

IMPORTANT NOTICE

THE OFFERING CIRCULAR MAY ONLY BE DISTRIBUTED TO PERSONS WHO ARE NON-U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) ON AN OFFSHORE BASIS OUTSIDE OF THE UNITED STATES.

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

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

ANY SECURITIES DESCRIBED IN THE OFFERING CIRCULAR WHICH DO NOT CONSTITUTE "ALTERNATIVE FINANCE INVESTMENT BONDS" ("**AFIBS**") WITHIN THE MEANING OF ARTICLE 77A OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (REGULATED ACTIVITIES) ORDER 2001 (SI 2001/544), AS AMENDED, WILL REPRESENT INTERESTS IN A COLLECTIVE INVESTMENT SCHEME (AS DEFINED IN THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED (THE "**FSMA**")) WHICH HAS NOT BEEN AUTHORISED, RECOGNISED OR OTHERWISE APPROVED BY THE UK FINANCIAL CONDUCT AUTHORITY. ACCORDINGLY, THE 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 THE OFFERING CIRCULAR, ANY PRICING SUPPLEMENT (AS DEFINED HEREIN) AND ANY OTHER MARKETING MATERIALS RELATING TO THE SECURITIES IS BEING ADDRESSED TO, OR DIRECTED AT: (A) IF THE DISTRIBUTION OF THE SECURITIES (WHETHER OR NOT SUCH SECURITIES ARE AFIBS) IS BEING EFFECTED BY A PERSON WHO IS NOT AN AUTHORISED PERSON UNDER THE FSMA, ONLY THE FOLLOWING PERSONS: (I) PERSONS WHO ARE INVESTMENT PROFESSIONALS AS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "**FINANCIAL PROMOTION ORDER**"); (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF PERSONS DESCRIBED IN ARTICLE 49 (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE FINANCIAL PROMOTION ORDER; AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE IN ACCORDANCE WITH THE FINANCIAL PROMOTION ORDER; AND (B) IF THE SECURITIES ARE NOT AFIBS AND THE DISTRIBUTION IS EFFECTED BY A PERSON WHO IS AN AUTHORISED PERSON UNDER THE FSMA, ONLY THE

FOLLOWING PERSONS: (I) PERSONS FALLING WITHIN ONE OF THE CATEGORIES OF INVESTMENT PROFESSIONAL AS DEFINED IN ARTICLE 14(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (PROMOTION OF COLLECTIVE INVESTMENT SCHEMES) (EXEMPTIONS) ORDER 2001 (THE “**PROMOTION OF CISS ORDER**”); (II) PERSONS FALLING WITHIN ANY OF THE CATEGORIES OF A PERSON DESCRIBED IN ARTICLE 22 (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE PROMOTION OF CISS ORDER; AND (III) ANY OTHER PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE PROMOTED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”).

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

The Offering Circular must not be acted on or relied on in the UK by persons who are not Relevant Persons. Any investment or investment activity to which the Offering Circular relates is available only to Relevant Persons in the UK and will be engaged in only with such persons.

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

The Offering Circular may not be distributed in the Kingdom of 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 of the Kingdom of Saudi Arabia pursuant to its resolution number 3-123-2017, dated 9/4/1439H (corresponding to 27 December 2017), as amended by its resolution number 1-94-2022 dated 24/1/1444H (corresponding to 22 August 2022).

The Capital Market Authority of the Kingdom of Saudi Arabia does not make any representation as to the accuracy or completeness of the Offering Circular, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the 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 does not make any representation as to the accuracy or completeness of the Offering Circular, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the Offering Circular. If you do not understand the contents of the Offering Circular, you should consult an authorised financial adviser.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised, to deliver or disclose the contents

of the Offering Circular, electronically or otherwise, to any other person and in particular to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

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

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

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

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

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

Notification under Section 309(B) of the Securities and Futures Act 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).

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



ALINMA SUKUK LIMITED

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

U.S.\$500,000,000

Trust Certificate Issuance Programme

Under the U.S.\$500,000,000 trust certificate issuance programme (the “**Programme**”) described in this offering circular (the “**Offering Circular**”), Alinma Sukuk Limited (in its capacity as issuer and trustee, as applicable, the “**Trustee**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the “**Certificates**”) denominated in any currency agreed between the Trustee and the Dealers (as defined below). Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.\$500,000,000 (or its equivalent in other currencies, calculated as provided for in the Programme Agreement described herein), subject to increase as described herein.

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

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

Each Tranche (as defined in the terms and conditions of the Certificates (the “**Conditions**”)) of Certificates will be constituted by: (i) a master trust deed (the “**Master Trust Deed**”) dated 15 December 2022 entered into by the Trustee, the Bank and HSBC Bank plc as delegate of the Trustee (in such capacity, the “**Delegate**”); and (ii) a supplemental trust deed (each a “**Supplemental Trust Deed**”) in relation to the relevant Tranche. Certificates of each Series confer on the holders of the Certificates from time to time (the “**Certificateholders**”) the right to receive payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the “**Trust**”).

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

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

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

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

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

Investors should also note that the Certificates will be delisted from the ISM and/or any further stock exchanges following the occurrence of a Tangibility Event, see Condition 9(e) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*).

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

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

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

The Bank has been assigned a long term rating of “BBB+” with a positive outlook by Fitch Ratings Limited (“**Fitch**”). Fitch 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**”). Fitch is not established in the EEA and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) the “**EU CRA Regulation**”). The rating issued by Fitch has been endorsed by Fitch Ratings Ireland Limited in accordance with the EU CRA Regulation. Fitch Ratings Ireland Limited is

established in the EEA and is registered under the EU CRA Regulation. As such, Fitch Ratings Ireland Limited is included on the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>).

The Programme is expected to be assigned a rating of “BBB+” by Fitch. Certificates issued under the Programme may be rated or unrated. Where a Series (as defined in the Conditions) of Certificates is rated, such rating, and the credit rating agency issuing such rating, will be disclosed in the Pricing Supplement.

The transaction structure relating to the Certificates (as described in this Offering Circular) has been approved by The Shariah Committee of Alinma Bank, the Shariah Committee of Alinma Investment Company, the Executive Shariah Committee of HSBC Saudi Arabia, 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 Arrangers, the Dealers, the Delegate or any of the Agents makes any representation as to the *Shari'a* compliance of the Certificates and/or any trading thereof.

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia (“**Saudi Arabia** or 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 of Saudi Arabia (the “**CMA**”) pursuant to its resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017), as amended by its resolution number 1-94-2022 dated 24/1/1444H (corresponding to 22 August 2022) (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 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.

Arrangers

Alinma Investment Company

J.P Morgan

Dealers

Alinma Investment Company

J.P. Morgan

HSBC

Standard Chartered Bank

The date of this Offering Circular is 15 December 2022.

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

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

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

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

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.

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

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

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

The distribution of this Offering Circular and the offering or sale of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Trustee, the Bank, the Arrangers and the Dealers to inform themselves about and to observe any such restriction. The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S). Each purchaser of the Certificates in making its purchase will be deemed to have made certain acknowledgements, representations and agreements. Prospective purchasers are hereby notified that the offer, sale or delivery of Certificates to it will be made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S. For a description of certain restrictions on offers and sales of Certificates and on distribution of this Offering Circular, see “*Subscription and Sale*”.

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

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

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

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

Admission to trading on the ISM is not to be taken as an indication of the merits of the Trustee, the Bank or the Certificates. The Certificates may not be a suitable investment for all investors. Each potential investor in any Certificates must determine the suitability of that investment in light of its own circumstances. In particular,

each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Certificates, the merits and risks of investing in the relevant Certificates and the information contained in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Certificates and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Certificates, including Certificates where the currency for any Dissolution Distribution Amount or Periodic Distribution Amount (each as defined herein) payments are different from the potential investor's currency;
- (iv) understands thoroughly the terms of the relevant Certificates and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

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

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

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

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

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

STABILISATION

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

MIFID II PRODUCT GOVERNANCE/TARGET MARKET

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

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

UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET

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

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

**NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES
ACT 2001 OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE
“SFA”)**

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

BENCHMARKS REGULATION

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

VOLCKER RULE

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits “banking entities” (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a “covered fund” and (iii) entering into certain relationships with “covered funds”. The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a “banking entity” as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by “banking entities” in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, the Bank, the Arrangers, the Dealers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding (a) the status of the Trustee under the Volcker Rule (including whether it is a “covered fund” for their purposes) or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

NOTICE TO RESIDENTS IN THE UK

Any Certificates to be issued under the Programme which do not constitute “alternative finance investment bonds” (“**AFIBs**”) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended, will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000, as amended (the “**FSMA**”)) which has not been authorised, recognised or otherwise approved by the UK Financial Conduct Authority. Accordingly, any Certificates to be issued under the Programme must not be marketed in the UK to the general public and this Offering Circular is not being distributed to, and must not be passed on to, the general public in the UK.

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

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

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

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

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

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

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

NOTICE TO RESIDENTS OF SAUDI ARABIA

This Offering Circular may not be distributed in Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations. Any offer of Certificates to any investor in Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) must be made (i) in compliance with Article 8(a)(1) of the Rules on the Offer of Securities and Continuing Obligations or (ii) by way of a limited offer under Article 9 of the Rules on the Offer of Securities and Continuing Obligations, and, in each case, in compliance with Article 10 of the Rules on the Offer of Securities and Continuing Obligations.

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

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

NOTICE TO RESIDENTS IN THE STATE OF QATAR

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

NOTICE TO RESIDENTS IN THE CAYMAN ISLANDS

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

NOTICE TO RESIDENTS OF THE STATE OF KUWAIT

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

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

NOTICE TO RESIDENTS IN MALAYSIA

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

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

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

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:

- unaudited interim condensed consolidated financial statements as at and for the nine months ended 30 September 2022, which include comparative financial information for the nine months ended 30 September 2021 (the “**Interim Financial Statements**”);
- audited consolidated financial statements as at and for the year ended 31 December 2021, which include comparative financial information as at and for the year ended 31 December 2020 (the “**2021 Financial Statements**”); and
- audited consolidated financial statements as at and for the year ended 31 December 2020, which include comparative financial information as at and for the year ended 31 December 2019 (the “**2020 Financial Statements**”) and, together, with the 2021 Financial Statements, the “**Annual Financial Statements**”),

each incorporated by reference into this Offering Circular.

The Interim Financial Statements were prepared in accordance with International Accounting Standard-34 Interim Financial Reporting (“**IAS-34**”) as endorsed in the Kingdom and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (“**SOCPA**”). The Interim Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the 2021 Financial Statements.

The Annual Financial Statements were prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as endorsed in the Kingdom and other standards and pronouncements issued by 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 Interim Financial Statements have been jointly reviewed by KPMG Professional Services (“**KPMG**”) and Ernst & Young Professional Services (Professional LLC) (“**EY**”) in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” as endorsed in the Kingdom, as stated in their report incorporated by reference into this Offering Circular.

The 2021 Financial Statements and the 2020 Financial Statements have been jointly audited by PricewaterhouseCoopers Certified Public Accountants (“**PwC**”) and EY in accordance with International Standards on Auditing (“**ISAs**”) as endorsed in the Kingdom, as stated in their audit reports incorporated by reference into this Offering Circular.

The address of KPMG is Riyadh Front, Airport Road, P.O. Box 92876, Riyadh 11663, the Kingdom of Saudi Arabia (Commercial Registration No. 1010425494), 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 and the

address of PwC is Kingdom Tower, King Fahd Road, P.O. Box 8282, Riyadh 11482, the Kingdom of Saudi Arabia.

Sources of Financial Information and Reclassification of 2020 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 nine months ended, 30 September 2022 and the financial information for the nine months 30 September 2021, from the Interim Financial Statements;
- in the case of the financial information as at, and for the years ended, 31 December 2021 and 31 December 2020, from the 2021 Financial Statements; and
- in the case of the financial information as at, and for the year ended, 31 December 2019, from the 2020 Financial Statements.

Certain line item reclassification changes were made to the comparative financial information as at and for the year ended 31 December 2020 included in the 2021 Financial Statements to match the presentation in the 2021 Financial Statements; however, no significant reclassifications have been made in the 2021 Financial Statements in respect of the comparative financial information as at and for the year ended 31 December 2020.

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 of financing, net of recoveries for a given year / period and average funded credit facilities (calculated as the simple average of gross financing as at the start and end of the year / period) during the same year / period);
- 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 profit margin (calculated as net income for the year / period after zakat divided by total operating income for the year / period);
- return on average assets ratio (calculated as net income for the year / period after zakat divided by average total assets (calculated as the simple average of total assets as at the start and end of the year / period));
- return on average equity ratio (calculated as net income for the year / period 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 / period));
- 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); and
- liquidity coverage ratio (calculated in accordance with SAMA regulations and represents high-quality liquid assets divided by expected net cash outflows).

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

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 issued under the Programme.

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

No Incorporation of Website Information

The Bank's website is <https://www.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;
- “**Financial Statements**” are to the Annual Financial Statements and the Interim Financial Statements;
- 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 Certificates issued under the Programme and the Bank's ability to satisfy its obligations under the relevant Transaction Documents (as defined in the Conditions). All of these factors are contingencies which may or may not occur. However, should any of these factors occur, it would have the potential to materially adversely affect the Group's business, results of operations, financial condition and prospects and thereby affect its ability to perform its obligations in respect of the relevant Transaction Documents.

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

Each of the Trustee and the Bank believes that the factors described below represent the principal risks inherent in investing in Certificates, but the inability of the Trustee to pay Periodic Distribution Amounts (as defined in the Conditions), Dissolution Distribution Amounts (as defined in the Conditions) or other amounts on or in connection with any Certificates and of the Bank to pay amounts owing under the Transaction Documents may occur for other reasons and neither the Trustee nor the Bank represents that the statements below regarding the risks of holding any Certificates 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 7 October 2022 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 (namely Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Muscat Bank, Qatar National Bank and First Abu Dhabi Bank) and 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. 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 borrowers 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 loans, 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 borrowers, 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 borrowers 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 borrowers 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 30 September 2022, the Group's financing, net, NPFs and allowance for impairment amounted to SAR139,987 million, SAR2,403 million and SAR3,737 million, respectively. As at 31 December 2021, the Group's financing, net, NPFs and allowance for impairment amounted to SAR 126,271 million, SAR 2,282 million and SAR 4,041 million, respectively, as compared to SAR 111,196 million, SAR 2,853 million and SAR 3,266 million as at 31 December 2020. The Group's impairment charge on financing, net of recoveries, amounted to SAR762 million for the nine months ended 30 September 2022 and SAR 963 million for the nine months ended 30 September 2021. The Group's impairment charge of financing, net of recoveries amounted to SAR 1,252 million for the year ended 31 December 2021 and SAR 1,419 million for the year ended 31 December 2020.

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 Group has also 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 accordance with SAMA's Private Sector Financing Support Programme, the Group has deferred repayments totalling SAR 2.2 billion as at 31 December 2020 and 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. and 2.5 per cent. of the Group's corporate financing portfolio as at 31 December 2021 and 31 December 2020, respectively. The Group has also recognised modification losses on this portfolio. The dominant sector level concentration includes the real estate business, services and manufacturing sectors. See also "*The Group has significant customer and sector concentrations*". In addition, an economic downturn affecting the Kingdom could adversely affect the credit quality of the Group's assets which could, in turn, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

All of these factors 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 2021, 97.9 per cent. of the Group's financing, net and 97.3 per cent. of the Group's investments, net were concentrated in the Kingdom. As at 31 December 2021, the Group's customers' deposits represented 84.8 per cent. of the Group's total liabilities, with 99.9 per cent. of the customers' deposits as at 31 December 2021 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 27.3 per cent. of the Group’s financing, net as at 31 December 2021. 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 2021, the Group’s top 20 borrowers accounted for 35.2 per cent. of the Group’s financing, net.

Within its financing portfolio, the Group’s exposure to the Government and quasi-Government entities accounted for 9.8 per cent. of its financing, net and 74.0 per cent. of its investments, net as at 31 December 2021. The financial condition and ongoing profitability of Government-controlled or Government-related entities largely depends upon Government spending and policy. The Group is therefore exposed to shifts in Government spending and policy and the impact of such shifts on the level of economic activity in 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 22.1 per cent. of the Group’s financing, net as at 31 December 2021. 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.

In addition, as at 31 December 2021, the Group’s top 20 depositors concentration accounted for 32.8 per cent. of total deposits with the single largest name concentration standing at 8.7%. The Government and quasi-Government depositors accounted for 69.3 per cent. of the customers’ deposits attributable to the Group’s top 20 depositors as at 31 December 2021. 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 and “*COVID-19 may continue to adversely impact the Group*” 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 2021, customers' deposits accounted for 84.8 per cent. of the Group's total liabilities. 58.5 per cent. of the Group's customers' deposits as at 31 December 2021 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 deposits or decide not to roll over their 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 loans 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 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, borrowers and other counterparties which, in turn, may impact the Group's deposit base and the quality of its credit exposures to certain borrowers and other counterparties.

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 *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 grouping systems, 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 as such, the Group 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 (IoT) 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 grouping 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 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 instable 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 proposed amendments thereto published by the Basel Committee in December 2017 (such amendments being commonly referred as "Basel IV")) and the manner in which they are interpreted or enforced may affect the Group's reserves, revenue and performance and may have a material adverse effect on the Group's business, results of operations, financial condition or prospects. In particular, the implementation of Basel IV on 1 January 2023 is expected to result in increased risk-weighting for certain of the Group's exposures to unrated financial institutions and project finance transactions as well as certain off-balance sheet exposures. In addition, the revised approach to assessing market risk proposed by Basel IV might further increase the Group's risk weighted assets. 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 as part of their AML requirements 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 30 September 2022 and 31 December 2021, the Group’s tier 1 capital adequacy ratio (calculated according to Basel III standards for Pillar 1) was 18.9 per cent. and 21.6 per cent., respectively, and its total capital adequacy ratio was 20.1 per cent. and 22.8 per cent., respectively.

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

A variety of factors affect the Group’s capital adequacy levels. For example, a significant increase in financing in 2022 and beyond would be likely to reduce the Group’s capital adequacy ratios and any losses experienced by it in future periods would have a similar effect. In addition, regulatory requirements in relation to the calculation and required levels of capital adequacy may change from time to time, including as a result of new guidelines issued by the Basel Committee on Banking Supervision. For example, 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 in Saudi Arabia to add-back up to 100 per cent. of the day 1 impact of the IFRS 9 transitional adjustment amount to Common Equity Tier 1 (CET1) for the two-year period comprising 2020 and 2021. The add-back amount must be then phased-out on a straight-line basis over the subsequent three years, which could negatively impact the Group’s capital in 2022, 2023 and 2024. The Group has applied the aforementioned transitional arrangement in the calculation of the Group’s capital adequacy ratios with effect from 31 March 2020. 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 – “*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 30 September 2022, the Bank's Saudisation level was 95.11 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 rating was assessed "BBB+" with a "positive outlook" by Fitch Ratings Limited. 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.

COVID-19 may continue to adversely impact the Group

COVID-19, which emerged in late 2019, subsequently spread globally and, in March 2020, was declared by the World Health Organisation to be a global pandemic.

In response to COVID-19, governments around the world (including in the Kingdom) imposed restrictions on travel and on the freedom of movement of people. These measures significantly reduced economic activity in many countries in 2020 and into 2021. Restrictive measures continue to different degrees in different countries and the ongoing and longer-term social, economic and political consequences of COVID-19 on global and regional economies are still largely uncertain

COVID-19 has adversely affected economies of jurisdictions in which the Group operates, including the Kingdom. The Kingdom's real gross domestic product ("**GDP**") declined by 4.1 per cent. in 2020 compared with 2019, according to World Bank data. Under IFRS 9, GDP and other key macroeconomic factors are taken into consideration when calculating the Group's expected credit losses ("**ECL**"). A worsening macroeconomic environment typically results in increased ECL allowances and this had a material adverse effect on the Group's business, financial position, results of operations and prospects in 2020, as discussed further below.

A number of central banks and governments have announced financial stimulus packages in anticipation of a very significant negative impact on local economies. The Government introduced, amongst other things, a SAR 50 billion stimulus package for the private sector and support for the deferral of SME loans. See also "*Risks relating to recent measures implemented by SAMA in response to COVID-19*".

COVID-19 also adversely affected the economic and financial condition of some of the Group's borrowers and the quality of the Group's financing portfolio. The gross carrying value of the Group's financing classified as Stage 3 (i.e., financing considered credit-impaired) increased by 54.8 per cent. from SAR 1,843 million (or 1.9 per cent. of gross financing portfolio) as at 31 December 2019 to SAR 2,853 million (or 2.5 per cent of gross financing portfolio) as at 31 December 2020. As at 31 December 2021, the gross carrying value of the Group's financing classified as Stage 3 decreased by 20 per cent. to SAR 2,282 million (or 1.8 per cent. of gross financing). The Group's impairment charge of financing, net of recoveries in the year ended 31 December 2021 amounted to SAR 1,252 million compared to SAR 1,419 million in the year ended 31 December 2020.

The Group is cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This includes reviewing specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating the restructuring of loans, where required. In addition, the Group has conducted additional stress tests, considered additional risk management practices and commenced a review of credit exposure concentrations to manage potential business disruption due to the COVID-19 pandemic.

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

Should the COVID-19 outbreak continue to cause disruption to economic activity globally in the remainder of 2022 and beyond, there could be an adverse impact on the Group's financial assets. There could also be an adverse impact on the Group's income due to lower financing and transaction volumes and potentially higher credit losses. Other potential risks include credit rating migration which could negatively impact the Group's risk-weighted assets and capital position, and potential liquidity stress due, among other factors, to increased customer drawdowns, notwithstanding the significant initiatives that governments and central banks have put in place to support funding and liquidity.

Risks relating to measures implemented by SAMA in response to COVID-19

In April and June 2020, SAMA adopted a set of precautionary measures aimed at mitigating adverse effects arising from the COVID-19 pandemic. SAMA highlighted that banks should be supporting individuals and the private sector to mitigate any potential strains on personal finances and decreasing cash flows. The measures implemented by SAMA included requesting the banks to: (a) adjust or restructure the funding profile of entities in the private sector free of additional costs or fees; (b) provide support to those unemployed as a result of COVID-19 through the waiver of e-banking transaction fees, penalties arising on balances falling below minimum balance requirements, and fees related to re-financing transactions; (c) reassess interest rates and other charges by banks on credit cards, in line with prevailing current low interest rates; and (d) provide increased funding from banks to SMEs and the possibility of deferral of payments by MSMEs (as defined in SAMA's Circular No. 381000064902) under existing financing arrangements (the "**Deferred Payments Program**").

As part of the Deferred Payments Program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Group deferred payments and extended maturities on financing facilities to all eligible SMEs as follows:

| Support Programs | Type | Instalment deferred/Tenor extended (SAR million) | Cost of deferral/extension (SAR million) |
|------------------------------|----------------------|--|--|
| April 2020 – September 2020 | Instalments deferred | 761.0 | 21.3 |
| October 2020 – December 2020 | Instalments deferred | 485.8 | 7.8 |
| January 2021 – March 2021 | Instalments deferred | 906.1 | 15.3 |
| April 2021 – June 2021 | Tenor extension | 1,962.8 | 86.5 |
| July 2021 – September 2021 | Tenor extension | 1,652.6 | 19.1 |
| October 2021 – December 2021 | Tenor extension | 877.3 | 11.1 |
| January 2022 – March 2022 | Tenor extension | 335.7 | 5.7 |

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in total modification losses amounting to SAR 167 million of which SAR 122 million were recorded during the year ended 31 December 2021 and SAR 44 million during the year ended 31 December 2020. The Group recorded these losses in its net financing income.

In addition, SAR 68 million and SAR 23 million were credited to the consolidated statement of income relating to amortization of modification losses for the year ended 31 December 2021 and the year ended 31 December 2020, respectively.

The Group came to a conclusion that in the absence of other factors, participation in the deferment program on its own, was not to be considered a significant increase in credit risk for assessment of ECL on its SME portfolio.

See also “*Financial Review – Significant Factors Affecting Results of Operations – SAMA support programmes and initiatives*”.

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 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 and a major act of sabotage at its Abqaiq processing facility and the Khurais oil field in September 2019. 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". 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 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 2021, the Kingdom had approximately 17.3 per cent. of proven global crude oil reserves (according to OPEC Annual Statistical Bulletin 2022). Crude petroleum and natural gas generated 25.2 per cent. of its nominal GDP in 2021 according to GASTAT. 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, GDP, Government revenues, balance of payments and foreign trade. International oil prices have been volatile in the past three years, with the monthly average OPEC Reference Basket price reaching U.S.\$70.78 in April 2019, decreasing sharply to U.S.\$17.66 in April 2020 amid the COVID-19 global pandemic and recovering to U.S.\$82.11 in October 2021. Monthly average OPEC Reference Basket prices exceeded U.S.\$100 for most of 2022 due to greater demand forecasts and geopolitical tensions around the Russia-Ukraine conflict which commenced in late February 2022. 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.

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. In March 2022 Saudi Aramco Group's refineries in Riyadh and Yasref and petroleum products distribution terminals in Jeddah and Jizan regions were attacked. The attack has been reported to have increased the oil prices of Brent crude to U.S.\$120 per barrel. Such acts of sabotage (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 any corresponding impact on the Kingdom's hydrocarbon exports, Government revenues and the Kingdom's 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, followed by a six-month period starting on 1 July 2020 when production had to be reduced by a total of 7.68 million barrels per day 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 million barrels per day. 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 next market assessment is scheduled to take place in December 2022. There can however be no assurance that the OPEC Agreement will continue to be implemented by all relevant parties or that it will 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 COVID-19 or other pandemics; and
- global weather and environmental conditions.

Low oil prices and low demand for oil may have a material adverse effect on the Kingdom's economy and revenues, and may ultimately cause an increase in the budget deficit 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 Kingdom's banking regulatory environment is continually evolving and may change in a manner that is adverse to the Group

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

There is uncertainty regarding the future development of the Kingdom's banking sector

The growth rate of the Kingdom's banking sector may not be as high and sustainable as it has been in previous years. While it is expected that the banking sector will expand and its number of customers may increase with the growth of the Kingdom's economy, population and demographic changes and potential legal and other reforms, the impact on the Kingdom's banking sector of certain trends and events, such as the pace of economic growth in the Kingdom, is currently not clear. The significant decline in oil prices in 2020 exerted fiscal and economic pressures on the Kingdom's economy and, in turn, the Kingdom's private sector, including the

banking sector. Future challenging operating conditions may result in a reduction in customers' deposits, and a rise in the levels of non-performing loans while limiting loan growth. Financing opportunities may diminish with higher levels of sovereign debt issuance. Net income may also decrease due to an increase in total operating expenses on account of higher impairment charges. Credit conditions for the banks may deteriorate leading to increased non-performing loans, credit losses and a decline in profitability. Any slowdown in the growth and development of the banking sector in the Kingdom will have an adverse impact on the Group's own growth and, in turn, on its business, financial condition, results of operations or prospects.

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 Wakala Assets

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

The Bank has undertaken in the Purchase Undertaking and the Master Trust Deed that, in relation to any Series: (i) if, at the time of delivery of an exercise notice in accordance with the provisions of the Purchase Undertaking, Alinma Bank remains in actual or constructive possession, custody or control of all or any part of the relevant Wakala Assets, Certificateholder Put Right Wakala Assets or the Tangibility Event Put Right Wakala Assets, as the case may be; and (ii) if, following delivery of an exercise notice in accordance with the provisions of the Purchase Undertaking, the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify (on an after Tax basis) the Trustee for the purpose of redemption in full of the outstanding Certificates, Certificateholder Put Right Certificates or Tangibility Event Put Right Certificates in respect of which the exercise notice is delivered and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be.

Subject to the satisfaction of the conditions set out in (i) and (ii) of the above paragraph, if the Bank fails to pay the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price in accordance with the Purchase Undertaking, the Delegate may, subject to the matters set out in Condition 13(b) (*Enforcement and Exercise of Rights*) and the terms of the Master Trust Deed, seek to enforce, *inter alia*, the provisions of the Purchase Undertaking and the Master Trust Deed against the Bank by commencing arbitral proceedings. See further "*Risk Factors – Risks Relating to the Trust Assets – There are uncertainties around the choice of English law as the governing law of certain Transaction Documents and around enforcing arbitral awards in the Kingdom*".

However, investors should note that, in the event that Alinma Bank does not remain in actual or constructive possession, custody or control of all or any part of the relevant Wakala Assets comprising the Wakala Portfolio at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking (for any reason whatsoever, including because the legal nature of such interest as the Bank may have in the Wakala Assets does not amount to actual or constructive possession, custody or control in the view of a court or arbitral tribunal), the condition in (i) as described above will not be satisfied and, therefore, no amounts will be payable by the Bank under the separate indemnity provisions.

Accordingly, in such event, the Delegate (on behalf of the Certificateholders) may be required to establish that there has been a breach of contract by the Bank in order to prove for damages. Such breach of contract may be due to: (a) a breach by the Bank of the requirement to purchase the Trustee's interests, rights, title, benefits and entitlements in, to and under the relevant Wakala Assets, Certificateholder Put Right Wakala Assets or the Tangibility Event Put Right Wakala Assets, as the case may be on the relevant Scheduled Dissolution Date or Dissolution Date pursuant to the provisions of the Purchase Undertaking; and/or (b) a breach by the Bank (acting in its capacity as Servicing Agent pursuant to the provisions of the Servicing Agency Agreement) of its undertaking to maintain actual or constructive possession, custody or control of all of the Wakala Assets during the Wakala Ownership Period, provided that (i) it is legally possible for the Bank to so maintain, and (ii) such maintenance shall not result in a breach of the terms of the relevant Asset Contracts.

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

Ownership of Wakala Assets

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

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

Further, although the *Shari'a* analysis is such that an ownership interest in the Wakala Assets should pass to the Trustee under the Purchase Agreement, the Certificateholders will not have any rights of enforcement as against the Wakala Assets and their rights are limited to enforcement against the Bank of its obligation to purchase all (or the applicable portion thereof, as the case may be) of the Wakala Assets pursuant to the terms of the Transaction Documents (see also “*Limitations relating to the indemnity provisions in the Purchase Undertaking and the Master Trust Deed*”).

Risks relating to the Certificates

The Certificates are limited recourse obligations of the Trustee

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

Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner and to the extent contemplated by the Transaction Documents), the Delegate or any Agent in respect of any

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

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

The Certificates may be subject to early redemption

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

During any period when the Bank elects to require the Trustee to redeem the Certificates (whether pursuant to Condition 9(b) (*Early Dissolution for Taxation Reasons*), Condition 9(c) (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*) or Condition 9(e) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*)), the market value of those Certificates generally will not rise substantially above the Dissolution Distribution Amount payable. This also may be true prior to any other Dissolution Date.

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

The occurrence of a Tangibility Event may have a significant adverse effect on the liquidity and market value of the Certificates

If, at any time, the Tangibility Ratio falls below 33 per cent. (such event being a “**Tangibility Event**”) the Certificateholders will be notified that: (a) a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence; (b) as determined in consultation with The Shariah Committee of Alinma Bank, the Certificates shall only be tradeable in accordance with the Shari’a principles of debt trading; (c) on the date falling 15 days following the Tangibility Event Put Right Date (or, if such date is not a business day, the next following business day (being, for this purpose, a day on which each stock exchange on which the relevant Series of Certificates has been admitted to listing and/or trading is open for business) and any relevant Certificates listed on more than one stock exchange shall have the same Tangibility Event Delisting Date across all relevant stock exchanges), the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been listed and/or admitted to trading; and (d) the Tangibility Event Put Right Period, during which period the holder of any Certificates shall have the option to require the redemption of all or any of its Certificates. Upon receipt of such notice, the Certificateholders may elect to redeem all or any of their Certificates in accordance with the Conditions. Accordingly, a Tangibility Event may have a significant adverse effect on the liquidity and market value of the Certificates.

