant exposures denominated in foreign currencies:

	2023	2022	2021
		(SAR'000)	
USD	1,831,814	(89,382)	(324,756)
Euro.....	(30,026)	(45,234)	(8,772)
UAE Dirham	46,326	3,267	25,780
BHD	(19,273)	(13,463)	6,145
QAR	1,633	8,161	2,782
Others.....	18,410	9,494	36,541
Total.....	1,848,884	(127,157)	(262,280)

Within the Kingdom's economic context, where most exports and imports are settled in U.S. dollars, the largest foreign exchange exposures created by the business flows are in U.S. dollars. These U.S. dollar exposures have a very limited daily variation risk as they benefit from the fixed exchange rate between U.S. dollars and SAR handled by SAMA through daily transactions with Saudi banks.

While the Bank is not aware of any planned de-pegging of the U.S. dollar and riyal, specific stress scenarios linked to a potential U.S.\$/SAR de-peg (both revaluation and devaluation) are monitored on a daily basis in order to estimate the potential associated risk.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk arises throughout the Bank and from almost any activity. Where controls are not designed adequately or fail to perform, operational risks can materialise into incidents and cause damage to reputation, business disruption, have legal or regulatory implications and/or lead to financial loss. While the Bank cannot eliminate all operational risks, the Bank aims to manage risks through a dynamic operational risk

identification and management framework which includes identification assessment, monitoring, treatment reporting, controlling/mitigating and staff awareness.

The Bank has an Operational Risk team as a part of the RMG which is tasked with monitoring and controlling the operational risks of the Bank. The functions of this unit are guided by the Operational Risk Policy and Framework. To systematise the assessment and mitigation of operational risks, the Business Environment and Internal Control Framework is established through risk control and self-assessment along with establishing key risk indicators for all business and support units. These risk metrics are proactively monitored by the Operational Risk team on a regular basis. In addition, the Bank has a successfully tested and documented business continuity plan and an operational disaster recovery site.

While keeping the responsibility of managing the business (and the associated risks) within the business or support units, the operational risk management team are involved in facilitating risk identification, measurement and assessment of risks and the implementation of relevant controls. This includes documenting and tracking the risk mitigation plans, or risk acceptance. Each business or support unit is responsible for managing the inherent risks of its function.

Business continuity plan

With the continuing growth in the Bank's banking activities, the Bank recognises its obligation to clients, shareholders and staff to ensure the continuity of its business, in line with its commitment to safety, quality and commercial best practices. As part of the business continuity lifecycle, the planning phase allows the Bank to be prepared during a crisis to resume business processes with the minimum required resources. All of the Bank's segments have their own individual business continuity plans which have been built on a departmental level to ensure any internal requirements between their processes are linked.

Internal control system

The Bank's management is responsible for establishing and maintaining an adequate and effective system of internal controls for implementing strategies and policies as approved by the Board of Directors. The system of internal controls is based on what management considers to be appropriate for the Bank's activities. Management considers the materiality of the financial and other risks inherent in those activities and the relative costs and benefits of implementing specific controls.

The Bank's system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve the Bank's business objectives. As such, it provides reasonable, but not absolute, assurance against material misstatement and loss. In addition, the Bank's general assembly (the "**General Assembly**") has formed an Audit Committee, which periodically reviews the reports submitted by the Bank's internal and external auditors. Such reports also include the evaluation of the effectiveness of the Bank's internal controls.

The Bank considers that it has a reasonably sound and effective system of internal controls in force, both in design and implementation. During 2023, there were no material observations in respect of the effectiveness of the Bank's internal control system and procedures.

Shari'a Non-Compliance Risk

Being an Islamic bank, the Bank is exposed to the risk of *Shari'a* non-compliance. To mitigate such risk, extensive *Shari'a* policies and procedures are in place. Further, the Bank has established a *Shari'a* Committee and a Secretariat of the *Shari'a* Committee division, being a dedicated technical and administrative body that supports the *Shari'a* Committee in achieving its goals and performing its duties. The Secretariat is an administrative division of the Bank that reports directly to the *Shari'a* Committee. To ensure *Shari'a* compliance of all of the products and services offered by the Bank, the Secretariat of the *Shari'a* Committee provides its services through the following three departments: (i) the *Shari'a* Studies and Consultancy Department; (ii) the *Shari'a* Control Department; and (iii) the *Shari'a* Reporting and Follow-up Department.

The *Shari'a* Studies and Consultancy Department is responsible for studying all existing and proposed products and transactions and submitting a presentation to the *Shari'a* Committee on the same, contributing to the innovation of new products and the development of forms and contracts and drafting the related *Shari'a* resolutions and research papers. The *Shari'a* Control Department is responsible for auditing the Bank's transactions in terms of *Shari'a* compliance and issuing *Shari'a* performance and audit reports with regard to all products and services offered by the Bank and all transactions executed by the Bank to monitor and mitigate such risk. Finally, the *Shari'a* Reporting and Follow-up Department is responsible for providing administrative support and other related support.

Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, management has diversified funding sources and assets are managed with due consideration for liquidity, maintaining an adequate balance of cash and cash equivalents. The Bank has delegated the management of short-term liquidity to the Treasury Group and has delegated the management of long-term liquidity to the ALCO.

In terms of day-to-day liquidity management, the Treasury Group ensures sufficient funding to meet its intra-day payments and all settlement obligations on a timely basis. The process of managing liquidity risk includes:

- maintaining sufficient amounts as an unencumbered high quality liquidity buffer – a protection against any unforeseen interruptions to cash flow;
- managing short-term and long-term cash flows via maturity mismatch reports and various indicators;
- monitoring depositor concentration at bank level to avoid undue reliance on large fund providers;
- diversifying funding sources to ensure a proper funding mix;
- ensuring that regulatory ratios such as the SAMA Liquidity Ratio, LCR and NSFR are maintained at the required minimum;
- constantly reviewing and assessing the Contingency Funding Plan; and
- conducting bi-annually liquidity stress testing under various scenarios as part of prudent liquidity control to examine the effectiveness and robustness of the plans.

All liquidity policies and procedures are covered by the Liquidity Risk Policy, the Treasury Risk Policy and the Risk Appetite Framework and Policy, which are endorsed by the BRM and are subject to review and oversight by the ALCO and approval by the Board of Directors.

In accordance with the Banking Control Law and the Regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7 per cent. of total customer demand deposits, and 4 per cent. of customers' time investments. In addition to the statutory deposit, the Bank also maintains liquid reserves of not less than 20 per cent. of its deposit liabilities in the form of cash, Government securities or assets which can be converted into cash within a period not exceeding 30 days. The Bank can also raise additional funds through repo facilities available with SAMA against its holding of Government securities up to 100 per cent. of the nominal value of the securities. In addition, the Bank has repo agreements in place with other banks to get liquidity (if needed).

The table below shows the maturity profile of assets, liabilities and equity of the Group as at 31 December 2023, 31 December 2022 and 31 December 2021:

	SAR'000					
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
31 December 2023						
Assets						
Cash and balances with SAMA	1,700,000	—	—	—	10,898,444	12,598,444
Due from banks and other financial institutions:						
Current accounts	—	—	—	—	485,810	485,810
Murabaha and Wakala with banks	1,010,171	—	204,926	—	—	1,215,097
Investments, net						
Investments held at amortized cost.....	49,708	2,949,864	4,868,914	19,236,673	—	27,105,159
Investments held at FVOCI.....	9,883	1,135,776	6,379,067	4,833,560	1,146,996	13,505,282
Investments held at FVSI.....	—	—	—	—	2,610,274	2,610,274
Investments in associate and joint venture	—	—	—	—	15,637	15,637
Financing, net						
Retail	2,860,018	5,887,992	17,475,298	16,022,741	—	42,246,049
Corporate	16,821,272	30,791,448	53,301,305	30,463,970	—	131,377,995
Property and equipment, net.....	—	—	—	—	2,888,209	2,888,209
Other assets.....	—	—	—	—	2,667,142	2,667,142
Total assets	22,451,052	40,765,080	82,229,510	70,556,944	20,712,512	236,715,098
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Demand.....	—	—	—	—	316,396	316,396
Time investments and due to SAMA	5,067,379	759,341	1,288,114	—	—	7,114,834
Customers' deposits						
Demand, savings and others.....	—	—	—	—	90,552,214	90,552,214
Customer's time investments	67,721,036	27,178,022	2,316,206	133,103	—	97,348,367
Amount due to Mutual Funds' unitholders....	—	—	—	—	93,510	93,510
Other liabilities	—	—	—	—	6,956,176	6,956,176
Total equity	—	—	—	—	34,333,601	34,333,601
Total liabilities and equity	72,788,415	27,937,363	3,604,320	133,103	132,251,897	236,715,098
Commitments & contingencies						
Letters of credit.....	2,369,762	1,402,770	150,445	—	—	3,922,977
Letters of guarantee.....	3,111,702	7,604,171	8,302,668	33,603	—	19,052,144
Acceptances	1,254,199	—	—	—	—	1,254,199
Irrevocable commitments to extend credit	—	—	12,136,338	—	—	12,136,338

	SAR'000					
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
31 December 2022						
Assets						
Cash and balances with SAMA	—	—	—	—	9,723,259	9,723,259
Due from banks and other financial institutions:						
Current accounts	—	—	—	—	931,877	931,877
Murabaha and Wakala with banks	401,603	120,978	—	—	—	522,581
Investments, net						
Investments held at amortized cost.....	311,197	249,917	3,775,341	20,384,865	—	24,721,320
Investments held at FVOCI.....	116,483	11,155	2,762,670	7,755,837	1,438,459	12,084,604
Investments held at FVSI.....	—	—	—	—	1,641,496 ⁽¹⁾	1,641,496 ⁽¹⁾
Investments in associate and joint venture	—	—	—	—	70,214	70,214
Financing, net						
Retail	2,761,347	5,546,207	13,883,654	14,332,484	—	36,523,692
Corporate	17,054,868	24,440,382	42,807,997	25,665,017	—	109,968,264
Property and equipment, net.....	—	—	—	—	2,632,794	2,632,794
Other assets.....	—	—	—	—	1,616,128 ⁽²⁾	1,616,128 ⁽²⁾
Total assets	20,645,498	30,368,639	63,229,662	68,138,203	18,054,227	200,436,229
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Demand.....	—	—	—	—	55,331	55,331
Time investments and due to SAMA	6,761,065	7,870,389	1,796,254	—	—	16,427,708
Customers' deposits						
Demand, savings and others.....	—	—	—	—	82,489,308	82,489,308
Customer's time investments	35,449,518	23,649,001	3,419,181	161,482	—	62,679,182
Amount due to Mutual Funds' unitholders....	—	—	—	—	136,570	136,570
Other liabilities	—	—	—	—	6,771,817	6,771,817
Total equity	—	—	—	—	31,876,313	31,876,313
Total liabilities and equity	42,210,583	31,519,390	5,215,435	161,482	121,329,339	200,436,229
Commitments & contingencies						
Letters of credit.....	3,283,947	1,259,353	61,777	51,833	—	4,656,910
Letters of guarantee.....	1,274,686	6,735,169	7,248,594	376,117	—	15,634,566
Acceptances	486,488	71,287	—	—	—	557,775
Irrevocable commitments to extend credit	—	—	2,750,501	—	—	2,750,501

Notes:

- (1) In the 2022 Financial Statements, the amount disclosed was SAR 1,652,479 thousand. The difference between the amount as shown in the 2023 Financial Statements and as shown in the 2022 Financial Statements reflected the reclassification in the 2023 Financial Statements of positive fair value derivatives from "Investments held at fair value through statement of income (FVSI)" to "Other assets" as at 31 December 2022.

- (2) In the 2022 Financial Statements, the amount disclosed was SAR 1,605,145 thousand. The difference between the amount as shown in the 2022 Financial Statements and as shown in the 2023 Financial Statements reflected the reclassification described above in note (1).

	SAR'000					
	Within 3 months	3 months to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
31 December 2021						
Assets						
Cash and balances with SAMA	30,000	—	—	—	9,147,296	9,177,296
Due from banks and other financial institutions:						
Current accounts	—	—	—	—	437,811	437,811
Murabaha and Wakala with banks	300,262	—	—	—	—	300,262
Investments, net						
Investments at amortized cost	—	2,025,906	7,701,721	13,704,887	—	23,432,514
Investments held at FVOCI	—	201,822	2,498,117	4,249,110	463,576	7,412,625
Investments held at FVSI	—	—	—	—	2,365,750	2,365,750
Investments in associate and joint venture	—	—	—	—	66,680	66,680
Financing, net						
Retail	1,379,250	3,837,242	11,816,876	10,473,567	—	27,506,935
Corporate	14,396,343	23,600,505	39,863,111	20,904,597	—	98,764,556
Property and equipment, net	—	—	—	—	2,382,732	2,382,732
Other assets	—	—	—	—	1,628,923	1,628,923
Total assets	16,105,855	29,665,475	61,879,825	49,332,161	16,492,768	173,476,084
Liabilities and equity						
Due to SAMA, banks and other financial institutions						
Demand	—	—	—	—	391,162	391,162
Time investments and due to SAMA	7,830,896	991,511	6,026,222	—	—	14,848,629
Customers' deposits						
Demand, savings and others	—	—	—	—	79,670,546	79,670,546
Customer's time investments	19,875,591	19,502,291	1,885,568	126,555	—	41,390,005
Amount due to Mutual Funds' unitholders	—	—	—	—	495,990	495,990
Other liabilities	—	—	—	—	5,968,725	5,968,725
Total equity	—	—	—	—	30,711,027	30,711,027
Total liabilities and equity	27,706,487	20,493,802	7,911,790	126,555	117,237,450	173,476,084
Commitments & contingencies						
Letters of credit	968,796	893,385	164,553	—	—	2,026,734
Letters of guarantee	735,700	5,412,284	4,572,057	341,022	—	11,061,063
Acceptances	323,329	21,633	—	—	—	344,962
Irrevocable commitments to extend credit	—	—	512,273	—	—	512,273

In all cases, the expected maturities of assets and liabilities have been determined based on the remaining period at the relevant balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history. The Bank's management monitors the maturity profile to ensure that adequate liquidity is maintained.