Investors must make their own determination as to Shari’a compliance

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

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

Shari’a requirements in relation to interest awarded by an arbitrator

In accordance with applicable *Shari’a* principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any arbitrator in connection with any dispute under any of the Transaction Documents to which it is a party. Should there be any delay in the enforcement of an

arbitral award against the Bank, interest may well accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest. Certificateholders should note that the Trust Assets specifically exclude any rights which have been expressly waived by the Trustee in any of the Transaction Documents (which, to the extent applicable, would extend to any award of interest made in favour of the Trustee by an arbitrator in respect of a dispute).

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

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

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

The Master Trust Deed contains provisions for calling meetings of the Certificateholders (including by way of conference call or by use of a telephony or electronic platform or facility) to consider and vote upon matters affecting their interests generally and to obtain 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 aggregate face amount of the Certificates of the relevant Series for the time being outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

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

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

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Certificateholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Certificateholders satisfying the special quorum in accordance with the

provisions of the Master Trust Deed, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held.

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

The Master Trust Deed also provides that the Delegate may (or in the case of paragraph (b) shall), without the consent or sanction of Certificateholders (a) agree to any modification of the Trust Deed (including the Conditions) or any other Transaction Document that (in the opinion of the Delegate) is of a formal, minor or technical nature, or is made to correct a manifest error, (b) agree to any modification to the Trust Deed (including the Conditions) or any other Transaction Document to effect any Benchmark Amendments (in the circumstances and as set out in Condition 8(c) (*Periodic Distribution Amounts – Benchmark Discontinuation*)), or (c)(i) give its consent under the Transaction Documents and agree to any other modification of the Trust Deed (including the Conditions) or any other Transaction Document, or to any waiver or authorisation of any breach or proposed breach of any of the provisions of the Trust Deed or any of the other Transaction Documents or (ii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in each case that such modification, consent, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates of the relevant Series then outstanding and, in the case of modifications referred to in paragraph (c)(i) above, other than in respect of a matter set out in paragraphs (i) to (x) of Condition 15(a). Any such modification, consent, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Delegate may determine and shall be binding on the Certificateholders and shall be notified by the Trustee to the Certificateholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

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

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

Credit Ratings may not reflect all risks

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

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction may also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU third country rating agency is certified in

accordance with the EU CRA Regulation (and such endorsement action or certification, has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

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

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

Interest or profit rate risks

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

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

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

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

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

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

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

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

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

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

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

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

Each Series of Certificates issued under the Programme will be represented on issue by a Global Certificate that may be deposited with, and registered in the name of a nominee for, a common depository for Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in each Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the interests in each Global Certificate held through it. While the Certificates of each Series are represented by a Global Certificate, investors will be able to trade their interests only through the relevant clearing systems and their respective

participants, and the Trustee will discharge its payment obligations under the relevant Series of Certificates by making payments through the relevant clearing systems. A holder of an interest in a Global Certificate must rely on the procedures of the relevant clearing system and its participants in relation to payments under the relevant Series of Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, interests in any Global Certificate. Holders of interests in a Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Risks related to Certificates which are linked to “benchmarks”

The regulation and reform of “benchmarks” may adversely affect the value of Certificates linked to or referencing such “benchmarks”

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

Investors should be aware that, if a Benchmark were discontinued or otherwise unavailable, the profit rate on Floating Rate Certificates which reference such Benchmark will be determined for the relevant period by the fall-back provisions applicable to such Certificates set out in the Conditions. Where Screen Rate Determination not Referencing SOFR or SONIA is specified as the manner in which the Profit Rate in respect of Floating Rate Certificates is to be determined, the Conditions provide that the Profit Rate shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Profit Rate to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Reference Rate), the Profit Rate may ultimately revert to the Profit Rate applicable as at the last preceding Profit Rate Determination Date before the Reference Rate was discontinued. Uncertainty as to the continuation of the Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Certificates.

Where the applicable Pricing Supplement specifies that Condition 8(c)(i) (*Periodic Distribution Amounts – Benchmark Discontinuation – Reference Rate other than SOFR*) applies, the Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs, including if a public statement is made by the supervisor of the administrator of the relevant Reference Rate (or such component) that the relevant Reference Rate (or such component) is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market or the methodology to calculate such Reference Rate has materially changed.

Such fallback arrangements include the possibility that the Profit Rate could be set by reference to a Successor Rate or, failing which, an Alternative Reference Rate, with or without the application of an Adjustment Spread (as defined in the Conditions) and may include amendments to the Conditions, the Master Trust Deed and/or

any other Transaction Document to ensure the proper operation of the Successor Rate, Alternative Reference Rate and/or Adjustment Spread, all as determined by an Independent Adviser, acting in good faith and following consultation with the Bank, or the Bank (acting in good faith and in a commercially reasonable manner), as applicable and without any requirement for the consent or sanction of the relevant Certificateholders. The application of an Adjustment Spread may result in the Certificates performing differently (which may include payment of a lower Profit Rate) than they would do if the original Reference Rate were to continue to apply in its current form. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Profit Rate. The use of a Successor Rate or Alternative Reference Rate to determine the Profit Rate is also likely to result in any Certificates initially linked to or referencing the relevant Reference Rate performing differently (which may include payment of a lower Profit Rate) than they would if the original Reference Rate were to continue to apply in its current form.

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

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

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

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

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

Where, in respect of any given Periodic Distribution Period, the Bank is unable to appoint an Independent Adviser or the Independent Adviser appointed by the Bank has failed to determine a Successor Rate or, failing which, an Alternative Reference Rate, prior to the relevant IA Determination Cut-off Date, the Bank (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate or, failing which an

Alternative Reference Rate and, in either case, an Adjustment Spread in accordance with the Conditions, provided that in respect of any subsequent Periodic Distribution Period it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Profit Rate Determination Date and/or to determine a Successor Rate or Alternative Reference Rate to apply the next succeeding and any subsequent Periodic Distribution Periods, as necessary.

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

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

Investors should be aware that the market continues to develop in relation to risk-free rates, such as the Sterling Overnight Index Average (“SONIA”) and the Secured Overnight Financing Rate (“SOFR”), as reference rates in the capital markets for sterling or U.S. dollar bonds, as applicable, and their adoption as alternatives to the relevant interbank offered rates. In addition, market participants and relevant working groups are still exploring alternative reference rates based on risk-free rates, including various ways to produce term versions of certain risk-free rates (which seek to measure the market’s forward expectation of an average of these reference rates over a designated term, as they are overnight rates) or different measures of such risk-free rates. For example, on 2 March 2020, the Federal Reserve Bank of New York, as administrator of SOFR, began publishing the SOFR Compounded Index and on 3 August 2020, the Bank of England, as the administrator of SONIA, began publishing the SONIA Compounded Index.

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

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

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

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

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

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

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

Risk-free rates may differ from interbank offered rates in a number of material respects, including (without limitation) by being backwards-looking in most cases, calculated on a compounded or weighted average basis, risk-free, overnight rates and, in the case of SOFR, secured, whereas such interbank offered rates are generally expressed on the basis of a forward-looking term, are unsecured and include a risk-element based on interbank financing. As such, investors should be aware that risk-free rates may behave materially differently to interbank offered rates as reference rates for the Certificates.

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

Furthermore, profit on Certificates which reference a backwards-looking risk-free rate is only capable of being determined immediately prior to the relevant Periodic Distribution Payment Date. It may be difficult for investors in Certificates which reference such risk-free rates to reliably estimate the amount of profit which will be payable on such Certificates, and some investors may be unable or unwilling to trade such Certificates without changes to their IT systems, both of which could adversely impact the liquidity of such Certificates.

Further, in contrast to Certificates linked to interbank offered rates, if Certificates referencing backwards-looking SONIA or SOFR become due and payable or are otherwise redeemed early on a date which is not a Periodic Distribution Date, the final Profit Rate payable in respect of such Certificates shall be determined by reference to a shortened period ending immediately prior to the date on which the Certificates become due and payable or are scheduled for redemption.

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

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

Risks Relating to Certificates Denominated in Renminbi

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

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

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

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

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

Although on 1 October 2016, Renminbi was added to the Special Drawing Rights basket created by the IMF and policies for further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were issued, there is no assurance that the PRC Government will continue to gradually liberalise

control over cross-border remittance of Renminbi in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Trustee and the Obligor to source Renminbi to finance their obligations under Certificates denominated in Renminbi.

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

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

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

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

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

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

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions and by many other factors. In August 2015, the PBOC implemented changes to the way it calculates the midpoint against the U.S. Dollar to take into account market-maker quotes before announcing the daily midpoint. This change, amongst others that may be implemented, may increase the volatility in the value of the Renminbi against other currencies. In May 2017, the PBOC further decided to introduce counter-cyclical factors to offset the market pro-cyclicality, so that the midpoint quotes could adequately reflect the PRC's actual economic performance. However, the volatility in the value of the Renminbi against other currencies still exists. All payments of profit and principal with respect to Certificates denominated in Renminbi will be made in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments in U.S. dollar or other foreign currency terms may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or

other foreign currencies, the value of an investment in Certificates denominated in Renminbi in U.S. dollar or other applicable foreign currency terms will decline.

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

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

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

Investors may be required to provide certification and other information (including Renminbi account information) in order to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in a number of financial centres and cities. Except in the limited circumstances stipulated in Condition 10(f) (*Renminbi Currency Event*) (as set out in the Renminbi provisions below), all Renminbi payments to investors in respect of Certificates denominated in Renminbi will be made solely: (i) for so long as such Certificates are represented by a Global Certificate held with the common depositary, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures or those of such alternative clearing system; or (ii) for so long as such Certificates are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. Other than as described in the Conditions, the Trustee and/or the Obligor cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

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

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

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

However, uncertainty remains as to whether the gain realised from the transfer of Certificates denominated in Renminbi by non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and become subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Certificateholders who are residents of Hong Kong, including enterprise Certificateholders and

individual Certificateholders, will not be subject to EIT or IIT on capital gains derived from a sale or exchange of the Certificates.

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

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

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

Risks relating to Enforcement

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

The Certificates and the Transaction Documents (other than the Master Purchase Agreement, each Supplemental Purchase Contract, each Sale Agreement entered into pursuant to the Purchase Undertaking and each Sale Agreement entered into pursuant to the Sale and Substitution Undertaking, together the “**Saudi Law Transaction Documents**”) (the “**English Law 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 Saudi Arabia.

Any foreign arbitral award, including an LCIA award, should be enforceable in Saudi Arabia 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. As a party to the New York Convention, Saudi Arabia has an obligation to recognise and enforce foreign arbitral awards unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Saudi courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of Saudi Arabia. In addition, the Enforcement 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 policy in Saudi Arabia; (b) there is reciprocity in the enforcement of arbitral awards between the courts of Saudi Arabia and the country in which the award was made; (c) the courts of Saudi Arabia do not have jurisdiction over the dispute and the award has been issued in accordance with the jurisdictional rules of the country in which such award was made; (d) the respective parties to the dispute were present, duly represented and able to defend themselves; (e) the award was final in accordance with the rules of the court; and (f) the award is not conflicting with any ruling or order issued by a court of competent jurisdiction on the same matter in Saudi Arabia. There can therefore be no assurance that the Saudi courts will enforce a foreign arbitral award in accordance with the terms of the New York Convention (or any other multilateral or bilateral enforcement convention). In addition, even if such requirements were met, Certificateholders should also be aware that if any terms of the Certificates or the Transaction Documents were

found to be inconsistent with public policy in Saudi or any mandatory law of, or applicable in, Saudi Arabia, 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, whilst the choice of English law as the governing law of the Certificates and the English Law Transaction Documents does not contravene the laws and regulations of the Kingdom, the courts and judicial committees of the Kingdom may not recognise the choice of English law.

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

The Saudi Law Transaction Documents will be governed by, and will be construed in accordance with, the laws of Saudi Arabia. Prospective Certificateholders should note that Saudi law, and, in particular, the relevant principles of Islamic law are generally construed and applied by Saudi Arabian adjudicatory bodies pursuant to the teachings of the Hanbali school of jurisprudence, which may interpret or enforce, or reinterpret, any Saudi Law Transaction Document other than in accordance with its terms. There are majority and minority views within the Hanbali school of jurisprudence either of which may be applied in any particular case. In this regard, the courts and judicial committees of Saudi Arabia may decline to enforce any contractual or other obligations (including any provisions relating to the payment of profit) if it is their view that the enforcement thereof would be contrary to principles of *Shari'a*.

Prospective Certificateholders should note that different *Shari'a* advisers and courts and judicial committees in Saudi Arabia may form different opinions on identical issues and therefore prospective Certificateholders should consult their own legal and *Shari'a* advisers to receive an opinion, as to the compliance of the Certificates and the Transaction Documents with *Shari'a* principles (see “*Risk Factor-Investors must make their own determination as to Shari'a compliance*” above). Prospective Certificateholders should also note that although The Shariah Committee of Alinma Bank has approved the transaction structure relating to the Certificates (as described in this Offering Circular), and each of the Shariah Committee of Alinma Investment Company, the Executive Shariah Committee of HSBC Saudi Arabia, the *Shari'a* advisers of J.P. Morgan Securities plc and the Global Shariah Supervisory Committee of Standard Chartered Bank have confirmed that the Certificates and the Transaction Documents are in compliance with *Shari'a* principles, such approvals and confirmations would not bind a court or judicial committee in Saudi Arabia, including in the context of any insolvency or bankruptcy proceedings relating to the Bank, and any court or judicial committee in Saudi Arabia will have the discretion to make its own determination about whether the Transaction Documents comply with the laws of Saudi Arabia and *Shari'a* principles and therefore are enforceable in Saudi Arabia.

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

Under Islamic law there are different opinions amongst scholars with respect to the enforceability of a unilateral promise which can be divided into three distinct positions: (i) a unilateral promise will be enforceable in all circumstances; (ii) a unilateral promise will not be enforceable in any circumstances; and (iii) a unilateral promise will be enforceable where a breach would cause harm to the promisee. In addition, the absence of both a doctrine of binding precedent in Saudi Arabia and a public centralised index of previous judgments of courts and judicial committees allow judges notable interpretative discretion and thus, render it difficult to predict which of the above positions would be followed by a court or judicial committee in Saudi Arabia. As a result, such a unilateral promise may not create an obligation which would be enforceable before the courts and judicial

committees of Saudi Arabia. The Purchase Undertaking is a unilateral promise from the Bank to the Trustee and the Delegate. Accordingly, prospective Certificateholders should be aware that its terms may not be enforceable before the courts and judicial committees of Saudi Arabia and, as a consequence, Certificateholders may not receive the relevant Dissolution Distribution Amounts due to them under the Certificates.

There are concerns as to the effectiveness under Saudi Arabian law of any transfer of an interest in an asset in Saudi Arabia on behalf of foreign nationals without a corporate presence in Saudi Arabia and the relevant licensing requirements having been met

The Foreign Investment Law issued under Royal Decree No. M/1 dated 5/1/1421H (corresponding to 10 April 2000), as last amended by Council of Ministers' Decision No. 83 dated 30/1/1443H (corresponding to 8 September 2021) and the Anti-Concealment Law issued by Royal Decree No. M/4 dated 1/1/1442H (corresponding to 20 August 2020) prohibit persons and Saudi Arabian companies from doing business in Saudi Arabia on behalf of foreign nationals unless they meet certain requirements, including certain licensing requirements. The Trustee could be interpreted as contravening this prohibition by entering into the Servicing Agency Agreement and the other Transaction Documents to which it is a party.

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

Courts and judicial committees in Saudi Arabia may not give effect to 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 or undertaking by a party to pay indemnities or damages that are greater than a genuine estimate of actual direct loss incurred, a Saudi Arabian adjudicatory body may decline to enforce such provision. Further, any indemnity provided by the Bank pursuant to the Transaction Documents or in relation to any Series may not be enforceable under the laws and regulations of Saudi Arabia in certain circumstances. As such, Certificateholders may ultimately not be able to enforce the Trustee's and/or the Bank's relevant obligations under the Transaction Documents.

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

If the Bank's insolvency satisfied the eligibility conditions for one of the bankruptcy procedures under the Bankruptcy Law (issued pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14/02/2018G)) as amended (the "**Bankruptcy Law**"), this could adversely affect the Bank's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Trustee's ability to perform its obligations in respect of the Certificates. The Bankruptcy Law, which came into effect on 18 August 2018, remains relatively new and several provisions are untested or are subject to different interpretations. Therefore, there is some uncertainty as to the practical application of certain provisions under the Bankruptcy Law. In particular, there is little precedent to predict how claims by or on behalf of the Certificateholders and/or the Delegate would be resolved in the event of the Bank satisfying the eligibility conditions of any such bankruptcy procedures and, accordingly, it is uncertain exactly how and to what extent

the Transaction Documents would be enforced by a Saudi Arabian adjudicatory body in that situation. Therefore, there can be no assurance that Certificateholders will receive repayment of their claims in full or at all in these circumstances. In addition, there is a material likelihood that a Saudi Arabian adjudicatory body could consider void a contractual provision that seeks to terminate a contract in the event of a protective settlement or financial restructuring procedure being instigated. This is based on article 23 of the Bankruptcy Law, which states that contracts should continue during protective settlement or financial restructuring procedures and any condition to the contrary is deemed null and void. It is open to a contractual party to apply for its contract to be terminated, pursuant to article 24 of the Bankruptcy Law, if the party undergoing protective settlement fails to satisfy its contractual obligations in the period after the commencement of the protective settlement procedure.

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. Therefore, prospective investors should note that, if damages are awarded, they may receive less than they would had an order for specific performance been granted.

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

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

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

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

Risks relating to Taxation

Taxation risks on payments

Payments made by the Bank to the Trustee under, or pursuant to, the Servicing Agency Agreement, the Purchase Undertaking and/or the Sale and Substitution Undertaking are, and payments by the Trustee in respect of the Certificates could become, subject to taxation in Saudi Arabia. The Servicing Agency requires the Servicing Agent (as defined therein), each of the Purchase Undertaking and the Sale and Substitution Undertaking requires the Bank, and the Master Trust Deed requires the Bank to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Trustee which are intended to fund Periodic Distribution Amounts and Dissolution Amounts. Condition 11 (*Taxation*) provides that the Trustee is required to pay additional amounts in respect of any such withholding or deduction imposed by Cayman Islands law in certain circumstances. In the event that the Trustee fails to pay any such additional amounts in respect of any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, the Bank has unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 11 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

DOCUMENTS INCORPORATED BY REFERENCE

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

- a) the Interim Financial Statements with the review report thereon (an electronic copy of which is available at: <https://ir.alinma.com/media/ofnznqop/alinma-3q-2022-fs-english.pdf>);
- b) the 2021 Financial Statements with the audit report thereon (an electronic copy of which is available at: https://www.alinma.com/wps/wcm/connect/alinmaNew/e47ec886-7c02-4b39-8a76-4fcba25114cb/Financial+Statements+Dec+31st+2021.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE.Z18_MA161940L05020QL4O59CD2KO5-e47ec886-7c02-4b39-8a76-4fcba25114cb-nZPOEPs); and
- c) the 2020 Financial Statements together with the audit report thereon (an electronic copy of which is available at: https://www.alinma.com/wps/wcm/connect/alinmaNew/4fa11b72-393b-4189-996e-bee2707cee5/20210218_FS-English+2020_Final.pdf?MOD=AJPERES&CACHEID=ROOTWORKSPACE.Z18_MA161940L05020QL4O59CD2KO5-4fa11b72-393b-4189-996e-bee2707cee5-nv4CB3G)

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

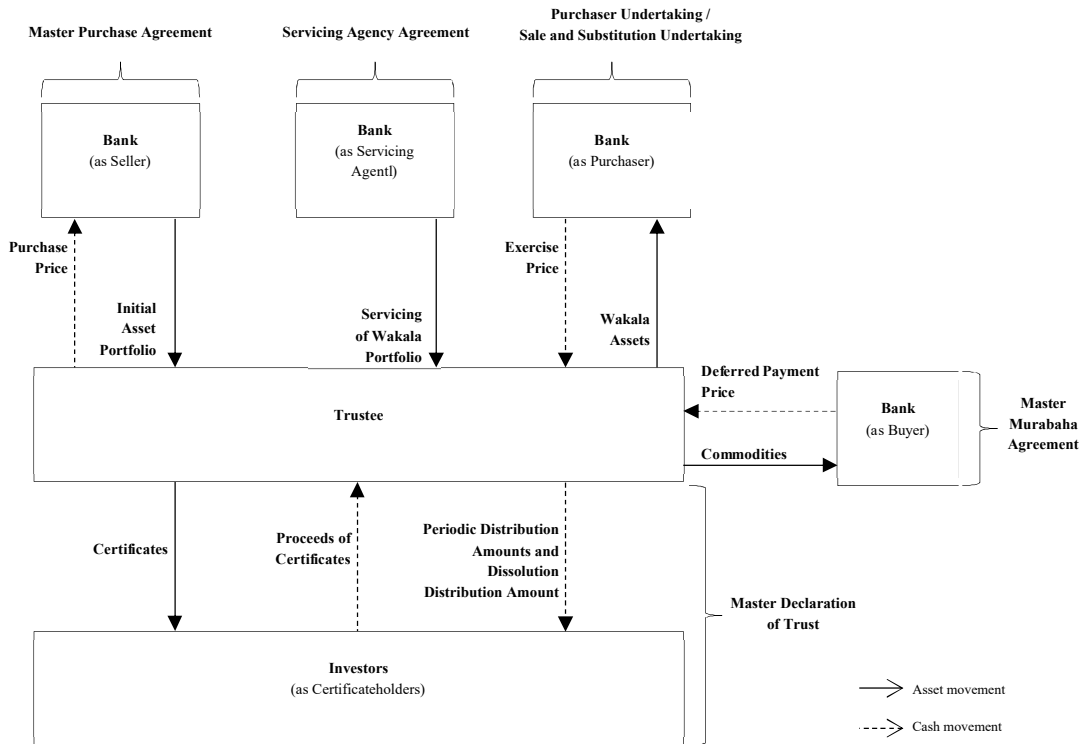
The Documents Incorporated by Reference shall be incorporated in, and form part of, this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement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

Copies of the documents incorporated by reference in this Offering Circular may be obtained from the registered office of the Trustee and from the specified office of the Principal Paying Agent during usual business hours and will be available for viewing on <https://www.alinma.com/>.

STRUCTURE DIAGRAM AND CASH FLOWS

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

Structure Diagram



Payments by the Certificateholders and the Trustee

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

- (a) all or a portion of the Issue Price to the Bank (in its capacity as Seller) as the purchase price payable for the purchase from the Bank of all its rights, title, interests, benefits and entitlements, present and future, in, to and under certain assets (in the case of the first Tranche of the relevant Series of Certificates, the “**Initial Assets**” or, in the case of each subsequent Tranche of such Series, the “**Additional Assets**”) which are further described below; and
- (b) the remaining portion of the Issue Price (the “**Murabaha Investment Amount**”) to purchase certain *Shari’a* compliant commodities (the “**Commodities**”) through the Trustee’s commodity agent for the purpose of selling such Commodities to the Bank (in its capacity as Commodity Buyer) on a deferred payment basis for a deferred payment price comprised of the Murabaha Investment Amount together with the Murabaha Profit Amount specified in an offer notice (the “**Deferred Payment Price**”) payable

in instalments on each Periodic Distribution Date and the relevant Dissolution Date(s) pursuant to a murabaha contract (the “**Murabaha Contract**”) (such sale of *Shari’a* compliant commodities by the Trustee to the Commodity Buyer, the “**Commodity Murabaha Investment**”),

provided that:

- (i) a portion of the Issue Price, as specified in the applicable Pricing Supplement, which shall be no less than 55 per cent., shall be used to purchase Financing Assets and/or the Tangible Part of any Tradable Sukuk comprising the Initial Assets or Additional Assets, as the case may be; and
- (ii) a portion of the Issue Price, as specified in the applicable Pricing Supplement, which shall be no more than 45 per cent., shall be used to purchase: (A) (to the extent applicable) the Intangible Part of any Tradable Sukuk comprising the Initial Assets or Additional Assets, as the case may be; and (B) any Commodities in connection with a Commodity Murabaha Investment.

In relation to a Series, the Initial Assets, if applicable, the Additional Assets and, if applicable, each Commodity Murabaha Investment and all other rights arising under or with respect thereto (including the right to receive payment of profit, rental, Deferred Payment Price and any other amounts due in connection therewith) and, at any time, the Wakala Portfolio Principal Revenues (as defined below) standing to the credit of the Principal Collection Account (as defined below) on the relevant date, shall comprise the “**Wakala Portfolio**” in respect of such Series, and the Eligible Assets comprised in such Wakala Portfolio from time to time, the “**Wakala Assets**”. The Bank (in its capacity as Seller) shall be required to represent on each date it sells any Initial Assets or Additional Assets to the Trustee that such assets are “**Eligible Assets**” (as defined in “*Summary of the Principal Transaction Documents*”).

Periodic Distribution Payments

In relation to a Series, the Servicing Agent will record: (a) all revenues from the Wakala Portfolio (including all profit, rental and other amounts (other than Wakala Portfolio Principal Revenues)) received in respect of the Wakala Assets and, if applicable, all instalments of the Murabaha Profit Amount comprising the Deferred Payment Price payable in respect of the Commodity Murabaha Investment (the “**Wakala Portfolio Income Revenues**”) in a book-entry ledger account (the “**Income Collection Account**”); and (b) all revenues from the Wakala Portfolio in the nature of capital or principal received in respect of the Wakala Assets (the “**Wakala Portfolio Principal Revenues**” and, together with the Wakala Portfolio Income Revenues, the “**Wakala Portfolio Revenues**”) in a book-entry ledger account (the “**Principal Collection Account**”).

On each Wakala Distribution Determination Date, the Servicing Agent shall pay into the relevant Transaction Account amounts standing to the credit of the Income Collection Account (after deducting any amounts (i) repayable to the Bank or any relevant third party in respect of any Liquidity Facility (as defined below) and (ii) payable in respect of any claims, losses, costs or expenses properly incurred or suffered by the Servicing Agent or other payments made by the Servicing Agent on behalf of the Trustee in providing the services to the Trustee pursuant to the Servicing Agency Agreement (the “**Servicing Agency Liabilities Amount**”), which is intended to fund an amount equal to the aggregate of the Periodic Distribution Amount and any other amounts payable by the Trustee under the Certificates of the relevant Series on the immediately following Periodic Distribution Date (the “**Required Amount**”) and such Required Amount will be applied by the Trustee for that purpose.

In the event that the Wakala Portfolio Income Revenues are greater than the Required Amount (after deducting the amounts referred to above), the amount of any excess shall be credited by the Servicing Agent to a separate book-entry ledger account (the “**Reserve Account**”). If the amount standing to the credit of the Transaction Account on a Wakala Distribution Determination Date is insufficient to fund the Required Amount, the Servicing Agent shall apply amounts standing to the credit of the Reserve Account towards such shortfall, by

paying an amount equal to such shortfall (or such lesser amount as is then standing to the credit of the Reserve Account) into the Transaction Account. If having applied such amounts from the Reserve Account, there remains a shortfall, the Bank may, in its sole discretion, either:

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

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

Dissolution Payments

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

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

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

The Certificates in relation to any Series may be redeemed in whole or in part, as the case may be, prior to the relevant Scheduled Dissolution Date for the following reasons, in the case of each of (ii) and (iii), if so specified in the applicable Pricing Supplement: (i) for taxation reasons; (ii) at the option of the Bank; (iii) at the option of the Certificateholders; (iv) upon the occurrence of a Tangibility Event, at the option of the Certificateholders; (v) upon the exercise of the Clean Up (Call) Right and (vi) following a Dissolution Event.

In the case of each of (i), (ii) and (v) above, on the Payment Business Day prior to the relevant Dissolution Date:

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

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

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

- (a) the aggregate amounts (or the applicable portion thereof) of Deferred Payment Price then outstanding, if any, shall become immediately due and payable; and

- (b) the Trustee having the right under the Purchase Undertaking to require the Bank to purchase all (or the applicable portion thereof, as the case may be) of its rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets at the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be.

Following payment of all amounts due and payable under the Certificates on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all of the Certificates are to be redeemed in full), the Servicing Agent shall be entitled to retain any amounts that remain standing to the credit of the Reserve Account for its own account as an incentive payment for its performance in acting as Servicing Agent.

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

OVERVIEW OF THE PROGRAMME

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

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

| | |
|--------------------------------------|---|
| Bank | Alinma Bank |
| Trustee | Alinma Sukuk Limited, an exempted company with limited liability incorporated on 7 October 2022 under the Companies Act (as amended) of the Cayman Islands (with registration number 394561) having its registered office at c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents to which it is a party. |
| Bank (LEI) | 558600HPAUTN6XSVBK93 |
| Trustee (LEI) | 549300UOBOJVBACQKT03 |
| Ownership of the Trustee | The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of a nominal par value of U.S.\$1.00 each, of which 250 shares are fully paid up and issued. The Trustee’s entire issued share capital is held on trust for charitable purposes by Walkers Fiduciary Limited under the terms of a share declaration of trust dated 28 October 2022 (the “ Share Declaration of Trust ”). |
| Administration of the Trustee | The affairs of the Trustee are managed by Walkers Fiduciary Limited, a licensed trust company in the Cayman Islands (the “ Trustee Administrator ”), with registered office at 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands, who will provide, amongst other things, corporate administrative services, director services and act as share trustee for and on behalf of the Trustee pursuant to the corporate services agreement dated 8 November 2022 between the Trustee and the Trustee Administrator (the “ Corporate Services Agreement ”). The Trustee Administrator also provides registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services (the “ Registered Office Terms ”). |
| Arrangers | Alinma Investment Company and J.P. Morgan Securities plc (the “ Arrangers ”). |
| Dealers | Alinma Investment Company, HSBC Bank plc, J.P. Morgan Securities plc, Standard Chartered Bank and any other Dealer |

| | |
|--|--|
| | appointed from time to time either generally in respect of the Programme or in relation to a particular Series of Certificates. |
| Delegate | HSBC Bank plc (the “ Delegate ”). In accordance with the Master Trust Deed, the Trustee will, <i>inter alia</i> , unconditionally and irrevocably appoint the Delegate to be its delegate and attorney and to exercise certain present and future rights, powers, authorities and discretions vested in the Trustee by certain provisions of the Master Trust Deed in accordance with the terms of the Master Trust Deed. In particular, the Delegate shall be entitled (and, in certain circumstances, shall be obliged), subject to being indemnified and/or secured and/or pre-funded to its satisfaction, to take enforcement action in the name of the Trustee against the Bank (in any capacity) following a Dissolution Event. |
| Principal Paying Agent and Transfer Agent | HSBC Bank plc |
| Registrar | HSBC Bank plc |
| Initial Programme Size | Up to U.S.\$500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The size of the Programme may be increased in accordance with the terms of the Programme Agreement. |
| Method of Issue | The Certificates may be issued on a syndicated or non-syndicated basis. The specific terms of each Series will be recorded in the applicable Pricing Supplement. |
| Issuance in Series | Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Certificates of each Series will have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts thereon and the date from which Periodic Distribution Amounts start to accrue. |
| Currencies | Subject to any applicable legal or regulatory restrictions, Certificates may be denominated in any currency (each a “ Specified Currency ”) agreed between the Trustee, the Bank and the relevant Dealer. |
| Maturities | The Certificates will have such maturities as may be agreed between the Trustee, the Bank and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee, the Bank or the Specified Currency. |
| Issue Price | Certificates may be issued at any price on a fully-paid basis, as specified in the applicable Pricing Supplement. The price and amount of Certificates to be issued under the Programme will be |

determined by the Trustee and the Bank and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Denomination of Certificates

The Certificates will be issued in such denominations as may be agreed between the Trustee, the Bank and the relevant Dealer(s), save that (i) the minimum denomination of each Certificate will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Specified Currency; and (ii) unless otherwise permitted by such current laws and regulations, Certificates (including Certificates denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Trustee in the UK or whose issue otherwise constitutes a contravention of Section 19 of the FSMA will have a minimum denomination of £100,000 (or, if the Certificates are denominated in a currency other than sterling, the equivalent amount in such currency, as calculated on the Issue Date of such Series).

Status of the Certificates

The Certificates will represent an undivided ownership interest in the Trust Assets of the relevant Series and are limited recourse obligations of the Trustee. The Certificates will constitute direct, unconditional, unsubordinated and unsecured obligations of the Trustee and shall rank *pari passu* and without any preference or priority among themselves. In the event of the bankruptcy, insolvency, winding up or dissolution of the Trustee, the payment obligations of the Trustee under the Certificates shall, save for such exceptions as may be provided by applicable legislation, rank at least equally with all other unsubordinated and unsecured obligations of the Trustee.

The payment obligations of the Obligor (in any capacity) under the Transaction Documents to which it is a party are direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) unsecured obligations of the Obligor and, in the event of the bankruptcy, insolvency, winding up or dissolution of the Obligor, the payment obligations of the Obligor under the Transaction Documents to which it is a party shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 7 (*Obligor Negative Pledge*), rank at least equally with all other unsubordinated and unsecured obligations, present and future, of the Obligor.

Trust Assets

The Trust Assets of the relevant Series will be (a) the cash proceeds of the issue of such Series of Certificates, pending application thereof in accordance with the terms of the Transaction Documents; (b) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee, in, to and under the Wakala Portfolio; (c) any and all of

the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (other than in relation to the Excluded Representations and the covenant given to the Trustee pursuant to Clause 13.1 of the Master Trust Deed); (d) any and all moneys standing to the credit of the relevant Transaction Account from time to time; and (e) all proceeds of the foregoing listed (a) to (d) (the “**Trust Assets**”).

Periodic Distribution Amounts

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

Fixed Rate Certificates

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

Floating Rate Certificates

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

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

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

Such profit will be paid on such date or dates as may be agreed between the Trustee, the Bank and the relevant Dealer(s) and will be calculated on the basis of such Day Count Fraction as may be agreed between the Trustee, the Bank and the relevant Dealer(s). Floating Rate Certificates may also have a maximum profit rate, a minimum profit rate or both.

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

Benchmark Discontinuation

In the event that a Benchmark Event occurs, such that any profit rate (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Pricing Supplement, then the Bank

may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Certificates and, potentially, the application of an Adjustment Spread (which could be positive, negative or zero)). See paragraph (ii) of Condition 8(c) (*Periodic Distribution Amounts – Benchmark Discontinuation*) for further information.

SOFR Benchmark Discontinuation

In the event that a SOFR Benchmark Event occurs, such that the relevant benchmark (or any component part thereof) cannot be determined by reference to the original benchmark specified in the applicable Pricing Supplement, then the Bank may (subject to certain conditions) be permitted to substitute such benchmark with an alternative benchmark (with consequent amendment to the terms of such Series of Certificates). See paragraph (ii) of Condition 8(c) (*Periodic Distribution Amounts – Benchmark Discontinuation*) for further information.

Negative Pledge

The Certificates will have the benefit of a negative pledge as described in Condition 7 (*Obligor Negative Pledge*).

Cross-Acceleration

In respect of the Bank, the Certificates will have the benefit of a cross-acceleration provision, as described in Condition 13 (*Dissolution Events*) and paragraph (c) of the definition of Obligor Event corresponding thereto.

**Dissolution on the Scheduled
Dissolution Date**

Unless the Certificates are previously redeemed or purchased and cancelled, the Trustee will redeem each Certificate at the relevant Dissolution Distribution Amount on the relevant Scheduled Dissolution Date specified in the applicable Pricing Supplement for such Series and the Trust in relation to the relevant Series will be dissolved by the Trustee following the payment of all such amounts in full.

Dissolution Distribution Amount

In relation to each Certificate of a Series, either:

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

Early Dissolution

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

- (a) occurrence of a Tax Event;
- (b) exercise of an Optional Dissolution Right (if so specified in the applicable Pricing Supplement);

- (c) exercise of a Certificateholder Put Right (if so specified in the applicable Pricing Supplement);
- (d) exercise of a Tangibility Event Put Right;
- (e) exercise of a Clean Up (Call) Right; or
- (f) occurrence of a Dissolution Event,

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

Dissolution Events

The Dissolution Events are described in Condition 1 (*Interpretation*). Following the occurrence and continuation of a Dissolution Event in respect of a Series of Certificates, the Certificates may be redeemed in whole, but not in part, at the relevant Dissolution Distribution Amount on the Dissolution Event Redemption Date in the manner described in Condition 13 (*Dissolution Events*).

Early Dissolution for Tax Reasons

Where the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 11 (*Taxation*), or the Bank has or will become obliged to pay any additional amounts in respect of amounts payable to the Trustee pursuant to the terms of any Transaction Document, as a result of a change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, and such obligation cannot be avoided by the Trustee or the Bank, as applicable, taking reasonable measures available to it, the Bank may in its sole discretion require the Trustee to redeem the Certificates in whole, but not in part, on a Periodic Distribution Date (in the case of a Floating Rate Certificate) or at any time (in the case of a Fixed Rate Certificate) at the relevant Dissolution Distribution Amount, as more particularly described in Condition 9(b) (*Early Dissolution for Taxation Reasons*).

Optional Dissolution Right

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

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

Certificateholder Put Right

If so specified in the applicable Pricing Supplement, Certificateholders may elect to redeem their Certificates on any Certificateholder Put Right Date(s) specified in the applicable Pricing Supplement at an amount equal to the relevant Dissolution Distribution Amount in accordance with Condition 9(d) (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*).

Tangibility Event Put Right:

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

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

Clean Up (Call) Right:

If 75 per cent. or more of the aggregate face amount of Certificates of a Series then outstanding have been redeemed or purchased pursuant to the operation of Condition 9, the Trustee shall, upon receipt of a duly completed Exercise Notice from the Bank pursuant to the Sale and Substitution Undertaking, on giving not less than 30 days nor more than 60 days notice to the Delegate and the Certificateholders in accordance with Condition 18 (*Notices*) (such notice to be given within 30 days of the relevant redemption or purchase, as the case may be), redeem or purchase (or procure the purchase of) all but not some only of the remaining outstanding Certificates at their Dissolution Distribution Amount on the Clean Up Call Dissolution Date.

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

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

Limited Recourse

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

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

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

Form and Delivery of the Certificates

The Certificates will be issued in registered form only. The Certificates of each Series will be represented on issue by interests in a Global Certificate, which will be deposited with, and registered in the name of a nominee for, a Common Depository for Euroclear and Clearstream, Luxembourg.

Individual Certificates evidencing holdings of Certificates will be issued in exchange for interests in the relevant Global Certificate only in certain limited circumstances described under “*Summary of Provisions relating to the Certificates while in Global Form*”.

Clearance and Settlement

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

Withholding Tax

All payments in respect of the Certificates are to be made free and clear of, and without withholding, retention or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction, unless such withholding, retention or deduction is required by law. In such event, the Trustee has agreed to pay such additional amounts as shall result in receipt by the Certificateholders (after such withholding, retention or deduction) of such net amounts as would have been receivable by them had no such withholding, retention or deduction been required, subject to and in accordance with Condition 11 (*Taxation*).

Further, in accordance with the terms of the Master Trust Deed, the Bank has unconditionally and irrevocably undertaken to (irrespective of the payment of any fee), as a continuing obligation, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 11 (*Taxation*), pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any such withholding, retention or deduction) equals any and all additional amounts, required to be paid by it in respect of the Certificates pursuant to Condition 11 (*Taxation*).

The Transaction Documents provide that payments thereunder by the Bank shall be made without any withholding, retention or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other governmental charges of any nature, unless such withholding, retention or deduction is required by law and without set-off or counterclaim of any kind. If any such withholding, retention or deduction is

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| Listing and Admission to Trading | <p>required by law, the Transaction Documents provide for the payment by the Bank of all additional amounts as will result in the receipt by the Trustee or the Delegate, as applicable, of such net amounts as would have been receivable by it if no such withholding, retention or deduction had been made.</p> <p>Application has been made to the London Stock Exchange for the Certificates to be issued under the Programme to be admitted to trading on the ISM during the period of 12 months after the date hereof.</p> <p>Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Trustee, the Bank and the relevant Dealer(s) in relation to the relevant Tranche.</p> <p>The applicable Pricing Supplement will state whether or not the relevant Certificates are to be listed and/or admitted to trading and, if so, on which stock exchange and/or market.</p> |
| Certificateholder Meetings | <p>A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 15 (<i>Meetings of Certificateholders, Modification and Waiver</i>).</p> |
| Tax Considerations | <p>See “<i>Taxation</i>” for a description of certain tax considerations applicable to the Certificates.</p> |
| Governing Law and Dispute Resolution | <p>The Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, English law.</p> <p>Each Transaction Document (other than the Master Purchase Agreement, each Supplemental Purchase Agreement and each sale agreement or new asset sale agreement entered into pursuant to the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be) and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.</p> <p>The Master Purchase Agreement, each Supplemental Purchase Agreement and each sale agreement entered into pursuant to the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, will be governed by, and construed in accordance with, the laws of Saudi Arabia. In respect of any dispute under any Transaction Document to which it is a party, the Bank has agreed to arbitration in London under the Rules.</p> <p>The Corporate Services Agreement, the Registered Office Terms and the Share Declaration of Trust will be governed by the laws of the Cayman Islands and subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.</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</p> |

obligations thereunder will constitute, private and commercial acts done and performed for private and commercial purposes (rather than an act in its or any other sovereign capacity) and has irrevocably and unconditionally waived with respect to any proceedings arising under the Conditions or any of such documents any sovereign or other immunity that it or its property, assets or revenues may have including (without limitation) from jurisdiction, suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process or defence and has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any of its property, assets or revenues whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings or Disputes.

Transaction Documents

The Transaction Documents in respect of a Series shall comprise the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Master Purchase Agreement, each Supplemental Purchase Agreement, the Servicing Agency Agreement, the Purchase Undertaking, the Sale and Substitution Undertaking, each sale agreement entered into pursuant to the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, and the Master Murabaha Agreement (together with all documents, notices of request to purchase, offer notices, acceptances, notices and confirmations delivered or entered into as contemplated by the Master Murabaha Agreement in connection with the relevant Series).

Ratings

The Programme is expected to be assigned ratings of “BBB+” by Fitch. Series of Certificates issued under the Programme may be rated or unrated. Where a Series of Certificates is rated, such rating, and the credit rating agency issuing such rating, will be disclosed in the applicable Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning credit rating agency.

Selling Restrictions

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

United States Selling Restrictions

Regulation S, Category 2.

TERMS AND CONDITIONS OF THE CERTIFICATES

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

Alinma Sukuk Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the “**Trustee**”) has established a programme (the “**Programme**”) for the issuance of trust certificates (the “**Certificates**”) in a maximum aggregate face amount of U.S.\$500,000,000 (or the equivalent in other currencies calculated as described in the programme agreement between the Trustee, Alinma Bank (the “**Obligor**”) and the Dealers named therein dated 15 December 2022 (the “**Programme Agreement**”), or such other maximum aggregate face amount as increased in accordance with the terms of the Programme Agreement.

The Certificates are constituted by a master trust deed dated 15 December 2022 between the Trustee, the Obligor and HSBC Bank plc (the “**Delegate**”, which expression shall include all persons for the time being the delegate or delegates under the Master Trust Deed) (the “**Master Trust Deed**”) as supplemented by a supplemental trust deed entered into on or before the date of issue of the relevant Certificates (the “**Issue Date**”) in respect of the relevant Tranche (the “**Supplemental Trust Deed**” and, together with the Master Trust Deed, the “**Trust Deed**”).

An agency agreement (the “**Agency Agreement**”) dated 15 December 2022 has been entered into in relation to the Certificates between the Trustee, the Obligor, the Delegate, HSBC Bank plc as principal paying agent and transfer agent, HSBC Bank plc as registrar and the other agents named in it. The principal paying agent, the other paying agents, the registrar, the transfer agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Principal Paying Agent**”, the “**Paying Agents**” (which expression shall include the Principal Paying Agent), the “**Registrar**”, the “**Transfer Agent**” and the “**Calculation Agent(s)**”, and together the “**Agents**”.

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

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

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the proceeds of the issue of the

Tranche of Certificates in accordance with the terms of the Transaction Documents; and (b) to enter into, and perform its obligations under and in connection with, each Transaction Document to which it is a party, subject to the provisions of the Trust Deed and these Conditions.

1 Interpretation

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

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

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

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

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

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

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

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

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

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

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

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

“**Corporate Services Agreement**” means the corporate services agreement entered into between the Trustee and the Trustee Administrator dated 8 November 2022;

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

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

“**Delegation**” has the meaning given to it in Condition 16(a) (*Delegation of Powers*);

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

“**Dispute**” has the meaning given to it in Condition 21(b) (*Arbitration*);

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

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Optional Dissolution Date;

- (d) any Certificateholder Put Right Date;
- (e) any Tangibility Event Put Right Date;
- (f) any Clean Up Call Dissolution Date; or
- (g) any Dissolution Event Redemption Date;

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

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

“**Dissolution Event**” means a Trustee Event or an Obligor Event;

“**Dissolution Event Redemption Date**” has the meaning given to it in paragraph (ii) of Condition 13(a) (*Dissolution Event*);

“**Dissolution Notice**” has the meaning given to it in paragraph (ii) of Condition 13(a) (*Dissolution Event*);

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

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

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

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

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

“**Fixed Amount**” means, in respect of a Series in respect of which Fixed Periodic Distribution Provisions is specified as applicable in the applicable Pricing Supplement, the amount specified as such in the applicable Pricing Supplement;

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

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

“**Group**” means the Obligor and its Subsidiaries taken as a whole;

“**IFRS**” means International Financial Reporting Standards as issued by the International Standards Board and endorsed in Saudi Arabia;

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

- (a) amounts raised by acceptance under any acceptance credit facility;

- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts that would be required to be treated as a balance sheet liability in accordance with IFRS;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing,

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

“**ISDA**” means the International Swaps and Derivatives Association, Inc.;

“**ISDA Definitions**” means (i) if “2006 ISDA Definitions” is specified in the applicable Pricing Supplement, the 2006 ISDA Definitions, as published by ISDA, as supplemented, amended and updated as at the Issue Date of the first Tranche of the Certificates; or (ii) if “2021 ISDA Definitions” is specified in the applicable Pricing Supplement, the latest version of the 2021 ISDA Interest Rate Derivatives Definitions, including any Matrices referred to therein, as published by ISDA as at the Issue Date of the first Tranche of the Certificates;

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

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

“**Master Murabaha Agreement**” means the master murabaha agreement dated 15 December 2022 between the Trustee, the Obligor and the Delegate;

“**Master Purchase Agreement**” means the master purchase agreement dated 15 December 2022 between the Trustee and the Obligor;

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

- (a) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated financial statements, whose total consolidated assets or gross consolidated revenues, as the case may be) represents not less than 10 per cent. of the total consolidated assets or the gross consolidated revenues of the Obligor and its Subsidiaries, all as calculated by reference to the then latest audited financial statements (or consolidated accounts, as the case may be) of such Subsidiary and the then latest audited or reviewed consolidated financial statements of the Obligor; or
- (b) to which is transferred all or substantially all of the assets and undertakings of a Subsidiary which immediately prior to such transfer is a Material Subsidiary;

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

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

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

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

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

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

- (a) the Obligor (acting in any capacity) fails to pay an amount in the nature of profit (corresponding to all or part of the Periodic Distribution Amounts payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of 14 days, or the Obligor (acting in any capacity) fails to pay an amount in the nature of principal (corresponding to all or part of the Dissolution Distribution Amount payable by the Trustee under the Certificates) payable by it pursuant to any Transaction Document to which it is a party and the failure continues for a period of seven days; or
- (b) the Obligor (acting in any capacity) does not perform or comply with any one or more of its other covenants or obligations in the Transaction Documents to which it is a party and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee (or the Delegate) on the Obligor of written notice requiring the same to be remedied, provided that the failure by the Obligor (acting in its capacity as Servicing Agent) to comply with its obligations in clause 3.1.3 of the Servicing Agency Agreement (save for the obligation to deliver a Tangibility Event Notice pursuant to clause 3.1.3(ii) of the Servicing Agency Agreement) shall not constitute an Obligor Event; or
- (c) (i) any Indebtedness or Sukuk Obligation of the Obligor or any of its Material Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such Indebtedness or Sukuk Obligation becomes due and payable prior to its stated maturity by reason of default, event of default or the like (however described) or (iii) the Obligor or any of its Material Subsidiaries fails to pay when due any amount payable by it under any guarantee or indemnity of any Indebtedness or Sukuk Obligation, *provided that* the amount of Indebtedness and/or Sukuk Obligation referred to in (i) and/or (ii) above and/or the amount payable under any guarantee or indemnity referred to in (iii) above individually or in the aggregate exceeds U.S.\$50,000,000 (or its equivalent in any other currency or currencies); or
- (d) any order is made by any competent court or resolution passed for the winding-up, liquidation or dissolution of the Obligor or any Material Subsidiary of the Obligor, save in connection with a Permitted Reorganisation; or
- (e) the Obligor or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save in connection with a Permitted Reorganisation, or the Obligor or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed by a court of competent

jurisdiction unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

- (f) court or other formal proceedings are initiated against the Obligor or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Obligor or any of its Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking, assets or revenues of any of them, save in each case in connection with a Permitted Reorganisation, or an encumbrancer takes possession of the whole or a substantial part of the undertaking, assets or revenues of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking, assets or revenues of any of them and in any case (other than the appointment of an administrator) is not discharged within 30 days; or
- (g) the Obligor or any of its Material Subsidiaries (i) declares a moratorium in respect of any of its Indebtedness or Sukuk Obligations or any guarantee or indemnity of any Indebtedness or Sukuk Obligation given by it, (ii) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium), (iii) makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors), or (iv) any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save, in all cases, in connection with a Permitted Reorganisation; or
- (h) any event occurs which under the laws of Saudi Arabia or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) to (g) above; or
- (i) the Obligor repudiates or does or causes to be done any act or thing evidencing an intention to repudiate any (or any part of any) Transaction Document to which it is a party; or
- (j) at any time it is or becomes unlawful for the Obligor to perform or comply with any or all of its material obligations under or in respect of any of the Transaction Documents to which it is a party or any of the material obligations of the Obligor thereunder are not or cease to be legal, valid, binding or enforceable,

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

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

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

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

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

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

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

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

“Permitted Reorganisation” means:

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

“Permitted Security Interest” means:

- (a) any Security Interest existing at the relevant Issue Date;
- (b) any Security Interest created or outstanding with the approval of an Extraordinary Resolution;
- (c) any Security Interest arising by operation of law, *provided either that* such Security Interest is discharged within 30 days of arising or does not materially impair the business of the Obligor or, as the case may be, a Material Subsidiary of the Obligor and has not been enforced against the assets to which it attaches;
- (d) any Security Interest securing the Relevant Indebtedness or Relevant Sukuk Obligation of a Person and/or its Subsidiaries existing at the time that such Person is acquired by or merged into or consolidated with the Obligor or, as the case may be, a Material Subsidiary of the Obligor, *provided that* such Security Interest was not created in contemplation of such acquisition, merger or consolidation and does not extend to any other assets or property of the Obligor or, as the case may be, a Material Subsidiary of the Obligor; or
- (e) any Security Interest created in connection with any Non-recourse Project, Securitisation or Asset Financing;
- (f) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a), (c) to (e) above, provided that such Security Interest is limited to all or part of the assets, undertaking, property, share capital or revenues that secured the original Relevant Indebtedness or the original Relevant Sukuk Obligation, as the case may be, and that the aggregate principal amount of the Indebtedness secured thereby does not exceed the sum of (x) the aggregate principal amount of the original Relevant Indebtedness or the original Relevant Sukuk Obligation; (y) accrued and unpaid interest or profit on such Relevant Indebtedness or Relevant Sukuk Obligation and (z) fees, premiums and other costs and expenses incurred in connection with such Relevant Indebtedness or Relevant Sukuk Obligation;

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

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

“Profit Amount” means:

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

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

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

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

“Profit Rate Determination Date” means, with respect to a Profit Rate and Periodic Distribution Period, the date specified as such in the applicable Pricing Supplement or, if none is so specified (a) the day falling two TARGET Business Days prior to the first day of such Periodic Distribution Period, if the Specified Currency is euro (b) (where SOFR Benchmark is specified in the applicable Pricing Supplement as the Reference Rate and where Simple SOFR Average is specified as applicable in the applicable Pricing Supplement or where SOFR Lag, SOFR Observation Shift or SOFR Lockout is specified in the applicable Pricing Supplement to determine Compounded Daily SOFR or where Compounded SOFR Index is specified in the applicable Pricing Supplement) the fourth U.S. Government Securities Business Day prior to the last day of each Periodic Distribution Period, and (c) (where SOFR Benchmark is specified in the applicable Pricing Supplement as the Reference Rate and where SOFR Payment Delay is specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR) the Profit Period Date at the end of each Periodic Distribution Period, provided that the Profit Period Date with respect to the final Periodic Distribution Period will be the U.S. Government Securities Business Day immediately following the relevant SOFR Rate Cut-Off Date, save in all cases that if the Certificates become due and payable in accordance with Condition 9(g), the final Profit Rate Determination Date shall, notwithstanding any Profit Rate Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which the Certificates became due and payable and the Profit Rate on the Certificates shall, for so long as the Certificates remain outstanding, be that determined on such date;

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

“Purchase Undertaking” means the purchase undertaking dated 15 December 2022 executed by the Obligor in favour of the Trustee and the Delegate;

“Record Date” has the meaning given to it in Condition 10(a) (*Method of Payment*);

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

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

- (a) EURIBOR;
- (b) HIBOR;

- (c) KLIBOR;
- (d) TRLIBOR or TRYLIBOR;
- (e) SIBOR;
- (f) EIBOR;
- (g) TIBOR;
- (h) SAIBOR;
- (i) BBSW;
- (j) BKBM;
- (k) SOFR Benchmark; and
- (l) SONIA;

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

“**Relevant Date**” has the meaning given to it in Condition 11 (*Taxation*);

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

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

“**Relevant Jurisdiction**” has the meaning given to it in Condition 11 (*Taxation*);

“**Relevant Powers**” has the meaning given to it in Condition 16(a) (*Delegation of Powers*);

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

“**Relevant Sukuk Obligation**” means any present or future Sukuk Obligation, which for the time being are, or are intended to be, or are capable of being, quoted, listed, admitted to trading or dealt in or traded on any stock exchange or over-the-counter or other securities market;

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

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

“**Sale and Substitution Undertaking**” means the sale and substitution undertaking dated 15 December 2022 executed by the Trustee in favour of the Obligor;

“**Saudi Arabia**” means the Kingdom of Saudi Arabia;

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

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

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

“**Servicing Agency Agreement**” means the servicing agency agreement dated 15 December 2022 between the Trustee and the Servicing Agent;

“**Servicing Agent**” means the Obligor in its capacity as servicing agent pursuant to the Servicing Agency Agreement;

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

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

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

“**SOFR Rate Cut-Off Date**” means the date that is a number of U.S. Government Securities Business Days prior to the end of each Periodic Distribution Period, the Scheduled Dissolution Date or the relevant Dissolution Date on which all Certificates of the relevant Series shall be redeemed in full;

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

“**Sukuk Obligation**” means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other securities intended to be issued in compliance with the principles of *Shari’a*, whether or not in return for consideration of any kind;

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

“**Tangibility Event**” means, if, at any time, on or following the Issue Date of the first Tranche of a Series, the Tangibility Ratio in respect of such Series falls below 33 per cent.;

“**Tangibility Event Delisting Date**” means the date falling 15 days following the Tangibility Event Put Right Date (or, if such date is not a business day, the next following business day (being, for this purpose, a day on which each stock exchange on which the relevant Series of Certificates has been admitted to listing and/or trading is open for business)) and any relevant Certificates listed on more than one stock exchange shall have the same Tangibility Event Delisting Date across all relevant stock exchanges;

“**Tangibility Event Notice**” has the meaning given to it in the Servicing Agency Agreement;

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

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

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

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

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

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

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

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

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

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

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

“**Transaction Account**” means, in relation to each Series, the non-interest bearing account maintained in London in the Trustee’s name held with HSBC Bank plc, details of which are specified in the applicable Pricing Supplement;

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

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

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

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

“**Trustee Administrator**” means Walkers Fiduciary Limited;

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

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

- (a) default is made in the payment of the Dissolution Distribution Amount or any Periodic Distribution Amount and, in the case of the Dissolution Distribution Amount, such default continues for a period of seven days from the due date for payment and, in the case of a Periodic Distribution Amount, such default continues for a period of 14 days from the due date for payment; or
- (b) the Trustee (acting in any capacity) does not perform or comply with any one or more of its covenants or other obligations under these Conditions or any of the Transaction Documents to which it is a party and (except in any case where, in the opinion of the Delegate, such failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days following the service by the Delegate on the Trustee of written notice requiring the same to be remedied; or
- (c) any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 30 days; or
- (d) the Trustee is adjudicated or found bankrupt or insolvent or to be unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of any creditors in respect of any of its debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or a particular type of) the debts of the Trustee; or
- (e) an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations; or
- (f) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its obligations under the Certificates and the Transaction Documents to which it is a party; (ii) to ensure that those obligations are legally binding and enforceable; or (iii) to make the Certificates and the Transaction Documents to which it is a party admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done except that, provided no other Dissolution Event has occurred, the non-registration of legal title to the Wakala Assets in the name of the Trustee will not constitute a Trustee Event for these purposes; or
- (g) the Trustee repudiates or does or causes to be done any act or thing evidencing an intention to repudiate these Conditions or any (or any part of any) Transaction Document to which it is a party; or
- (h) at any time it is or becomes unlawful for the Trustee to perform or comply with any one or more of its obligations under or in respect of any of the Certificates or the Transaction Documents to which it is a party or any of the obligations of the Trustee thereunder cease to be legal, valid, binding and enforceable; or
- (i) any event occurs which under the laws of the Cayman Islands or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (c), (d) or (e) above,

provided, however, that in the case of the occurrence of the event described in paragraph (b), the Delegate shall have certified in writing to the Trustee that such event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates.

For the purpose of paragraph (a) above, all amounts payable in respect of the Certificates shall be considered due and payable (including for the avoidance of doubt any amounts calculated as being payable under Condition 8 (*Periodic Distribution Amounts*), Condition 9 (*Redemption and Dissolution of the Trust*), Condition 11 (*Taxation*) and Condition 13 (*Dissolution Events*)) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts (whether as a result of the application of Condition 5(b) (*Application of Proceeds from Trust Assets*) or otherwise);

“**U.S. Government Securities Business Day**” means any day except for a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities;

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

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

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

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

All references to the “**face amount**” of a Certificate shall be deemed to include, as applicable, the relevant Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of face amounts payable pursuant to these Conditions.

All references to “**Periodic Distribution Amounts**” shall be deemed to include, as applicable, any additional amounts in respect of profit distributions which may be payable under Condition 11 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions.

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

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

2 **Form, Denomination and Title**

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

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

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

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

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

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

3 Transfers

- (a) **Transfer of Certificates:** Subject to Condition 3(e) (*Closed Periods*), one or more Certificates may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Registered Certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Trustee) duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Certificates represented by one Registered Certificate, a new Registered Certificate shall be issued to the transferee in respect of the part transferred and a further new Registered Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Certificates to a person who is already a holder of Certificates, a new Registered Certificate representing the enlarged holding shall only be issued against surrender of the Registered Certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made subject to and in accordance with the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement. The Trustee may from time to time agree with the Registrar reasonable regulations to govern the transfer and registration of the Certificates. A copy of the current regulations will be made available by the Registrar to any Certificateholder upon request.
- (b) **Exercise of Early Dissolution Rights:** In the case of an exercise of the Obligor’s or the Certificateholders’ early dissolution right in respect of a holding of Certificates represented by a single Registered Certificate, a new Registered Certificate shall be issued to the holder to reflect the exercise of such early dissolution right or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an early dissolution right resulting in Certificates of the same holding having different terms, separate Registered Certificates shall be issued in respect of those Certificates of that holding that have the same terms. New Registered Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.
- (c) **Delivery of New Registered Certificates:** Each new Registered Certificate to be issued pursuant to Conditions 3(a) (*Transfer of Certificates*) or 3(b) (*Exercise of Early Dissolution Rights*) shall be available for delivery within five business days (or such longer period as may be required to comply with any applicable fiscal or other regulations) of receipt of the form of transfer, Certificateholder Put Exercise Notice or Tangibility Event Put Notice, as the case may be, and surrender of the Registered Certificate for exchange. Delivery of the new Registered Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer,

Certificateholder Put Exercise Notice or Tangibility Event Put Notice, as the case may be, and surrender of such Registered Certificate shall have been made or, at the option of the holder making such delivery and surrender as aforesaid and as specified in the relevant form of transfer, Certificateholder Put Exercise Notice or Tangibility Event Put Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Registered Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance or takaful as it may specify. In this Condition 3(c) (*Delivery of New Registered Certificates*), “**business day**” means a day, other than a Saturday or a Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (d) **Transfers Free of Charge:** Transfers of Certificates and Registered Certificates on registration, transfer or exercise of an early dissolution right shall be effected without charge by or on behalf of the Trustee, the Obligor, the Registrar or the Transfer Agents, but upon payment by the transferee of any stamp duty, tax or other governmental charges that may be imposed in relation to such transfer (or the giving of such indemnity and/or security as the Trustee, the Registrar or the relevant Transfer Agent may require).
- (e) **Closed Periods:** No Certificateholder may require the transfer of a Certificate to be registered (i) during the period of 15 days prior to any date on which Certificates may be called for redemption pursuant to Condition 9(c) (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*), (ii) after any such Certificate has been called for redemption, or (iii) during the period of seven days ending on (and including) any Record Date.

4 Status

- (a) **Status of Certificates:** The Certificates represent an undivided ownership interest in the Trust Assets of the relevant Series and are limited recourse obligations of the Trustee. The Certificates will constitute direct, unconditional, unsubordinated and unsecured obligations of the Trustee and shall rank *pari passu* and without any preference or priority among themselves. In the event of the bankruptcy, insolvency, winding up or dissolution of the Trustee, the payment obligations of the Trustee under the Certificates shall, save for such exceptions as may be provided by applicable legislation, rank at least equally with all other unsubordinated and unsecured obligations of the Trustee.

The payment obligations of the Obligor (in any capacity) under the Transaction Documents to which it is a party are direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) unsecured obligations of the Obligor and, in the event of the bankruptcy, insolvency, winding up or dissolution of the Obligor, the payment obligations of the Obligor under the Transaction Documents to which it is a party shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 7 (*Obligor Negative Pledge*), rank at least equally with all other unsubordinated and unsecured obligations, present and future, of the Obligor.

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

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

- (i) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any of their respective shareholders, directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Trust Assets and no recourse shall be had for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee or the Delegate to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (ii) the Trustee may not sell, transfer, assign or otherwise dispose of the Trust Assets to a third party, and may only realise its rights, title, interests, benefits and entitlements, present and future, in, to and under the Trust Assets in the manner expressly provided in the Transaction Documents;
- (iii) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers, shareholders or corporate services providers in their capacity as such) (other than the Trust Assets in the manner and to the extent contemplated by the Transaction Documents), or the Trustee Administrator, the Delegate or any of their respective directors, officers, employees, agents, shareholders or affiliates, in each case in respect of any shortfall or otherwise;
- (iv) no Certificateholders will be able to petition for, institute or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee, the Trustee Administrator, the Delegate or any of their respective directors, officers, employees, agents, shareholders or affiliates;
- (v) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or the Delegate arising under or in connection with the Trust Deed and the Certificates by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, director, employee, agent or corporate service provider of the Trustee or the Delegate (as applicable) in their capacity as such. The obligations of the Trustee, the Trustee Administrator and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee, the Trustee Administrator or the Delegate (as applicable) and no personal liability shall attach to or be incurred by the officers or directors of the Trustee or the Delegate (as applicable) in their capacity as such, save in the case of the relevant party's wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and
- (vi) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates (without prejudice to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)).