The table below shows certain assets and liabilities of the Group as at 31 December 2023, 31 December 2022 and 31 December 2021:

	As at 31 December		
	2023	2022	2021
		(SAR'000)	
Financing, net	173,624,044	146,491,956	126,271,491
Customers' deposits.....	187,900,581	145,168,490	121,060,551
Due from banks and other financial institutions, net.....	1,700,907	1,454,458	738,073
Due to SAMA, banks and other financial institutions	7,431,230	16,483,039	15,239,791
Net interbank position ⁽¹⁾	(5,730,323)	(15,028,581)	(14,501,718)
<i>Murabahas</i> with SAMA and sukuk (held at amortised cost, net)	27,105,159	24,721,320	23,432,514

Note:

(1) Calculated as the difference between "Due from banks and other financial institutions, net" and "Due to SAMA, banks and other financial institutions".

The table below shows the financings to customers deposit ratio and the SAMA financings to deposit ratio for the years ended 31 December 2023, 31 December 2022 and 31 December 2021:

	31 December		
	2023	2022	2021
		(%)	
Financings to deposit ratio.....	92.4	100.9	104.3
SAMA financings to deposits ratio	80.5	82.8	85.8

Macroeconomic and Business Cycle Risk

Macroeconomic and business cycle risk is a combination of attributes that gives rise to other risk types such as credit, market or liquidity risks. The Bank has assessed this risk using hypothetical but plausible scenario-based analysis. The major activity of the Bank is financing, so it is assumed that the impact of such risks would be primarily on the credit risk.

Strategic and Reputational Risk

Strategic risk refers to the threat to earnings and profitability arising from strategic decisions, changes in business conditions and improper implementation of decisions. Thus, strategic risk arises from external causes, the adoption of wrong strategies and the implementation of specific choices that cause losses to the Bank, for example in the form of reduction of shareholder value and loss of earnings.

Reputational risk covers the potential adverse effects resulting from negative publicity about the Bank's products, services, competence, integrity and reliability. As an Islamic bank, one of the major sources of reputational risk is *Shari'a* non-compliance. The other sources of negative publicity could be major frauds, customer complaints, regulatory actions and negative perceptions about the Bank's financial condition. The Bank has put controls in place around strategic and reputational risk in order to mitigate and avoid such risks. Currently, the Bank measures the reputational risk through a scorecard-based approach, where the RMG compiles the results of assessments made by business heads to derive the Bank's overall reputational risk indicators.

Other Risks

Displaced commercial risk arises from the assets managed by the Bank on behalf of its investment account holders, which could directly impact its capital position. If profit rates rise, Islamic banks usually increase the return to their investment account holders to discourage them from transferring their funds to other banks for a higher yield. In the case of the Bank, these fluctuations in the profit rates are partially self-mitigated in nature due to the composition of the balance sheet of the Bank. As almost half of the Bank's financing is repriced every six months to one year, losses on the liability side from increases in profit rates are mitigated by increased returns when financings are re-priced. If customers decide to withdraw from their accounts prior to its maturity, the Bank has additional contingencies for any loss this may incur by retaining the account holders' return of investments for the covered period.

The ALCO oversees the risk associated with these *Shari'a*-compliant products through the dynamic (forecasted) balance sheet. Fluctuations of profit rates and the impact on the target financial and regulatory ratios are discussed at every ALCO meeting. Reports on interest rate risk in the banking book are incorporated in the reporting package. Daily reports are made available so that the Treasury Group can monitor these risk on a more frequent basis than the ALCO. The RMG also independently monitors this risk on an ongoing basis.

Related Party Exposure

The Bank enters into transactions with major shareholders, directors, executive management and their related persons (referred to as "**Related Parties**" of the Bank) in the ordinary course of its business. These consist of credit and non-credit transactions and are governed by the Related Party Transactions Regulations issued by SAMA. In terms of the Related Party Transactions Regulations, the Bank is required to (i) adhere to certain maximum exposure limits to bank and non-bank Related Parties, (ii) maintain arm's length dealings in all transactions, (iii) obtain approval at a board level for credit exposures to Related Parties (the Board of Directors is the approving authority at the Bank for Related Parties transactions and the CEO is also authorised to approve Related Parties transactions involving General Managers and non-management level employees) and (iv) obtain tangible collateral covering a minimum of 100 per cent. of the credit limits as defined in Article 9 of the Banking Control Law.

There are multiple stakeholders (divisions) within the Bank which are involved in the identification, managing and reporting of transactions with Related Parties. The Bank's internal policies and processes are aligned with these regulations, detailing the roles and responsibilities of each stakeholder to ensure that the transactions with Related Parties are conducted in strict compliance with the regulatory requirements. The maximum exposure (depending on type of entity) to a Related Party is defined by SAMA Regulations as a percentage of the Tier 1 capital of the bank in accordance with the prevalent laws, i.e. up to 10 per cent. in case of a listed company and up to 5 per cent. for other categories.

MANAGEMENT AND EMPLOYEES

The Board of Directors

The Board of Directors currently comprises nine members elected by the shareholders in Ordinary General Assembly for a period of three years. The most recent elections were held in April 2023.

The Board of Directors meet at least four times a year. Matters reserved to the Board comprise agreements on strategy and budgets, review and follow up on the Bank's financial performance, approvals of major capital expenditures, policies covering treasury, finance and review of the reports of the Bank's Audit Committee.

The table below sets out the current members of the Board of Directors:

Name	Title
Dr. Abdulmalik bin Abdullah Al-Hogail	Chairman of the Board of Directors
Mr. Saad Abdulaziz Alkroud	Vice Chairman of the Board of Directors
Mr. Ahmed Abdullah Al Alsheikh	Member of the Board of Directors
Mr. Anees Ahmed M Moumina	Member of the Board of Directors
Mr. Mohammed Abdulrahman Bin Dayel	Member of the Board of Directors
Mr. Abdullah Abdulaziz Al Romaizan	Member of the Board of Directors
Mr. Abdulrahman Mohammed R Addas	Member of the Board of Directors
Dr. Saud bin Muhammad Alnimir	Member of the Board of Directors
Mr. Hytham Rashid AbdulAziz Al Shaikh Mubarak	Member of the Board of Directors

Abdulmalik bin Abdullah Al-Hogail – Chairman of the Board of Directors

Mr. Al-Hogail was re-elected as a member of the Board of Directors on 13 April 2022. He was elected Chairman of the Board of Directors on 22 May 2022. Mr. Al-Hogail currently holds various senior positions outside the Bank including at Bahria (formerly the National Shipping Company of Saudi Arabia), Americana Group and National Chemical Carriers Co. Mr. Al-Hogail graduated from King Saud University with a bachelor's degree and from Case Western Reserve University with both a master of business administration and a doctorate in accounting/finance. Prior to joining the Bank, Mr. Al-Hogail served as chairman of the audit committee, strategy and investment at Saudi Company for Maritime Transport and as a non-executive director at National Chemical Carriers.

Saad Abdulaziz Alkroud – Vice Chairman of the Board of Directors

Mr. Alkroud was elected as a member of the Board of Directors on 13 April 2022. He was elected Vice Chairman of the Board of Directors on 22 May 2023. Mr. Alkroud currently holds various senior positions outside the Bank including at Public Investment Fund and Albalad Development Company. Mr. Alkroud holds a master's degree from the University of La Verne and a bachelor's degree from King Fahd University of Petroleum and Minerals. Prior to joining the Bank, Mr. Alkroud served as chief administrator and stakeholder administration manager of the Public Investment Fund, vice president of Diversification Wealth Management Company and advisor to the chairman of the board of directors at Abdullatif Alissa Group Holding Company.

Ahmed Abdullah Al Alsheikh

Mr. Al Alsheikh was elected as a member of the Board of Directors on 13 April 2022. Mr. Al Alsheikh currently holds various senior positions outside the Bank, including at National Housing Company. Mr. Al Alsheikh graduated from King Saud University with a bachelor's degree. Prior to joining the Bank, Mr. Al Alsheikh served as secretary general of the finance committee of the Royal Court, deputy governor for supervision at SAMA, deputy for market institution, general director of supervision of market institutions and director of the governance department at the CMA and as head of local banks supervision at SAMA.

Anees Ahmed M Moumina

Mr. Moumina was elected as a member of the Board of Directors on 13 April 2022. Mr. Moumina currently holds various senior positions outside the Bank, including at Jeddah Development and Urban Regeneration Co., Almatajer Alkoubra Ltd, Dar Al Tamleek and Dr. Suliman Fakeeh Hospital Company. Mr Moumina graduated from George Washington University with a bachelor's degree and a master's degree. Prior to joining the Bank, Mr. Moumina served as CEO of Savola Group, CEO of Sedco Holding Group, regional general manager and senior credit officer at Samba Financial Group and assistant brand manager at Proctor & Gamble Co.

Mohammed Abdulrahman Bin Dayel

Mr. Bin Dayel was re-elected as a member of the Board of Directors on 13 April 2022. Mr Bin Dayel currently holds various senior positions outside the Bank including at the Cultural Development Fund. Mr. Bin Dayel holds a master in business administration from American University (Washington D.C.) and a bachelor's degree from George Washington University.

Abdullah Abdulaziz Al Romaizan

Mr. Al Romaizan was elected as a member of the Board of Directors on 13 April 2022. Mr. Al Romaizan currently holds various senior positions outside the Bank. Mr. Al Romaizan graduated from Prince Sultan University with a bachelor's degree. Prior to joining the Bank, Mr. Al Romaizan served as assistant general manager at Hassana Investment Company, portfolio manager (local real estate and infrastructure development) at Al Raidah Investment Company, team leader (corporate banking) at National Commercial Bank, relationship officer (corporate banking) at Arab National Bank and assistant portfolio manager at Al Romaizan Group.

Abdulrahman Mohammed R Addas

Mr. Addas was re-elected as a member of the Board of Directors on 13 April 2022. Mr. Addas currently holds various senior positions outside the Bank, including at Al Rabie Saudi Foods Co, Zakat, Tax and Customs Authority, Diyar Al Khayyal Real Estate Development Company, Tunisian Saudi Bank, Environmental Fund and Agricultural Development Fund. Mr. Addas holds a master's degree in finance from the University of Denver and a bachelor's degree from King Abdulaziz University. Prior to joining the Bank, Mr. Addas served as chairman of the CSR committee at Savola Group and as an independent director on the boards of Al Rabie Saudi Foods Co. Ltd., Ahmed Mohammed Saleh Baeshen & Co. and Arcoma. He also served on the investment committee and loans committee at the Agricultural Development Fund.

Saud bin Muhammad Alnimir

Mr. Alnimir was re-elected as a member of the Board of Directors on 13 April 2022. Mr. Alnimir currently holds various senior positions outside the Bank, including at Saudi Arabia Public Transport Company and Madaen Star Real Estate. Mr Alnimir holds a doctorate in regulation and behaviour from the University of Florida, a master's degree from Missouri State University and a bachelor's degree from King Saud University. Prior to joining the Bank, Mr. Alnimir served on the audit committee of Najmat Al-Madaen Co., the nomination and

remuneration committee of Saudi Public Transport Co. and the supervisory committee at the Tamkeen Account at Ministry of Energy.

Hytham Rashid AbdulAziz Al Shaikh Mubarak

Mr. Al Shaikh Mubarak was re-elected as a member of the Board of Directors on 13 April 2022. Mr. Al Shaikh Mubarak holds various senior positions outside the Bank including at Derayah Financial and Golf Saudi. Mr. Al Shaikh Mubarak holds a master of business administration and a bachelor's degree from North Carolina University. Prior to joining the Bank, Mr. Al Shaikh Mubarak served on the audit committees of Derayah Financial Company and Golf Saudi.

As at the date of this Offering Circular, the members of the Board of Directors referred to above have no potential or actual conflicts of interest between their duties to Bank and their private interests or any other duties.

The business address of each of the members of the Board of Directors and the senior management is King Fahad Road, P.O. Box 66674, Riyadh 11586, Kingdom of Saudi Arabia.

The Executive Committee

The Executive Committee (the “**EC**”) is formed by five members of the Board of Directors and presided over by the Chairman of the Board of Directors. The EC exercises all powers conferred upon it by the Board of Directors. Its meetings are deemed valid if attended by at least three members. The EC's main responsibilities include but are not limited to the following:

- reviewing and making recommendations to the Board of Directors with respect to the Bank's overall strategy and business plan;
- reviewing periodic management report activities and reports on the execution and completion of the Bank's major projects;
- approving financings and credit facilities to the Bank's customers, in accordance with the Bank's “Delegation of Authority” manual and SAMA's rules and regulations for granting financings and credit facilities; and
- reviewing the annual budgets, plans and material differences in the budget (if any) before submitting them to the Board of Directors for review.

The EC meets at least six times a year. However, for specific files or matters requiring an urgent decision, the EC meets on an *ad hoc* basis.

The Board Risk Committee

The Board Risk Committee (the “**BRC**”) represents and assists the Board of Directors in overseeing the enterprise risk management process and also discharges other related responsibilities. This includes reviewing and recommending for the Board of Directors' approval, and exercising oversight on an ongoing basis of, the Risk Appetite Framework and Policy of the Bank and the risk management framework that supports it. The BRC has four members.

The BRC reports directly to the Board of Directors in providing its recommendations and findings. The CRO is required to report to the CEO administratively for matters arising and events noted during the course of the performance of the BRC's role and responsibilities.

The Audit Committee

The Audit Committee is appointed upon the Board of Directors' recommendation and is approved by SAMA and the General Assembly. The Chairman of the Audit Committee is a member of the Board of Directors who is joined by five independent non-executive members. The Deputy Chief Internal Auditor is the secretary of the Audit Committee and the Bank's Chief Compliance Officer meets at least once a year with the Audit Committee.

The Audit Committee meets four times a year and assists the Board of Directors in reviewing the effectiveness of the internal control set-up and the approval of the Bank's financial statements. The Bank's Quarterly Compliance Report is also submitted to the Audit Committee for approval.