Pursuant to the terms of the Transaction Documents to which it is a party, the Obligor is obliged to make certain payments directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate (failing which the Certificateholders pursuant to paragraph (b) of Condition 14 (*Realisation of Trust Assets*)) will thereby have direct recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Transaction Documents notwithstanding any other provision of

this Condition 4(b) (*Limited Recourse and Agreement of Certificateholders*). Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) constitute an unsecured claim against the Obligor. None of the Certificateholders, the Trustee or the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

5 The Trust

- (a) **Trust Assets:** Pursuant to the Trust Deed, the Trustee holds the Trust Assets for each Series upon trust absolutely for and on behalf of the Certificateholders of such Series *pro rata* according to the face amount of Certificates held by each holder. The term “**Trust Assets**” in respect of each Series means the following:
- (i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
 - (ii) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Wakala Portfolio;
 - (iii) any and all of the rights, title, interest, benefits and entitlements, present and future of the Trustee in, to and under the Transaction Documents (other than in relation to the Excluded Representations and the covenant given to the Trustee pursuant to clause 13.1 of the Master Trust Deed);
 - (iv) any and all moneys standing to the credit of the Transaction Account from time to time; and
 - (v) all proceeds of the foregoing.

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

- (b) **Application of Proceeds from Trust Assets:** On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the moneys standing to the credit of the relevant Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):
- (i) *first*, (to the extent not previously paid) to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (including any amounts owing to the Delegate in respect of its Appointees (as defined in the Master Trust Deed)) and to any receiver, manager or administrative receiver or any other analogous officer appointed in respect of the Trust by the Delegate in accordance with the Trust Deed, in each case as notified to the Trustee and the Obligor on or before such Periodic Distribution Date or Dissolution Date, as the case may be;
 - (ii) *second*, only if such payment is made on a Periodic Distribution Date, in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
 - (iii) *third*, only if such payment is made on a Dissolution Date, in or towards payment *pari passu* and rateably of the relevant Dissolution Distribution Amount; and
 - (iv) *fourth*, only if such payment is made on a Dissolution Date on which all Certificates of the relevant Series are redeemed in full and provided that all amounts required to be paid in respect of such Certificates have been discharged in full, in payment of any residual amount to the

Obligor in its capacity as Servicing Agent as an incentive payment for its performance as servicing agent under the Servicing Agency Agreement.

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

6 Trustee Covenants

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

- (a) incur any indebtedness in respect of borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of *Shari'a* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates except, in all cases, as contemplated in the Transaction Documents;
- (b) grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) or permitted under or pursuant to any of the Transaction Documents);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets except pursuant to any of the Transaction Documents;
- (d) except as provided in Condition 15 (*Meetings of Certificateholders, Modification and Waiver*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (e) except as provided in the Trust Deed, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (f) have any subsidiaries or employees;
- (g) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;
- (h) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (i) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Certificates and the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
 - (i) as contemplated, provided for or permitted in the Transaction Documents;

- (ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
- (iii) such other matters which are incidental thereto.

7 Obligor Negative Pledge

So long as any Certificate remains outstanding, the Obligor shall not, and shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest other than a Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation or any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation without (a) at the same time or prior thereto securing equally and rateably therewith all amounts (that are in the nature of profit and principal (corresponding to Periodic Distribution Amounts and the Dissolution Distribution Amount payable by the Trustee under the Certificates)) payable by the Obligor (acting in any capacity) under the Transaction Documents to which it is a party or (b) providing such security for those amounts as either (i) the Delegate shall in its absolute discretion deem not materially less beneficial to the interests of Certificateholders; or (ii) shall be approved by an Extraordinary Resolution.

8 Periodic Distribution Amounts

- (a) **Fixed Rate Certificates:** Each Fixed Rate Certificate bears profit on its outstanding face amount from, and including, the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date, provided that if the Specified Currency is Renminbi or Hong Kong dollars and any Periodic Distribution Date falls on a day which is not a Business Day, the Periodic Distribution Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Periodic Distribution Date shall be brought forward to the immediately preceding Business Day. The amount of profit payable shall be determined in accordance with Condition 8(f) (*Calculations*).
- (b) **Floating Rate Certificates**
 - (i) *Periodic Distribution Amounts and Periodic Distribution Dates:* Each Floating Rate Certificate bears profit on its outstanding face amount from, and including, the Profit Commencement Date at the rate per annum (expressed as a percentage) equal to the Profit Rate, such profit being payable in arrear on each Periodic Distribution Date, provided that if the Specified Currency is Renminbi or Hong Kong dollars and any Periodic Distribution Date falls on a day which is not a Business Day, the Periodic Distribution Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Periodic Distribution Date shall be brought forward to the immediately preceding Business Day, subject to Condition 4(b) (*Limited Recourse and Agreement of Certificateholders*). The amount of profit payable shall be determined in accordance with Condition 8(f) (*Calculations*). Such Periodic Distribution Date(s) is/are either specified in the applicable Pricing Supplement as Specified Periodic Distribution Dates or, if no Specified Periodic Distribution Date(s) is/are specified in the applicable Pricing Supplement, “**Periodic Distribution Date**” shall mean each date which falls the number of months or other period specified in the applicable Pricing Supplement as the Periodic Distribution Period after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Profit Commencement Date.
 - (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that

is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

- (iii) *Profit Rate*: The Profit Rate in respect of Floating Rate Certificates for each Periodic Distribution Period shall be determined in the manner specified in the applicable Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Pricing Supplement.

(A) ISDA Determination

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Profit Rate is to be determined, the Profit Rate for each Periodic Distribution Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this paragraph (A) “**ISDA Rate**” for a Periodic Distribution Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) if the Pricing Supplement specifies either “2006 ISDA Definitions” or “2021 ISDA Definitions” as the applicable ISDA Definitions:
- (1) the Floating Rate Option (as defined in the relevant ISDA Definitions) is as specified in the applicable Pricing Supplement;
 - (2) the Designated Maturity (as defined in the relevant ISDA Definitions), if applicable, is a period specified in the applicable Pricing Supplement;
 - (3) the relevant Reset Date (as defined in the relevant ISDA Definitions) is as specified in the applicable Pricing Supplement;
 - (4) if the specified Floating Rate Option is an Overnight Floating Rate Option (as defined in the relevant ISDA Definitions), Compounding is specified to be applicable in the applicable Pricing Supplement and:
 - (I) Compounding with Lookback is specified as the Compounding Method in the applicable Pricing Supplement, Lookback is the number of Applicable Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Pricing Supplement;
 - (II) Compounding with Observation Period Shift is specified as the Compounding Method in the applicable Pricing Supplement, (a) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Pricing Supplement and (b) Observation Period Shift Additional Business Days (as defined in the

relevant ISDA Definitions), if applicable, are the days specified in the applicable Pricing Supplement; or

- (III) Compounding with Lockout is specified as the Compounding Method in the applicable Pricing Supplement, (a) Lockout is the number of Lockout Period Business Days (as defined in the relevant ISDA Definitions) specified in the applicable Pricing Supplement and (b) Lockout Period Business Days, if applicable, are the days specified in the applicable Pricing Supplement; and
- (5) if the specified Floating Rate Option is an Index Floating Rate Option (as defined in the relevant ISDA Definitions) and Index Provisions are specified to be applicable in the applicable Pricing Supplement, the Compounded Index Method with Observation Period Shift shall be applicable and, (a) Observation Period Shift is the number of Observation Period Shift Business Days (as defined in the relevant ISDA Definitions) if applicable, specified in the applicable Pricing Supplement;
- (6) references in the relevant ISDA Definitions to:
 - (I) “Confirmation” shall be deemed to be references to the applicable Pricing Supplement;
 - (II) “Calculation Period” shall be deemed to be references to the relevant Periodic Distribution Period;
 - (III) “Termination Date” shall be deemed to be references to the Scheduled Dissolution Date; and
 - (IV) “Effective Date” shall be deemed to be references to the Profit Commencement Date; and
- (y) if the Pricing Supplement specifies “2021 ISDA Definitions” as the applicable ISDA Definitions:
 - (1) Administrator/Benchmark Event shall be disappplied; and
 - (2) if the Temporary Non-Publication Fallback for any specified Floating Rate Option is specified to be “Temporary Non-Publication Fallback – Alternative Rate” in the Floating Rate Matrix of the 2021 ISDA Definitions, the reference to “Calculation Agent Alternative Rate Determination” in the definition of “Temporary Non-Publication Fallback – Alternative Rate” shall be replaced by “Temporary Non-Publication Fallback – Previous Day’s Rate”
- (B) Screen Rate Determination
 - (I) Subject to Condition 8(c) (*Periodic Distribution Amounts – Benchmark Discontinuation*), where Screen Rate Determination not referencing SOFR or SONIA is specified in the applicable Pricing Supplement as the manner in which the Profit Rate is to be determined:
 - (x) The Profit Rate for each Periodic Distribution Period will, subject as provided below, be either:
 - (1) the offered quotation; or
 - (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page at the Relevant Time on the Profit Rate Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (y) If the Relevant Screen Page is not available, or if paragraph (x)(1) above applies and no such offered quotation appears on the Relevant Screen Page or if paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the Relevant Time, subject as provided below, the Calculation Agent shall request the principal office in the Relevant Financial Centre of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Profit Rate Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Profit Rate for such Periodic Distribution Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
- (z) Subject to Condition 8(c) (*Periodic Distribution Amounts – Benchmark Discontinuation*) below, if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Profit Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at the Relevant Time on the relevant Profit Rate Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Relevant Financial Centre inter-bank market, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time, on the relevant Profit Rate Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Relevant Financial Centre inter-bank market, provided that, if the Profit Rate cannot be determined in accordance with the foregoing provisions of this paragraph (z), the Profit Rate shall be determined as at the last preceding Profit Rate Determination Date (though substituting,

where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Periodic Distribution Period from that which applied to the last preceding Periodic Distribution Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Periodic Distribution Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Periodic Distribution Period).

(II) Where Screen Rate Determination Referencing SOFR is specified in the applicable Pricing Supplement as the manner in which the Profit Rate is to be determined, the Profit Rate for each Periodic Distribution Period will, subject to Condition 8(c) (*Periodic Distribution Amounts – Benchmark Discontinuation*) and as provided below, be equal to the relevant SOFR Benchmark plus or minus the Margin (if any, as indicated in the applicable Pricing Supplement), all as determined by the Calculation Agent on the relevant Profit Rate Determination Date. The “SOFR Benchmark” will be determined based on Simple SOFR Average, Compounded Daily SOFR or Compounded SOFR Index, as follows (subject in each case to Condition 8(c) (*Periodic Distribution Amounts – Benchmark Discontinuation*)):

- (x) If Simple SOFR Average (“**Simple SOFR Average**”) is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark specified in the applicable Pricing Supplement for each Periodic Distribution Period shall be the arithmetic mean of the SOFR reference rates for each day during the Periodic Distribution Period, as calculated by the Calculation Agent, and (i) for each day during the period which is not a U.S. Government Securities Business Day, the SOFR reference rate shall be deemed to be the SOFR reference rate on the immediately preceding U.S. Government Securities Business Day and (ii) where, if applicable and as specified in the applicable Pricing Supplement, the SOFR reference rate on the SOFR Rate Cut-Off Date shall be used for the days in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Profit Period Date.
- (y) If Compounded Daily SOFR (“**Compounded Daily SOFR**”) is specified in the applicable Pricing Supplement as the manner in which the SOFR Benchmark will be determined, the SOFR Benchmark for each Periodic Distribution Period shall be equal to the compounded average of daily SOFR reference rates for each day during (x) where SOFR Lag, SOFR Payment Delay or SOFR Lockout is specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR, the relevant Periodic Distribution Period or (y) where SOFR Observation Shift is specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR, the SOFR Observation Period, in each case as calculated by the Calculation Agent in accordance with one of the formulas referenced below depending upon which is specified as applicable in the applicable Pricing Supplement.

(1) SOFR Lag:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i - x_{USBD} \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR_i-xUSBD**” for any U.S. Government Securities Business Day “**i**” in the relevant Periodic Distribution Period, is equal to the SOFR reference rate for the U.S. Government Securities Business Day falling the number of Lookback Days prior to that U.S. Government Securities Business Day “**i**”;

“**Lookback Days**” means such number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement, which shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days;

“**d**” means the number of calendar days in the relevant Periodic Distribution Period;

“**d₀**” for any Periodic Distribution Period, means the number of U.S. Government Securities Business Days in the relevant Periodic Distribution Period;

“**i**” means a series of whole numbers ascending from one to **d₀**, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Periodic Distribution Period; and

“**n_i**” for any U.S. Government Securities Business Day “**i**” in the relevant Periodic Distribution Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “**i**” up to (but excluding) the following U.S. Government Securities Business Day.

(2) SOFR Observation Shift:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR_i**” for any U.S. Government Securities Business Day “**i**” in the relevant SOFR Observation Period, is equal to the

SOFR reference rate for that U.S. Government Securities Business Day “i”;

“**SOFR Observation Period**” means, in respect of each Periodic Distribution Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Periodic Distribution Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Profit Period Date for such Periodic Distribution Period;

“**SOFR Observation Shift Days**” means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement, which shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days;

“**d**” means the number of calendar days in the relevant SOFR Observation Period;

“**d₀**” for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

“**i**” means a series of whole numbers ascending from one to d₀, representing each U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period; and

“**n_i**” for any U.S. Government Securities Business Day “i” in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

(3) SOFR Payment Delay:

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR_i**” for any U.S. Government Securities Business Day “i” in the relevant Periodic Distribution Period, is equal to the SOFR reference rate for that U.S. Government Securities Business Day “i”;

“**Periodic Distribution Date**” shall be the number of Periodic Distribution Delay Days following each Profit Period Date; provided that the Periodic Distribution Date with respect to the

final Periodic Distribution Period will be the Scheduled Dissolution Date or the relevant Dissolution Date on which all Certificates of the relevant Series shall be redeemed in full;

“**Periodic Distribution Delay Days**” means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement, which shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days;

“**d**” means the number of calendar days in the relevant Periodic Distribution Period;

“**d_o**” for any Periodic Distribution Period, means the number of U.S. Government Securities Business Days in the relevant Periodic Distribution Period;

“**i**” means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Periodic Distribution Period; and

“**n_i**” for any U.S. Government Securities Business Day “i” in the relevant Periodic Distribution Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

For the purposes of calculating Compounded Daily SOFR with respect to the final Periodic Distribution Period where SOFR Payment Delay is specified in the applicable Pricing Supplement, the SOFR reference rate for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Scheduled Dissolution Date or the relevant Dissolution Date on which all Certificates of the relevant Series shall be redeemed in full, as applicable, shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date.

(4) SOFR Lockout:

$$\left(\prod_{i=1}^{d_o} \left(1 + \frac{SOFR_i \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR_i**” for any U.S. Government Securities Business Day “i” in the relevant Periodic Distribution Period, is equal to the SOFR reference rate for that U.S. Government Securities

Business Day “i”, except that the SOFR for any U.S. Government Securities Business Day “i” in respect of the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Profit Period Date for such Periodic Distribution Period shall be the SOFR reference rate in respect of such SOFR Rate Cut-Off Date;

“d” means the number of calendar days in the relevant Periodic Distribution Period;

“d₀” for any Periodic Distribution Period, means the number of U.S. Government Securities Business Days in the relevant Periodic Distribution Period;

“i” means a series of whole numbers ascending from one to d₀, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Periodic Distribution Period; and

“n_i” for any U.S. Government Securities Business Day “i” in the relevant Periodic Distribution Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day “i” up to (but excluding) the following U.S. Government Securities Business Day.

- (z) If Compounded SOFR Index (“**Compounded SOFR Index**”) is specified as applicable in the applicable Pricing Supplement, the SOFR Benchmark for each Periodic Distribution Period shall be equal to the compounded average of daily SOFR reference rates for each day during the relevant SOFR Observation Period as calculated by the Calculation Agent as follows:

$$\left(\frac{SOFR Index_{End}}{SOFR Index_{Start}} - 1 \right) \times \left(\frac{360}{d_c} \right)$$

with the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards) and where:

“**SOFR Index**”, in respect of a U.S. Government Securities Business Day, means the SOFR Index value as published on the SOFR Administrator’s Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, provided that:

- 1) if the value specified above does not appear and a Benchmark Event (or, if Condition 8(c)(ii) applies, a SOFR Benchmark Transition Event and its related Benchmark Replacement Date) have not occurred, the “SOFR Index” shall be calculated on any Periodic Distribution Determination Date with respect to a Periodic Distribution Period, in accordance with the Compounded Daily SOFR formula described above

in paragraph (B)(II)(y) of Condition 8(b) (*Floating Rate Certificates*), and the term “SOFR Observation Shift Days” (unless otherwise agreed by the Calculation Agent) shall mean five U.S. Government Securities Business Days; or

- 2) if the value specified above does not appear and a Benchmark Event (or, if Condition 8(c)(ii) applies, a SOFR Benchmark Transition Event and its related Benchmark Replacement Date) have occurred, the provisions set forth in Condition 8(c)(i) (*Benchmark Discontinuation – Reference Rate other than SOFR*) or Condition 8(c)(ii) (*Benchmark Discontinuation - SOFR*) shall apply as specified in the applicable Pricing Supplement;

“**SOFR Index_{End}**” means, in respect of a Periodic Distribution Period, the SOFR Index value on the date that is the number of SOFR Index_{End} Days specified in the applicable Pricing Supplement prior to the Profit Period Date for such Periodic Distribution Period (or in the final Periodic Distribution Period, the Scheduled Dissolution Date);

“**SOFR Index_{Start}**” means, in respect of a Periodic Distribution Period, the SOFR Index value on the date that is the number of SOFR Index_{Start} Days specified in the applicable Pricing Supplement prior to the first day of such Periodic Distribution Period;

“**SOFR Index Determination Time**” means, in respect of a U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

“**SOFR Observation Period**” means, in respect of a Periodic Distribution Period, the period from (and including) the date falling the number of SOFR Observation Shift Days prior to the first day of the relevant Periodic Distribution Period to (but excluding) the date falling the number of SOFR Observation Shift Days prior to the Profit Period Date for such Periodic Distribution Period;

“**SOFR Observation Shift Days**” means the number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement, which shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days; and

“**d_c**” means the number of calendar days in the applicable SOFR Observation Period.

- (III) Where Screen Rate Determination Referencing SONIA is specified in the applicable Pricing Supplement as the manner in which the Profit Rate is to be determined:

- (x) If SONIA Compounded Index Rate is specified in the applicable Pricing Supplement as being applicable, the Profit Rate for each Periodic Distribution Period will, subject to Condition 8(c) (*Benchmark Discontinuation*), be the SONIA Compounded Index Rate as follows, plus or minus (as indicated in the applicable Pricing Supplement) the Margin.

For the purposes of this paragraph (III)(x):

“**SONIA Compounded Index Rate**” means with respect to a Periodic Distribution Period, the rate of return of a daily compound profit investment during the Observation Period corresponding to such Periodic Distribution Period (with the daily Sterling overnight reference rate as reference rate for the calculation of profit) and will be calculated by the Calculation Agent on the Periodic Distribution Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards)

$$\left(\frac{SONIA\ Compounded\ Index_{END}}{SONIA\ Compounded\ Index_{START}} - 1 \right) \times \left(\frac{365}{d} \right)$$

provided, however, that and subject to Condition 8(c)(i) (*Benchmark Discontinuation – Reference Rate other than SOFR*), if the SONIA Compounded Index Value is not available in relation to any Periodic Distribution Period on the Relevant Screen Page for the determination of either or both of SONIA Compounded Index_{START} and SONIA Compounded Index_{END}, the Profit Rate shall be calculated for such Periodic Distribution Period on the basis of the SONIA Compounded Daily Reference Rate as set out in paragraph (III)(y) as if SONIA Compounded Daily Reference Rate with Observation Shift had been specified in the applicable Pricing Supplement and the “Relevant Screen Page” shall be deemed to be the “Relevant Fallback Screen Page” as specified in the applicable Pricing Supplement,

where:

“*d*” means the number of calendar days in the relevant Observation Period;

“**London Business Day**”, means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

“**Observation Period**” means, in respect of a Periodic Distribution Period, the period from (and including) the date falling “p” London Business Days prior to the first day of such Periodic Distribution Period (and the first Observation Period shall begin on and include the date which is “p” London Business Days prior to the Issue Date) and ending on (but excluding) the date which is “p” London Business Days prior to the Periodic Distribution Date for such Periodic Distribution Period (or the date falling “p” London Business Days prior to such earlier date, if any, on which the Certificates become due and payable);

“*p*” means, for any Periodic Distribution Period the whole number specified in the applicable Pricing Supplement (or, if no such number is so specified, five London Business Days) representing a number of London Business Days;

“**SONIA Compounded Index**” means the index known as the SONIA Compounded Index administered by the Bank of England (or any successor administrator thereof);

“**SONIA Compounded Index_{START}**” means, in respect of a Periodic Distribution Period, the SONIA Compounded Index Value on the date falling “*p*” London Business Days prior to (i) the first day of such Periodic Distribution Period, or (ii) in the case of the first Periodic Distribution Period, the Issue Date;

“**SONIA Compounded Index_{END}**” means the SONIA Compounded Index Value on the date falling “*p*” London Business Days prior to (i) in respect of a Periodic Distribution Period, the Periodic Distribution Date for such Periodic Distribution Period, or (ii) if the Certificates become due and payable prior to the end of a Periodic Distribution Period, the date on which the Certificates become so due and payable; and

“**SONIA Compounded Index Value**” means in relation to any London Business Day, the value of the SONIA Compounded Index as published by authorised distributors on the Relevant Screen Page on such London Business Day or, if the value of the SONIA Compounded Index cannot be obtained from such authorised distributors, as published on the Bank of England’s Website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA Compounded Index) on such London Business Day.

- (y) If SONIA Compounded Daily Reference Rate is specified in the applicable Pricing Supplement as being applicable, the Profit Rate for each Periodic Distribution Period will, subject to Condition 8(c) (*Benchmark Discontinuation*), be equal to the SONIA Compounded Daily Reference Rate as follows, plus or minus (if any) (as indicated in the applicable Pricing Supplement) the Margin.

“**SONIA Compounded Daily Reference Rate**” means, in respect of a Periodic Distribution Period, the rate of return of a daily compound profit investment (with the daily Sterling overnight reference rate as reference rate for the calculation of profit) and will be calculated by the Calculation Agent on the Periodic Distribution Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded upwards),

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{SONIA_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

Where :

“**London Business Day**”, “**Observation Period**” and “*p*” have the meanings set out under paragraph (III)(x) of Condition 8 (*Periodic Distribution Amounts*);

“*d*” is the number of calendar days in the relevant:

- (i) Observation Period where Observation Shift is specified in the applicable Pricing Supplement; or
- (ii) Periodic Distribution Period where SOFR Lag is specified in the applicable Pricing Supplement;

“*d_o*” is the number of London Business Days in the relevant:

- (i) Observation Period where Observation Shift is specified in the applicable Pricing Supplement; or
- (ii) Periodic Distribution Period where SOFR Lag is specified in the applicable Pricing Supplement;

“*t*” is a series of whole numbers from one to *d_o*, each representing the relevant London Business Day in chronological order from, and including, the first London Business Day in the relevant:

- (i) Observation Period where Observation Shift is specified in the applicable Pricing Supplement; or
- (ii) Periodic Distribution Period where SOFR Lag is specified in the applicable Pricing Supplement;

“*n_i*”, for any London Business Day “*t*”, means the number of calendar days from and including such London Business Day “*t*” up to but excluding the following London Business Day;

“*SONIA_i*” means, in relation to any London Business Day the SONIA reference rate in respect of:

- (i) that London Business Day “*t*” where Observation Shift is specified in the applicable Pricing Supplement; or
- (ii) the London Business Day (being a London Business Day falling in the relevant Observation Period) falling “*p*” London Business Days prior to the relevant London Business Day “*t*” where SOFR Lag is specified in the applicable Pricing Supplement; and

the “**SONIA reference rate**”, in respect of any London Business Day, is a reference rate equal to the daily SONIA rate for such London Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page on the next following London Business Day or, if the Relevant Screen Page is unavailable, as published by authorised distributors on such London Business Day or, if SONIA cannot be obtained from such authorised distributors, as published on the Bank of England’s Website at

www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA reference rate)

(z) Subject to Condition 8(c)(i) (*Benchmark Discontinuation – Reference Rate other than SOFR*) where SONIA is specified as the Reference Rate in the applicable Pricing Supplement and either (i) SONIA Compounded Daily Reference Rate is specified in the applicable Pricing Supplement, or (ii) the SONIA Compounded Index Rate is specified in the applicable Pricing Supplement and paragraph (III)(x) of Condition 8(b)(iii)(B) (*Periodic Distribution Amounts- Screen Rate Determination*) applies, if, in respect of any London Business Day, the SONIA reference rate is not available on the Relevant Screen Page or Relevant Fallback Screen Page as applicable, (or as otherwise provided in the relevant definition thereof), such Reference Rate shall be:

1. the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Business Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five days on which the SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or
2. if such Bank Rate is not available, the SONIA reference rate published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or as otherwise provided in the relevant definition thereof),

and, in each case, SONIA_i shall be interpreted accordingly.

- (1) If the Profit Rate cannot be determined in accordance with the foregoing provisions, but without prejudice to Condition 8(c) (*Benchmark Discontinuation*), the Profit Rate shall be (i) that determined as at the last preceding Periodic Distribution Determination Date (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Periodic Distribution Period from that which applied to the last preceding Periodic Distribution Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Periodic Distribution Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Periodic Distribution Period) or (ii) if there is no such preceding Periodic Distribution Determination Date, the initial Profit Rate which would have been applicable to such Series of Certificates for the first Periodic Distribution Period had the Certificates been in issue for a period equal in duration to the scheduled first Periodic Distribution Period but ending on (and excluding) the Profit Commencement Date (but applying the Margin

and any Maximum Profit Rate or Minimum Profit Rate applicable to the first Periodic Distribution Period).

- (iv) *Linear Interpolation*: Where Linear Interpolation is specified as applicable in respect of a Periodic Distribution Period in the applicable Pricing Supplement, the Profit Rate for such Periodic Distribution Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Periodic Distribution Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Periodic Distribution Period, provided however that, if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Obligor (in consultation with an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Obligor) shall determine such rate at such time and by reference to such sources as it, in consultation with the Trustee and the Obligor, determines appropriate.

“**Applicable Maturity**” means, (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate and (b) in relation to ISDA Determination, the Designated Maturity.

(c) **Benchmark Discontinuation**

(i) **Reference Rate other than SOFR**

This Condition 8(c)(i) (*Benchmark Discontinuation – Reference Rate other than SOFR*) shall apply unless Condition 8(c)(ii) (*Benchmark Discontinuation – SOFR*) is specified as applicable in the applicable Pricing Supplement.

Notwithstanding the other provisions of this Condition 8 (*Periodic Distribution Amounts*), if a Benchmark Event occurs in relation to the relevant Reference Rate specified in the applicable Pricing Supplement when any Profit Rate (or the relevant component part thereof) remains to be determined by reference to such Reference Rate, then the following provisions shall apply:

- (A) the Obligor shall use its reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than ten Business Days prior to the relevant Profit Rate Determination Date relating to the next succeeding Periodic Distribution Period (the “**IA Determination Cut-Off Date**”), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 8(c)(i)(E) (*Benchmark Discontinuation*)) for the purposes of determining the Profit Rate (or the relevant component part thereof) applicable to the Certificates;
- (B) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Periodic Distribution Periods in respect of such Certificates (subject to the subsequent operation of, and to adjustment as provided in this Condition 8(c)(i) (*Benchmark Discontinuation – Reference Rate other than SOFR*));

- (C) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be). If the Independent Adviser (following consultation with the Obligor) or the Obligor, as applicable, is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread;
- (D) if (A) the Obligor is unable to appoint an Independent Adviser in accordance with this Condition 8(c)(i); or (B) the Independent Adviser appointed by the Obligor fails to determine a Successor Rate or, failing which, an Alternative Reference Rate in accordance with this Condition 8(c)(i) (*Benchmark Discontinuation – Reference Rate other than SOFR*) prior to the relevant IA Determination Cut-Off Date, the Obligor (acting in good faith and in a commercially reasonable manner) may elect to determine the Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and, in either case, an Adjustment Spread itself for the purposes of determining the Profit Rate (or the relevant component part thereof) applicable to the Certificates or, if applicable, any Benchmark Amendments, to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (with the relevant provisions in this Condition 8(c)(i) (*Benchmark Discontinuation – Reference Rate other than SOFR*) applying *mutatis mutandis* to allow such determinations to be made by the Obligor without consultation with the Independent Adviser, by no later than five Business Days prior to the Profit Rate Determination Date relating to the next Periodic Distribution Period for which the Profit Rate (or any component part thereof) is to be determined by reference to the original Reference Rate. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Periodic Distribution Period only and any subsequent Period Distribution Periods are subject to the subsequent operation of, and to adjustment as provided, in paragraph (A) above;
- (E) if any Successor Rate, Alternative Reference Rate or Adjustment Spread is determined in accordance with this Condition 8(c)(i) (*Benchmark Discontinuation – Reference Rate other than SOFR*) and the Independent Adviser (following consultation with the Obligor) or the Obligor, as applicable, determines in good faith: (A) that amendments to these Conditions and/or any of the Transaction Documents (including, without limitation, amendments to the definitions of Day Count Fraction, Business Day, Business Day Convention, Profit Rate Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”); and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Obligor and subject to delivery of a notice and certificate in accordance with Condition 8(c)(i)(F) (*Benchmark Discontinuation – Reference Rate other than SOFR*): (x) the Obligor shall vary these Conditions and/or any of the Transaction Documents to give effect to such Benchmark Amendments with effect from the date specified in such notice; and (y) the Delegate and the Agents shall (at the Obligor’s expense), without any requirement for the consent or sanction of Certificateholders, be obliged to concur with the Trustee and the Obligor in effecting such Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that neither the Delegate nor any Agent shall be obliged so to concur if doing so would impose, in its opinion, more onerous obligations upon it or expose it to any liability against which it is not adequately indemnified and/or secured and/or prefunded to its satisfaction or impose any additional

duties, responsibilities or liabilities or reduce or amend its rights and/or the protective provisions afforded to it.

- (F) the Obligor shall promptly, following the determination of any Successor Rate, Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments, give notice to the Delegate, the Agents and, in accordance with Condition 18 (*Notices*), the Certificateholders confirming: (A) that a Benchmark Event has occurred; (B) the Successor Rate or Alternative Reference Rate (as applicable); (C) any applicable Adjustment Spread; and (D) the specific terms of the Benchmark Amendments (if any). Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Certificateholders of the same, the Obligor shall deliver to the Delegate, the Calculation Agent and the Paying Agents a certificate signed by two Authorised Signatories of the Obligor:

- (I) confirming: (1) that a Benchmark Event has occurred; (2) the Successor Rate or, as the case may be, the Alternative Reference Rate; (3) the applicable Adjustment Spread and (4) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 8(c)(i) (*Benchmark Discontinuation – Reference Rate other than SOFR*); and
- (II) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Reference Rate and (in either case) the applicable Adjustment Spread.

Each of the Delegate, the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Reference Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Reference Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Delegate's or the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Obligor, the Trustee, the Delegate, the Calculation Agent, the Agents and the Certificateholders.

Notwithstanding any other provision of this Condition 8 (*Periodic Distribution Amounts*), if following the determination of any Successor Rate, Alternative Reference Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 8 (*Periodic Distribution Amounts*), the Calculation Agent shall promptly notify the Trustee and the Obligor thereof and the Trustee and the Obligor shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Trustee and the Obligor thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so;

- (G) if, following the occurrence of a Benchmark Event and in relation to the determination of the Profit Rate (or the relevant component thereof) on the next succeeding Profit Rate

Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision, then the Profit Rate applicable to the next succeeding Periodic Distribution Period shall be equal to the Profit Rate last determined in relation to the Certificates in respect of the immediately preceding Periodic Distribution Period (though substituting, where a different Margin or Maximum Profit Rate or Minimum Profit Rate is to be applied to the relevant Periodic Distribution Period from that which applied to the last preceding Periodic Distribution Period, the Margin or Maximum Profit Rate or Minimum Profit Rate relating to the relevant Periodic Distribution Period, in place of the Margin or Maximum Profit Rate or Minimum Profit Rate relating to that last preceding Periodic Distribution Period). If there has not been a first Periodic Distribution Date, the Profit Rate shall be determined using the Reference Rate last displayed on the relevant Screen Page prior to the relevant Profit Rate Determination Date. For the avoidance of doubt, this Condition 8(c)(i)(G) (*Benchmark Discontinuation – Reference Rate other than SOFR*) shall apply to the relevant immediately following Periodic Distribution Period only and any subsequent Periodic Distribution Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 8(c);

- (H) the Independent Adviser appointed pursuant to this Condition 8(c)(i) shall act and make all determinations pursuant to this Condition 8(c)(i) (*Benchmark Discontinuation – Reference Rate other than SOFR*) in good faith and in a commercially reasonable manner and the Independent Adviser shall act as an expert. In the absence of bad faith, wilful default or fraud, neither the Independent Adviser nor the Obligor shall have any liability whatsoever to the Paying Agents or the Certificateholders in connection with any determination made by it or, in the case of the Independent Adviser, for any advice given to the Obligor in connection with any determination made by the Obligor pursuant to this Condition 8(c)(i) (*Benchmark Discontinuation*); and
- (I) without prejudice to the obligations of the Obligor under paragraphs (A), (B), (C), (D) and (E) of Condition 8(c)(i) (*Benchmark Discontinuation – Reference Rate other than SOFR*), the original Reference Rate and the fallback provisions provided for in paragraph (iii)(B) of Condition 8(b) (*Floating Rate Certificates*) will continue to apply unless and until a Benchmark Event has occurred.
- (J) The following defined terms shall have the meanings set out below for the purpose of this Condition 8(c)(J) (*Benchmark Discontinuation – Reference Rate other than SOFR*):

“**Adjustment Spread**” means either (a) a spread (which may be positive, negative or zero), or (b) a formula or methodology for calculating a spread, in each case, to be applied to the Successor Rate or the Alternative Reference Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Trustee and the Obligor) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital

markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or

- (c) (if the Independent Adviser (following consultation with the Trustee and the Obligor) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Trustee and Obligor) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be); or
- (d) (if the Independent Adviser (following consultation with the Trustee and the Obligor) determines that there is no such industry standard) the Independent Adviser (following consultation with the Trustee and the Obligor) or the Obligor (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this sub-paragraph (d) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Certificateholders;

“**Alternative Reference Rate**” means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Trustee and Obligor) determines, in accordance with this Condition 8(c)(i) (*Benchmark Discontinuation*), is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest or profit (or the relevant component part thereof) in the same Specified Currency as the Certificates;

“**Benchmark Amendments**” has the meaning given to it in Condition 8(c)(i)(E) (*Benchmark Discontinuation*);

“**Benchmark Event**” means the occurrence of one or more of the following events with respect to the then-current Reference Rate (including any daily published component used in the calculation thereof): (i) the relevant Reference Rate (or such component) ceasing to be published as a result of such benchmark ceasing to be calculated or administered for a period of at least 5 Business Days or ceasing to exist; or (ii) a public statement or publication of information by the administrator of the relevant Reference Rate (or such component) that it has ceased or that it will cease publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or (iii) a public statement or publication of information by the supervisor of the administrator of the relevant Reference Rate (or such component), that the relevant Reference Rate (or such component) has been or will be permanently or indefinitely discontinued; or (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate (or such component) as a consequence of which the relevant Reference Rate (or such component) will be prohibited from being used either generally, or in respect of the Certificates or that its use will be subject to restrictions or adverse consequences; or (v) a public statement by the supervisor of the administrator of the relevant Reference Rate (or such component) that the relevant Reference Rate (or such component) is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market or the methodology to calculate such Reference Rate has materially changed; or (vi) it has become unlawful for the Obligor, the Trustee, the Calculation Agent or any Paying Agent

or any other party to calculate any payments due to be made to any Certificateholder using the relevant Reference Rate; provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the relevant Reference Rate (or such component) or the discontinuation of the relevant Reference Rate (or such component), as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of the prohibition of use of the relevant Reference Rate (or such component) and (c) in the case of sub-paragraph (v) above, on the date with effect from which the relevant Reference Rate (or such component) will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement. The occurrence of a Benchmark Event shall be determined by the Trustee and the Obligor and promptly notified to the Delegate, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Delegate, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination;

“**Bloomberg Screen SOFRRATE Page**” means the Bloomberg screen designated “SOFRRATE” or any successor page or service.

“**Financial Stability Board**” means the organisation established by the Group of Twenty (G20) in April 2009;

“**Independent Adviser**” means an independent financial institution of international repute or an independent financial adviser of recognised standing with appropriate expertise appointed by the Trustee and the Obligor at the Obligor’s expense;

“**Relevant Nominating Body**” means, in respect of a benchmark or screen rate: (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of: (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates; (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); (C) a group of the aforementioned central banks or other supervisory authorities; or (D) the Financial Stability Board or any part thereof;

“**Reuters Page USDSOFR=**” means the Reuters page designated “USDSOFR=” or any successor page or service;

“**SOFR**” means, in respect of any U.S. Government Securities Business Day, the reference rate determined by the Calculation Agent in accordance with the following provision:

- (a) the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Bloomberg Screen SOFRRATE Page; the Secured Overnight Financing Rate published at the SOFR Determination Time as such reference rate is reported on the Reuters Page USDSOFR=; or the Secured Overnight Financing Rate published at the SOFR Determination Time on the SOFR Administrator’s Website;
- (b) if the reference rate specified in (a) above does not appear and a SOFR Benchmark Transition Event and its related Benchmark Replacement Date have not occurred,

the SOFR reference rate shall be the reference rate published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

- (c) if the reference rate specified in (a) above does not appear and a SOFR Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the provisions set forth in Condition 8(c)(i) (*Benchmark Discontinuation – Reference Rate other than SOFR*) or Condition 8(c)(ii) (*Benchmark Discontinuation – Benchmark Discontinuation (SOFR)*) shall apply as specified in the applicable Pricing Supplement;

“**SOFR Administrator's Website**” means the website of the Federal Reserve Bank of New York (currently, being <https://www.newyorkfed.org/markets/reference-rates/sofr-averages-and-index>), or any successor source; and

“**Successor Rate**” means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

(ii) **Benchmark Discontinuation (SOFR)**

This Condition 8(c) (*Benchmark Discontinuation*) shall only apply where Condition 8(c)(ii) (*Benchmark Discontinuation – Benchmark Discontinuation (SOFR)*) is specified as applicable in the applicable Pricing Supplement.

- (A) If the Obligor or its designee determines on or prior to the relevant Reference Time that a SOFR Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the then current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Certificates in respect of all determinations on such date and for all determinations on all subsequent dates.
- (B) In connection with the implementation of a Benchmark Replacement, the Obligor or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. The Delegate and each of the Agents shall, at the direction and expense of the Obligor effect such consequential amendments to the Master Trust Deed, Agency Agreement and these Conditions as may be required to give effect to this Condition 8(c)(ii) (*Benchmark Discontinuation – Benchmark Discontinuation (SOFR)*), provided that neither the Delegate nor any Agent shall be obliged so to concur if doing so would impose, in its opinion, more onerous obligations upon it or expose it to any liability against which it is not adequately indemnified and/or secured and/or prefunded to its satisfaction or impose any additional duties, responsibilities or liabilities or reduce or amend its rights and/or the protective provisions afforded to it. Certificateholders' consent shall not be required in connection with effecting any such changes, including the execution of any documents or any steps to be taken by any of the Delegate or the Agents (if required). Further, none of the Delegate, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Obligor with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.
- (C) Any determination, decision or election that may be made by the Trustee, the Obligor or any of their respective designees pursuant to this Condition 8(c)(ii) (*Benchmark*

Discontinuation – Benchmark Discontinuation (SOFR)), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection (i) will be conclusive and binding absent manifest error, (ii) will be made in the sole discretion of the Obligor, and (iii) notwithstanding anything to the contrary in the documentation relating to the Certificates, shall become effective without consent from the holders of the Certificates or any other party.

- (D) The Obligor shall promptly, following the determination of any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, determined under this Condition 8(c)(ii) (*Benchmark Discontinuation – Benchmark Discontinuation (SOFR)*), give notice to the Certificateholders. Such notice shall be irrevocable and shall specify the effective date on which such changes take effect.

No later than notifying the Certificateholders of the same, the Obligor shall deliver to the Delegate, the Calculation Agent and the Paying Agents a certificate signed by two Authorised Signatories of the Obligor:

- (I) confirming: (1) that a SOFR Benchmark Event has occurred; (2) the relevant Benchmark Replacement and, (3) where applicable, any Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes, in each case as determined in accordance with the provisions of this Condition 8(c)(ii) (*Benchmark Discontinuation – Benchmark Discontinuation (SOFR)*); and
- (II) certifying that the relevant Benchmark Replacement Conforming Changes are necessary to ensure the proper operation of such Benchmark Replacement and/or Benchmark Replacement Adjustment.

Each of the Delegate, the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Benchmark Replacement, Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Discontinuation Conforming Changes (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Benchmark Replacement, Benchmark Replacement Adjustment and/or the specific terms of any relevant Benchmark Replacement Conforming Changes (if any) and without prejudice to the Delegate's or the Trustee's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Obligor, the Trustee, the Delegate, the Calculation Agent, the Agents and the Certificateholders.

Notwithstanding any other provision of this Condition 8 (*Periodic Distribution Amounts*), if following the determination of any Benchmark Replacement, Benchmark Replacement Adjustment and the specific terms of any Benchmark Replacement Conforming Changes, in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this paragraph (ii) of Condition 8(c) (*Benchmark Discontinuation*), the Calculation Agent shall promptly notify the Trustee and the Obligor thereof and the Trustee and the Obligor shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise

unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Trustee and the Obligor thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

- (E) The following defined terms shall have the meanings set out below for the purpose of this Condition 8(c)(ii) (*Benchmark Discontinuation – Benchmark Discontinuation (SOFR)*):

“**Benchmark**” means, initially, the relevant SOFR Benchmark specified in the applicable Pricing Supplement; provided that if the Obligor or its designee determines that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the relevant SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-current Benchmark, then “**Benchmark**” means the applicable Benchmark Replacement;

“**Benchmark Replacement**” means the first alternative set forth in the order below that can be determined by the Obligor or its designee as of the Benchmark Replacement Date:

- (a) the sum of:
 - (i) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and
 - (ii) the Benchmark Replacement Adjustment;
- (b) the sum of:
 - (i) the ISDA Fallback Rate; and
 - (ii) the Benchmark Replacement Adjustment; or
- (c) the sum of:
 - (i) the alternate reference rate that has been selected by the Obligor for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated Floating Rate Certificates at such time; and
 - (ii) the Benchmark Replacement Adjustment;

“**Benchmark Replacement Adjustment**” means the first alternative set forth in the order below that can be determined by the Obligor or any of their respective designees as of the Benchmark Replacement Date:

- (a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

- (b) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or
- (c) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Obligor giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated Floating Rate Certificates at such time;

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of profit, rounding of amounts or tenors, and other administrative matters) the Obligor or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Obligor or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Obligor or its designee determines that no market practice for use of the Benchmark Replacement exists, in such other manner as the Obligor or its designee determines is reasonably necessary);

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (a) in the case of sub-paragraph (a) or (b) of the definition of “SOFR Benchmark Event”, the later of:
 - (i) the date of the public statement or publication of information referenced therein; and
 - (ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or
- (b) in the case of sub-paragraph (c) of the definition of “SOFR Benchmark Event”, the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

“designee” means a designee as selected and separately appointed by the Obligor in writing;

“ISDA Definitions” means the 2006 ISDA Definitions or 2021 ISDA Interest Rate Derivatives Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

“ISDA Fallback Adjustment” means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA

Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

“ISDA Fallback Rate” means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

“Reference Time” with respect to any determination of the Benchmark means (1) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Simple SOFR Average or Compounded Daily SOFR is specified as applicable in the applicable Pricing Supplement) or SOFR Index Determination Time (where Compounded SOFR Index is specified as applicable in the applicable Pricing Supplement), or (2) if the Benchmark is not the SOFR Benchmark, the time determined by the Obligor or its designee after giving effect to the Benchmark Replacement Conforming Changes;

“Relevant Governmental Body” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto;

“SOFR Benchmark Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

- (a) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (b) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or
- (c) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

“SOFR Benchmark Transition Event” means the occurrence of a SOFR Benchmark Event with respect to the then-current SOFR Benchmark;

“SOFR Determination Time” means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day; and

“**Unadjusted Benchmark Replacement**” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

- (d) **Entitlement to Profit:** Profit shall cease to accumulate in respect of any Certificate on any Dissolution Date or other due date for redemption in each case where such Certificate is, or is proposed to be, redeemed unless, upon due presentation of the Registered Certificate representing such Certificate, payment is improperly withheld or refused, in which event profit shall continue to accumulate in respect of such Certificate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 8 (*Periodic Distribution Amounts*) to the earlier of (i) the Relevant Date; or (ii) the date on which the relevant Exercise Price, Optional Dissolution Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as applicable, has been paid and a sale agreement has been executed in accordance with the terms of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be.
- (e) **Margin, Maximum Profit Rates/Minimum Profit Rates and Rounding**
- (i) If any Margin is specified in the applicable Pricing Supplement (either (x) generally or (y) in relation to one or more Periodic Distribution Periods), an adjustment shall be made to all Profit Rates, in the case of (x), or the Profit Rates for the specified Periodic Distribution Periods, in the case of (y), calculated in accordance with Condition 8(b) (*Floating Rate Certificates*) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to paragraph (ii) below.
- (ii) If any Maximum Profit Rate or Minimum Profit Rate is specified in the applicable Pricing Supplement, then any Profit Rate shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, “**unit**” means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.
- (f) **Calculations:** The amount of profit payable per Calculation Amount in respect of any Certificate for any Periodic Distribution Period shall be equal to the product of the Profit Rate, the Calculation Amount specified in the applicable Pricing Supplement and the Day Count Fraction for such Periodic Distribution Period, unless a Profit Amount (or a formula for its calculation) is specified in the applicable Pricing Supplement as being applicable to such Periodic Distribution Period, in which case the amount of profit payable per Calculation Amount in respect of such Certificate for such Periodic Distribution Period shall equal such Profit Amount (or be calculated in accordance with such formula). Where any Periodic Distribution Period comprises two or more Periodic Distribution Periods, the amount of profit payable per Calculation Amount in respect of such Periodic Distribution Period shall be the sum of the Profit Amounts payable in respect of each of those Periodic Distribution Periods. In respect of any other period for which profit is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which profit is required to be calculated.
- (g) **Publication of Profit Rates, Profit Amounts and Dissolution Distribution Amounts:** The Calculation Agent shall, as soon as practicable on each Profit Rate Determination Date, or such other time on such

date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Profit Amounts for the relevant Periodic Distribution Period, calculate the Dissolution Distribution Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Profit Rate and the Profit Amounts for each Periodic Distribution Period and the relevant Periodic Distribution Date and, if required to be calculated, the relevant Dissolution Distribution Amount, to be notified to the Delegate, the Trustee, the Obligor, each of the Paying Agents, the Certificateholders, any other Calculation Agent appointed in respect of the Certificates that is to make a further calculation upon receipt of such information and, if the Certificates are listed and/or admitted to trading on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Periodic Distribution Period, if determined prior to such time, in the case of notification to such exchange of a Profit Rate and Profit Amount, or (ii) in all other cases, the fourth Business Day after such determination. To the extent that the Calculation Agent is unable to notify a stock exchange or other relevant authority, the Calculation Agent shall notify the Obligor who shall perform such obligation. Where any Periodic Distribution Date or Profit Period Date is subject to adjustment pursuant to paragraph (ii) of Condition 8(b) (*Floating Rate Certificates*), the Profit Amounts and the Periodic Distribution Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Periodic Distribution Period. If the Certificates become due and payable under Condition 13 (*Dissolution Events*), the accrued profit and the Profit Rate payable in respect of the Certificates shall nevertheless continue to be calculated as previously in accordance with this Condition 8 (*Periodic Distribution Amounts*) but no publication of the Profit Rate or the Profit Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of wilful default, bad faith or manifest error) be final and binding upon all parties.

- (h) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

“**Business Day**” means:

- (i) in the case of a currency other than euro or Renminbi, and unless the applicable Pricing Supplement specifies that the Floating Rate Certificate Provisions apply and the Reference Rate is SOFR Benchmark or SONIA, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in London and each Business Centre (other than the TARGET System) specified in the applicable Pricing Supplement;
- (ii) in the case of Renminbi, a day in which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong;
- (iii) if the applicable Pricing Supplement specifies that the Floating Rate Certificate Provisions apply and the Reference Rate is SOFR Benchmark, day which is a U.S. Government Securities Business Day and is not a legal holiday in New York and is not a date on which banking institutions in those cities are authorised or required by law or regulation to be closed;
- (iv) if the applicable Pricing Supplement specifies that the Floating Rate Certificate Provisions apply and the Reference Rate is SONIA, any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

- (v) if the TARGET System is specified as a Business Centre in the applicable Pricing Supplement, a day on which the TARGET System is open; and
- (vi) either (A) in the case of a currency other than euro or Renminbi, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency or (B) in the case of euro, a day on which the TARGET System is operating (a “**TARGET Business Day**”).

“**Day Count Fraction**” means, in respect of the calculation of an amount of profit on any Certificate for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting a Periodic Distribution Period or a Periodic Distribution Period, the “**Calculation Period**”):

- (i) if “**Actual/Actual**” or “**Actual/Actual – ISDA**” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 365 or, in the case of a Periodic Distribution Date falling in a leap year, 366;
- (iv) if “**Actual/360**” is specified in the applicable Pricing Supplement, the actual number of days in the Calculation Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

- (vii) if “**30E/360 (ISDA)**” is specified in the applicable Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Calculation Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

D₁ is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Scheduled Dissolution Date or (ii) such number would be 31, in which case D2 will be 30;

- (viii) if “**Actual/Actual-ICMA**” is specified in the applicable Pricing Supplement:

- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

- (B) if the Calculation Period is longer than one Determination Period, the sum of:
 - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
 - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

“**Determination Date**” means the date(s) specified as such in the applicable Pricing Supplement or, if none is so specified, the Periodic Distribution Date(s);

- (ix) **Calculation Agent:** The Trustee shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the applicable Pricing Supplement and for so long as any Certificate is outstanding. Where more than one Calculation Agent is appointed in respect of the Certificates, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under these Conditions. If the Calculation Agent is unable or unwilling to act as such, or if the Calculation Agent fails duly to establish the Profit Rate for a Periodic Distribution Period or to calculate any Profit Amount or any Dissolution Distribution Amount, as the case may be, or to comply with any other requirement, the Trustee shall (with the prior approval of the Delegate) appoint a leading bank or financial institution engaged in the inter-bank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

9 Redemption and Dissolution of the Trust

- (a) **Dissolution on the Scheduled Dissolution Date:** Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed at its Dissolution Distribution Amount on the Scheduled Dissolution Date specified in the applicable Pricing Supplement and following the payment of all such amounts in full and the execution of a sale agreement pursuant to the Purchase Undertaking, the Trustee shall be bound to dissolve the Trust. In the case of Fixed Rate Certificates where the Specified Currency is Renminbi or Hong Kong dollars, if the Scheduled Dissolution Date falls on a day which is not a Business Day, the Scheduled Dissolution Date will be the next succeeding Business Day unless it would thereby fall in the next calendar month in which event the Scheduled Dissolution Date shall be brought forward to the immediately preceding Business Day.
- (b) **Early Dissolution for Taxation Reasons:**
 - If:
 - (i) (A) the Trustee has or will on the occasion of the next payment due under the Certificates become obliged to pay additional amounts as described under Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change

in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or

- (ii) (A) the Trustee has received notice from the Obligor that the Obligor has or will on the occasion of the next payment due under the Transaction Documents become obliged to pay additional amounts to the Trustee pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the relevant Series, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

(the occurrence of an event described in paragraph (i) of Condition 9(b) (*Early Dissolution for Taxation Reasons*) or (ii) being a “**Tax Event**”), the Trustee shall, upon receipt of a duly completed Exercise Notice from the Obligor in accordance with the Sale and Substitution Undertaking, on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the applicable Pricing Supplement to the Delegate and the Certificateholders, redeem the Certificates in whole, but not in part, on any Periodic Distribution Date (if this Certificate is a Floating Rate Certificate) or at any time (if this Certificate is a Fixed Rate Certificate) (such dissolution date being an “**Early Tax Dissolution Date**”), at their Dissolution Distribution Amount, provided that no such notice of dissolution may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or to the Trustee pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 9(b) (*Early Dissolution for Taxation Reasons*), the Trustee or the Obligor, as the case may be, shall deliver to the Delegate:

- (A) a certificate signed by two Authorised Signatories of the Trustee (in the case of paragraph (i) of Condition 9(b) (*Early Dissolution for Taxation Reasons*)) or the Obligor (in the case of paragraph (ii) of Condition 9(b) (*Early Dissolution for Taxation Reasons*)) stating that the obligation referred to in paragraph (i) of Condition 9(b) (*Early Dissolution for Taxation Reasons*) or paragraph (ii) of Condition 9(b) (*Early Dissolution for Taxation Reasons*), as the case may be, cannot be avoided by the Trustee or the Obligor, as the case may be, taking reasonable measures available to it; and
- (B) an opinion of independent legal or tax advisers of recognised standing to the effect that the Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept and rely on (without liability to any person) such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in Condition paragraph (i) of Condition 9(b) (*Early Dissolution for Taxation Reasons*) or, as the case may be, paragraph (ii) of Condition 9(b) (*Early Dissolution for Taxation Reasons*) above, in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 9(b) (*Early Dissolution for Taxation Reasons*) and payment in full of the Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust.

- (c) **Dissolution at the Option of the Obligor (Optional Dissolution Right):** If Optional Dissolution Right is specified in the applicable Pricing Supplement, the Trustee shall, upon receipt of a duly completed Exercise Notice from the Obligor in accordance with the Sale and Substitution Undertaking, on giving not less than the minimum period nor more than the maximum period of irrevocable notice specified in the applicable Pricing Supplement to the Delegate and the Certificateholders, redeem the Certificates in whole or, if so specified in the applicable Pricing Supplement, in part on any Optional Dissolution Date. Any such redemption of Certificates shall be at their Dissolution Distribution Amount. Any such redemption or exercise must relate to Certificates of a face amount at least equal to the Minimum Optional Dissolution Amount to be redeemed specified in the applicable Pricing Supplement and no greater than the Maximum Optional Dissolution Amount to be redeemed specified in the applicable Pricing Supplement.

All Certificates in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 9(c) (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*).

In the case of a partial redemption, the notice to Certificateholders shall also specify the face amount of Certificates drawn and the holder(s) of such Certificates to be redeemed, which shall have been drawn in such place and in such manner as the Trustee and the Delegate deem appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

If all (and not some only) of the Certificates are to be redeemed in accordance with this Condition 9(c) (*Dissolution at the Option of the Obligor (Optional Dissolution Right)*), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

The Optional Dissolution Right and the Certificateholder Put Right may not both be specified in the applicable Pricing Supplement in respect of any Series.

- (d) **Dissolution at the Option of Certificateholders (Certificateholder Put Right):** If Certificateholder Put Right is specified in the applicable Pricing Supplement, the Trustee shall (unless prior to the giving of the relevant Certificateholder Put Exercise Notice (as defined below) the Trustee has given notice of redemption in whole under Condition 9(b) or Condition 9(f)), at the option of the holder of any Certificate, upon the holder of such Certificate giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Trustee, redeem such Certificate on the Certificateholder Put Right Date at its Dissolution Distribution Amount. For the purposes thereof, the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking. If the Certificates are to be redeemed in whole, but not in part, on any Certificateholder Put Right Date in accordance with this Condition 9(d) (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

To exercise such option, the holder must deposit the Registered Certificate representing such Certificate(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed exercise notice (a “**Certificateholder Put Exercise Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Registered Certificate so deposited and right exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

The Certificateholder Put Right and the Optional Dissolution Right may not both be specified in the applicable Pricing Supplement in respect of any Series.

(e) **Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)**

If a Tangibility Event occurs, upon receipt of a Tangibility Event Notice from the Obligor in accordance with the Servicing Agreement, the Trustee shall promptly give notice to the Certificateholders and the Delegate (a “**Delisting Notice**”) in accordance with Condition 18 (*Notices*) specifying:

- (i) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence;
- (ii) that, as determined in consultation with the *Shari’a* Adviser, the Certificates shall only be tradeable in accordance with the *Shari’a* principles of debt trading;
- (iii) that, on the Tangibility Event Delisting Date, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been listed and/or admitted to trading; and
- (iv) the Tangibility Event Put Right Period, during which period the holder of any Certificates shall have the option to require the redemption of all or any of its Certificates.

Upon receipt of the Delisting Notice, any Certificateholder may exercise its option within the Tangibility Event Put Right Period to require the redemption of all or any of its Certificates.

If any Certificateholder exercises its option to redeem its Certificates in accordance with this Condition 9(e) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*), the Trustee shall deliver to the Obligor a duly completed Exercise Notice in accordance with the provisions of the Purchase Undertaking and redeem such Certificates on the Tangibility Event Put Right Date at their Dissolution Distribution Amount. If all (and not some only) of the Certificates are to be redeemed on any Tangibility Event Put Right Date in accordance with this Condition 9(e) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*), upon payment in full of the Dissolution Distribution Amount to all Certificateholders, the Trustee shall be bound to dissolve the Trust.

To exercise such option, the holder must deposit the Registered Certificate representing such Certificate(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed exercise notice (a “**Tangibility Event Put Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Tangibility Event Put Right Period. No Registered Certificate so deposited and right exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

For the avoidance of doubt neither the Delegate nor any Agent will have any responsibility for monitoring or ensuring compliance with any such *Shari’a* principles of debt trading referred to in (ii) above nor shall it be liable to any Certificateholder or any other person in respect thereof.

- (f) **Dissolution at the Option of the Obligor (Clean Up Call Right):** If 75 per cent. or more of the aggregate face amount of Certificates then outstanding have been redeemed or purchased pursuant to the operation of this Condition 9, the Trustee shall, upon receipt of a duly completed Exercise Notice from the Obligor pursuant to the Sale and Substitution Undertaking, on giving not less than 30 days nor more than 60 days’ notice to the Delegate and the Certificateholders in accordance with Condition 18 (*Notices*) (such notice to be given within 30 days of the relevant redemption or purchase, as the case may be), redeem or purchase (or procure the purchase of) all but not some only of the remaining outstanding Certificates at their Dissolution Distribution Amount on the date specified in such notice (such notice shall be irrevocable and shall oblige the Trustee to redeem the Certificates on such date (the “**Clean Up Call Dissolution Date**”)).
- (g) **Dissolution following a Dissolution Event:** Upon the occurrence of a Dissolution Event, the Certificates may be redeemed at their Dissolution Distribution Amount. For the purposes thereof, the

Trustee may deliver to the Obligor a duly completed Exercise Notice in accordance with the Purchase Undertaking and, following the payment of all such amounts in full, the Trustee shall dissolve the Trust, in each case subject to and as more particularly described in Condition 13 (*Dissolution Events*).

- (h) **Purchases:** Each of the Obligor and/or any Subsidiary of the Obligor may at any time purchase Certificates at any price in the open market or otherwise. Any Certificates held by the Obligor or any of the Obligor's Subsidiaries shall not entitle the holder to exercise any voting rights and shall not be deemed to be outstanding for the purposes of calculating quorums, meetings or for passing Extraordinary Resolutions for the purposes of Condition 15(a) (*Meetings of Certificateholders*).
- (i) **Cancellation:** All Certificates purchased by or on behalf of the Obligor or any of the Obligor's Subsidiaries may be surrendered for cancellation by surrendering the Registered Certificate representing such Certificates to the Registrar and by the Obligor delivering to the Trustee a duly completed Cancellation Notice in accordance with the terms of the Trust Deed. Any Certificates so surrendered, together with all Certificates that are redeemed in accordance with this Condition 9 (*Redemption and Dissolution of the Trust*) and/or Condition 13 (*Dissolution Events*), shall be cancelled forthwith and may not be held, reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged. If all (and not some only) of the Certificates are cancelled in accordance with this Condition 9(i) (*Cancellation*), the Trustee shall be bound to dissolve the Trust.
- (j) **No other dissolution:** The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 9 (*Redemption and Dissolution of the Trust*) and Condition 13 (*Dissolution Events*). Upon payment in full of all amounts due in respect of the Certificates of any Series, the Trustee shall be bound to dissolve the Trust. Upon such dissolution, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable, and the Trustee shall have no further obligations, in respect thereof.

10 Payments

- (a) **Method of Payment:** Payments of the Dissolution Distribution Amount shall be made against presentation and (if no further payment falls to be made in respect of the Certificates represented thereby) surrender of the relevant Registered Certificate at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided below.

Payments of Periodic Distribution Amounts in respect of each Certificate shall be made to the person shown on the Register (or, in the case of a Certificate held by two or more persons, to the person whose name appears first in the Register) at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**").

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of each Certificate shall be made in the Specified Currency by transfer to an account in the Specified Currency maintained by the payee with a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System, as notified by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date.

If the amount being paid upon surrender of the relevant Registered Certificate is less than the Dissolution Distribution Amount of such Registered Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Trustee or a Certificateholder) issue a new Registered Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the Periodic Distribution Amount being paid is less than the amount then due, the Registrar will annotate the Register with the amount so paid.

- (b) **Payments subject to Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or, any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Certificateholders in respect of such payments.
- (c) **Appointment of Agents:** The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Trustee and the Obligor and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Trustee and the Obligor and do not assume any obligation or relationship of agency or trust for or with any Certificateholder. The Trustee reserves the right at any time with the prior written approval of the Delegate to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents, Transfer Agents or Calculation Agent(s), provided that the Trustee shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) one or more Calculation Agent(s) where these Conditions so require, (v) a Paying Agent having a specified office in at least one major European city and (vi) such other agents as may be required by any stock exchange on which the Certificates may be listed and/or admitted to trading, in each case as approved by the Delegate.

Notice of any such change or any change of any specified office shall promptly be given by the Trustee to the Certificateholders.

- (d) **Payment only on a Payment Business Day:** If any date for payment in respect of any Certificate is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day, nor to any profit or other sum in respect of such postponed payment. In this Condition 10(d), “**Payment Business Day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in such jurisdictions as shall be specified as Financial Centres in the applicable Pricing Supplement and:
- (i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, on which foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency; or
 - (ii) (in the case of a payment in euro) which is a TARGET Business Day; or
 - (iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

(e) **Renminbi Account**

All payments in respect of any Certificate in Renminbi will be made solely by credit to a registered Renminbi account maintained by or on behalf of the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong).

(f) **Renminbi Currency Event**

If the Specified Currency of the Certificate is Renminbi and a Renminbi Currency Event, as determined by the Trustee or (if applicable) the Obligor acting in good faith, exists on a date for payment of any

Dissolution Distribution Amount or Periodic Distribution Amount (in whole or in part) in respect of any Certificate, the Trustee's obligation to make a payment in Renminbi under the terms of the Certificates may be replaced by an obligation to pay such amount (in whole or in part) in the Relevant Currency and converted using the Spot Rate for the relevant Determination Date as promptly notified to the Trustee, the Obligor and the Paying Agents.

Upon the occurrence of a Renminbi Currency Event, the Trustee shall give notice as soon as practicable to the Certificateholders in accordance with Condition 18 (*Notices*) and to the Delegate stating the occurrence of the Renminbi Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

In such event, any payment of U.S. dollars will be made by transfer to a U.S. dollar-denominated account maintained by the payee with, or by a U.S. dollar-denominated cheque drawn on, a bank in New York City; and the definition of "**Payment Business Day**" shall mean any day which (subject to Condition 12 (*Prescription*)) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in: (A) in the case of Certificates in definitive form only, the relevant place of presentation; and (B) London and New York City.