The Audit Committee recommends the appointment of external auditors to the General Assembly. It also reviews the performance of external auditors and the results of their work. The Audit Committee reviews drafts of external auditor's reports and recommends such reports to the Board of Directors.

The Nomination and Remuneration Committee

The NRC is appointed by the Board of Directors. The purpose of the committee is to provide recommendations to the Board of Directors for:

- appointments to membership of the Board of Directors, the Board committees, and the boards of subsidiaries;
- evaluating the performance of the Board of Directors, the Board committees and top executives;
- reviewing the structure and composition of the Board of Directors;
- ensuring the independence of the independent members of the Board of Directors;
- overseeing the succession plan formulation process; and
- determining an incentives system and approving compensation for the board of directors, board committees, boards of subsidiaries and senior management.

The Governance and Sustainability Committee

The Governance and Sustainability Committee is formed by the Board of Directors and shall include not less than three and not more than five members. The Governance and Sustainability Committee is chaired by the Vice Chairman of the Board of Directors. The key responsibilities of the Governance and Sustainability Committee include the oversight of the implementation of the Sustainability Strategy, as well as the oversight and monitoring of ESG-related risks and opportunities and reporting on the Bank's ESG performance to the Board of Directors.

Senior Management

The Bank's senior management comprises the following individuals:

Name	Title
Mr. Abdullah Al-Khalifa	Chief Executive Officer (CEO)
Mr. Saleh Abdullah Al Zumaie	Deputy CEO, Head of Retail and Digital Banking Group
Mr. Jameel Al-Hamdan	Head of Corporate Banking Group
Mr. Abdullah Jamaan Al Zahrani	Head of Treasury Group
Mr. Meshary Abdulaziz Al Jubair	Chief Operating Officer (COO)

Mr. Fahad Abdulaziz Al Mohaimeed	Chief Strategy and Sustainability Officer
Mr. Meshal Hamad Al Rabiah	Chief Risk Officer (CRO)
Mr. Adel Saleh Abalkhail	Chief Financial Officer (CFO)
Mr. Abdullah Mohammed Al Salamah	Chief Human Capital Officer (CHCO)
Dr. Mohammed Sultan Al Sehali	Chief Internal Audit Officer
Mr. Saud Aied AlMufaddaly	Chief Compliance Officer (CCO)
Mr. Yasser Abdulaziz Al Marshde	Chief Shari'a Officer (CSO)
Mr. Eyad Osama Al Othman	General Counsel and Board Secretary
Mr. Hisham Abdullah Al Turaigi	Chief Credit Officer (CCRO)

Abdullah Al-Khalifa - Chief Executive Officer

Mr. Al-Khalifa was appointed CEO of the Bank in January 2021. Prior to assuming the leadership of the Bank, Mr. Al-Khalifa held leadership positions with Samba Financial Group, Arab National Bank and Al-Rajhi Bank. Across his tenure at these institutions, he was directly responsible for numerous development and transformation programmes. Mr. Al-Khalifa holds a master's degree in accounting from the University of Miami.

Saleh Abdullah Al Zumaie – Deputy CEO, Head of Retail and Digital Banking Group

Mr. Al Zumaie was appointed Deputy CEO in January 2023 and Head of Retail and Digital Banking in September 2021. Previously, he served as general manager of digital and payments, general manager of the retail banking group, manager of the remittances department and manager of the investment department at Al Rajhi Bank. He holds a bachelor's degree in English language from Imam Muhammad bin Saud Islamic University.

Jameel Al-Hamdan – Head of Corporate Banking Group

Mr. Al-Hamdan joined the Bank as Head of Corporate Banking Group in January 2023. He previously served as executive vice president of Bank Albilad's corporate banking group, regional manager (business banking head for central region) of Banque Saudi Fransi and senior division head of Al Awwal Bank. Mr. Al-Hamdan holds a Bachelor of Administrative Sciences degree from King Saud University.

Abdullah Jamaan Al Zahrani – Head of Treasury Group

Mr. Al Zahrani was appointed Head of Treasury Group in August 2015. He previously served as Chief Investment and Treasury Officer at Gulf International Bank, Senior Vice President and Assistant Treasurer at Riyadh Bank and was an Assistant General Manager and Head of Portfolio Management at Arab National Bank. Mr. Al Zahrani holds a Bachelor of Industrial Management from King Fahd University of Petroleum and Minerals.

Meshary Abdulaziz Al Jubair – Chief Operating Officer

Mr. Al Jubair was appointed COO of the Bank in January 2018. Before his current post at the Bank, Mr. Al Jubair was the General Manager of Information Technology and IT Planning and the Deputy General Manager at the Bank. Prior to that, he was Head of Information Security Planning at Saudi Telecommunications Company and Head of the Systems Section at SAMA. Mr. Al Jubair holds a Bachelor of Science in Computer Engineering from King Saud University.

Fahad Abdulaziz Al Mohaimeed – Chief Strategy and Sustainability Officer

Mr Al Mohaimeed was appointed Chief Strategy and Sustainability Officer of the Bank in February 2022. Previously, he served as a member of the board of directors of ANBI Shariah Compliant Funds and a member

of the Islamic Banking Committee at SAMA (representing ANB). He holds a bachelor's degree in finance from King Saud University.

Meshal Hamad Al Rabiah – Chief Risk Officer

Mr. Al Rabiah was appointed as CRO in August 2021. Previously, he held various positions with Samba Financial Group, including the Regional Risk Manager, Deputy Regional Risk Manager and Head of Remedial Unit. Mr. Al Rabiah holds a Master of Business Administration from Ateneo De Manila University.

Adel Saleh Abalkhail– Chief Financial Officer

Mr. Abalkhail was appointed CFO in March 2021. Prior to his current post, he was Deputy Group CFO of Al Rajhi Bank, CFO of Al Rajhi Bank in Malaysia and in Jordan and Head of Budgeting and Management Reporting. He was also a Senior Insurance Supervisor and Banking Examiner at SAMA. Mr. Abalkhail has a Master of Finance and a Master of Accounting from the University of Illinois and Strategic Financial Leadership Programme from Stanford University Graduate School of Business Executive Education.

Abdullah Mohammed Al Salamah – Chief Human Capital Officer

Mr. Al Salamah has held the position of CHCO at the Bank since April 2019. Prior to his current post, he was the Human Capital General Manager, the HC Strategy Deputy General Manager and the IT Service Specification General Manager at the Bank. He was previously Information Security Awareness Manager at Saudi Telecommunication Company. Mr. AlSalamah has a master's degree in Information Systems from King Saud University.

Mohammed Sultan Al Sehali – Chief Internal Audit Officer

Dr. Al Sehali joined the Bank as Chief Internal Audit Officer in January 2013. Previously he was a Consultant at PricewaterhouseCoopers, Head of Accounting Department at King Saud University and Head of Development of the Audit and Controlling Agencies Bureaus at King Abdullah Institute for Research and Consulting Studies. Dr. Al Sehali has a Ph.D. in accounting from University of Melbourne, a master's degree in accounting from Saint Louis University and a bachelor's degree in accounting from King Saud University.

Saud Aied AlMufaddaly– Chief Compliance Officer

Mr. AlMufaddaly has served as the Bank's Chief Compliance Officer since October 2023. Prior to that, he was the Acting Chief Compliance Officer and the Head of Financial Crimes Compliance at Riyadh Bank, the Head of Financial Crimes Compliance at Banque Saudi Fransi, the Head of Anti-Money Laundering and Combating Terrorist Financing Sanctions at Saudi Awwal Bank as well as the Head of Anti-Money Laundering at Saudi Investment Bank. Mr. AlMufaddaly holds a bachelor's degree in economics from King Saud University.

Yasser Abdulaziz Al Marshde – Chief Shari'a Officer

Mr. Al Marshde joined the Bank as Chief Shari'a Officer in January 2007. He was previously working as Senior Shari'a Advisor, Acting Head of Coordination and Information Department and Head of Shari'a Advisors in the Shari'a Board Secretariat at Al-Rajhi Bank. He obtained his master's degree in Shari'a politics and a bachelor's degree in Shari'a from Imam Mohammed Bin Saud University.

Eyad Osama Al Othman – Chief Legal and Corporate Governance Officer

Mr. Al Othman joined the Bank as General Counsel and Board Secretary in June 2008. Prior to that, he was Senior Legal Counsel to the Chairman of the CMA, Senior Legal Advisor – Legal Consultancy at Bank Al Bilad, Senior Legal Advisor in Communications and Information Technology Commission and Senior Legal Advisor at Al-Jadaan and Partners Law Firm in association with Clifford Chance LLP. He graduated from King Saud University with a bachelor's degree in law and obtained a master's degree in law from Hull University.

Hisham Abdullah Al Turaigi – Chief Credit Officer

Mr. Al Turaigi became CCRO in April 2022. Previously he served as the Director of Risk Management at the Bank and manager of Credit Evaluation Department at Al Rajhi Bank. He holds a master's degree in accounting from King Saud University.

Employees

The Human Capital Division is responsible for the recruitment, hiring, training, retention and promotion of all of the Bank's employees. Approximately 1,168 people work across 108 branches, while 1,749 people work in the headquarters and regional offices in Riyadh and in other regional offices in the Central, Western, Northern, Southern and Eastern regions. The Bank has an increasingly young and diverse workforce, with millennials comprising 7.39 per cent. of joiners in 2023. Moreover, the Bank's Saudisation percentage has increased from 95.2 per cent. in 2022 to 95.5 per cent. in 2023. The Bank focusses on the empowerment of women. As at 31 December 2023, 22.0 per cent. of the Bank's employees were female. The Bank has one of the lowest employee turnover levels in the Kingdom, according to the industry benchmark.

To drive the strategy forward in 2024, the Human Capital Division will continue to focus on:

- ensuring that the Bank's strategy is embedded in its communications;
- measuring and improving employee engagement and organisational health;
- regularly celebrating success stories;
- hiring the best talent across new capabilities (for example, data science);
- continuously developing capabilities through learning;
- developing rotational programmes and new career paths to foster innovation;
- adjusting the Bank's working model based on new requirements;
- implementing agile forms of organisation and working; and
- digitalising and streamlining the Bank's Human Capital processes.

The Bank's learning strategy

The Bank provides competency-based training to cover three competency groups: core, leadership and technical competencies. In addition, the Bank provides development opportunities to help talent across the Bank to grow.

By developing talent in line with the future needs of the industry and the strategic direction of the Bank, the Bank aims to drive individual and collective success for the future.

Recruitment and retention

Employee turnover increased from 13.4 per cent. in 2022 to 16.0 per cent. in 2023. In 2023, the number of leavers increased by 25.0 per cent., and the number of joiners decreased by 23.0 per cent., compared with 2022.

Meanwhile, internal promotions increased by 20.0 per cent., with 18.0 per cent. of employees moving into new roles in 2023, up from 3.0 per cent. in 2022.

The Human Capital Division has launched several talent development programmes, including the Assessment and Development Centre and the 360 Feedback Survey. The Bank also conducted a training programme to develop leadership competencies for 53 leaders as part of its succession planning efforts.

Learning and Development

Employee retention and engagement was also strengthened through a robust training programme run throughout 2023. In 2023, the Human Capital Division delivered 16,124 days of training (or 96,744 hours, an increase of 8.0 per cent. compared to 2022). The training comprised both in-house and public training programmes.

In total, 2,739 employees received training covering knowledge, skill, and behavioural courses in banking, financial, legal and administrative subjects in 2023. Other courses were also provided on technical systems as well as products and services offered by the Bank. The courses were offered by a number of specialised training providers.

In 2023, the Bank delivered a number of training programmes for its employees, including the leadership development programme for executives, core leadership and technical training, customised technical programmes covering strategy, risk management, finance, corporate banking, information technology for future banking with multiple learning paths, awareness of regulatory requirements as well as social responsibility programmes.

THE KINGDOM'S BANKING SECTOR AND REGULATIONS

General

According to SAMA's website, there are 36 commercial banks licensed to operate in the Kingdom, of which 11 are incorporated in the Kingdom. Of the remaining 25 licensed banks, six are branches of banks based in countries of the GCC other than the Kingdom (namely Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Muscat Bank, Qatar National Bank, and First Abu Dhabi Bank), 10 are international banks (namely Deutsche Bank, BNP Paribas, J.P. Morgan Chase N.A., National Bank Of Pakistan, T.C. Ziraat Bankası A.Ş., Industrial and Commercial Bank of China, MUFG Bank, Ltd., Credit Suisse Bank, Standard Chartered Bank and National Bank of Iraq) 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 Egypt, Sohar International Bank, and Bank of Jordan). In addition, three digital banks (namely STC Bank, D360 bank and Saudi Digital Bank) have been recently licensed by SAMA but have not yet commenced their operations. Apart from Gulf International Bank Saudi Arabia, all of the 11 Saudi operating banks are publicly listed joint stock companies and their shares are traded on the Tadawul.

All 11 Saudi banks provide a broad range of retail and wholesale banking products and services. Al Rajhi Bank, Bank Albilad, Bank AlJazira and the Bank provide *Shari'a*-compliant products and services only. The remaining seven banks provide a combination of *Shari'a*-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 Credit & Saving Bank, the Islamic Development Bank and the Public Investment Fund ("**PIF**"), which provide funds for targeted sectors. The PIF is the investment arm of the Government while the Islamic Development Bank is a multilateral development financing institution headquartered in Jeddah. SAMA does not regulate any of these entities.

As at 31 December 2023, there were 1,901 bank branches, 15,954 ATMs and 1,696,583 points of sale terminals in the Kingdom (*source*: SAMA December 2023 Monthly Statistics).

According to SAMA's 2023 Financial Stability Report:

- bank credit and asset growth remained strong in 2022, notwithstanding global macroeconomic developments in regard to inflationary pressures and monetary tightening;
- in recent years, the banking sector has seen significant bank credit growth, driven primarily by mortgage lending, although bank credit slowed in 2022 to 14.1 per cent. compared to 15.5 per cent. in 2021;
- while interest rate increases raise concerns about the NPL rate, it remained low at 1.8 per cent. in 2022 compared to 1.9 per cent. in 2021. This is attributed to domestic banks' resiliency, due to factors such as robust lending standards;
- the banking sector remained in a stable position, with liquidity indicators such as the net stable funding ratio, liquidity coverage ratio and loan-to-deposit ratio remaining well above SAMA's requirements and guidelines;
- profitability indicators in the Saudi banking sector showed a steady increase in 2022 compared to 2021, mainly attributed to higher interest rates; and
- the Saudi banking sector is well capitalised, with the capital adequacy ratio remaining at 19.9 per cent. in 2022.

History

Prior to 1976, a number of wholly foreign-owned banks operated branches and subsidiaries in the Kingdom.

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 the Kingdom 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 the Kingdom 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, it was announced that GIB had 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 wealth segments and brokerage and investment banking, as well as significant investments in new distribution, marketing and technology.

Following the licence granted to GIB in 2000, SAMA granted licences to operate branches in the Kingdom to Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Muscat Bank, J.P. Morgan Chase, N.A., BNP Paribas, Deutsche Bank, National Bank of Pakistan, T.C. Ziraat Bankası A.S., Industrial and Commercial Bank of China, Credit Suisse Bank, Qatar National Bank, First Abu Dhabi Bank and MUFG Bank, Ltd. The Government developed the capital markets sector in the Kingdom with the enactment of the Capital Market Law (issued by Royal Decree No. M/30 dated 2/6/1424H (corresponding to 31 July 2003)), which also established the CMA to regulate the capital markets in the Kingdom. In line with the Government's overall desire to develop and boost the capital markets in the Kingdom, the CMA has encouraged the participation of foreign investment banks. According to its website in October 2023, the CMA has licensed at least 163 entities to conduct various types of securities business in the Kingdom, although a number of those licensed entities have not yet commenced business.

Corporate Banking Segment

The majority of commercial banking assets in the Kingdom are loans to businesses and, as at 31 December 2023, banks' claims on the private sector constituted SAR 2,518,786 million equal to 63.7 per cent. of total commercial banks' assets (*source*: SAMA, December 2023 Monthly Statistics). This has been driven by the economic growth and the increased investment within the Kingdom in various sectors such as electricity, water and health services, building and construction, commercial and Government projects in oil and gas, infrastructure and education.

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 the Kingdom. Project finance has also been a strong growth area. While the volatility of oil prices poses challenges to the Saudi economy at times of prolonged low prices (for example, in 2020 following the restrictions imposed around the world to combat the COVID-19 pandemic), leading to both lower Government spending and weaker GDP, project finance is 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 programmes being implemented to reduce the economy's dependency on oil-related revenues.

Personal Banking Segment

Consumer lending increased from SAR 428.4 billion as at 31 December 2021 to SAR 441.8 billion as at 31 December 2023 (*source*: SAMA, December 2023 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 the SIMAH Credit Bureau (**SIMAH**).

The value of the credit card loans market was SAR 27.1 billion as at 31 December 2023 (*source*: SAMA, December 2023 Monthly Statistics), up from SAR 23.1 billion as at 31 December 2022 and SAR 19.5 billion as at 31 December 2021. The growth in the credit card loan market is expected to continue as a result of the increasing use of electronic forms of payment within the Kingdom. 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 the Kingdom.

Residential mortgage lending was SAR 152.5 billion as at 31 December 2021, SAR 102.3 billion as at 31 December 2022 and SAR 77.7 billion as at 31 December 2023.

The Saudi Credit Bureau

In 1998, SAMA and the domestic banks operating in the Kingdom conducted a study with regard to establishing a centre or a company to provide credit information. As a result, the 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 2008), 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 the Kingdom and offers consumer credit information services to its members in the Kingdom. 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. The Kingdom is one of the largest and fastest growing markets for Islamic banking in the world.

The Islamic banking industry in the Kingdom 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 the Kingdom have *Shari'a* boards or committees opining as to the application of *Shari'a* principles in financing structures and approving all Islamic products. Currently, a wide range of *Shari'a* 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'a* 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. The main Islamic product offerings include *Ijara* and *Murabaha*, which are offered as bilateral facilities, as well as through syndications. To cater to this market segment, Islamic banks have also introduced innovative *Shari'a* compliant solutions. In recent years, there have been several large size Islamic project finance transactions attracting participation from a large number of banks.

The Islamic banking segment is expected to continue to grow with credit demand anticipated from both corporate and consumer segments. This growth is expected to be accompanied by an increase in innovative Islamic product offerings and growing awareness and demand within the general public for sophisticated *Shari'a* compliant solutions.

Treasury

The treasury activities of Saudi Arabian banks have increased as the financial markets have become more sophisticated with the increased use of financial instruments. Many Saudi banks are able to offer their customers structured products that make use of derivatives and that are also *Shari'a* 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 11,281.71 as at 31 December 2021, 10,478.46 as at 31 December 2022 and 11,967.39 as at 31 December 2023.

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 affected, 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.

In August 2020, Tadawul launched a 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.

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 (including real estate finance companies), money exchange companies, payment service providers and credit information companies in the Kingdom.

SAMA was established pursuant to Royal Decree No. 30/4/1/1046 dated 25/07/1371H (corresponding to 20 April 1952), and renamed by the Royal Decree No. M/36 dated 11/4/1442H (corresponding to 26 November 2020) 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 the Kingdom'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 finance companies; and
- supervising credit information companies.

Banking Control Law

The Banking Control Law (the “BCL”) was issued by Royal Decree No. M/5 dated 22/02/1386H (corresponding to 12 June 1966) 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 the Kingdom and is supplemented by circulars, directives and guidelines issued by SAMA from time to time.

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 the Kingdom'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 the Kingdom 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.

The Principles set out key guidelines to enable licensed banking institutions to deliver the required level of fair treatment, honesty and financial inclusiveness and thereby meet SAMA's strategic objective for financial consumer protection in the Kingdom. 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 December 1957), 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 November 2020);
- Banking Control Law issued by Royal Decree No. M/5. dated 22/02/1386H (corresponding to 12 June 1966); and
- Ministerial Decree No.3/2149. dated 14/10/1406H (corresponding to 22 June 1986).

In September 2022, SAMA published updated Financial Consumer Protection Principles and Rules (the “**New Consumer Finance Regulations**”). The New Consumer Finance Regulations contain a number of provisions relating to the protection of consumer rights, including:

- requiring financial institutions in the Kingdom to develop appropriate data protection and information privacy policies;
- unifying fees, commissions and administrative service charges across all banks in the Kingdom;
- 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 New Consumer Finance Regulations are aimed at ensuring that consumer finance contracts have enhanced levels of disclosure and transparency and are aimed at, among other things, enabling customers to be better informed of their rights and obligations under their financings.

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.

Implementing Regulations of the Real Estate Finance Law

The Implementing Regulations of the Real Estate Finance Law were issued by H.E. the Minister of Finance's Resolution No. 1229 dated 10/04/1434H (corresponding to 20 February 2013). These implementing regulations define the role of finance companies and set out the requirements for entering into and registering a real estate finance lease. The Implementing Regulations of the Real Estate Finance Law also set out the SAMA's requirements for licensing re-finance companies as well as the rules governing the activities of re-finance companies.

In 2020, SAMA issued guidelines on the provision of real-estate financing products to individuals setting out minimum requirements on entities providing such products.

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'a* 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.

Implementing Regulations of the Finance Lease Law

The Implementing Regulations of the Finance Lease Law were issued by H.E. the Governor of the SAMA (with the agreement of H.E. the Minister of Justice) pursuant to Governor's Resolution No.1/MCS on 14/04/1434H (corresponding to 24 February 2013). The Implementing Regulations of the Finance Lease Law sets out the rights and obligations of the lessor and lessee in a finance lease. These implementing regulations also outline rules relating to assignment of rights, instalment payments and ownership rights of the relevant parties. Furthermore, these implementing regulations specify the requirements for establishing a company that registers finance leases and the requirements for such companies to register finance leases.

Finance Companies Control Law

This law provides a regulatory and supervisory framework for *Shari'a* compliant finance companies to provide SAMA approved forms of financing, including real estate financing. In particular, the Finance Companies Control Law sets out the licensing procedure for finance companies, permitted activities of finance companies and requirements in relation to its management.

Implementing Regulations of the Finance Companies Control Law

The Implementing Regulations of the Finance Companies Control Law were issued by H.E. the Minister of Finance's Resolution No.2/MCS dated 14/04/1434H (corresponding to 24 February 2013). These implementing regulations set out the SAMA's rules and requirements for licensing finance companies. Furthermore, the Implementing Regulations of the Finance Companies Control Law contain corporate governance requirements,

internal auditing requirements and other rules which the finance companies must comply with in order to maintain their licence.

Capital Markets Authority

The CMA was established by the Capital Market Law, issued by Royal Decree No. (M/30) dated 2/6/ 1424H (corresponding to 31 July 2003) as amended by Royal Decree No. (M/16) dated 19/1/1441H (corresponding to 18 September 2019) (the “CML”). The CMA is a governmental organisation with financial, legal and administrative independence.

The CMA regulates the Kingdom’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.

The CMA has developed strategic plans and worked on their implementation since 2009. In 2016 the Financial Leadership Programme 2020 (the “**Leadership Programme**”) was launched, under which a set of initiatives on the Financial Sector Development Programme (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 Leadership Programme, 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 Programme 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 Leadership Programme also has a focus on developing the 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.

In addition, the CML established the Committee for the Resolution of Securities Disputes and the Appeal Committee for the Resolution of Securities Disputes. Both of these committees are quasi-judicial bodies authorised to adjudicate disputes and violations under or of the CML or the rules and regulations of the CMA and/or Tadawul.

Tadawul

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 19 March 2007, the Saudi Council of Ministers approved the formation of the Tadawul. This was in accordance with Article 20 of the CML establishing Tadawul as a joint stock company for the purposes of issuing and managing mechanisms for listing and trading securities and disclosure of information related to it. Tadawul is responsible for the executive and operational functions in the market. It is the only authorised body to manage the stock market and it aims to provide efficiency and justice in trading as well as transparency in listing requirements, technical trading systems, securities information systems in the market in addition to providing systems with high levels of efficiency for settlements and clearing and applying professional standards for brokers and their agents in the market.

In April 2021 a holding company called Saudi Tadawul Group was established in anticipation of an initial public offering of its shares later that year. Four subsidiaries were established under the holding company: the Saudi Exchange, a dedicated stock exchange business previously called Saudi Stock Exchange (Tadawul) Company, the Securities Clearing Center Company (Muqassa), the Securities Depository Center Company (Edaa) and Wamid, a new technology services business. The Saudi Exchange was established in March 2021. As Saudi Arabia's dedicated stock exchange and the largest stock exchange in the Middle East, the Saudi Exchange carries out listing and trading in securities for local and international investors. The official source of all market information, the Saudi Exchange is instrumental to achieving long-term growth plans for the Saudi Tadawul Group and providing market participants with attractive and diversified investment opportunities.

The Saudi Exchange is the 9th largest stock market among the 78 members of the World Federation of Exchanges and is the dominant market in the GCC. It is an affiliate member of the International Organization of Securities Commissions, the World Federation of Exchanges, and the Arab Federation of Exchanges.

The legal status, duties, and responsibilities of the Saudi Exchange and Depository Center are defined in the CML.

Management of Liquidity and Credit Risk

Under the BCL, each bank shall at all times maintain a liquidity reserve of at least 15 per cent. of its total deposit liabilities. The liquidity 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. In addition, SAMA requires each bank to maintain a statutory deposit of no less than 15 per cent of its deposit liabilities. Moreover, SAMA may modify the statutory deposit for the public interest to be at least 10 per cent. but should not exceed 17.5 per cent. unless it obtains approval of the Minister of Finance and National Economy.

In accordance with SAMA's Rules on Large Exposures for Banks from August 2019, 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 the lender's total eligible capital; (however; if the lending bank and/or the counter party bank are/is classified as a "Domestically Systematically Important Bank" or a "Globally Systematically Important Bank", then the sum of all exposures of the lending bank to its counter party bank cannot exceed 15 per cent. of the lending bank's available eligible capital base at all times);
- in the case of companies, 15 per cent. of the lender's total eligible capital;
- in the case of individuals, sole proprietors and partnerships, 5 per cent. of the lender's total eligible capital; and
- in the case of a group of connected parties, 15 per cent. of the lender's total eligible capital base.

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, 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 liquidity 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 of funding in the 1980s and provided support to banks during the COVID-19 pandemic, see " – SAMA support programme and initiatives" below.

Over the years, SAMA has developed a reputation as a strict regulator. In 1989, SAMA introduced accounting and disclosure standards for commercial banks in the Kingdom, which comply in almost all respects with IFRS. All banks in the Kingdom are now in compliance with IFRS as endorsed in the Kingdom 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

CMA Rules on the Offer of Securities and Continuing Obligations. Annual consolidated financial statements have to be audited by at least two independent joint auditors. The published audited consolidated financial statements of Saudi banks are required to be compliant with IFRS as modified by SAMA for the accounting of Zakat and income taxes, which requires adoption of all IFRS as issued by the IASB except for the application of International Accounting Standard (IAS) 12, “Income Taxes” and IFRIC 21, “Levies” so far as these relate to Zakat and income tax. As per the SAMA Circular No. 381000074519 dated 11 April 2017 and subsequent amendments relating to the accounting for Zakat and income tax, the Zakat and income tax are to be accrued on a quarterly basis through shareholders equity under retained earnings. The consolidated financial statements are also required to comply with the BCL and the Companies Regulations. 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” 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

The Kingdom 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.

Money laundering is considered an offence under *Shari’a* law. Over the past 10 years, the Kingdom has put into place a relatively comprehensive legislative and regulatory framework that deals with preventing money laundering and terrorist financing. The Kingdom implemented its first customer identification procedure in 1975. Beginning in the mid-1990s, the Kingdom began to put in place a more expansive AML regime with the issuance of the 1995 AML manual and several other circulars from SAMA and other government agencies.