For the purpose of this Condition 10 (*Payments*):

"**Determination Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong and in the principal financial centre of the country of the relevant Specified Currency;

"**Determination Date**" means the day which is two Determination Business Days before the due date of the relevant payment under the Certificates, other than where the Trustee or (if applicable) the Obligor properly determines that a Renminbi Currency Event has occurred at any time during the period from and including 10:01 a.m. (Hong Kong time) on the second Determination Business Day preceding the original due date to and including 11:59 p.m. (Hong Kong time) on the original due date, in which case the "**Determination Date**" will be the Determination Business Day immediately following the date on which the determination of the occurrence of a Renminbi Currency Event has been made;

"**Governmental Authority**" means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Relevant Currency**" means United States dollars;

"**Renminbi Currency Events**" means any one of Renminbi Illiquidity, Renminbi Non-Transferability and Renminbi Inconvertibility;

"**Renminbi Illiquidity**" means the general Renminbi exchange market in Hong Kong becomes illiquid as a result of which it is impossible for the Trustee to obtain sufficient Renminbi in order to satisfy its obligation to pay principal or profit (in whole or in part) in respect of the Certificates, as determined by the Trustee acting in good faith and in a commercially reasonable manner following consultation with two independent foreign exchange dealers of international repute active in the Renminbi exchange market in Hong Kong selected by the Trustee;

"**Renminbi Inconvertibility**" means the occurrence of any event that makes it impossible for the Trustee to convert any amount due in respect of the Certificates into Renminbi on any payment date in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the

failure of the Trustee to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Trustee, due to an event beyond its control, to comply with such law, rule or regulation);

“**Renminbi Non-Transferability**” means the occurrence of any event that makes it impossible for the Trustee to transfer Renminbi (a) between accounts inside Hong Kong, (b) from an account inside Hong Kong to an account outside Hong Kong (including where the Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended) or (c) from an account outside Hong Kong to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Trustee to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible for the Trustee, due to an event beyond its control, to comply with such law, rule or regulation); and

“**Spot Rate**” means the spot CNY/U.S.\$ exchange rate for the purchase of U.S. dollars with Renminbi in the over-the-counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11.00 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non-deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent shall determine the Spot Rate at or around 11:00 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by the State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuter Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 10 (*Payments*) by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Trustee, the Delegate, the Obligor, the Agents and all Certificateholders.

11 Taxation

All payments in respect of the Certificates shall be made free and clear of, and without withholding, retention or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges or withholdings of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction, unless such withholding, retention or deduction is required by law (“**Taxes**”). In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Certificateholders (after such withholding, retention or deduction) of such net amounts as would have been receivable by them had no such withholding, retention or deduction been required, except that no such additional amounts shall be payable in respect of any Certificate:

- (a) **Other connection:** held by or on behalf of, a holder who is liable to such taxes, levies, imposts, duties, fees, assessments or governmental charges in respect of such Certificate by reason of such holder having some connection with a Relevant Jurisdiction other than the mere holding of the Certificate; or
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Registered Certificate representing it is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting or

surrendering such Registered Certificate for payment on the thirtieth day assuming that day to have been a Payment Business Day (in accordance with Condition 10(d) (*Payment only on a Payment Business Day*)).

Notwithstanding any other provision contained herein, any amounts to be paid by the Trustee on the Certificates will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement) (a “**FATCA Withholding Tax**”), and neither the Trustee, nor the Obligor nor any other person will be required to pay additional amounts on account of any FATCA Withholding Tax.

As used in these Conditions:

“**Relevant Date**” means, in respect of any Certificate, the date on which payment in respect of it first becomes due or (if the full amount of the money payable has not been duly paid on or prior to such due date) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders in accordance with Condition 18 (*Notices*) that, upon further presentation of the Registered Certificate representing such Certificate being made in accordance with these Conditions, such payment in full will be made, provided that payment is in fact made upon such presentation; and

“**Relevant Jurisdiction**” means the Cayman Islands or Saudi Arabia or in each case any political subdivision or any authority or agency thereof or therein having power to tax.

References in these Conditions to “**Periodic Distribution Amounts**” and the “**Dissolution Distribution Amount**” shall be deemed to include any additional amounts that may be payable under this Condition 11 (*Taxation*) or any similar undertaking given in addition to or in substitution for it under the Trust Deed.

The Transaction Documents provide that payments thereunder by the Obligor shall be made without any withholding, retention or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other governmental charges of any nature, unless such withholding, retention or deduction is required by law and without set-off or counterclaim of any kind. If any such withholding, retention or deduction is required by law, the Transaction Documents provide for the payment by the Obligor of all additional amounts as will result in the receipt by the Trustee or the Delegate, as applicable, of such net amounts as would have been receivable by it if no such withholding, retention or deduction had been made.

*Further, in accordance with the terms of the Master Trust Deed, the Obligor has unconditionally and irrevocably undertaken to (irrespective of the payment of any fee), as a continuing obligation, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to this Condition 11 (*Taxation*), pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any such withholding, retention or deduction) equals any and all additional amounts, required to be paid by it in respect of the Certificates pursuant to this Condition 11 (*Taxation*).*

12 Prescription

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount), or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

13 Dissolution Events

- (a) **Dissolution Event:** If a Dissolution Event has occurred and is continuing:
- (i) the Delegate, upon receiving written notice thereof under the Trust Deed or otherwise becoming aware of a Dissolution Event, shall (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing or by Extraordinary Resolution if they wish the Certificates to be redeemed (in whole but not in part) and the Trust to be dissolved; and
 - (ii) the Delegate in its sole discretion may, and if so requested in writing by the holders of at least 20 per cent. of the then aggregate face amount of the Series of Certificates for the time being outstanding or if so directed by an Extraordinary Resolution shall, (subject, in each case, to being indemnified and/or secured and/or pre-funded to its satisfaction) give notice (a “**Dissolution Notice**”) to the Trustee, the Obligor and the Certificateholders that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this paragraph (ii) of Condition 13(a) (*Dissolution Event*) whether or not notice has been given to Certificateholders as provided in paragraph (i) of Condition 13(a) (*Dissolution Event*).

Upon receipt of such Dissolution Notice, the Trustee (or the Delegate in the name of the Trustee) shall deliver an Exercise Notice to the Obligor under the Purchase Undertaking. The Trustee (or the Delegate in the name of the Trustee) shall use the proceeds thereof and the aggregate amount of the Deferred Payment Price then outstanding to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant “**Dissolution Event Redemption Date**”) and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full. Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

- (b) **Enforcement and Exercise of Rights:** Upon the occurrence and continuation of a Dissolution Event, to the extent that any amount payable in respect of the Certificates of the relevant Series has not been paid in full (notwithstanding the provisions of Condition 13(a) (*Dissolution Event*)), the Trustee or the Delegate (subject in either case to it being indemnified and/or secured and/or pre-funded to its satisfaction) may (acting for the benefit of the Certificateholders), failing which the Certificateholders (subject to paragraph (b) of Condition 14 (*Realisation of Trust Assets*)) may, take one or more of the following steps:
- (i) enforce the provisions of the Transaction Documents against the Obligor; and/or
 - (ii) take such other actions or steps or institute such proceedings as the Trustee or the Delegate, or as the case may be, the Certificateholders, may consider necessary to recover amounts due to the Certificateholders.

14 Realisation of Trust Assets

- (a) Neither the Trustee nor the Delegate shall be bound in any circumstances to take any action or step or institute any proceedings to enforce or to realise the relevant Trust Assets or take any action or step or institute any proceedings against the Obligor or (in the case of the Delegate) against the Trustee under any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or

requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 20 per cent. of the aggregate face amount of the Series of Certificates for the time being outstanding and, in each case, only if it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

- (b) No Certificateholder shall be entitled to proceed directly against the Trustee or the Obligor unless the Delegate or the Trustee, as the case may be, having become bound so to proceed (i) fails to do so within a reasonable period or (ii) is unable for any reason (including by reason of an order of a court having competent jurisdiction) to do so, and in each case such failure or inability is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Obligor shall be to enforce the Trustee's and the Obligor's respective obligations under the Certificates and the Transaction Documents to which they are a party.
- (c) Paragraphs (a) and (b) of Condition 14 (*Realisation of Trust Assets*) are subject to this paragraph (c) of Condition 14 (*Realisation of Trust Assets*). After enforcing or realising the Trust Assets in respect of the Certificates of the relevant Series and distributing the net proceeds thereof in accordance with Condition 5(b) (*Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee or the Delegate to recover any further sums in respect of the Certificates and the right to receive from the Trustee any such sums remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

15 Meetings of Certificateholders, Modification and Waiver

- (a) **Meetings of Certificateholders:** The Trust Deed contains provisions for convening meetings (including by way of telephony or electronic platform or facility) of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification or abrogation of any of these Conditions or any provisions of the Trust Deed or any other Transaction Document. Such a meeting may be convened by the Trustee, the Obligor or the Delegate at any time, or by Certificateholders holding not less than 10 per cent. in aggregate face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more persons holding or representing in the aggregate more than 50 per cent. in face amount of the Certificates for the time being outstanding, or at any adjourned meeting one or more persons being or representing Certificateholders whatever the face amount of the Certificates held or represented, unless the business of such meeting includes consideration of proposals which would have the effect of *inter alia*: (i) modifying any date for payment in respect of the Certificates, (ii) reducing or cancelling or varying the method for calculating the face amount of, or any amount or premium payable or due in respect of, the Certificates, (iii) reducing the rate or rates of profit in respect of the Certificates or varying the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Profit Amount in respect of the Certificates (in each case, other than as provided for in these Conditions (including Condition 8(c) (*Benchmark Discontinuation*) and the applicable Pricing Supplement), (iv) if a Minimum Profit Rate and/or a Maximum Profit Rate is as specified in the applicable Pricing Supplement, reducing any such Minimum Profit Rate and/or Maximum Profit Rate, (v) varying the currency of payment or denomination of the Certificates, (vi) modifying the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (vii) modifying or cancelling the payment obligations of the Obligor (in any capacity) and/or the Trustee under the Transaction Documents and/or the Certificates (as the case may be), (viii) amending any of the Obligor's or the Trustee's covenants

included in the Transaction Documents, (ix) amending the priority of payments as described in Condition 5(b) (*Application of Proceeds from Trust Assets*), or (x) amending the above list, in which case the necessary quorum shall be one or more persons holding or representing in the aggregate not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Certificateholders (whether or not they were present and whether or not they voted at the meeting at which such resolution was passed). To be passed, an Extraordinary Resolution requires a majority in favour consisting of not less than 75 per cent. of the votes cast on a show of hands, or, if a poll is duly demanded, not less than 75 per cent on such poll.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in like form, each signed by or on behalf of one or more Certificateholders. Such a resolution in writing will be binding on all Certificateholders whether or not they participated in such resolution.

For so long as the Certificates are represented by a Global Certificate, an Extraordinary Resolution may also be passed by Certificateholders giving electronic consent, provided that consent to such resolution is given through the relevant clearing system(s) by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates. See "Summary of Provisions relating to the Certificates while in Global Form".

- (b) **Modification of the Trust Deed or any Transaction Document:** The Delegate may (but shall not be obliged to) (and, in the case of paragraph (ii) below, shall), without the consent or sanction of the Certificateholders, (i) agree to any modification of the Trust Deed (including these Conditions), any other Transaction Document or the Trustee's memorandum and articles of association that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error, (ii) (A) give its consent under the Transaction Documents and agree to any other modification of the Trust Deed (including these Conditions), any other Transaction Document or the Trustee's memorandum and articles of association, or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed or the Transaction Documents or (B) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in the case of paragraph (ii) that such modification, consent, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders and is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 20 per cent. of the aggregate face amount of the Certificates of that Series then outstanding and, in the case of modifications under paragraph (ii)(A) only, is other than in respect of a matter which requires a special quorum resolution (as defined in paragraph 7 of Schedule 3 of the Master Trust Deed). Any such modification, consent, waiver, authorisation or determination shall be binding on all Certificateholders and shall be notified by the Trustee to the Certificateholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

In addition, the Delegate shall be obliged to concur with the Trustee in effecting any Benchmark Amendments in the circumstances set out in Condition 8(c) (*Benchmark Discontinuation*) without the consent of the Certificateholders.

- (c) **Entitlement of the Delegate:** In connection with the exercise by it of any of its powers, trusts, authorities and discretions (including, without limitation, those referred to in this Condition 15), the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to any

interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof or taxing jurisdiction and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, the Delegate, the Obligor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except in the case of the Trustee and the Obligor, to the extent already provided for in Condition 11 (*Taxation*).

16 Delegate

- (a) **Delegation of Powers:** The Trustee will in the Trust Deed irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Trust Deed, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, exercise all of the powers, rights, authorities and discretions of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Trust Deed (together, the “**Delegation**” of the “**Relevant Powers**”), provided that: (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the relevant Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Trust Deed, the Delegate also has certain powers, rights, authorities and discretions which are vested solely in it from the date of the Master Trust Deed.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee’s continuing role and obligations as sole trustee.

- (b) **Indemnification:** The Trust Deed contains provisions for the indemnification of each of the Delegate and the Trustee in certain circumstances and for its relief from responsibility, including provisions relieving the Delegate from taking any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction.
- (c) **No Liability:** The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor or the Trustee under the Transaction Documents to which each of the Obligor and the Trustee is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been made by the Obligor or the Trustee but are not so made and shall not in any circumstances

have any liability arising from the relevant Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.

- (d) **Reliance on Certificates, Reports and/or Information:** The Delegate and the Trustee may consult with and/or rely and act on the opinion or advice of or a certificate, report or any information (whether or not addressed to the Delegate or the Trustee) obtained from any lawyer, valuer, banker, broker, accountant (including auditors), surveyor, auctioneer, tax adviser, rating agency, insolvency official or other expert appointed by the Trustee, the Obligor, the Delegate or an Agent or otherwise and shall not be responsible for any Liability occasioned by so acting or relying notwithstanding that such advice, opinion or information may contain a cap or other limitation (monetary or otherwise) on the liability of any party and notwithstanding that the scope and/or basis of such advice, opinion, certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate or the Trustee shall not in any case be required to call for further evidence or be responsible for any Liability or inconvenience that may be occasioned by its failure to do so.
- (e) **Proper performance of duties:** Nothing shall, in any case in which the Trustee or the Delegate has failed to show the degree of care and diligence required of it as trustee, in the case of the Trustee (having regard to the provisions of the Trust Deed conferring on it any trusts, powers, authorities or discretions) or as delegate, in the case of the Delegate (having regard to the powers, rights, authorities and discretions conferred on it by the Trust Deed), respectively exempt the Trustee or the Delegate from or indemnify either of them against any liability which by virtue of any rule of law would otherwise attach to either of them in respect of any gross negligence, wilful default or actual fraud of which either of them may be guilty in relation to their own duties under the Trust Deed.
- (f) **Notice of Events:** Neither the Delegate nor the Trustee shall be bound to take any steps to ascertain whether any Dissolution Event or Potential Dissolution Event has happened and, until it shall have received express written notice to the contrary, it will be entitled to assume that no such event has happened (without any liability to Certificateholders or any other person for so doing).
- (g) **Delegate Contracting with the Trustee and the Obligor:** The Trust Deed contains provisions pursuant to which the directors or officers of a corporation acting as the Delegate may acquire, hold or dispose of any Certificates or other security (or any interest therein) of the Trustee or any other person, may enter into or be interested in any contract or transaction with any such person and may act on, or as depository 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.

17 Replacement of Registered Certificates

If a Registered Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Trustee for the purpose and notice of whose designation is given to Certificateholders, in each case on payment by the claimant of the costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Trustee may reasonably require (provided that such requirement is reasonable in light of prevailing market practice). Mutilated or defaced Registered Certificates must be surrendered before replacements will be issued.

18 Notices

Notices required to be given to the holders of Certificates shall be mailed to them by registered mail (airmail if overseas) at their respective addresses in the Register.

The Trustee shall also ensure that notices required to be given to the holders of the Certificates are duly given in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Certificates are for the time being listed and/or admitted to trading including publication on the website of the relevant authority, relevant stock exchange and/or relevant quotation system if required by those rules or regulations. If any such publication is not practicable, notice required to be given pursuant to these Conditions shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any notices shall be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing (or on the date of publication, or, if so published more than once or on different dates, on the date of the first publication).

So long as the Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, or any other clearing system, notices to the holders of the Certificates of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing as required by Condition 18 (Notices). Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

19 Further Issues

In respect of any Series, the Trustee may from time to time without the consent of the Certificateholders create and issue further Certificates having the same terms and conditions as the outstanding Certificates of such Series or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue and so that such further issue shall be consolidated and form a single Series with the outstanding Certificates of such Series. Any further Certificates which are to form a single Series with the outstanding Certificates previously constituted by the Trust Deed shall be constituted by a deed supplemental to the Trust Deed. References in these Conditions to the Certificates include (unless the context requires otherwise) any other certificates issued pursuant to this Condition and forming a single Series with the Certificates.

20 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Certificates under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

21 Governing Law and Dispute Resolution

- (a) **Governing Law:** The Trust Deed (including these Conditions), the Agency Agreement and the Certificates and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Arbitration:** The Delegate, the Trustee and the Obligor have in the Trust Deed agreed that (subject as provided therein) any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Trust Deed (which includes the Certificates, these Conditions and this Condition 21(b) (*Arbitration*)) (including any dispute claim, difference or controversy as to the existence, validity,

interpretation, performance, breach or termination of the Trust Deed or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with it (a “**Dispute**”) shall be 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.

- (c) **Consolidation:** The Delegate, the Trustee and the Obligor have in the Trust Deed:
- (i) 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;
 - (ii) 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(c)(ii) may be consolidated. For the avoidance of doubt, this Condition 21(c)(ii) 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 Trust Deed 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(c)(ii), 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
 - (iii) 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 Clause 21(c), to the validity and/or enforcement of any arbitral award.

In this Condition 21(c), Relevant Agreement means each Transaction Document other than the Trust Deed.

- (d) **Waiver of Immunity:** Under each of the Transaction Documents, the Obligor has explicitly acknowledged that its execution of such documents constitutes, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial acts done and performed for private and commercial purposes (rather than an act in its or any other sovereign capacity) and has irrevocably and unconditionally waived with respect to any proceedings arising under these Conditions or any of such documents any sovereign or other immunity that it or its property, assets or revenues may have including (without limitation) from jurisdiction, suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process or defence and has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any of its property, assets or revenues

whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any proceedings or Disputes.

(e) **Waiver of Interest:**

- (i) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Trust Deed that no interest will be payable or receivable under or in connection with the Trust Deed and if it is determined that any interest is payable or receivable in connection with the Trust Deed by any of the Trustee, the Delegate or the Obligor, whether as a result of any arbitral or judicial award or by operation of any applicable law or otherwise, each such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall hold such amount in a suspense account and, in the case of the Obligor, 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.
 - (ii) For the avoidance of doubt, nothing in Condition 21(e) (*Waiver of Interest*) shall be construed as a waiver of rights in respect of Wakala Portfolio Revenues, Required Amounts, Periodic Distribution Amounts, Dissolution Distribution Amounts, Exercise Price, Certificateholder Put Right Exercise Price, Tangibility Event Put Right Exercise Price, Optional Dissolution Exercise Price, Deferred Payment Price, Murabaha Instalment Profit Amounts, Murabaha Profit Amounts or profit or principal of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.
- (f) **Service of Process:** Each of the Trustee and the Obligor has in the Trust Deed irrevocably appointed Walkers at its registered office at 99 Bishopsgate, London EC2M 3XD to receive for it and on its behalf, service of process in any proceedings in England.

SUMMARY OF PROVISIONS RELATING TO THE CERTIFICATES WHILE IN GLOBAL FORM

1 Initial Issue of Certificates

Each Tranche of Certificates will initially be represented by a Global Certificate in registered form. Global Certificates will be delivered on or prior to the issue date of the Tranche to a common depositary for Euroclear and Clearstream, Luxembourg (the “**Common Depositary**”).

Upon registration of the Certificates in the name of any nominee for, and deposit of the Global Certificate with, a Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a face amount of Certificates equal to the face amount thereof for which it has subscribed and paid.

Certificates that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Certificates that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2 Relationship of Accountholders with Clearing Systems

For so long as any of the Certificates is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Certificates (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes) shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificates for all purposes other than with respect to any payment on such face amount of such Certificates, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificates in accordance with and subject to the terms of the relevant Global Certificate and the expressions “**Certificateholder**” and “**holder**” and related expressions shall be construed accordingly.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) as the holder of a Certificate represented by a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Trustee to the registered holder of the underlying Certificates, and in relation to all other rights arising under the Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Trustee in respect of payments due on the Certificates for so long as the Certificates are represented by such Global Certificate and such obligations of the Trustee will be discharged by payment to the registered holder of the underlying Certificates, as the case may be, in respect of each amount so paid.

3 Exchange for Definitives

Interests in a Global Certificate will be exchangeable in whole but not in part (free of charge) for definitive Certificates of a particular Series only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to the Certificateholders in accordance with Condition 18 (*Notices*) upon the occurrence of an Exchange Event. For these purposes, an “**Exchange Event**” will occur (i) if the Delegate has given notice in accordance with Condition 18 (*Notices*) that a Dissolution Event has occurred and is continuing or (ii) if the

Trustee has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor or alternative clearing system satisfactory to the Trustee is available or (iii) with the consent of the Trustee. In the event of an occurrence of an Exchange Event, any of the Trustee or Euroclear and/or Clearstream, Luxembourg, as the case may be, acting on the instructions of any holder of an interest in such Global Certificate may give notice to the Registrar requesting exchange. Any exchange shall occur no later than 15 days after the date of receipt of the first relevant notice by the Registrar.

4 Amendment to Conditions

The Global Certificates contain provisions that apply to the Certificates that they represent, some of which modify the effect of the terms and conditions of the Certificates set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

All payments in respect of Certificates represented by a Global Certificate will be made (against surrender of that Global Certificate if no further payment falls to be made in respect of the Certificates) to, or to the order of, the person whose name is entered on the Register at the close of business on the record date, being the Clearing System Business Day immediately prior to the date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive, except 25 December and 1 January.

4.2 Meetings

For the purposes of any meeting of Certificateholders, the holder or any proxy or representative appointed by it will be treated as one person for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Certificateholders and, in any such meeting as having one vote in respect of each integral currency unit of the Specified Currency of the Certificates.

4.3 Delegate’s Powers

In considering the interests of Certificateholders while the Global Certificate is held on behalf of, or registered in the name of any nominee for, a clearing system, the Delegate may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests, and treat such accountholders, as if such accountholders were the holders of the Certificates represented by the Global Certificate.

4.4 Optional Dissolution Right

If any early dissolution right of the Bank is exercised in respect of some but not all of the Certificates of any Series, the rights of accountholders with a clearing system in respect of the Certificates will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

4.5 Certificateholder Put Right and Tangibility Event Put Right

Any early dissolution right of the Certificateholders provided for in Condition 9(d) (*Dissolution at the Option of Certificateholders (Certificateholder Put Right)*) or Condition 9(e) (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*) of any Certificates while such Certificates are represented by a Global Certificate may be exercised by the holder of the Certificate(s) in accordance

with the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

4.6 Cancellation

Cancellation of any Certificate represented by a Global Certificate that is surrendered for cancellation (other than upon its redemption in full) will be effected by reduction in the aggregate face amount of the relevant Series of Certificates in the Register.

4.7 Notices

Notices required to be given in respect of the Certificates represented by a Global Certificate may be given by their being delivered (so long as this Global Certificate is held on behalf of Euroclear and Clearstream, Luxembourg or any other clearing system) to Euroclear, Clearstream, Luxembourg or such other clearing system, as the case may be, rather than by mailing as required by the Conditions, provided that such notices must also be given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange, quotation system or other relevant authority on which the Certificates are for the time being listed or admitted to trading or quotation. Any such notice shall be deemed to have been given to the holders of the Certificates on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system.

5 Electronic Consent

While any Global Certificate is held on behalf of, and registered in the name of any nominee for a Common Depository for, a clearing system, approval of a resolution proposed by the Trustee, the Obligor or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates for the time being outstanding (an “**Electronic Consent**”) shall, for all purposes (including matters that would otherwise require a special quorum resolution (as defined in paragraph 2.11 of Schedule 3 to the Master Trust Deed)), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent.

FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH REGULATION (EU) 2017/1129 (THE “PROSPECTUS REGULATION”) FOR THE ISSUE OF THE CERTIFICATES DESCRIBED BELOW AND THE FINANCIAL CONDUCT AUTHORITY HAS NEITHER APPROVED NOR REVIEWED INFORMATION CONTAINED HEREIN.

[MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)

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

Any person making or intending to make an offer of the Certificates may only do so in circumstances in which no obligation arises for the Trustee, the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the

¹ Notice to be included if classification of the Certificates is not “prescribed capital markets products” and not “Excluded Investment Products”.

Prospectus Regulation or to supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer.

[Date]

Alinma Sukuk Limited

Legal Entity Identifier (LEI): 549300UOBOJVACQKT03

**Issue of [Aggregate Face Amount of Tranche] [Title of Certificates] [to be consolidated and form a single series with the existing] [Aggregate Face Amount of Tranche] [Title of Certificates] issued on [●] (the “Original Certificates”)]²
under the U.S.\$500,000,000 Trust Certificate Issuance Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates set forth in the Offering Circular dated 15 December 2022 [and the supplement[s] to it dated [●] [and [●]] (the “**Offering Circular**”). This document constitutes the Pricing Supplement of the Certificates described herein and must be read in conjunction with the Offering Circular in order to obtain all the relevant information. [The Offering Circular is available for viewing at the registered office of the Trustee at c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands and copies may be obtained from the specified office of the Principal Paying Agent, in each case during usual business hours.

The following alternative language applies if the first tranche of an issue which is being increased was issued under an offering circular with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Certificates (the “**Conditions**”) set forth in the Offering Circular dated [original date] [and the supplement[s] to it dated [●] [and [●]] which are incorporated by reference in the Offering Circular dated [●] (the “**Offering Circular**”). This document constitutes the Pricing Supplement of the Certificates described herein and must be read in conjunction with the Offering Circular dated [current date] [and the supplement(s) to it dated [●]], in order to obtain all the relevant information, save in respect of the Conditions which are extracted from the Offering Circular dated [original date] [and the supplement(s) to it dated [●]]. The Offering Circular is available for viewing at the registered office of the Trustee at c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands and copies may be obtained from the specified office of the Principal Paying Agent, in each case during usual business hours.

- | | | |
|---|---|--|
| 1 | (a) Trustee: | Alinma Sukuk Limited |
| | (b) Obligor: | Alinma Bank |
| 2 | Series Number: | [●] |
| | (a) Tranche Number: | [●] |
| | (b) Date on which the Certificates will be consolidated and form a single Series: | [The Certificates will be consolidated and form a single Series with [identify earlier Tranche(s)] on [insert date/the Issue Date]] [Not Applicable] |
| 3 | Specified Currency: | [●] |

² Include only for an issue of further Certificates in accordance with Condition 19.

- 4 Aggregate Face Amount: [●]
 (i) Series: [●]
 (ii) Tranche: [●]
- 5 Issue Price: [●] per cent. of the Aggregate Face Amount [plus
Specified Currency] [●] in respect of [●] days of
 Periodic Distribution Amounts from (and including) [*the
 issue date of the Original Certificates*] to (but excluding)
 the Issue Date]³
- 6 (a) Specified Denominations: [●]
 (b) Calculation Amount: [●]
- 7 (a) Issue Date: [●]
 (b) Profit Commencement Date: [[●]/Issue Date]
- 8 Scheduled Dissolution Date: [●]
- 9 Profit Basis: [Fixed Rate Certificates/Floating Rate Certificates]
 (further particulars specified at paragraph [15][16]
 below)
- 10 Dissolution Basis: Dissolution at par
- 11 Change of Profit Basis: [[Specify the date when any fixed to floating rate change
 occurs or cross refer to paragraphs 15 and 16 below and
 identify there]/Not Applicable]
- 12 Put/Call Rights: [Not Applicable]
 [Optional Dissolution Right]
 [Certificateholder Put Right]
 [(see paragraph [18/19] below)]
- 13 Status: Unsubordinated
- 14 Date of Trustee's board approval and date
 of Obligor's board approval for issuance of
 Certificates: [●] and [●], respectively

Provisions relating to profit payable

- 15 Fixed Periodic Distribution Provisions: [Applicable]/[Not Applicable]
- (a) Profit Rate(s): [●] per cent. per annum payable [annually/semi-
 annually/quarterly/monthly/[●]] in arrear on each
 Periodic Distribution Date
- (b) Periodic Distribution Date(s): [[●] in each year up to and including the Scheduled
 Dissolution Date, commencing on [●]/[●]]
- (c) Fixed Amount(s): [●] per Calculation Amount
- (d) Broken Amount(s): [[●] per Calculation Amount, payable on the Periodic
 Distribution Date falling [in/on] [●]/Not Applicable]
- (e) Day Count Fraction: [Actual/Actual]

³ Include only for an issue of further Certificates in accordance with Condition 19.

| | |
|---|---|
| | [Actual/Actual – ISDA] |
| | [Actual/365 (Fixed)] |
| | [Actual/365 (Sterling)] |
| | [Actual/360] |
| | [30/360] |
| | [360/360] |
| | [Bond Basis] |
| | [30E/360] |
| | [Eurobond Basis] |
| | [30E/360 (ISDA)] |
| | [Actual/Actual – ICMA] |
| (f) Determination Date(s): | [[●] in each year/Not Applicable] |
| 16 Floating Periodic Distribution Provisions: | [Applicable]/[Not Applicable] |
| (a) Periodic Distribution Period(s): | [●] ⁴ [The end date of each Periodic Distribution Period shall be subject to adjustment in accordance with the Business Day Convention specified in paragraph [16(e)] below/ Not subject to any adjustment] |
| (b) Specified Periodic Distribution Dates: | [●] in each year, commencing on [●][, subject to adjustment in accordance with the Business Day Convention set out in (f) below/, not subject to adjustment, as the Business Day Convention in (d) below is specified to be Not Applicable] |
| (c) First Periodic Distribution Date | [●][, subject to adjustment in accordance with the Business Day Convention specified in (d) below/, not subject to any adjustment] |
| (d) Profit Period Date: | [Not Applicable/[●] ⁵] |
| (e) Business Day Convention: | [Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable] |
| (f) Business Centre(s): | [●] [Not Applicable] |
| (g) Manner in which the Profit Rate and the Periodic Distribution Amount are to be determined: | [Screen Rate Determination/ISDA Determination] |
| (h) Party responsible for calculating the Profit Rate and the Periodic Distribution Amount (if not the Principal Paying Agent): | [●] (the “ Calculation Agent ”) |

⁴ Periodic Distribution Periods should be specified explicitly where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded Daily SOFR: SOFR Payment Delay.

⁵ Profit Period Dates should be specified explicitly where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded Daily SOFR: SOFR Payment Delay.

- (i) Screen Rate Determination not referencing SOFR or SONIA: [Applicable]/[Not Applicable]
- (i) Reference Rate: [●] month
[EURIBOR/HIBOR/
KLIBOR/TRLIBOR or TRYLIBOR/SIBOR/EIBOR/
TIBOR/SAIBOR/BBSW/BKBM]
- (ii) Profit Rate Determination Date(s): [●]
- (iii) Relevant Screen Page: [●]
- (iv) Relevant Time: [●]
- (v) Relevant Financial Centre: [●]
- (j) Screen Rate Determination Referencing SOFR [Applicable]/[Not Applicable]
- (i) Profit Rate Determination Date(s): [[●] U.S. Government Securities Business Days prior to each Periodic Distribution Period Date]⁶[The Periodic Distribution Period Date at the end of each Periodic Distribution Period; except in respect of the final Periodic Distribution Period, for which the Profit Rate Determination Date will be the SOFR Rate Cut-off Date]⁷
- (ii) SOFR Benchmark [Not Applicable/Simple SOFR Average/Compounded Daily SOFR/Compounded SOFR Index]⁸
- (iii) Compounded Daily SOFR: [Not Applicable/SOFR Lag/SOFR Observation Shift/SOFR Payment Delay/SOFR Lockout]⁹
- (iv) Lookback Days: [Not Applicable/[●] U.S. Government Securities Business Day(s)]¹⁰
- (v) SOFR Observation Shift Days: [Not Applicable/[●] U.S. Government Securities Business Day(s)]¹¹
- (vi) Periodic Distribution Delay Days [Not Applicable/[●] U.S. Government Securities Business Day(s)]¹²
- (vii) SOFR Rate Cut-Off Date: [Not Applicable/The day that is the [●] U.S. Government Securities Business Day(s) prior to the end of each Periodic Distribution Period]¹³

⁶ To be included where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is Compounded Daily SOFR: SOFR Observation Shift, SOFR Lockout or SOFR Lag.