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, the deposit of cash and detailed rules controlling the operation of bank accounts for charitable and welfare organisations. SAMA has revised the Account Opening Rules over the past years (with the most recent update from September 2021) amending, *inter alia*, guidelines on dealing with non-resident individuals, entities and multi-lateral organisations, submitting further specified legal entities to KYC requirements, increasing the required information for corporate clients to identify their beneficial owners, tightening account operating controls, regulating the procedures of opening accounts at commercial banks and specifying the supervisory rules related to operating bank accounts.

In October 2017, the Kingdom’s existing Anti-Money Laundering Law and its implementing rules were replaced by the Anti-Money Laundering Law and its implementing rules issued pursuant to Royal Decree No. M/20 dated 05/02/1439H (corresponding to 25 October 2017) and the Combating-Terrorism Crimes and its Financing Law and its implementing regulations issued pursuant to Royal Decree No. M/21 dated 12/02/1439H (corresponding to 1 November 2017) (together, the “**AML Law**”) which provides an up-to-date legal framework for money laundering and terrorist financing offences.

In November 2019, SAMA issued the Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Guide setting out the requirements of the updated AML Law for financial institutions and requiring all financial

institutions operating in the Kingdom and supervised by SAMA to strictly comply with such requirements as well as requesting financial institutions to put in place additional appropriate measures as required by the result of their internal risk assessment.

Similarly, the CMA required capital market institutions to comply with the AML Law under the Capital Market Institutions Regulations issued by the Board of the CMA pursuant to its resolution number 1-83-2005, dated 21/5/1426H (corresponding to 28 June 2005), as last amended by the Board of the CMA pursuant to its resolution number 1-94-2022 dated 24/1/1444H (corresponding to 22 August 2022).

In August 2020, SAMA issued guidelines to combat financial fraud in banks operating in the Kingdom. The guidelines aim to institutionally tackle fraud, bribery and corruption by requiring all banks operating in the Kingdom to implement and comply with specified controls as minimum standards.

In April 2021, the Kingdom issued the Law on Combating Financial Fraud and Deceit, which set out certain penalties (including fines and imprisonment) for fraudulent and deceitful activities. The Kingdom's public prosecution body has authority to institute lawsuits in relation to acts that constitute a violation of this law.

The Kingdom has been a member of the Financial Action Task Force (the "FATF") since June 2019. The Kingdom is also a founding member of the Middle East and North Africa Financial Action Task Force (the "MENA-FATF") which was created in November 2004. As a member of the GCC, the Kingdom has issued laws and regulations designed to comply with the "Forty Recommendations on Money Laundering" issued by the FATF.

In September 2003, the FATF carried out, in conjunction with the GCC, the mutual evaluation of the Kingdom and it was approved in February 2004. The Kingdom underwent a joint assessment conducted by the MENA-FATF in participation with FATF in 2010. In 2015, the Kingdom received an invitation from the FATF to join the group as an observer. The invitation was made in recognition of the Kingdom's international and regional status, its efforts and measures in the field of combating money laundering and financing of terrorism and proliferation, its compliance with international standards and requirements and its commitment to international and bilateral conventions. The Kingdom obtained FATF observer status in June 2015. Moreover, in November 2017, the FATF carried out an on-site visit in connection with the Mutual Evaluation Report issued in September 2018 and, in 2020, the FATF issued a follow up report and technical compliance re-rating. The Kingdom is compliant with 17 of the 40 FATF recommendations, largely compliant with 21 and partially compliant on two, relating to statistics and international instruments, respectively.

Independent Auditors

As a measure of prudence, SAMA requires all banks in the Kingdom to be audited jointly by at least 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 to any one 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:

Classification	Defined as	Reserve requirement
Current	No problems	1 per cent. of outstanding

Classification	Defined as	Reserve requirement
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

All banks in the Kingdom also calculate impairment provisions on the basis of IFRS 9 on a forward-looking “Expected Credit Loss” basis.

Liquidity

Saudi banks are required to maintain liquid assets of at least 15 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 the Kingdom recommends a minimum 8 per cent. ratio of capital to risk weighted assets, including off-balance sheet risk. Assets are categorised into four risk categories carrying varying risk weights according to the risk assessment of the counterparty. There are also two levels of country risk. The first is for the GCC and member countries of the Organisation for Economic Cooperation and Development (the “**OECD**”) and others that have special lending arrangements with the IMF under its general agreement to borrow, which are considered to be preferred risk. All other countries are considered full risk. In contrast, BIS only counts Saudi risk and not all of the GCC as preferred risk. 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.

Deposit liabilities of a bank are limited to 15 times its paid-up or invested capital and reserves. In cases where this ratio is exceeded, the bank has to either increase its capital and reserves or place interest free deposits of half the excess amount with SAMA. Furthermore, 25 per cent. of net profits (after deduction of Zakat liabilities) so be transferred to statutory reserves until the reserve balance equals paid-up capital.

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 focused on strengthening the quality of regulatory capital, raising the minimum capital requirements, enhancing risk coverage and reducing cyclicity of regulatory capital. It also introduced 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 2020.

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, the liquidity coverage ratio, the net stable funding ratio and the capital adequacy framework as well as the sound management and operational

risk guidelines, the standardised approach for measuring counterparty credit-risk exposures and capital requirements for banks' exposures to central counterparties. The final pillar of the Basel III reforms changed the methodology for calculating risk-weighted assets for credit, operational and market risk. On 28 December 2022, SAMA issued its final guidelines on these changes, which became effective on 1 January 2023.

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, in the Kingdom 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.

Basel IV Framework

In response to the ongoing evolution of the banking sector following the 2007 financial crisis, the Basel Committee introduced further reforms known as the Basel IV Regulation, building upon the Basel III Framework. The Basel IV Regulation focuses on refining credit risk models with a greater emphasis on standardised approaches, implementing an "output floor" to set minimum risk-weighted assets thresholds, revising operational risk management, enhancing market risk regulations and strengthening leverage ratio controls. It also introduces enhanced capital buffers for additional protection during financial stress. The implementation of the Basel IV Regulation, initially proposed for 2022, was deferred to January 2023 due to the COVID-19 pandemic. These measures aim to increase the resilience of the banking system, ensuring higher capital adequacy, reducing variability in risk assessments, and enhancing transparency and comparability in banks' capital ratios.

SAMA has implemented the Basel IV Regulation, with full implementation taking effect from 1 January 2023. This includes an updated approach to calculating risk-weighted assets ("**RWA**") thresholds, emphasising an improved standardised approach and reducing reliance on an internal ratings-based approach. Additionally, such implementation incorporates a revised leverage framework and introduces minimum output floors for RWA calculations, which are key components in aligning with the Basel IV Regulation.

The Law on Treatment of Systematically Important Financial Institutions

(A) Introduction

The SIFI Law provides for financial institutions to be classified as a systematically important financial institution (“**SIFI**”) by the CMA or SAMA in accordance with standards to be set for institutions under their supervision. As at the date of this Offering Circular neither the CMA nor SAMA has published any such standards or made a decision to classify any financial institution as a SIFI. In addition, the implementing regulation to the SIFI Law to be prepared by the CMA and SAMA and issued by a resolution of the Council of Ministers and which will contain detailed provisions have not yet been issued. There is therefore continuing uncertainty as to the precise scope and effect of the SIFI Law and whether and to what extent it will apply to the Bank.

In light of the uncertainty as to whether the Bank will be classified by SAMA as a SIFI and SAMA’s powers in relation to SIFIs, it cannot be discounted that in the event that the Bank meets the requirements for a treatment plan to be applied (see section (B) below) that any of the following actions could be imposed by SAMA on Certificateholders:

- conversion of the Certificates or other debt of the Bank into equity; or
- writing the value of the Certificates down or off.

(B) Preparing Treatment Plans

Under the SIFI Law, the CMA and SAMA are to prepare a treatment plan for each SIFI setting out the treatment procedures that they may implement if the following circumstances exist (the “**Requirements**”):

- the SIFI is (i) experiencing or would be likely to experience instability in a manner affecting its continuation and ability to fulfil its obligations, and (ii) having difficulty meeting its obligations which affects its continuation in the normal course without applying treatment procedures; and
- applying treatment procedures would fulfil one of the objectives of the SIFI Law (see paragraph (C) below) and be a better outcome than liquidating the SIFI.

All treatment plans must be approved by the Council of Economic and Development Affairs.

(C) Applying Treatment Procedures

A treatment procedure may be applied to any SIFI, its owners and creditors to achieve any of the following objectives:

- protecting the financial system and financial sector in the Kingdom, avoiding any grave negative impacts affecting its stability and minimising the spread of such impacts;
- continuing the necessary activities of the SIFI under treatment;
- minimising reliance on governmental support by shifting to dependence on the sources and recourses of the financial institution;
- protecting deposits, customers' assets and funds, and rights related to insurance policies; and
- protecting settlement systems and maintaining their stability.

If the Requirements apply to a SIFI then one or more of the following treatment procedures may be applied to it:

- sale of the SIFI;

- establishing a transitional institution;
- separating the assets of the SIFI; or
- modifying the rights in the SIFI.

Prior to deciding whether a SIFI should be subject to a treatment procedure, a preliminary valuation of the SIFI must be carried out, either by the CMA or SAMA itself or by an accredited valuer. If subsequently a decision is made that treatment procedures should be applied then before such procedures are initiated the SIFI's assets and liabilities must be valued by an accredited valuer if possible. The valuation is designed to:

- ensure the requirements for applying treatment procedures have been met;
- specify the most appropriate treatment procedures to be applied;
- determine capital instruments and debts which will be reduced, cancelled, or converted, when applying the modification of rights procedure; and
- determine the assets, liabilities, and capital instruments to be sold, and their value for the purposes of a sale of the SIFI or establishment of a transitional institution.

(D) Relevant Powers

The following powers of SAMA in relation to banks that are SIFIs could apply to the Certificates if a treatment plan that involved modifying rights was applied to the Bank:

- modifying the rights of creditors to the extent necessary to allow the SIFI to restore its financial condition and fulfil legal requirements (Article 19(1));
- convert debts of the SIFI to capital instruments (Article 19(3)); and
- reducing the value of debt instruments (Article 24(8)).

As at the date of this Offering Circular, the Bank has not been designated by SAMA to be a systemically important financial institution.

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 decided on 14 March 2020 to inject over SAR 50 billion 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 intended 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 aimed to support and enable the private sector to promote economic growth through a package of measures as set out below.

Supporting SMEs Finance

The purpose of the programme was to mitigate the impacts of precautionary COVID-19 measures on the SME sector, specifically by reducing the burden of cash flow fluctuations, supporting working capital, enabling the sector to grow during the COVID-19 period and to contribute to supporting economic growth, and maintaining employment. The programme consisted of three basic elements as follows:

1. Deferred Payments Programme

Banks and financing companies received funding from SAMA to delay the payment of the dues of the financial sector (banks and finance companies) from SMEs. This programme assisted almost 107,000 contracts while the value of the payments for those contracts amounted to approximately SAR 181 billion (as at December 2021). This programme was completed in March 2022.

2. Guaranteed Facility Programme

Provided concessional finance of approximately SAR 13.2 billion for SMEs by granting financings from banks and finance companies to the SME sector to support business continuity and sector growth in a way that contributed to supporting economic growth and maintaining employment levels in these enterprises. The number of relevant financing contracts granted totalled more than 1,000.

3. Financing Guarantee Program

This programme enabled banks and insurance companies to relieve SMEs from the finance costs of the Kafala Programme in order to minimise finance costs for eligible entities during the fiscal years of 2020 and 2021 and to support finance expansion. Over 13,000 financing contracts valued at SAR 11 billion (as at March 2022) benefited from this programme, which completed in March 2023.

Supporting Fees of POS and E-Commerce

This was accomplished via supporting payment fees of all stores and entities in the private sector for a period of three months with a total amount exceeding SAR 800 million. SAMA paid these fees to payment service providers participating in the national system. SAMA stated that, since its launch in mid-March 2020 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 electronic 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. This program was extended by SAMA to, and subsequently completed in, September 2020.

Supporting institutions affected by the precautionary measures

As regards institutions affected by the precautionary measures implemented in the cities of Makkah and Medina, SAMA coordinated 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 at the offices of the Principal Paying Agent (as defined in the Conditions). Words and expressions defined elsewhere in this Offering Circular shall have the same meanings in this section.

Declaration of Trust

The Declaration of Trust will be entered into on the Issue Date between the Bank, the Trustee and the Delegate and will be governed by English law.

Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets will comprise (i) the cash proceeds of the issuance of the Certificates pending application thereof in accordance with the terms of the Transaction Documents; (ii) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets; (iii) all of the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant to indemnify the Trustee given by the Bank pursuant to the Declaration of Trust); and (iv) all amounts standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

The Declaration of Trust shall provide that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available therefor from the Trust Assets, subject to the priority of payments set out in Condition 5.3 (*The Trust*). After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the Declaration of Trust, 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 any steps against the Delegate) or any other person to recover any further sums in respect of the Certificates and the right to receive any such sums from the Trustee remaining unpaid shall be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, *inter alia*:

- (a) hold the Trust Assets on trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust and the Conditions; and
- (b) 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 Declaration of Trust and the Conditions.