⁷ Only applicable where the Reference Rate is SOFR Benchmark and the SOFR Benchmark is the Compounded Daily SOFR: SOFR Payment Delay.

⁸ Only applicable where the Reference Rate is SOFR Benchmark.

⁹ Only applicable in the case of Compounded Daily SOFR.

¹⁰ Only applicable in the case of SOFR Lag.

¹¹ Only applicable in the case of SOFR Observation Shift or Compounded SOFR Index.

¹² Only applicable in the case of SOFR Payment Delay.

¹³ Only applicable in the case of Simple SOFR Average, Compounded Daily SOFR: SOFR Payment Delay or Compounded Daily SOFR: SOFR Lockout. This shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days.

| | |
|--|--|
| (viii) SOFR Index _{Start} Days: | [Not Applicable/[●] U.S. Government Securities Business Day(s)] ¹⁴ |
| (ix) SOFR Index _{End} Days: | [Not Applicable/[●] U.S. Government Securities Business Day(s)] ¹⁵ |
| (x) D: | [365/360/[●]] ¹⁶ |
| (xi) Fallback Provisions: | [Condition 8(c)(i) (Reference Rate other than SOFR)] ¹⁷ [Condition 8(c)(ii) (Benchmark Discontinuation (SOFR))] |
| (k) Screen Rate Determination Referencing SONIA: | [Applicable]/[Not Applicable] |
| (i) Reference Rate: | [SONIA Compounded Index Rate / SONIA Compounded Daily Reference Rate [with Observation Shift] / [with Lag] where “p” is: <i>[specify number]</i> London Business Days [<i>being no less than 5 London Business Days</i>]] |
| (ii) Profit Rate Determination Date(s): | The date which is [“p”] London Business Days prior to each Periodic Distribution Date ¹⁸ |
| (iii) Relevant Screen Page: | [[Bloomberg Screen Page : SONCINDX] ¹⁹ / <i>see pages of authorised distributors for SONIA Compounded Index Rate</i>] or [Bloomberg Screen Page : SONIO/N Index] ²⁰ / <i>SONIA Compounded Daily Reference Rate as applicable</i>][●] |
| (iv) Relevant Fallback Screen Page: | [[Bloomberg Screen Page : SONIO/N Index] / <i>see pages of authorised distributors for SONIA Compounded Daily Reference Rate as applicable</i>][●]] ²¹ |
| (l) ISDA Determination: | [Applicable]/[Not Applicable] |
| (i) ISDA Definitions | [2006 ISDA Definitions]/[2021 ISDA Definitions] |
| (ii) Floating Rate Option: | [●]/[●][[●]/EUR-EURIBOR-Reuters (<i>if 2006 ISDA Definitions apply</i>)/EUR-EURIBOR (<i>if 2021 ISDA Definitions apply</i>)/EUR-EuroSTR/EUR-EuroSTR Compounded Index/GBP-SONIA/GBP-SONIA Compounded Index/USD-SOFR/USD-SOFR Compounded Index] |
| (iii) Designated Maturity: | [●]/Not Applicable] |

¹⁴ Only applicable in the case of Compounded SOFR Index. This shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days.

¹⁵ Only applicable in the case of Compounded SOFR Index. This shall (unless otherwise agreed by the Calculation Agent) be no less than five U.S. Government Securities Business Days.

¹⁶ “D” will normally be 360.

¹⁷ To be included in all cases except where the parties have agreed, in respect of an issuance where the Reference Rate is SOFR Benchmark, to the inclusion of the Benchmark Discontinuation (SOFR) fallback provisions instead.

¹⁸ The Profit Rate Determination Date should match the last day of the Observation Period.

¹⁹ Where SONIA Compounded Index Rate applies.

²⁰ Where SONIA Compounded Daily Reference Rate applies.

²¹ Only applicable in the case of SONIA Compounded Index Rate.

(A Designated Maturity period is not relevant where the relevant Floating Rate Option is a risk-free rate)

- (iv) Reset Date: [●]
- (v) Compounding: [Applicable/Not Applicable]
(If not applicable, delete the remaining items of this subparagraph)
- (vi) [- Compounding Method: [Compounding with Lookback
Lookback: [●] Applicable Business Days
[Compounding with Observation Period Shift
Observation Period Shift: [●] Observation Period Shift Business Days
Observation Period Shift Additional Business Days: [●]/[Not Applicable]]
[Compounding with Lockout
Lockout: [●] Lockout Period Business Days
Lockout Period Business Days: [●]/[Applicable Business Days]]
- (vii) Index Provisions: [Applicable/Not Applicable]
(if not applicable, delete the remaining items of this subparagraph)
- (viii)[Index Method: Compounded Index Method with Observation Period Shift
Observation Period Shift: [●] Observation Period Shift Business Days
Observation Period Shift Additional Business Days: [●]/[Not Applicable]]
- (ix) ISDA Definitions: [2006 ISDA Definitions]/[2021 ISDA Definitions]
- (m) Margin(s): [+/-][●] per cent. per annum
- (n) Linear Interpolation: [Not Applicable/Applicable – the Profit Rate for the [long/short] [first/last] Periodic Distribution Period shall be calculated using Linear Interpolation (*specify for each short or long periodic distribution period*)]
- (o) Maximum Profit Rate: [●] per cent. per annum
- (p) Minimum Profit Rate: [●] per cent. per annum
- (q) Day Count Fraction: [Actual/Actual]
[Actual/Actual – ISDA]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]

[Actual/360]
 [30/360]
 [360/360]
 [Bond Basis]
 [30E/360]
 [Eurobond Basis]
 [30E/360 (ISDA)]
 [Actual/Actual – ICMA]

Provisions relating to dissolution

- 17 Notice periods for Condition 9(b): Minimum period: [30] / [●] days
 Maximum period: [60] / [●] days
- 18 Optional Dissolution Right²²: [Applicable]/[Not Applicable]
- (a) Dissolution Distribution Amount: [As per Condition 1]/[[●] per Calculation Amount]
- (b) Optional Dissolution Date(s): [●]
- (c) Notice period: Minimum period: [30] / [●] days
 Maximum period: [60] / [●] days
(N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and the Agent)
- (d) Dissolution in part: [Applicable]/[Not Applicable]
- (e) If dissolution in part:
- (i) Minimum Optional Dissolution Amount: [Not Applicable]/[●]
- (ii) Maximum Optional Dissolution Amount: [Not Applicable]/[●]
- 19 Certificateholder Put Right: [Applicable]/[Not Applicable]
- (a) Dissolution Distribution Amount: [As per Condition 1]/[[●] per Calculation Amount]
- (b) Certificateholder Put Right Date(s): [●]

²² “Optional Dissolution Right” and “Certificateholder Put Right” may not both be specified as “Applicable” in the same Pricing Supplement.

(c) Notice period: Minimum period: [30] / [●] days
 Maximum period: [60] / [●] days
(N.B. When setting notice periods, the Trustee is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Trustee and the Agent)

20 Dissolution Distribution Amount following redemption on the Scheduled Dissolution Date, on any Early Tax Dissolution Date, on any Tangibility Event Put Right Date or following the occurrence of a Dissolution Event: [As per Condition 1]/[[●] per Calculation Amount]

General provisions applicable to the Certificates

21 Form of Certificates: Registered Certificates: Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate Reg S Compliance Category 2; TEFRA not applicable

22 Financial Centre(s) relating to payment (Condition 10(d)): [Not Applicable]/[●]

Provisions in respect of the Trust Assets

23 Series:

(a) Tangible Asset Percentage: [●] per cent.

(b) Intangible Asset Percentage: [Not Applicable]/[[●] per cent.]

24 Trust Assets: Condition 5(a) applies

25 (a) Details of Transaction Account: Alinma Sukuk Limited Transaction Account No: [●] with [●] for Series No.: [●]

(b) Supplemental Trust Deed: Supplemental Trust Deed dated [●] between the Trustee, the Obligor and the Delegate

(c) Supplemental Purchase Agreement: Supplemental Purchase Agreement dated [●] between the Trustee and the Obligor

(d) Declaration of Commingling of Assets:²³ [Declaration of Commingling of Assets dated [●] executed by the Trustee][Not Applicable]

(e) [Notice of Request to Purchase and Offer Notice]: [Notice of Request to Purchase dated [●] from the Obligor to the Trustee and Offer Notice dated [●] from the Trustee to the Obligor]/[Not Applicable]

²³ Include only for an issue of further Certificates in accordance with Condition 19.

Signed on behalf of
Alinma Sukuk Limited

By:
Duly authorised

Signed on behalf of
Alinma Bank

By:
Duly authorised

PART B – OTHER INFORMATION

1 Admission to Trading

- (a) Admission to trading: [Application [has been][is expected to be] made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on [the London Stock Exchange’s International Securities Market] / [●] with effect from [●]] / [Not applicable]
- (b) Estimate of total expenses related to admission to trading: [●]

2 Ratings

- Ratings: [The Certificates to be issued [are not rated] [have been/are expected to be] rated:
- [Fitch: [●]]
- [[●]: [●]]
- [[●]: [●]]
- [Each of [●] and][●] is established in the European Economic Area and registered under Regulation (EC) No 1060/2009, as amended (the “**EU CRA Regulation**”)]
- [Each of [●] and][●] is not established in the European Economic Area and has not applied for registration under Regulation (EC) No. 1060/2009 (the “**EU CRA Regulation**”). The ratings [have been][are expected to be] endorsed by [●] in accordance with the EU CRA Regulation. [●] is established in the European Economic Area and registered under the EU CRA Regulation.]
- [Each of [●] and][●] is not established in the European Economic Area and has not applied for registration under Regulation (EC) No. 1060/2009 (the “**EU CRA Regulation**”), but it is certified in accordance with the EU CRA Regulation.]
- [Each of [●] and][●] is established in the UK and is registered under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the “**UK CRA Regulation**”).] [The ratings [have been][are expected to be] endorsed by [●] in accordance with the EU CRA Regulation. [●] is established in the European Economic Area and is registered under the EU CRA Regulation.]
- [Each of [●] and][●] is not established in the UK and has applied for registration under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the “**UK CRA Regulation**”), although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[Each of [●] and [●] is not established in the UK and has not applied for registration under Regulation (EC) No. 1060/2009 as it forms part of domestic law in the UK by virtue of the EUWA (the “UK CRA Regulation”) but is certified in accordance with the UK CRA Regulation.

3 **Relevant Benchmark**

Relevant Benchmark

[[EURIBOR]/[specify benchmark] is provided by [administrator legal name]]. As at the date hereof, [[administrator legal name][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (Register of administrators and benchmarks) of Regulation (EU) 2016/1011(the “EU Benchmark Regulation”).]/[As far as the Trustee is aware, as at the date hereof, [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011 (the “EU Benchmark Regulation”).]/[Not Applicable]

[[[EURIBOR]/[specify benchmark] is provided by [administrator legal name]]. [As at the date hereof, [[administrator legal name][appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by the Financial Conduct Authority pursuant to Article 36 of Regulation (EU) 2016/1011 as it forms part of domestic law in the UK by virtue of the EUWA (the “UK Benchmarks Regulation”).]/[As far as the Trustee is aware, as at the date hereof, [specify benchmark] does not fall within the scope of Regulation (EU) 2016/1011 as it forms part of domestic law in the UK by virtue of the EUWA (the “UK Benchmarks Regulation”)/the transitional provisions in Article 51 of the UK Benchmarks Regulation apply such that [administrator legal name] [is/are] not currently required to obtain authorisation or registration (or, if located outside the UK, recognition, endorsement or equivalence)].]

4 **Interests of Natural and Legal Persons involved in the Issue**

[Save for any fees payable to the [Managers/Dealer], so far as each of the Trustee and the Obligor is aware, no person involved in the issue of the Certificates has an interest material to the offer.]

[The [Managers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Trustee or the Obligor and their affiliates in the ordinary course of business/[●]].

5 **Indication of profit or return**
(Fixed Rate Certificates only):

[●] per cent. per annum

The indication of profit or return is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.

6 **Operational Information**

- (a) ISIN Code: [●]/[Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary ISIN [●]. After that, the Certificates will have the same ISIN as the Original Certificates, which is [●].
- (b) Common Code: [●]/Until the Certificates are consolidated, become fungible with and form a single series with the Original Certificates, the Certificates will have the temporary Common Code [●]. After that, the Certificates will have the same Common Code as the Original Certificates, which is [●].
- (c) FISN: [●]
- (d) CFI: [●]
- (e) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, S.A. and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]
- (f) Names and addresses of additional Paying Agent(s) (if any): [●]
- (g) Delivery: Delivery [against / free of] payment
- (h) Name and address of the Registrar(s): [●]

7 **Distribution**

- (a) Method of distribution: [Syndicated] / [Non-syndicated]
- (b) If syndicated, names of Managers: [●] / [Not Applicable]
- (c) Stabilisation Manager(s): [●] / [Not Applicable]
- (d) If non-syndicated, name of Dealer: [●] / [Not Applicable]

8 **Third Party Information**

[[●] has been extracted from [●]. The Trustee and the Bank confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.] / [Not Applicable].

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Certificates will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents: (a) towards the purchase from the Bank of all of its rights, title, interests, benefits and entitlements in, to and under the relevant Initial Assets or the relevant Additional Assets, as the case may be, pursuant to the relevant Purchase Agreement; and (b) if applicable, towards the purchase of Commodities to be sold to the Bank pursuant to the Master Murabaha Agreement.

DESCRIPTION OF THE TRUSTEE

Registered office

The registered office of the Trustee is at c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands with telephone number +1 345 814 7600.

Date of incorporation and legal form

The Trustee is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Act (as amended) of the Cayman Islands on 7 October 2022 (with registration number 394561).

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 shares of a nominal or par value of U.S.\$1.00 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 (the “**Share Trustee**”) under the terms of a 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 the power to benefit Charity (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any of the Certificates is 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.

Purpose and business activity

The principal objects of the Trustee are unrestricted and, as set out in its Memorandum of Association, the Trustee has full power and authority to carry out any object not prohibited by law.

The Trustee is organised as a special purpose entity and consequently does not have any employees or own any physical assets.

The Trustee has been established to raise capital for the Bank by the issue of debt instruments.

The Trustee does not engage in, and has not, since its incorporation, engaged in, any activities other than those incidental to: (i) its registration as an exempted company; (ii) the authorisation of the offering and issue of debt instruments to which it is or will be a party; (iii) the ownership of such interests and other assets referred to herein; (iv) the other matters contemplated in this Offering Circular or any other base prospectus related to the offering and issue of debt instruments to which it is or will be a party; (v) the authorisation and execution of the other documents referred to in this Offering Circular or any other document related to the offering and issue of debt instruments, to which it is or will be a party; and (vi) other matters which are incidental or ancillary to those activities.

The Trustee’s ongoing activities will principally comprise: (i) the issue of the Certificates under the Programme; (ii) the entering into of any documents related to the Programme and the issue of the Certificates under the Programme; and (iii) the exercise of related rights and powers and other activities referred to in this Offering Circular or reasonably incidental to those activities.

The Trustee will not have any substantial liabilities other than in connection with the Certificates issued under this Programme. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

Management

The directors of the Trustee and their respective business addresses and principal activities are as follows:

| Name | Occupation |
|---------------|--|
| Aaron Bennett | Senior Vice President, Walkers Fiduciary Limited |
| Gennie Bigord | Senior Vice President, Walkers Fiduciary Limited |

The business address of Aaron Bennett 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.

There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Trustee.

The Corporate Administrator

Walkers Fiduciary Limited also acts as the corporate administrator of the Trustee (in such capacity, the “**Corporate Administrator**”). The office of the Corporate 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 Corporate Administrator (the “**Corporate Services Agreement**”), the Corporate Administrator has agreed to perform in the Cayman Islands 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. In consideration of the foregoing, the Corporate 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 provides that either the Trustee or the Corporate Administrator may terminate such agreement 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 Agreement 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 Corporate Administrator will be subject to the overview of the Trustee's Board of Directors. The Corporate 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 Corporate Administrator or an affiliate thereof.

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

Independent auditors

The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors. Since the date of its incorporation, no financial statements of the Trustee have been prepared.

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 2021 Financial Statements and the 2020 Financial Statements and the notes thereto as incorporated by reference herein. For a discussion of the Group's financial position as at 30 September 2022 and its results of operations for the nine-month periods ended 30 September 2022 and 30 September 2021, see "Recent Developments".

The table below provides the Group's consolidated statement of financial position data as at 31 December 2021, 31 December 2020 and 31 December 2019.

| | As at 31 December | | |
|---|--------------------|--------------------|--------------------|
| | 2021 | 2020 | 2019 |
| | | (SAR '000) | |
| ASSETS | | | |
| Cash and balances with Saudi Central Bank (SAMA)..... | 9,177,296 | 12,207,742 | 8,039,748 |
| Due from banks and other financial institutions, net | 738,073 | 443,002 | 2,144,269 |
| Investments held at fair value through statement of income (FVSI) | 2,365,750 | 2,185,553 | 2,254,860 |
| Investments held at fair value through other comprehensive income (FVOCI) | 7,412,625 | 4,516,121 | 3,628,656 |
| Investments held at amortized cost, net | 23,432,514 | 22,743,302 | 17,517,860 |
| Investments in an associate and a joint venture | 66,680 | 80,818 | 76,284 |
| Financing, net | 126,271,491 | 111,195,559 | 94,801,398 |
| Property, equipment and right of use assets, net..... | 2,382,732 | 2,365,286 | 2,413,893 |
| Other assets..... | 1,628,923 | 1,139,420 | 962,473 |
| TOTAL ASSETS..... | 173,476,084 | 156,876,803 | 131,839,441 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Due to SAMA, banks and other financial institutions..... | 15,239,791 | 7,312,034 | 3,289,844 |
| Customers' deposits | 121,060,551 | 119,454,278 | 102,062,835 |
| Amount due to Mutual Funds' unitholders | 495,990 | 110,381 | — |
| Other liabilities | 5,968,725 | 5,571,323 | 4,041,838 |
| TOTAL LIABILITIES..... | 142,765,057 | 132,448,016 | 109,394,517 |
| EQUITY | | | |
| Share capital | 20,000,000 | 20,000,000 | 15,000,000 |
| Statutory reserve | 1,268,845 | 591,498 | 100,000 |
| Other reserves | 155,366 | 177,046 | 161,097 |
| Retained earnings..... | 3,585,844 | 3,760,239 | 2,287,302 |
| Proposed issue of bonus shares | — | — | 5,000,000 |

| | As at 31 December | | |
|--|--------------------|--------------------|--------------------|
| | 2021 | 2020 | 2019 |
| | <i>(SAR '000)</i> | | |
| Proposed dividends | 795,131 | — | — |
| Treasury shares | (94,159) | (99,996) | (103,475) |
| Equity attributable to the shareholders of the Bank⁽¹⁾ | 25,711,027 | 24,428,787 | 22,444,924 |
| Tier 1 Sukuk | 5,000,000 | — | — |
| TOTAL EQUITY | 30,711,027 | 24,428,787 | 22,444,924 |
| TOTAL LIABILITIES AND EQUITY⁽²⁾ | 173,476,084 | 156,876,803 | 131,839,441 |

Notes:

(1) This line item was labelled as "Total shareholders' equity" in the 2020 Financial Statements.

(2) This line item was labelled "Total liabilities and shareholders' equity" in the 2020 Financial Statements.

The table below shows the Group's consolidated statement of income and comprehensive income data for the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

| | For the year ended 31 December | | |
|---|--------------------------------|------------------|------------------|
| | 2021 | 2020 | 2019 |
| | <i>(SAR '000)</i> | | |
| Income from investments and financing | 5,674,385 | 5,470,006 | 5,537,518 |
| Return on time investments | (537,386) | (822,183) | (1,214,303) |
| Income from investments and financing, net | 5,136,999 | 4,647,823 | 4,323,215 |
| Fees from banking services-income | 1,559,485 | 1,312,336 | 1,198,503 |
| Fees from banking services-expense ⁽¹⁾ | (474,241) | (376,278) | (306,676) |
| Fees from banking services, net ⁽²⁾ | 1,085,244 | 936,058 | 891,827 |
| Exchange income, net..... | 214,670 | 219,938 | 207,970 |
| Income / (loss) from FVSI financial instruments, net..... | 129,398 | (149,984) | 166,155 |
| Gain from FVOCI sukuk investments, net..... | 209 | 944 | 8,916 |
| Dividend income on FVOCI equity investments..... | 8,820 | 15,851 | 9,136 |
| Other operating income | 91,848 | 11,009 | 2,942 |
| Total operating income⁽³⁾ | 6,667,188 | 5,681,639 | 5,610,161 |
| Salaries and employees' related expenses..... | 1,120,471 | 1,042,258 | 1,001,641 |
| Rent and premises related expenses | 56,824 | 52,081 | 80,679 |
| Depreciation and amortisation | 251,160 | 251,319 | 273,258 |
| Other general and administrative expenses ⁽⁴⁾ | 936,707 | 720,260 | 720,985 |
| Operating expenses before impairment charges⁽⁵⁾ | 2,365,162 | 2,065,918 | 2,076,563 |
| Impairment charge of financing, net of recoveries | 1,251,603 | 1,419,182 | 700,480 |
| Impairment charge for / (reversal of) other financial assets | 14,728 | (685) | 5,837 |

For the year ended 31 December

| | 2021 | 2020 | 2019 |
|---|------------------|------------------|------------------|
| | | (SAR '000) | |
| Total operating expenses⁽⁶⁾ | 3,631,493 | 3,484,415 | 2,782,880 |
| Net operating income | 3,035,695 | 2,197,224 | 2,827,281 |
| Share of (loss) / profit from an associate and a joint venture..... | (14,140) | 4,536 | (10,825) |
| Income for the year before zakat⁽⁷⁾ | 3,021,555 | 2,201,760 | 2,816,456 |
| Zakat | (312,168) | (235,768) | (281,646) |
| Net income for the year after zakat | 2,709,387 | 1,965,992 | 2,534,810 |
| | | | Restated |
| Basic and diluted earnings per share (SAR) | 1.31 | 0.99 | 1.28 |
| Net income for the year after zakat | 2,709,387 | 1,965,992 | 2,534,810 |
| Other comprehensive income: | | | |
| <i>Items that cannot be reclassified back to consolidated statement of income in subsequent periods</i> | | | |
| Net change in fair value of FVOCI equity investments | (411) | 9,032 | 56,611 |
| Actuarial loss on re-measurement of End of Service Benefits.... | | | |
| Scheme balances | (6,311) | (11,706) | (14,218) |
| <i>Items that can be reclassified back to consolidated statement of income in subsequent periods</i> | | | |
| Net change in fair value of FVOCI sukuk investments..... | (41,482) | 17,201 | 59,098 |
| Net gain realised on sale of FVOCI sukuk investments..... | (209) | (944) | (8,916) |
| Total other comprehensive (loss) / income | (48,413) | 13,583 | 92,575 |
| Total comprehensive income for the year | 2,660,974 | 1,979,575 | 2,627,385 |

Notes:

- (1) In the 2020 Financial Statements, "Fees from banking services (expense)" for the year ended 31 December 2020 was SAR 323,631 thousand. In the 2021 Financial Statements, an amount of SAR 52,647 thousand was reclassified from "Other general and administrative expenses" to "Fees from banking services (expense)" for the year ended 31 December 2020.
- (2) In the 2020 Financial Statements, "Fees from banking services, net" for the year ended 31 December 2020 was SAR 988,705 thousand. The difference between the amounts of "Fees from banking services, net" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.
- (3) In the 2020 Financial Statements, "Total operating income" for the year ended 31 December 2020 was SAR 5,681,639. The difference between the amounts of "Total operating income" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.
- (4) In the 2020 Financial Statements, "Other general and administrative expenses" for the year ended 31 December 2020 was SAR 772,906. The difference between the amounts of "Other general and administrative expenses" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.
- (5) In the 2020 Financial Statements, this line item was labelled "Operating expenses before charge for credit impairment and other losses" and was SAR 2,118,564 thousand for the year ended 31 December 2020. The difference between the amounts of "Operating expenses before charge for credit impairment and other losses" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and of "Operating expenses before impairment charges" as shown in the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.
- (6) In the 2020 Financial Statements, "Total operating expenses" for the year ended 31 December 2020 was SAR 3,537,061 thousand. The difference between the amounts of "Total operating expenses" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.
- (7) In the 2020 Financial Statements, this line item was labelled as "Net income for the year before zakat".

The table below provides key ratios for the Group as at and for the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

| <i>Ratio</i> | As at / for the year ended 31 December | | |
|---|---|-------------|-------------|
| | 2021 | 2020 | 2019 |
| | | (%) | |
| Cost to income ⁽¹⁾ | 35.5 | 36.4 | 37.0 |
| Cost of risk ⁽²⁾ | 1.0 | 1.3 | 0.8 |
| NPF ⁽³⁾ | 1.8 | 2.5 | 1.9 |
| NPF Coverage ⁽⁴⁾ | 177.1 | 114.5 | 140.3 |
| SAMA financing to deposit ⁽⁵⁾ | 85.8 | 81.2 | 86.3 |
| Financing to deposit ⁽⁶⁾ | 104.3 | 93.1 | 92.9 |
| Financing to funding sources ⁽⁷⁾ | 92.6 | 87.7 | 90.0 |
| Net profit margin ⁽⁸⁾ | 40.6 | 34.6 | 45.2 |
| Return on average assets ⁽⁹⁾ | 1.6 | 1.4 | 2.0 |
| Return on average equity ⁽¹⁰⁾ | 10.8 | 8.4 | 11.6 |
| CET1 capital adequacy ⁽¹¹⁾ | 18.2 | 18.2 | 19.1 |
| Tier 1 capital adequacy ⁽¹²⁾ | 21.6 | 18.2 | 19.1 |
| Total capital adequacy ⁽¹³⁾ | 22.8 | 19.3 | 20.3 |
| Leverage ⁽¹⁴⁾ | 17.3 | 15.1 | 16.3 |
| Liquidity coverage ⁽¹⁵⁾ | 134.1 | 188.2 | 124.7 |

Notes:

- (1) Calculated as operating expenses before impairment charges divided by total operating income. In the 2020 Financial Statements, operating expenses before impairment charges was labelled "Operating expenses before charge for credit impairment and other losses".
- (2) Calculated as the ratio between impairment charge of 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) during the same 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 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 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).
- (10) 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).
- (11) Calculated in accordance with SAMA regulations and represents common equity tier 1 capital divided by total Pillar I risk-weighted assets.
- (12) Calculated in accordance with SAMA regulations and represents tier 1 capital divided by total Pillar I risk-weighted assets.
- (13) Calculated in accordance with SAMA regulations and represents and represents the sum of tier 1 and tier 2 capital divided by total Pillar I risk-weighted assets.
- (14) Calculated in accordance SAMA regulations and represents tier 1 capital divided by total exposures.
- (15) Calculated in accordance with SAMA regulations and represents high-quality liquid assets divided by expected net cash outflows.

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 Annual Financial Statements. This discussion of the Group’s financial condition and results of operations is based upon the Annual 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 7th largest listed commercial bank in the Kingdom as at 30 September 2022 and 31 December 2021 by total assets (based on the latest available financial statements of the banking industry), with total assets of SAR 193.2 billion and SAR 173.5 billion, respectively. As at 30 September 2022 and 31 December 2021, the Group’s total customers’ deposits amounted to SAR 132.0 billion and SAR 121.1 billion, respectively which represented approximately 5.8 per cent. and 5.7 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 77.1 per cent., 81.8 per cent. and 77.1 per cent. of the Group’s total operating income for the years ended 31 December 2021, 31 December 2020 and 31 December 2019, 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 85.6 per cent., 87.0 per cent. and 87.4 per cent. of the gross income from investments and financing for the years ended 31 December 2021, 31 December 2020 and 31 December 2019, 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 80.0 per cent., 91.0 per cent. and 93.9 per cent. of the Group’s

total return on time investments for the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

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 of financing, net of recoveries

The Group's impairment charge of 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 of financing, net of recoveries amounted to SAR 1,252 million for the year ended 31 December 2021, SAR 1,419 million for the year ended 31 December 2020 and SAR 700 million for the year ended 31 December 2019.

SAMA support programmes and initiatives

The COVID-19 pandemic seriously disrupted global markets in 2020 and, to a lesser extent, in 2021. This had a significant adverse impact on the Group's results of operations in 2020 and, to a lesser extent, in 2021.

The Group continues to evaluate the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, on its financing portfolio and continues to conduct reviews of its credit exposure concentrations at a more granular level, with a particular focus on specific economic sectors, regions, counterparties and collateral protection and take appropriate customer credit rating actions and initiate restructuring of loans, where required. The Group has also made updates within its ECL model to refine the application of the staging criteria due to any significant increase in credit risk ("**SICR**") on affected customers to be able to differentiate and reflect appropriately in its models.

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("**PSFSP**") in March 2020 to provide support to the MSMEs. Under the PSFSP, the Group deferred payments and extended maturities on lending facilities to all eligible MSMEs (as defined in SAMA's Circular No. 381000064902) as follows:

| Support Programs | Type | Instalment deferred/Tenor extended (SAR million) | Cost of deferral/extension (SAR million) |
|------------------------------|----------------------|--|--|
| April 2020 – September 2020 | Instalments deferred | 761.0 | 21.3 |
| October 2020 – December 2020 | Instalments deferred | 485.8 | 7.8 |
| January 2021 – March 2021 | Instalments deferred | 906.1 | 15.3 |
| April 2021 – June 2021 | Tenor extension | 1,962.8 | 86.5 |
| July 2021 – September 2021 | Tenor extension | 1,652.6 | 19.1 |
| October 2021 – December 2021 | Tenor extension | 877.3 | 11.1 |
| January 2022 – March 2022 | Tenor extension | 335.7 | 5.7 |

In accordance with IFRS 9, this resulted in total modification losses amounting to SAR 167 million of which SAR 122 million were recorded during the year ended 31 December 2021 and SAR 44 million during the year ended 31 December 2020. The Group recorded these losses in its net financing income.

In addition, SAR 68 million and SAR 23 million were credited to the consolidated statement of income relating to amortisation of modification losses for the year ended 31 December 2021 and the year ended 31 December 2020, respectively.

The Group came to a conclusion that, in the absence of other factors, participation in the deferment program under the PSFSP on its own was not to be considered a significant increase in credit risk for assessment of ECL on its SME portfolio.

In 2021 the Group performed an assessment with respect to the SICR for customers and migrated customers amounting to SAR 691 million from Stage 1/2 to Stage 2/3 by downgrading the customer credit rating during the year.

In order to compensate the related cost that the Group was expected to incur under the PSFSP, in 2021 and 2020, the Group received profit free deposits from SAMA amounting to SAR 7,253 million with varying maturities, which qualify as government grants. Management has determined, based on the communication from SAMA, that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income. As a result, the Group's income from investments and financing for the year ended 31 December 2021 and the year ended 31 December 2020 included the fair value benefit of SAR 158 million and SAR 96 million, respectively, arising from the interest free deposits. See note 38 to the 2021 Financial Statements for further details.

The Group also participated in SAMA's facility guarantee program, a collaboration between the Small and Medium Enterprises General Authority (*Monsha'at*), and banks in the Kingdom, which aims to promote financing to small and medium-sized enterprises within the Kingdom (the "**Kafala Programme**"). The Group received SAR 1,121 million from SAMA for providing concessional financing to eligible SMEs under the Kafala Programme in the year ended 31 December 2021. As the guarantee under the Kafala Programme forms an integral part of the financing arrangement, the funding received from SAMA does not qualify for government grant and is recognised as a financial liability under IFRS 9. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with IFRS. This resulted in total income of SAR 8 million and SAR 6 million recognised in the consolidated statement of income for the year ended 31 December 2021 and the year ended 31 December 2020, respectively.