In the Declaration of Trust, the Trustee shall 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 relevant provisions of the Declaration of Trust 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 and have all the protections of the Trustee under the Mudaraba Agreement and any of the other Transaction Documents, (ii) take such other steps as the Delegate may consider necessary to recover amounts due to

Certificateholders and (iii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust (together, the **Delegation of the Relevant Powers**), provided that: (a) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation of the Relevant Powers; (b) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets; and (c) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or a Potential Dissolution Event or to determine the remuneration of the Delegate. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and, subject to certain provisions of the Declaration of Trust, shall not affect the Trustee's continuing role and obligations as trustee. Pursuant to the Declaration of Trust:

- (a) upon the occurrence of a Bank Event and the delivery of a Dissolution Notice by the Delegate to the Trustee, to the extent that the amounts payable in respect of the Certificates have not been paid in full pursuant to Condition 12.1 (*Bank Events*), the Delegate may at its discretion or shall, if so directed by an Extraordinary Resolution of the Certificateholders or if so requested in writing by the Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding, and subject to its being indemnified and/or secured and/or prefunded to its satisfaction take one or more of the following steps: (i) institute any steps, actions or proceedings for the winding-up of the Bank and/or (ii) prove in the winding-up of the Bank and/or (iii) institute any steps, actions or proceedings for the bankruptcy of the Bank; and/or (iv) claim in the liquidation of the Bank and/or (v) take such other steps, actions or proceedings which, under the laws of the Kingdom, have an analogous effect to the actions referred to in (i) to (iv) above, in each case for (subject to the provisos contained in Condition 12.3(a) (*Proceedings for Winding-up*)) all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents); and
- (b) without prejudice to Conditions 12.1 (*Bank Events*) and 12.3 (*Winding-up, dissolution or liquidation*) and the provisions of clause 17 (*Enforcement of Rights*) of the Declaration of Trust, the Trustee (or the Delegate) may at its discretion and the Delegate shall, if so directed by an Extraordinary Resolution of the Certificateholders or if so requested in writing by Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding and without further notice (subject in each case to Condition 12.3(e)(i) (*Realisation of Trust Assets*)) institute such steps, actions or proceedings against the Bank and/or the Trustee, as it may think fit to enforce any term or condition binding on the Bank or the Trustee (as the case may be) under the Certificates and the Transaction Documents (other than any payment obligation of the Bank under or arising from the Transaction Documents, including, without limitation, payment of any principal or premium or satisfaction of any payments in respect of the Transaction Documents, including any damages awarded for breach of any obligations) including, without limitation, any failure by the Bank to procure the substitution of the Trustee in the circumstances described in Condition 12.2 (*Trustee Events*). However, in no event shall the Bank, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it in accordance with the Transaction Documents.

A Transaction Account will be established in London in the name of the Trustee. Monies received in the Transaction Account will, *inter alia*, comprise payments of amounts payable under the Mudaraba Agreement immediately prior to each Periodic Distribution Date (see “—*Mudaraba Agreement*” below). The Declaration of Trust shall provide that all monies credited to the Transaction Account from time to time will be applied in the order of priority set out in Condition 5.3 (*The Trust*).

Mudaraba Agreement

The Mudaraba Agreement will be entered into on or before the Issue Date between the Bank (as the Mudareb) and Alinma Tier 1 Sukuk Limited (as Trustee and Rab-al-Maal) and will be governed by English law.

The Mudaraba will commence on the date of the payment of the Mudaraba Capital to the Mudareb and will end (i) on the date on which the Certificates are redeemed in whole but not in part in accordance with the Conditions following the actual liquidation of the Mudaraba in accordance with the terms of the Mudaraba Agreement (the **Mudaraba End Date**) or (ii) (if earlier), and in the case of a Write-down in whole only, on the Non-Viability Event Write-down Date.

Pursuant to the Mudaraba Agreement, the proceeds of the issue of the Certificates will be contributed by the Rab-al-Maal to the Mudareb and shall form the Mudaraba Capital. The Mudaraba Capital shall be invested by the Bank (as Mudareb), on an unrestricted co-mingling basis, in the Business Portfolio carried out through the General Mudaraba Pool in accordance with the investment plan prepared by the Mudareb and scheduled to the Mudaraba Agreement (the **Investment Plan**). The Mudareb will acknowledge and agree in the Mudaraba Agreement that the Investment Plan was prepared by it with due skill, care and attention, and acknowledge that the Trustee has entered into the Mudaraba in reliance on the Investment Plan. The General Mudaraba Pool does not include any other investment pool maintained by the Bank.

The Mudareb is authorised to co-mingle any of its own assets from time to time with the Mudaraba Assets during the Mudaraba Term (as defined in the Mudaraba Agreement), provided that prior to the calculation of any Mudaraba Profit or Final Mudaraba Profit the Mudareb shall deduct a proportion of any profit earned for its own account.

The Mudaraba Agreement provides that the profit (if any) generated by the Mudaraba will be distributed by the Mudareb on each Mudaraba Profit Distribution Date on the basis of a constructive liquidation of the Mudaraba by the Mudareb in accordance with the following profit sharing ratio:

- (a) the Trustee, 99 per cent.; and
- (b) the Mudareb, 1 per cent..

If the Mudareb elects to make a payment of Mudaraba Profit, or Final Mudaraba Profit is otherwise payable pursuant to the Mudaraba Agreement, and if the Trustee's share of the Mudaraba Profit (the **Rab-al-Maal Mudaraba Profit**) or the Trustee's share of the Final Mudaraba Profit (the **Rab-al-Maal Final Mudaraba Profit**) (as applicable) payable to the Trustee is (i) greater than the then applicable Periodic Distribution Amount, the amount of any excess shall be credited to a reserve account (the **Mudaraba Reserve**) and the Rab-al-Maal Mudaraba Profit or the Rab-al-Maal Final Mudaraba Profit (as applicable) payable to the Trustee will be reduced accordingly; or (ii) is less than the then applicable Periodic Distribution Amount, the Mudareb shall first utilise any amount available in the Mudaraba Reserve to make payments to the Rab-al-Maal in order to cover such shortfall and second, may (at its sole discretion) elect (but shall not be obliged) to make one or more payments from its own cash resources in order to cover such shortfall.

During the Mudaraba Term (as defined in the Mudaraba Agreement), the Mudareb shall invest amounts standing to the credit of the Mudaraba Reserve (after deducting any amounts to be applied in accordance with clause 5.4.2, clause 5.4.3 or clause 5.11 of the Mudaraba Agreement) in the same manner as it invested the Mudaraba Capital for and on behalf of the Rab-al-Maal in accordance with the Investment Plan.

If the Mudareb makes a Non-Payment Election or a Non-Payment Event occurs, then the Mudareb shall give notice to the Trustee, the Principal Paying Agent, the Delegate and the Certificateholders, in each case providing details of such Non-Payment Election or Non-Payment Event in accordance with the notice periods set out in the Mudaraba Agreement. The Trustee shall have no claim in respect of any Rab-al-Maal Mudaraba Profit or

Rab-al-Maal Final Mudaraba Profit not paid as a result of either a Non-Payment Event or (in the case of any Rab-al-Maal Mudaraba Profit only) a Non-Payment Election and such non-payment in whole or in part, as applicable, in such circumstance will not constitute a Dissolution Event. If any amount of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit is not paid as a consequence of a Non-Payment Election or a Non-Payment Event, then from the date of such Non-Payment Election or Non-Payment Event (the **Dividend Stopper Date**), the Mudareb shall be prohibited from declaring or paying certain distributions or dividends, declaring or paying profit for other distributions on certain of its securities, or redeeming, purchasing, cancelling, reducing or otherwise acquiring certain of its share capital and securities, in each case unless or until (i) the next following payment of Rab-al-Maal Mudaraba Profit or, (ii) as the case may be, Rab-al-Maal Final Mudaraba Profit, in each case following a Dividend Stopper Date, has been made in full to the Trustee following such Non-Payment Election or Non-Payment Event (or an amount equal to that amount has been duly set aside or provided for in full for the benefit of the Trustee).

Subject to certain conditions as set out in the Mudaraba Agreement, the Bank (as Mudareb) may (in its sole discretion) liquidate the Mudaraba in whole, but not in part, on the basis of a final actual liquidation of the Mudaraba in accordance with the Mudaraba Agreement in the following circumstances:

- (a) on the First Call Date and on any date thereafter up to and including the First Reset Date, or any Periodic Distribution Date thereafter, by giving not less than 20 nor more than 35 days' prior notice to the Trustee; or
- (b) on any date, on or after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 20 nor more than 35 days' prior notice to the Trustee:
 - (i) upon the occurrence of a Tax Event; or
 - (ii) upon the occurrence of a Capital Event.

If the Mudareb were to exercise its option to liquidate in accordance with paragraph (a) or (b) above and, based on the constructive liquidation of the Mudaraba Assets, the proceeds which would be generated upon such liquidation are less than the Required Liquidation Amount (such difference being, the **Shortfall**), the Mudareb shall either (i) continue investing the Mudaraba Capital in the Mudaraba, and accordingly the Mudareb shall not proceed with the final actual liquidation of the Mudaraba and no distribution of the liquidation proceeds shall occur, or (ii) proceed with such final actual liquidation and indemnify the Trustee in respect of such Shortfall and transfer the Rab-al-Maal Liquidation Proceeds (as defined in the Mudaraba Agreement) and the Shortfall into the Transaction Account, subject to certain conditions not being breached. The **Required Liquidation Amount** means: (a) the Mudaraba Capital; (b) subject to a Non-Payment Event not having occurred, the Final Mudaraba Profit; and (c) any amounts paid by the Mudareb from its own cash resources to cover a profit shortfall in accordance with the provisions of the Mudaraba Agreement and which remain outstanding for recovery by the Mudareb.

Under the terms of the Mudaraba Agreement, the Mudaraba will mandatorily be liquidated in whole but not in part if a Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 12.1 (*Bank Events*). The Mudareb acknowledges under the Mudaraba Agreement that the Trustee shall in such case be entitled to claim for all amounts due in accordance with the terms of the Mudaraba Agreement, subject to certain conditions being satisfied.

The Mudaraba Agreement also provides that if a Non-Viability Event occurs at any time on or after the Issue Date and prior to the Effective Date, a Write-down (in whole or in part, as applicable) will take place. In such circumstances, in the case of a Write-down in whole only, the Mudaraba Agreement will be automatically terminated (and none of the Trustee, the Certificateholders nor the Delegate shall be entitled to any claim for any amounts in connection with the Mudaraba Assets) and in the case of a Write-down in part only, the

Mudaraba Capital shall be reduced in proportion to the face amount of the Certificates that are to be Written-down and none of the Trustee, the Certificateholders nor the Delegate shall be entitled to any claim for any amounts in connection with the Mudaraba Assets that relate to the proportion of the Mudaraba Capital that has been reduced.

The Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee unless such losses are caused by the Mudareb's (i) breach of the Mudaraba Agreement or (ii) gross negligence, wilful misconduct or fraud.

The Mudareb shall exercise its rights, powers and discretions under the Mudaraba Agreement and shall take such action as it deems appropriate, in each case, in accordance with material applicable laws, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that is not repugnant to *Shari'a*.

The Mudaraba Agreement also provides that, following the investment of the Mudaraba Capital, the Mudareb shall ensure, in conjunction with the *Shari'a* Adviser that the Mudaraba Capital remains, at all times, compliant with the principles of *Shari'a*.

Other than its share of profit from the Mudaraba and any incentive payable in accordance with the Mudaraba Agreement, the Mudareb shall not be entitled to receive any remuneration from the Mudaraba.

The Mudareb will agree in the Mudaraba Agreement that all payments by it under the Mudaraba Agreement will be made free and clear of, and without any withholding or deduction for, or on account of, any Taxes, unless such withholding or deduction is required by law, in which case (and/or in the case that Additional Amounts are payable by the Rab-al-Maal in respect of the Certificates in accordance with Condition 13 (*Taxation*)), the Mudaraba Agreement provides for the payment of such Taxes or Additional Amounts so that the net amounts received by the Certificateholders shall equal the respective amounts that would have been received in the absence of such withholding or deduction. The Mudaraba Agreement provides that to the extent any such additional amounts are paid by the Mudareb, the Mudareb shall immediately recover such additional amounts from the amounts (if any) standing to the credit of the Mudaraba Reserve and if, following such recovery, a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such additional amounts paid by the Mudareb, the Mudareb shall be entitled to recover amounts equal to such shortfall amounts from any excess liquidation proceeds.

Agency Agreement

The Agency Agreement will be entered into on the Issue Date between the Trustee, the Bank, the Delegate, the Principal Paying Agent, the Calculation Agent, the Registrar and the Transfer Agent.

Pursuant to the Agency Agreement, the Registrar has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to authenticate (or procure the authentication of) and deliver the Global Certificate and, if any, each Definitive Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to pay amounts due in respect of the Certificates on behalf of the Trustee; the Calculation Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to calculate the Profit Rate in respect of each Reset Period commencing on the relevant Reset Date, subject to and in accordance with the Conditions; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to effect requests to transfer and issue Definitive Certificates.

On the Issue Date, the Registrar will (i) authenticate (or procure the authentication of) the Global Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

The Trustee shall cause to be deposited into the Transaction Account opened by the Trustee with the Principal Paying Agent, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Transaction Documents.

The Principal Paying Agent agrees that it shall, on each Periodic Distribution Date and on the date fixed for payment of the Dissolution Distribution Amount, or any earlier date specified for the liquidation of the Mudaraba, apply the monies standing to the credit of the Transaction Account in accordance with the order of priority set out in Condition 5.3 (*The Trust*).

Shari'a Compliance

Each Transaction Document will provide that each of Alinma Tier 1 Sukuk Limited and Alinma Bank 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) are *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*.

SHARI'A COMMITTEE AND PRONOUNCEMENT

Prospective Certificateholders should not rely on the pronouncement referred to below in deciding whether to make an investment in the Certificates and should consult their own independent *Shari'a* advisers as to whether the proposed transaction described in such pronouncement is in compliance with their individual standards of compliance with *Shari'a* principles. None of the Trustee, the Bank, the Joint Lead Managers (other than Abu Dhabi Islamic Bank PJSC), the Delegate or any of the Agents makes any representation as to the *Shari'a* compliance of the Certificates and/or any trading thereof.

Pronouncement of members of the Bank's *Shari'a* Committee

Copies of the pronouncement which has been issued by members of The Shariah Committee of Alinma Bank relating to the Certificates and confirming that, in their view, the transaction structure is in compliance with *Shari'a* principles, shall be distributed to prospective Certificateholders upon request to the relevant Dealers.

Overview of the Bank's *Shari'a* Committee

The Shariah Committee of Alinma Bank is an independent committee and its appointment was approved by the General Assembly of the Bank to advise on all transactions and activities carried out by the Bank's groups and to control the manner in which the Bank operates inside and outside of the Kingdom with regard to *Shari'a* compliance. All transactions executed by the Bank are subject to approval and control by The Shariah Committee of Alinma Bank and its resolutions are binding upon all departments and employees of the Bank.

The most important functions performed by The Shariah Committee of Alinma Bank are as follows:

- examining the Bank's transactions, contracts, agreements, documents and forms and providing a *Shari'a* opinion of them;
- participating in product innovation and development in light of *Shari'a*-compliance;
- ensuring that the Bank is committed to *Shari'a*-compliance in all its activities and transactions and ensuring the proper implementation of The Shariah Committee of Alinma Bank's resolutions;
- approving *Shari'a*-compliance standards;
- studying reports relating to *Shari'a*-compliance performance and issuing directives to take corrective action when necessary;
- establishing mechanisms for the disposal of funds that have been earned or acquired in violation of *Shari'a* principles and supervising their disbursement;
- revising the Bank's financial statements before being approved by the Bank's Board of Directors;
- issuing periodic reports on the Bank's performance from a *Shari'a*-compliance perspective, circulating these to shareholders and providing responses to shareholders' questions relating to the reports; and
- evaluating the technical performance of the Bank's *Shari'a* Committee.

Members of the Bank's *Shari'a* Committee

Dr. Abdullah Bin Wakeel Al-Sheikh (Chairman)

Dr. Al-Sheikh is a faculty member in the College of Fundamentals of Religion, College of *Shari'a*, College of Da'awa and Information at Al-Imam Mohammed Ibn Saud Islamic University. He has made numerous contributions in the field of *Shari'a*-compliant financial transactions. He is also a member of several research

committees and panels including the Saudi Fiqh Society and the International Islamic Committee for Economics and Finance and is a co-author of a glossary of Fiqh skills that is being implemented in some Shari'a colleges.

Dr. Abdulrahman Bin Saleh Al-Atram (Chairman)

Dr. Al-Atram is a leading scholar in the field of *Shari'a*-compliant financial transactions, a field in which he has made numerous contributions. He is a member of several *Shari'a* panels and councils including the Accounting and Auditing Organization for Islamic Financial Institutions in Bahrain, the Saudi Fiqh Committee, the Islamic International Panel for Economy and Finance (where he holds the position of Secretary-General), the Islamic Fiqh Society of the Organization of Islamic Cooperation and the King Faisal Specialist Hospital Charitable Foundation (and Reef Charity).

Dr. Al-Atram has also been a faculty member in the Department of Jurisprudence in the College of *Shari'a* at Al-Imam Mohammed Ibn Saud Islamic University and a member and Secretary General of the *Shari'a* Committee at Al-Rajhi Bank and Member of the Shura Council in its fourth session.

Dr. Sulaiman Bin Turki Al-Turki (Member)

Dr. Al-Turki is a faculty member at the High Judiciary Institute at Al-Imam Mohammed Ibn Saud Islamic University. He holds M.A. and Ph.D. degrees in Islamic jurisprudence, an M.A. in international trade law from Essex University in the United Kingdom, and a Ph.D. in a law from London University. Dr. Al-Turki is a well-established and prolific researcher, and has made numerous contributions in the field of *Shari'a*-compliant financial transactions.

Dr. Khalid Bin Abdulrahman Almuhanha (Member)

Dr. Almuhanha is an Associate Professor at the Department of Jurisprudence with the College of Sharia of Imam Muhammad bin Saud Islamic University (the "IMSIU"). Previously, Dr. Almuhanha served as a member of the Board of Directors of the Saudi Judicial Scientific Society at the IMSIU, and a member of the Board of Directors of the Society for Social Economy. He also worked as a researcher at the King Abdullah bin Abdul Aziz University, and as an adviser at the Ministry of Justice. He holds M.A. and Ph.D. degrees in Islamic jurisprudence from the IMSIU, and an M.A. in Law from the Middlesex University London.

TAXATION AND ZAKAT

The following is a general description of certain Cayman Islands, Kingdom of Saudi Arabia, European Union and United States tax and zakat considerations relating to the Certificates as in effect on the date of this Offering Circular and is subject to any change in law or relevant rules and practice that may take effect after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all tax/zakat considerations relating to the Certificates and does not constitute legal or tax/zakat advice nor does it address the considerations that are dependent individual circumstances, whether in those jurisdictions or elsewhere. Prospective purchasers of Certificates are advised to consult their own tax/zakat advisers as to the consequences of their respective citizenship, residence or domicile or applicable tax/zakat laws in respect of acquiring, holding and/or disposing of Certificates and/or receiving any payments thereunder. This summary is based upon the tax/zakat law as in effect on the date of this Offering Circular and is subject to any change in law (including, with a retrospective effect) that might take effect after such date.

Prospective purchasers should note that neither the Trustee nor the Bank is obliged to update this section for any subsequent changes or modification to the applicable tax/zakat regulations. Also, investors should note that the appointment by an investor in any Certificates, or any person through which an investor holds any Certificates, of a custodian, collection agent or similar person in relation to such Certificates in any jurisdiction may have tax/zakat implications. Investors should consult their own tax/zakat advisers in relation to the tax consequences for them of any such appointment.

Cayman Islands

The following is a discussion of 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 the Certificates 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.

The Trustee has 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 30 years from 2 January 2024 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.

Kingdom of Saudi Arabia

Unless otherwise stated, capitalised terms in this sub-section shall have the meanings given to them in “Definitions” below.

Overview of Saudi Tax and Zakat

Corporate Income Tax

According to the Income Tax Law issued 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 28 July 2004), as amended from time to time (collectively the “**Income Tax Law**”), a resident company in the Kingdom with foreign (i.e., non-GCC) ownership (on its foreign partner or shareholder’s share, as the case may be) and a non-resident who carries on business in the Kingdom through a Permanent Establishment (as defined below), other than a Permanent Establishment owned by GCC Persons that meets the conditions set out under Article 2(4) of the Zakat Regulations (as defined below) is subject to corporate income tax in the Kingdom at the rate of 20 per cent. (if it is not engaged in oil and hydrocarbon production activities).

Resident companies wholly owned by GCC Persons (in addition to persons subject to Zakat listed below under the sub-section entitled “Zakat”) are subject to Zakat instead of corporate income tax.

Resident companies jointly owned by GCC and non-GCC Persons are subject to corporate income tax in respect of the share of their taxable profit attributable to the ownership (legal or beneficial) percentage held by non-GCC Persons and Zakat on the ownership (legal or beneficial) percentage held by GCC Persons.

Shares held by GCC Persons in a resident company are subject to Zakat and not income tax. In determining the tax/Zakat profile of a Saudi tax/Zakat resident company, the ZATCA applies a “look-through” approach to determine whether the up-stream shareholding structure at any point exists outside of the GCC (i.e., at the ultimate shareholder level). 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.

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 and/or related downstream activities are subject to 20 per cent. 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 a religious obligation imposed on Muslims by the *Shari’a* law to pay a fixed percentage of their wealth for the relief of poverty. The Zakat implementing regulations of the Kingdom were issued by Ministerial Resolution No. 2082, dated 28 February 2017 (the “**Old Zakat Regulations**”). The Old Zakat Regulations are effective from the date of their issuance and supersede all prior directives, resolutions, instructions and circulars issued by ZATCA. Furthermore, the Ministry of Finance has issued new Zakat implementing regulations under Ministerial Resolution No. 2216 dated 7/7/1440 in the Hijri calendar (corresponding to 14 March 2019) (“**Zakat Regulations**”). The Zakat Regulations became effective (and replaced the Old Zakat Regulations) for financial years starting 1 January 2019.

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.

According to the Zakat Regulations, Zakat is assessed on and applicable to:

- GCC natural persons resident in the Kingdom, carrying on business activity in the Kingdom;
- resident companies wholly owned by GCC Persons and for companies jointly owned by GCC and non-GCC Persons, on the ownership (legal or beneficial) percentage held by such GCC Persons;
- GCC Persons carrying on activities in the Kingdom through a Permanent Establishment for Zakat purposes, as defined in Chapter 1—Article 2(4) of the Zakat Regulations (except for non-resident GCC Persons who do not meet certain conditions, as set out in below, in which case they would be subject to corporate income tax); and
- resident companies listed on a financial market in the Kingdom on the shares held by GCC persons and non-GCC Persons (except for ownership by founder shareholders and those considered to be founder shareholders based on the relevant articles of association or other legal documents), and on the shares held by government entities.

Notwithstanding the above, Zakat is not assessed/applicable to:

- (a) resident capital companies operating in the oil and hydrocarbon production sector; and
- (b) any entity (or Zakat payer) which is exempted by a decision of ZATCA or the Ministry of Finance.

For completeness, a Permanent Establishment owned by GCC Persons in the Kingdom is also 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 Chapter 1—Article 2(4) of the Zakat Regulations):

- (a) its Board of Directors' ordinary meetings which are held regularly in and where main policies and decisions relating to management and running of the Permanent Establishment's business are made from the Kingdom;
- (b) its senior executive decisions relating to the Permanent Establishment's functions such as executive directors/deputies' decisions are made in the Kingdom; and
- (c) Entity's business generating more than 50% of the revenue is mainly carried out in the Kingdom of Saudi Arabia.

This section broadly covers the Zakat consequences of investment in the 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 (following a Hijri year) which, in general, comprises equity, provisions, loans and credit balances (subject to certain conditions) and (for Zakat purposes) adjusted net profit or loss, reduced by among other items, certain deductible long-term investments and fixed assets (excluding the Certificates).

The Zakat rate on the Zakat base is approximately 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.

GCC natural persons resident in the Kingdom (for tax/Zakat purposes) should in principle be subject to Zakat in the Kingdom if they carry out activities in the Kingdom. However, Zakat compliance/administration is not

currently enforced by ZATCA for such individuals (unless they carry out such activities through Permanent Establishments).

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. Under the Zakat Regulations, as amended by Ministerial Resolution No. 58705 dated 21/9/1444H (corresponding to 12 April 2023G) and the current practice of the Zakat, Tax and Customs Authority, investments in non-governmental debt securities, such as investments in bonds, sukuk, notes, currencies, deposits or forward transactions (whether issued inside or outside Saudi Arabia or whether classified as short-term or long-term investments) are not deductible from the Zakat base for the purposes of determining the Zakat base unless the following conditions are met:

- the issuer of such bonds, sukuk and other non-governmental debt securities elects to treat them as capital and does not change this treatment until their maturity; and
- the investor holds such non-governmental debt securities for non-trading purposes.

Special Zakat Rules for Financing Activities

Special Zakat Rules for Financing Activities were issued pursuant to MR No. 2215 dated 07/07/1440H (corresponding to 14 March 2019) (Zakat Calculation for Financing Companies) which are applicable to resident Zakat payers engaged in financing activities (such as banking and finance lease activities) 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 Zakatpayer has reported net profit ⁽¹⁾	If the Zakatpayer has not reported net profit ⁽²⁾
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.

Special Zakat Rules for Investment Funds

The Special Zakat Rules for Investment Funds were issued pursuant to MR No. 29791 dated 09/05/1444H (corresponding to 3 December 2022G) (Zakat Collection Rules for Investments Funds), which are effective from 1 January 2023. Under the Special Zakat Rules for Investment Funds:

1. investment funds are not subject to Zakat but are required to register and submit Zakat base calculation (information declaration to ZATCA);
2. unitholders in such funds are subject to Zakat, except in the case of:
 - a unitholder in a finance fund; and

- a unitholder which (i) is a 100 per cent. direct or indirect owner of the fund and (ii) has submitted a consolidated declaration with such fund.

Under the Special Zakat Rules for Investment Funds, investments in investment funds are deductible from the Zakat base of unitholders, provided that:

1. such investments are held for non-trading purposes;
2. calculation of Zakat on such investments is performed in accordance with paragraph 3 below and is set out either (i) in such unitholders' audited financial statements or (ii) a certificate prepared in accordance with the Special Zakat Rules and approved by a chartered accountant licensed in the Kingdom; and
3. Zakat on such investment is calculated as follows: the fund's zakat base \times percentage of the unitholders' share in such fund \times applicable Zakat rate.

Withholding Tax

Saudi Arabian residents of the Kingdom and the Permanent Establishments of non-residents registered in the Kingdom are required to withhold taxes on certain payments to non-residents, including to residents of the other GCC countries if such payment is from a source in the Kingdom. Saudi Arabian withholding tax ("**WHT**") rate varies from 5 per cent. to 20 per cent. depending on the nature of the underlying payment. Income earned by Certificateholders from their investments in the Certificates in the nature of profit in substance is more of a financing activity and as such it should be considered akin to a Loan Charge 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 as 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.

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. Further, repayments of principal amounts by the Bank to the Trustee will not be subject to Saudi WHT.

The Mudaraba Agreement provides that payments thereunder 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 13 (*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 13 (*Taxation*). The Declaration of Trust provides that, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 13 (*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.

Capital Gains Tax

According to Article 2 of the Income Tax Law, Persons Subject to Taxation 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 a 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:

- WHT, if the income generated is stipulated under Article 68 of the Income Tax Law (as discussed in “*Withholding Tax*” and “*Certain tax and Zakat implications for Certificateholders—Certificateholders who are not Resident in the Kingdom*”); and
- 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. tax 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 Tadawul 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 Tadawul in the Kingdom.

Certain tax and Zakat implications for Certificateholders

(A) GCC Certificateholders who are resident in the Kingdom

Certificateholders who are wholly-owned GCC legal entities and resident in Saudi Arabia for tax purposes (as defined in Chapter 2 – Article 3 of the Income Tax Law) are not subject to any Saudi Arabian income tax, whether by way of WHT or direct assessment, in respect of any profit payment received or gain realised in respect of the Certificates. However, such Certificateholders will be subject to Zakat in respect of any profit payment received or gain realised in respect of the Certificates (to the extent they are legal entities registered for Zakat purposes in the Kingdom and not natural persons engaged in an activity subject to Zakat) including any capital gain on sale/transfer of the Certificates. Under the Zakat Regulations, as amended by Ministerial Resolution No. 58705 dated 21/9/1444H (corresponding to 12 April 2023G) and the and current practice of the Zakat, Tax and Customs Authority, investments in non-governmental debt securities, such as investments in bonds, sukuk, notes, currencies, deposits or forward transactions (whether issued inside or outside Saudi Arabia or whether classified as short-term or long-term investments) are not deductible from the Zakat base for the purposes of determining the Zakat base unless the following conditions are met:

- the issuer of such bonds, sukuk and other non-governmental debt securities elects to treat them as capital and does not change this treatment until their maturity; and
- the investor holds such non-governmental debt securities for non-trading purposes.

For Saudi Arabian companies jointly owned by GCC and non-GCC Persons, profits attributable to the ownership (legal or beneficial) of GCC Persons should be subject to Zakat as described above.

GCC natural persons resident in the Kingdom for tax purposes should in principle be subject to Zakat in the Kingdom if they carry out activities in the Kingdom; however, Zakat compliance/administration is not currently enforced by ZATCA for such individuals (unless they carry out such activities through Permanent Establishments).

(B) *Non-GCC Certificateholders who are resident in the Kingdom*

Certificateholders who are non-GCC legal entities and resident in Saudi Arabia for tax purposes (as defined in Chapter 2 – Article 3 of the Income Tax Law) should be subject to Saudi Arabian corporate income tax at the rate of 20 per cent. (assuming they are owned by non-GCC persons and not listed on a financial market in the Kingdom) on any profit payment received or gain realised in respect of the Certificates, but they will not be subject to any Zakat.

The same principle described above also applies to Saudi Arabian companies wholly-owned by non-GCC Persons (which should be subject to Saudi Arabian corporate income tax).

Certificateholders that are 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 profit, 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 depending on the level of total capital investment of such entity) or 20 per cent. (in the case of natural gas production).

For Saudi Arabian companies jointly owned by GCC and non-GCC Persons, profits attributable to the ownership (legal or beneficial) of non-GCC Persons should be subject to Saudi Arabian corporate income tax.

The current practice of the Zakat, Tax and Customs Authority is not clear as to whether Certificateholders who are non-GCC natural persons and resident in Saudi Arabia are subject to Saudi Arabian income tax or Zakat. Such prospective Certificateholders are therefore advised to consult their own tax/zakat advisers as to the applicable tax/zakat laws in respect of acquiring, holding and/or disposing of Certificates and/or receiving any payments thereunder.

(C) *Certificateholders who are not resident in the Kingdom*

Certificateholders, either natural persons or legal entities, that are not resident in the Kingdom, (whether such Certificateholders are GCC nationals or non-GCC nationals (including Certificateholders resident in GCC countries other than the Kingdom)), and do not have a Permanent Establishment in the Kingdom *for tax and Zakat purposes*, should not be subject to Saudi Arabian WHT on any payment received by them from the Trustee in respect of the Certificates, on the basis that the Trustee is not a resident in Saudi Arabia for tax purposes.

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 the Certificates) in respect of the Certificates (as provided by the Terms and Conditions of the Certificates) to Certificateholders that are residents 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). See above for further details regarding double tax treaty.

The Mudaraba Agreement and the Declaration of Trust 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.

Non-resident entities having a Permanent Establishment in Saudi Arabia are subject to Saudi Arabian corporate income tax at the rate of 20 per cent. in respect of any profit payments received or gain realised in respect of the Certificates and attributable to such Permanent Establishment, but will not be subject to Zakat (unless they are GCC Persons with a Permanent Establishment in the Kingdom that meet the conditions set out under Chapter 1— Article 2(4) of the Zakat Regulations).

Transfer Tax and Value Added Tax

There are no transfer taxes currently applicable in Saudi Arabia (other than the newly introduced rules for real estate transaction/transfer taxes which are not applicable to transfers or disposals of Certificates).

The Kingdom introduced value added tax (“VAT”) with effect from 1 January 2018 pursuant to the GCC VAT Agreement between the GCC member states, the Kingdom’s approval of the agreement was issued by Royal Decree No. m/51 dated 3/5/1438H (corresponding to 31 January 2017). The VAT legislation in the Kingdom exempts certain financial services (including interest for financing which would include financing in the form of the Certificates) from VAT.

Definitions

For the purposes of this summary:

- (a) “GCC” means the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the UAE.
- (b) A “GCC Person” means: (i) a natural person having the nationality of any of the GCC and (ii) shares of GCC nationals in any legal entity established under the laws of a GCC country.
- (c) “Loan Charge” means an amount realised / earned for the use of money, including income realised from (i) governmental and non-governmental bonds and sukuk and (ii) 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;
- (d) Subject to the exceptions stipulated in the Income Tax Law, a “Permanent Establishment” of a non-resident in the Kingdom represents a permanent place for the non-resident’s activity where such person conducts the activity either fully or partly, which also includes any activity conducted by the non-resident through an agent. A non-resident carrying out an activity in the Kingdom through a licensed branch is considered to have a Permanent Establishment in the Kingdom.
- (e) “Persons Subject to Taxation” as defined in Article 2 of the Income Tax Law, are:
 - (i) a resident capital company with respect to the shares owned directly or indirectly by non-Saudi partners or by persons engaged in the production of oil and hydro carbonates, excluding shares owned directly or indirectly by persons engaged in the production of oil and hydro carbonates in resident capital companies listed on the Saudi capital markets and the shares owned directly or indirectly by these companies in capital companies;
 - (ii) a resident non-GCC natural person who does business in the Kingdom;
 - (iii) a non-resident who does business in the Kingdom through a Permanent Establishment;
 - (iv) a non-resident having taxable income from sources in the Kingdom without having a Permanent Establishment therein;
 - (v) a person engaged in the field of natural gas investment; and

- (vi) a person engaged in the production of oil and hydrocarbon products.

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.

- (f) A person is “resident” in Saudi Arabia for tax purposes (as defined in Chapter 2—Article 3 of the Income Tax Law), if it meets the following conditions:
 - (i) a natural person is considered a tax resident in Saudi Arabia for a taxable year if such person meets either of the two following conditions:
 - (1) such person has a permanent place of abode in Saudi Arabia and is physically present in Saudi Arabia for a total of not less than 30 days in the taxable year; or
 - (2) such person is physically present in Saudi Arabia for a period of not less than 183 days in the taxable year; and
 - (ii) a company is considered a tax resident in Saudi Arabia during a taxable year if it meets either of the following conditions:
 - (1) it is formed in accordance with the Saudi Companies Law; or
 - (2) its place of central control and management is located in Saudi Arabia.

Certificateholders should not be deemed to be resident in Saudi Arabia solely by reason of holding any Certificates.

- (g) “**ZATCA**” means the Zakat, Tax and Customs Authority of the Kingdom.

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 may be required to withhold on certain payments it makes (“**foreign passthru 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 the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the 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 the Certificates, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally 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 passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date.

Certificateholders 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 Joint Lead Managers, the Trustee and the Bank have, in a subscription agreement (the “**Subscription Agreement**”) dated 4 March 2024, agreed that the Trustee will sell to the Joint Lead Managers US\$1,000,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe for the Certificates.

In accordance with the terms of the Subscription Agreement, each of the Trustee and the Bank has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the Certificates and to indemnify the Joint Lead Managers against certain liabilities incurred by them in connection therewith.

General

Each Joint Lead Manager has agreed 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 offers or sells any Certificates or possesses or distributes this Offering Circular and neither the Trustee, the Bank nor any of the other Joint Lead Managers shall have any responsibility therefor.

Neither the Trustee, the Bank nor any of the Joint Lead Managers 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 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, in any country or jurisdiction where action for that purpose is required.

United States

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 in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Certificates (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Certificates and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Certificates during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Certificates are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of 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

Each Joint Lead Manager 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, the expression “**retail investor**” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) 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.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Joint Lead Manager 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 the expression “retail investor” means a person who is one (or more) of the following:

- (a) 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
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, 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.

Other Regulatory Restrictions

Each Joint Lead Manager has represented and agreed that:

- (a) **Financial promotion:** it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any 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 Issuer; and
- (b) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the UK.

Cayman Islands

Each Joint Lead Manager has represented and agreed that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made to the public in the Cayman Islands.

Kingdom of 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 or who is a Saudi person (a “**Saudi Investor**”) who acquires any Certificates pursuant to the 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 resolution number 3-123-2017 dated 27 December 2017 as amended by resolution number 8-5-2023 dated 25/06/1444H (corresponding to 18 January 2023) and as further amended from time to time (the “**Rules on the Offer of Securities and Continuing Obligations**”), made through a capital market institution licensed by the CMA, and following a notification to the CMA in accordance with Article 10 of the Rules on the Offer of Securities and Continuing Obligations.

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 Rules on the Offer of Securities and Continuing Obligations. Each Joint Lead Manager has represented and agreed that any offer of Certificates by it to a Saudi Investor will be made in compliance with Article 8(a)(1) and Article 10 of the Rules on the Offer of Securities and Continuing Obligations.

Each offer of Certificates shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the Rules on the Offer of Securities and Continuing Obligations, but is subject to the restrictions on secondary market activity under Article 14 of the Rules on the Offer of Securities and Continuing Obligations.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates 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 rulebook (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.

State of Kuwait

Each Joint Lead Manager 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 CMA 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.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates, except on a private placement basis, to persons in 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;

- (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); or
- (d) any other entity which is an “accredited” investor as defined in the Central Bank of Bahrain Rulebook.

State of Qatar (including the Qatar Financial Centre)

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Certificates in Qatar (including the Qatar Financial Centre), except:

- (a) in compliance with all applicable laws and regulations 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 Qatar (including the Qatar Financial Centre).

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 Joint Lead Manager has represented and agreed, 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.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates, except for Certificates which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) other than (a) to “professional investors” as defined in the SFO and any rules made under the SFO; or (b) in other 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, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, 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 Certificates which are or 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.

Malaysia

Each Joint Lead Manager has represented and agreed that:

- (a) this Offering Circular has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the “CMSA”); and
- (b) accordingly, the Certificates have not been and will not be offered or sold, 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.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Certificates or caused the Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Certificates or cause the 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 the Certificates, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

GENERAL INFORMATION

Listing

Application has been made to the London Stock Exchange for the Certificates to be admitted to trading on the ISM. The ISM is not a regulated market within the meaning of 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 London Stock Exchange has not approved or verified the contents of this Offering Circular. It is expected that the admission of the Certificates to trading on the ISM will be granted on or around the Issue Date.

Legal Entity Identifier

The legal entity identifier (“**LEI**”) of the Trustee is 254900PU1O6UI27SN825.

The LEI of the Bank is 558600HPAUTN6XSVBK93.

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 29 February 2024. The Trustee has obtained all necessary consents, approvals and authorisations in connection with the issue of the Certificates and the entry into the Transaction Documents.

The entry by the Bank into the Transaction Documents was authorised by the Board of Directors of the Bank on 31 January 2024.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under common code 275390755 and ISIN XS2753907554 .

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial performance or financial position of the Bank or the Group since 31 December 2023, and there has been no material adverse change in the financial position or prospects of the Bank or the Group since 31 December 2023.

There has been no significant change in the financial performance or financial position of the Trustee and there has been no material adverse change in the financial position or prospects of the Trustee, in each case, since the date of its incorporation.

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 have in such period had a significant effect on the financial position or profitability of the Trustee, the Bank or the Group.

Independent Auditors

The current joint auditors of the Bank are EY and KPMG. The business address of KPMG is Roshn Front, Airport Road, P.O. Box 92876, Riyadh 11663, the Kingdom of Saudi Arabia (Commercial Registration No. 1010425494) and the business address of EY is Head Office, Al Faisaliah Office Tower, 14th Floor, King Fahad Road, P.O. Box 2732, Riyadh 11461, the Kingdom of Saudi Arabia. EY and KPMG are independent auditors and are registered as professional services companies in the Kingdom.

The 2023 Financial Statements and the 2022 Financial Statements were jointly audited by EY and KPMG, in each case without qualification, in accordance with the ISAs as endorsed in the Kingdom, as stated in their respective 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.

Documents Available

For as long as the Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available for inspection and/or collection from the specified office of the Principal Paying Agent:

- (a) the Transaction Documents;
- (b) the constitutional documents of the Trustee and the Bank;
- (c) the Financial Statements; and
- (d) this Offering Circular together with any supplement to this Offering Circular.

This Offering Circular will also be published on the website of the London Stock Exchange at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

Cayman Islands Data Protection

Under the Cayman Islands Data Protection Act (as amended) and, in respect of EU data subjects, the EU General Data Protection Regulation (together, the "**Data Protection Legislation**"), individual data subjects have rights and the Trustee as data controller has obligations with respect to the processing of personal data by the Trustee and its affiliates and delegates. Breach of the Data Protection Legislation by the Trustee could lead to enforcement action.

The Trustee has published a privacy notice (the "**Data Privacy Notice**"), which provides prospective investors with information on the Trustee's use of their personal data in accordance with the Data Protection Legislation. The Data Privacy Notice can be accessed at <https://www.walkersglobal.com/external/SPVDPNotice.pdf>.

Joint Lead Managers Transacting with the Bank

Certain of the Joint Lead Managers 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 receive customary fees and commission for these transactions.

In the ordinary course of their business activities, the Joint Lead Managers 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 Joint Lead Managers or their affiliates that have a lending relationship with the Bank and its affiliates may routinely hedge their credit exposure to the Bank and its affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers 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 the Certificates. Any such short positions could adversely affect future trading prices of the Certificates. The Joint Lead Managers 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 Joint Lead Managers and/or their affiliates may receive allocations of Certificates (subject to customary closing conditions), which could affect future trading of the Certificates.

THE TRUSTEE

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c/o Walkers Fiduciary Limited
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Cayman Islands

THE BANK

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Kingdom of Saudi Arabia

THE DELEGATE

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United Kingdom

REGISTRAR

HSBC Bank plc

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**PRINCIPAL PAYING AGENT, CALCULATOR AGENT
AND TRANSFER AGENT**

HSBC Bank plc

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INDEPENDENT AUDITORS TO THE BANK

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