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 groups to add-back up to 100 per cent. of the day 1 impact of IFRS 9 transitional adjustment amount to Common Equity Tier 1 capital ("**CET1**") for the two years period comprising 2020 and 2021. The add-back amount must be then phased-out on a straight-line basis over the subsequent three years. The Group has applied the aforementioned transitional arrangement in the calculation of the Group's capital adequacy ratios effective 31 March 2020.

Market Conditions in the Kingdom

According to GASTAT, the Kingdom's GDP at constant prices (including import duties) was SAR 2,974 billion in the year ended 31 December 2019, SAR 2,532.6 billion in the year ended 31 December 2020 and SAR 2,614.7 billion in the year ended 31 December 2021, a decrease of 4.1 per cent. in 2020 compared to 2019 and an increase of 3.2 per cent. in 2021 compared to 2020.

According to SAMA, the Kingdom's financial sector increased its lending to the private sector by 15.3 per cent. for the year ended 31 December 2021, by 14.3 per cent. for the year ended 31 December 2020 and by 7.3 per cent. for the year ended 31 December 2019.

According to the Ministry of Finance, the Government recorded a budget deficit of SAR 73.4 billion and revenues of SAR 965.5 billion in 2021. Actual expenditure was estimated to have decreased by 3.4 per cent. from SAR 1,075.7 billion in 2020 to SAR 1,038.9 billion in 2021 primarily as a result of continued infrastructure investments in the local economy.

The Group believes that its business will continue to benefit from the positive macro-economic environment in the Kingdom in 2022 and beyond, in large part driven by a sustained increase in oil prices.

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 Annual Financial Statements, see note 2(e) to the 2021 Financial Statements. These are predominantly related to ECLs, fair value measurement, and the assessment of the recoverable amount of non-financial assets

Consolidated Statement of Financial Position

The table below provides the Group's consolidated statement of financial position data as at 31 December 2021, 31 December 2020 and 31 December 2019.

| | As at 31 December | | |
|--|-------------------|------------|-----------|
| | 2021 | 2020 | 2019 |
| | <i>(SAR '000)</i> | | |
| ASSETS | | | |
| Cash and balances with Saudi Central Bank (SAMA)..... | 9,177,296 | 12,207,742 | 8,039,748 |
| Due from banks and other financial institutions, net | 738,073 | 443,002 | 2,144,269 |
| Investments held at fair value through statement of income (FVSI)..... | 2,365,750 | 2,185,553 | 2,254,860 |
| Investments held at fair value through other comprehensive income (FVOCI)..... | 7,412,625 | 4,516,121 | 3,628,656 |

As at 31 December

| | 2021 | 2020 | 2019 |
|--|--------------------|--------------------|--------------------|
| | | <i>(SAR'000)</i> | |
| Investments held at amortized cost, net | 23,432,514 | 22,743,302 | 17,517,860 |
| Investments in an associate and a joint venture..... | 66,680 | 80,818 | 76,284 |
| Financing, net | 126,271,491 | 111,195,559 | 94,801,398 |
| Property, equipment and right of use assets, net..... | 2,382,732 | 2,365,286 | 2,413,893 |
| Other assets..... | 1,628,923 | 1,139,420 | 962,473 |
| TOTAL ASSETS..... | 173,476,084 | 156,876,803 | 131,839,441 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES | | | |
| Due to SAMA, banks and other financial institutions..... | 15,239,791 | 7,312,034 | 3,289,844 |
| Customers' deposits | 121,060,551 | 119,454,278 | 102,062,835 |
| Amount due to Mutual Funds' unitholders | 495,990 | 110,381 | — |
| Other liabilities | 5,968,725 | 5,571,323 | 4,041,838 |
| TOTAL LIABILITIES..... | 142,765,057 | 132,448,016 | 109,394,517 |
| EQUITY | | | |
| Share capital | 20,000,000 | 20,000,000 | 15,000,000 |
| Statutory reserve | 1,268,845 | 591,498 | 100,000 |
| Other reserves..... | 155,366 | 177,046 | 161,097 |
| Retained earnings..... | 3,585,844 | 3,760,239 | 2,287,302 |
| Proposed issue of bonus shares..... | — | — | 5,000,000 |
| Proposed dividends | 795,131 | — | — |
| Treasury shares | (94,159) | (99,996) | (103,475) |
| Equity attributable to the shareholders of the bank⁽¹⁾ | 25,711,027 | 24,428,787 | 22,444,924 |
| Tier 1 Sukuk | 5,000,000 | — | — |
| TOTAL EQUITY..... | 30,711,027 | 24,428,787 | 22,444,924 |
| TOTAL LIABILITIES AND EQUITY⁽²⁾..... | 173,476,084 | 156,876,803 | 131,839,441 |

Notes:

(1) This line item was labelled as "Total shareholders' equity" in the 2020 Financial Statements.

(2) This line item was labelled "Total liabilities and shareholders' equity" in the 2020 Financial Statements.

Assets

The Group's total assets as at 31 December 2021 were SAR 173.5 billion, a 10.6 per cent. increase as compared to SAR 156.9 billion as at 31 December 2020, which in turn represented an increase of 19.0 per cent. as compared to SAR 131.8 billion as at 31 December 2019. The increase in the Group's total assets as at 31

December 2021 was primarily attributable to an increase in financing, net. The increase in the Group's total assets as at 31 December 2020 was also primarily attributable to an increase in financing, net.

The Group's net retail financing book (comprising mortgage financing, consumer financing and credit cards combined) increased by 16.9 per cent. as at 31 December 2021 from 31 December 2020 and 20.5 per cent. as at 31 December 2020 from 31 December 2019 while net corporate financing grew by 12.7 per cent. as at 31 December 2021 from 31 December 2020 and by 16.5 per cent. as at 31 December 2020 from 31 December 2019.

Cash and Interbank Positions

The Group's cash and balances with SAMA was SAR 9.2 billion as at 31 December 2021, a decrease of 24.8 per cent. as compared to SAR 12.2 billion as at 31 December 2020, which in turn represented an increase of 51.8 per cent. as compared to SAR 8.0 billion as at 31 December 2019. The decrease in the Group's cash and balances with SAMA as at 31 December 2021 was primarily attributable to the decrease in money market placements. The increase in the Group's cash and balances with SAMA as at 31 December 2020 was mainly due to an increase in money market placements in the form of overnight reverse repos with SAMA. The Group's due from banks and other financial institutions, net was SAR 738 million as at 31 December 2021, an increase of 66.6 per cent. as compared to SAR 443 million as at 31 December 2020, which in turn represented a decrease of 79.3 per cent. as compared to SAR 2,144 million as at 31 December 2019.

The Group's due to SAMA, banks and other financial institutions was SAR 15,240 million as at 31 December 2021, an increase of 108.4 per cent. as compared to SAR 7,312 million as at 31 December 2020, which in turn represented an increase of 122.3 per cent. as compared to SAR 3,290 million as at 31 December 2019. The increase in 2020 principally reflected an interest free deposit from SAMA under its COVID-19 support programme while the increase in 2021 principally reflected higher time investments from banks.

The table below shows the Group's cash and the interbank positions as at 31 December 2021, 31 December 2020 and 31 December 2019:

| | 2021 | 2020 | 2019 |
|--|-------------------|------------|-----------|
| | <i>(SAR '000)</i> | | |
| Cash and balances with Saudi Central Bank (SAMA)..... | 9,177,296 | 12,207,742 | 8,039,748 |
| Due from banks and other financial institutions, net | 738,073 | 443,002 | 2,144,269 |
| Due to SAMA, banks and other financial institutions..... | 15,239,791 | 7,312,034 | 3,289,844 |

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 maintains a portfolio of investments of high credit quality. The Group's policy is to maintain only exposures rated 1 to 4 and above. Investment grade investments include investments having a credit exposure equivalent to Standard & Poor's rating of AAA to BBB.

Unrated investments in the form of local and foreign equities and mutual fund investments were SAR 2,308 million as at 31 December 2021, SAR 2,172 million as at 31 December 2020 and SAR 2,553 million as at 31 December 2019.

The Group's portfolio of investments comprises mainly Government sukuk, *murabaha* notes and quasi-Government sukuk which represented SAR 24.6 billion out of a total of SAR 33.3 billion of net investments as at 31 December 2021 and SAR 24.8 billion out of a total of SAR 29.5 billion of investments, net as at 31 December 2020.

The table below provides a breakdown of the Group's investment portfolio as at 31 December 2021, 31 December 2020 and 31 December 2019:

| Analysis of investments by composition | Quoted | | | Unquoted | | | Total | | |
|--|-------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | (SAR'000) | | | | | | | | |
| Investments held at FVSI | | | | | | | | | |
| Equities | 15,564 | 48,113 | 5,476 | 108,441 | 46,629 | 54,172 | 124,005 | 94,742 | 59,648 |
| Funds..... | 1,297,537 | 1,256,599 | 1,296,219 | 944,208 | 834,212 | 898,993 | 2,241,745 | 2,090,811 | 2,195,212 |
| Total | 1,313,101 | 1,304,712 | 1,301,695 | 1,052,649 | 880,841 | 953,165 | 2,365,750 | 2,185,553 | 2,254,860 |
| Investments held at FVOCI | | | | | | | | | |
| Fixed-rate investments ... | 2,201,833 | 1,200,979 | 790,564 | 960,615 | 10,000 | — | 3,162,448 | 1,210,979 | 790,564 |
| Floating-rate investments | 7,424 | 7,655 | 3,902 | 3,779,177 | 3,122,117 | 2,611,950 | 3,786,601 | 3,129,772 | 2,615,852 |
| Equities | 447,372 | 157,403 | 205,594 | 16,204 | 17,967 | 16,646 | 463,576 | 175,370 | 222,240 |
| Total | 2,656,629 | 1,366,037 | 1,000,060 | 4,755,996 | 3,150,084 | 2,628,596 | 7,412,625 | 4,516,121 | 3,628,656 |
| Investments held at amortised cost, net | | | | | | | | | |
| Fixed-rate investments ... | 22,526,031 | 15,667,810 | 8,633,104 | — | 6,174,702 | 8,005,328 | 22,526,031 | 21,842,512 | 16,638,432 |
| Floating-rate investments | — | — | — | 906,483 | 900,790 | 879,428 | 906,483 | 900,790 | 879,428 |
| Total | 22,526,031 | 15,667,810 | 8,633,104 | 906,483 | 7,075,492 | 8,884,756 | 23,432,514 | 22,743,302 | 17,517,860 |

| Analysis of investments by composition | Quoted | | | Unquoted | | | Total | | |
|---|-------------------|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| | (SAR'000) | | | | | | | | |
| Investments in associate and joint venture | | | | | | | | | |
| Equities | 53,910 | 59,930 | — | 12,770 | 20,888 | 76,284 | 66,680 | 80,818 | 76,284 |
| Total | 26,549,671 | 18,398,489 | 10,934,859 | 6,727,898 | 11,127,305 | 12,542,801 | 33,277,569 | 29,525,794 | 23,477,660 |

“FVOCI” investments included Islamic securities (*sukuk*) of SAR 6,949 million as at 31 December 2021, SAR 4,341 million as at 31 December 2020 and SAR 3,406 million as at 31 December 2019. As at 31 December 2021, “FVOCI” also included the equity portfolio of SAR 464 million as compared to SAR 175 million as at 31 December 2020 and SAR 222 million as at 31 December 2019. 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 2021, 31 December 2020 and 31 December 2019.

| Analysis of investments by counter-parties | 2021 | 2020 | 2019 |
|--|-------------------|-------------------|-------------------|
| | (SAR'000) | | |
| Government and quasi government | 24,629,700 | 24,763,043 | 19,363,260 |
| Banks and other financial institutions | 2,582,744 | 1,096,501 | 504,656 |
| Corporate | 6,065,125 | 3,666,250 | 3,609,744 |
| Total | 33,277,569 | 29,525,794 | 23,477,660 |

The Group’s total investments was SAR 33.3 billion as at 31 December 2021, an increase of 12.7 per cent. as compared to SAR 29.5 billion as at 31 December 2020, which in turn represented an increase of 25.8 per cent. as compared to SAR 23.5 billion as at 31 December 2019. These increases were primarily due to an increase in investments held at amortised cost and investments held at FVOCI. The Group’s total investments comprised Government sukuk, *murabaha* notes and quasi-government sukuk (accounting for 74.0 per cent., 83.9 per cent. and 82.5 per cent. of the investment portfolio as at 31 December 2021, 31 December 2020 and 31 December 2019, respectively) and corporate sukuk, equities and funds (accounting for 18.2 per cent., 12.4 per cent. of the investment portfolio and 15.4 per cent. of the investment portfolio as at 31 December 2021, 31 December 2020 and 31 December 2019, respectively). The balance of the Group’s investment portfolio mainly comprised sukuk of banks and other financial institutions.

The Group’s sukuk portfolio is highly liquid as all Government instruments are eligible for repurchase agreements and the high quality of the corporate sukuk portfolio supports its marketability.

Financing, net

The table below provides the Group's financing portfolio as at 31 December 2021, 31 December 2020 and 31 December 2019:

| | Performing | Non-performing | Gross | Allowance for impairment | Financing, net |
|-----------------------------------|--------------------|------------------|--------------------|--------------------------|--------------------|
| | | | (SAR '000) | | |
| 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 |
| 2020 | | | | | |
| Retail ⁽¹⁾ | 23,932,878 | 256,327 | 24,189,205 | (655,258) | 23,533,947 |
| Corporate ⁽²⁾ | 87,675,393 | 2,596,651 | 90,272,044 | (2,610,432) | 87,661,612 |
| Total ⁽³⁾ | 111,608,271 | 2,852,978 | 114,461,249 | (3,265,690) | 111,195,559 |
| 2019 | | | | | |
| Retail..... | 19,766,197 | 340,493 | 20,106,690 | (568,606) | 19,538,084 |
| Corporate..... | 75,777,225 | 1,502,241 | 77,279,466 | (2,016,152) | 75,263,314 |
| Total | 95,543,422 | 1,842,734 | 97,386,156 | (2,584,758) | 94,801,398 |

Notes:

- (1) In the 2020 Financial Statements, the "Allowance for impairment" on the Group's retail financing portfolio as at 31 December 2020 was SAR 666,436 thousand. The difference between the amounts of "Allowance for impairment" on the Group's retail financing portfolio as shown in the 2021 Financial Statements and the 2020 Financial statements was as a result of reclassification in the 2021 Financial Statements of the presentation of modification loss arising from the deferral of MSMEs financing for the year ended 31 December 2020 by deducting modification loss directly against the gross financing instead of adding it in the allowance for impairment.
- (2) In the 2020 Financial Statements, the "Allowance for impairment" on the Group's corporate financing portfolio as at 31 December 2020 was SAR 2,634,445 thousand. The difference between the amounts of "Allowance for impairment" on the Group's corporate financing portfolio as shown in the 2021 Financial Statements and the 2020 Financial statements was as a result of the reclassification described in Note (1) above.
- (3) In the 2020 Financial Statements the total "Allowance for impairment" was SAR 3,300,881 thousand. The difference between the amounts of the total "Allowance for impairment" as shown in the 2021 Financial Statements and the 2020 Financial Statements was as a result of the reclassification described in Note (1) above.

The Group's financing, net was SAR 126.3 billion as at 31 December 2021, an increase of 13.6 per cent. as compared to SAR 111.2 billion as at 31 December 2020, which in turn represented an increase of 17.3 per cent. as compared to SAR 94.8 billion as at 31 December 2019. These increases were primarily due to increases in the commercial banking group's *Ijarahs* and *Bai Ajel* and the retail banking group's *Murabahas*.

The Group's performing financing was SAR 128.0 billion as at 31 December 2021, an increase of 14.7 per cent. as compared to SAR 111.6 billion as at 31 December 2020, which in turn represented an increase of 16.8 per cent. as compared to SAR 95.5 billion as at 31 December 2019. The increase in performing financing as at 31 December 2021 and 31 December 2020 was primarily attributable to growth in the Group's corporate and retail segments. The Group's gross financing in the retail segment (comprising real estate financing, consumer financing and credit cards combined) was SAR 28.0 billion as at 31 December 2021, an increase of 15.6 per cent. as compared to SAR 24.2 billion as at 31 December 2020, which in turn represented an increase of 20.3 per cent. as compared to SAR 20.1 billion as at 31 December 2019. The Group's gross financing in the corporate segment was SAR 102.3 billion as at 31 December 2021, an increase of 13.4 per cent. as compared to SAR 90.3 billion as at 31 December 2020, which in turn represented an increase of 16.8 per cent. as compared to SAR 77.3 billion as at 31 December 2019.

The Group's non-performing financing was SAR 2,282 million as at 31 December 2021, a decrease of 20 per cent. as compared to SAR 2,853 million as at 31 December 2020, which in turn represented an increase of 54.8 per cent. as compared to SAR 1,843 million as at 31 December 2019. The decrease in the Group's non-performing financing as at 31 December 2021 was attributable to the write-off of NPFs in the amount of SAR 510 million and net repayments of NPFs in the amount of SAR 222 million. The increase in the Group's non-performing financing as at 31 December 2020 was primarily attributable to the negative effects of the COVID-19 pandemic on the economic and financial condition of some of the Group's customers.

The Group's NPF ratio was 1.8 per cent., 2.5 per cent. and 1.9 per cent. as at 31 December 2021, 31 December 2020 and 31 December 2019, respectively.

The Group's allowance for impairment of financing was SAR 4,041 million as at 31 December 2021, an increase of 23.7 per cent. as compared to SAR 3,266 million as at 31 December 2020, primarily as a result of the increase in gross financing. As at 31 December 2021, this allowance 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 allowance for impairment of financing was SAR 3,266 million as at 31 December 2020, an increase of 26.3 per cent. as compared to SAR 2,585 million as at 31 December 2019, primarily due to an increase in NPFs which increased by SAR 1,010 million, increase in the Group's ECL risk assessment on its financings due to updates in macroeconomic and other assumptions in light of the anticipated impact of the COVID-19 pandemic and the increase of the Group's gross financing by SAR 17.1 billion. In addition, the increase was also due to the movement of more accounts to Stage 3, totalling SAR 1.6 billion, as well as an overall increase in the level of gross financing. As at 31 December 2020, the Group's allowance for impairment of financing comprised SAR 802 million in Stage 1 provisions, SAR 958 million in Stage 2 provisions and SAR 1,505 million in Stage 3 provisions. As at 31 December 2019, the Group's allowance for impairment of financing comprised SAR 703 million in Stage 1 provisions, SAR 748 million in Stage 2 provisions and SAR 1,133 million in Stage 3 provisions.

The Group's NPF coverage ratio was 177.1 per cent., 114.5 per cent. and 140.3 per cent. as at 31 December 2021, 31 December 2020 and 31 December 2019.

Financing, net by sector distribution

The tables below provide the sector distribution of the Group's financing, net as at 31 December 2021, 31 December 2020 and 31 December 2019:

| 2021 | Performing | Non-performing | Lifetime ECL | Financing, net |
|---|------------|----------------|-------------------------------|----------------|
| | | | for credit impaired financing | |
| (SAR'000) | | | | |
| Government and quasi government | 12,429,991 | — | — | 12,429,991 |
| 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 |

| 2021 | Performing | Non-performing | Lifetime ECL | Financing, net |
|---|--------------------|------------------|-------------------------------|--------------------|
| | | | for credit impaired financing | |
| | | | (SAR'000) | |
| 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 |

| 2020 | Performing | Non-performing | Lifetime ECL | Financing, net |
|--|--------------------|------------------|-------------------------------|--------------------|
| | | | for credit impaired financing | |
| | | | (SAR'000) | |
| Government and quasi government..... | 10,044,622 | — | — | 10,044,622 |
| Manufacturing | 12,089,524 | 1,176,077 | (694,557) | 12,571,044 |
| Electricity, water, gas & health services..... | 3,291,654 | — | — | 3,291,654 |
| Building and construction..... | 5,955,434 | 831,978 | (345,586) | 6,441,826 |
| Services..... | 13,992,848 | 33,134 | (13,823) | 14,012,159 |
| Mining..... | 1,900,119 | — | — | 1,900,119 |
| Agriculture | 3,798,740 | — | — | 3,798,740 |
| Consumer financing | 23,944,056 | 256,327 | (140,371) | 24,060,012 |
| Transportation and communication..... | 4,992,143 | — | — | 4,992,143 |
| Commerce | 9,695,974 | 349,025 | (248,985) | 9,796,014 |
| Real estate business..... | 14,697,066 | 206,437 | (61,932) | 14,841,571 |
| Others..... | 7,206,091 | — | — | 7,206,091 |
| | 111,608,271 | 2,852,978 | (1,505,254) | 112,955,995 |
| ECL against performing financing | | | | (1,760,436) |
| Financing, net..... | | | | 111,195,559 |

| 2019 | Performing | Non-performing | Lifetime ECL | Financing, net |
|---|-------------------|------------------|-------------------------------|--------------------|
| | | | for credit impaired financing | |
| | | | (SAR'000) | |
| Government and quasi government | 5,800,169 | — | — | 5,800,169 |
| Manufacturing | 10,115,903 | 617,584 | (318,437) | 10,415,050 |
| Electricity, water, gas & health services | 2,226,299 | — | — | 2,226,299 |
| Building and construction..... | 6,883,962 | 202,437 | (217,219) | 6,869,180 |
| Services..... | 7,717,897 | 30,000 | (23,419) | 7,724,478 |
| Mining..... | 407,544 | — | — | 407,544 |
| Agriculture | 3,330,798 | — | — | 3,330,798 |
| Consumer financing | 19,766,197 | 340,493 | (216,421) | 19,890,269 |
| Transportation and communication..... | 5,130,399 | — | — | 5,130,399 |
| Commerce | 8,675,109 | 445,783 | (292,144) | 8,828,748 |
| Real estate business..... | 20,620,961 | 206,437 | (65,546) | 20,761,852 |
| Others..... | 4,868,184 | — | — | 4,868,184 |
| | 95,543,422 | 1,842,734 | (1,133,186) | 96,252,970 |
| ECL against performing financing | | | | (1,451,572) |
| Financing, net..... | | | | 94,801,398 |

Financing, net by geographical distribution

The tables below provide the geographical distribution of the Group's financing, net as at 31 December 2021, 31 December 2020 and 31 December 2019:

| 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 |

| 2020 | Kingdom of Saudi Arabia | Other GCC and Middle East countries | Europe | Other countries | Total |
|----------------|-------------------------|-------------------------------------|-----------|-----------------|------------|
| | | | (SAR'000) | | |
| Retail..... | 23,533,947 | — | — | — | 23,533,947 |
| Corporate..... | 84,765,955 | — | — | 2,895,657 | 87,661,612 |

| 2020 | Kingdom of Saudi Arabia | Other GCC and Middle East countries | Europe | Other countries | Total |
|--------------------|-------------------------------|--|-----------|--------------------|--------------------|
| | | | (SAR'000) | | |
| Total | 108,299,902 | — | — | 2,895,657 | 111,195,559 |

| 2019 | Kingdom of Saudi Arabia | Other GCC and Middle East countries | Europe | Other countries | Total |
|----------------------|-------------------------------|--|-----------|--------------------|-------------------|
| | | | (SAR'000) | | |
| <i>Financing net</i> | | | | | |
| Retail..... | 19,538,084 | — | — | — | 19,538,084 |
| Corporate..... | 72,185,026 | — | — | 3,078,288 | 75,263,314 |
| Total | 91,723,110 | — | — | 3,078,288 | 94,801,398 |

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 2021:

| | 31 December 2021 | | | Total |
|---|-------------------|--|--|-------------------|
| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired (non- Performing) | |
| | (SAR'000) | | | |
| Financing to customers (at amortised cost) – Retail | | | | |
| Unrated..... | 27,627,040 | 191,437 | — | 27,818,477 |
| Impaired financing | — | — | 148,958 | 148,958 |
| Gross financing | 27,627,040 | 191,437 | 148,958 | 27,967,435 |
| Allowance for impairment..... | (341,134) | (53,953) | (65,413) | (460,500) |
| | 27,285,906 | 137,484 | 83,545 | 27,506,935 |
| Financing to customers (at amortised cost) – Corporate | | | | |
| Grades 1-4: investment grade..... | 33,920,788 | — | — | 33,920,788 |
| Grades 5-6: good/satisfactory | 57,359,512 | 5,070,666 | — | 62,430,178 |

31 December 2021

| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired (non- Performing) | Total |
|---|--------------------|--|--|--------------------|
| | | <i>(SAR'000)</i> | | |
| Grades 7: Watch-list..... | — | 3,860,740 | — | 3,860,740 |
| Impaired financing | — | — | 2,133,063 | 2,133,063 |
| Gross financing | 91,280,300 | 8,931,406 | 2,133,063 | 102,344,769 |
| Allowance for impairment | (260,351) | (1,955,857) | (1,364,005) | (3,580,213) |
| | 91,019,949 | 6,975,549 | 769,058 | 98,764,556 |
| Financing to customers (at amortised cost) – Total | | | | |
| Grades 1-4: investment grade ⁽¹⁾ | 33,920,788 | — | — | 33,920,788 |
| Grades 5-6: good/satisfactory ⁽²⁾ | 57,359,512 | 5,070,666 | — | 62,430,178 |
| Grades 7: Watch-list ⁽³⁾ | — | 3,860,740 | — | 3,860,740 |
| Unrated..... | 27,627,040 | 191,437 | — | 27,818,477 |
| Impaired financing | — | — | 2,282,021 | 2,282,021 |
| Gross financing | 118,907,340 | 9,122,843 | 2,282,021 | 130,312,204 |
| Allowance for impairment | (601,485) | (2,009,810) | (1,429,418) | (4,040,713) |
| Financing, net | 118,305,855 | 7,113,033 | 852,603 | 126,271,491 |

Notes:

- (1) Rating Scale (1-4) represents: Substantially credit risk free, Exceptionally strong credit quality, Excellent credit risk quality, Very good credit risk quality.
- (2) Rating Scale (5-6) represents: Good to satisfactory and borderline credit quality.
- (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 510 million, SAR 583 million and SAR 443 million for the years ended 31 December 2021, 31 December 2020 and 31 December 2019, respectively. The contractual amount outstanding on financial assets that were written off and that were subject to enforcement activity was SAR 1,489 million, SAR 1,012 million and SAR 442 million as at 31 December 2021, 31 December 2020 and 31 December 2019, respectively.

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 2021 and 31 December 2020:

| | 31 December 2021 | | 31 December 2020 | | 31 December 2019 | |
|----------------------------------|--------------------|---|--------------------|---|--------------------|---|
| | 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 |
| | | | <i>(SAR '000)</i> | | | |
| Total⁽¹⁾ | 2,282,021 | 4,040,713 | 2,852,978 | 3,265,690 | 1,842,734 | 2,584,758 |

Note:

(1) In the 2020 Financial Statements the total "Allowance for impairment" was SAR 3,300,881 thousand. The difference between the amounts of the total "Allowance for impairment" as shown in the 2021 Financial Statements and the 2020 Financial Statements is a result of reclassification in the 2021 Financial Statements of the presentation of modification loss arising from the deferral of MSMEs financing for the year ended 31 December 2020 by deducting modification loss directly against the gross financing instead of adding it in the allowance for impairment.

The table below provides the movement in gross financing exposure and the allowance for impairment on financing, in each case as at 31 December 2021 and 31 December 2020:

| | 31 December 2021 | | | |
|---|-------------------|----------------------------------|------------------------------|--------------------|
| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
| | <i>(SAR '000)</i> | | | |
| Gross exposure | | | | |
| Retail | | | | |
| Balance at the beginning of the year..... | 23,554,910 | 377,968 | 256,327 | 24,189,205 |
| Transfer to 12-month ECL..... | 239,136 | (210,203) | (28,933) | — |
| Transfer to life time ECL, not credit impaired | (70,728) | 82,256 | (11,528) | — |
| Transfer to life time ECL, credit impaired.. | (79,627) | (14,186) | 93,813 | — |
| New financial assets, net of financial assets derecognised and repayments | 3,983,349 | (44,398) | (60,233) | 3,878,718 |
| Write-off..... | — | — | (100,488) | (100,488) |
| Balance as at 31 December 2021 | 27,627,040 | 191,437 | 148,958 | 27,967,435 |
| Corporate | | | | |
| Balance at the beginning of the year..... | 81,343,613 | 6,331,780 | 2,596,651 | 90,272,044 |
| Transfer to 12-month ECL..... | 385,935 | (385,935) | — | — |
| Transfer to life time ECL, not credit impaired | (2,914,499) | 2,914,499 | — | — |
| Transfer to life time ECL, credit impaired.. | (32,296) | (74,711) | 107,007 | — |
| New financial assets, net of financial assets derecognised and repayments | 12,497,547 | 145,773 | (161,291) | 12,482,029 |
| Write-off..... | — | — | (409,304) | (409,304) |
| Balance as at 31 December 2021 | 91,280,300 | 8,931,406 | 2,133,063 | 102,344,769 |
| Total | | | | |

| | 31 December 2021 | | | |
|--|-------------------------|---|---|--------------------|
| Gross exposure | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
| | | <i>(SAR '000)</i> | | |
| Balance at the beginning of the year..... | 104,898,523 | 6,709,748 | 2,852,978 | 114,461,249 |
| Transfer to 12-month ECL..... | 625,071 | (596,138) | (28,933) | — |
| Transfer to life time ECL, not credit impaired | (2,985,227) | 2,996,755 | (11,528) | — |
| Transfer to life time ECL, credit impaired.. | (111,923) | (88,897) | 200,820 | — |
| New financial assets, net of financial assets derecognised and repayments | 16,480,896 | 101,375 | (221,524) | 16,360,747 |
| Write-off..... | — | — | (509,792) | (509,792) |
| Balance as at 31 December 2021 | 118,907,340 | 9,122,843 | 2,282,021 | 130,312,204 |

| | 31 December 2021 | | | |
|---|-------------------------|---|---|------------------|
| Allowance for impairment | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
| | | <i>(SAR '000)</i> | | |
| Retail | | | | |
| Balance at the beginning of the year..... | 419,049 | 95,838 | 140,371 | 655,258 |
| Transfer to 12-month ECL..... | 59,240 | (49,480) | (9,760) | — |
| Transfer to life time ECL, not credit impaired | (589) | 4,795 | (4,206) | — |
| Transfer to life time ECL, credit impaired.. | (2,136) | (4,056) | 6,192 | — |
| Net (reversal) / charge for the year | (134,430) | 6,856 | 33,304 | (94,270) |
| Write-off..... | — | — | (100,488) | (100,488) |
| Balance as at 31 December 2021 | 341,134 | 53,953 | 65,413 | 460,500 |
| Corporate | | | | |
| Balance at the beginning of the year..... | 383,343 | 862,206 | 1,364,883 | 2,610,432 |
| Transfer to 12-month ECL..... | 43,676 | (43,676) | — | — |
| Transfer to life time ECL, not credit impaired | (47,064) | 47,064 | — | — |
| Transfer to life time ECL, credit impaired.. | (116) | (3,005) | 3,121 | — |
| Net (reversal) / charge for the year | (119,488) | 1,093,268 | 405,305 | 1,379,085 |
| Write-off..... | — | — | (409,304) | (409,304) |
| Balance as at 31 December 2021 | 260,351 | 1,955,857 | 1,364,005 | 3,580,213 |
| Total | | | | |
| Balance at the beginning of the year..... | 802,392 | 958,044 | 1,505,254 | 3,265,690 |

31 December 2021

| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
|---|-------------------------|---|---|------------------|
| Allowance for impairment | | <i>(SAR'000)</i> | | |
| Transfer to 12-month ECL..... | 102,916 | (93,156) | (9,760) | — |
| Transfer to life time ECL, not credit impaired | (47,653) | 51,859 | (4,206) | — |
| Transfer to life time ECL, credit impaired.. | (2,252) | (7,061) | 9,313 | — |
| Net (reversal) / charge for the year..... | (253,918) | 1,100,124 | 438,609 | 1,284,815 |
| Write-off..... | — | — | (509,792) | (509,792) |
| Balance as at 31 December 2021 | 601,485 | 2,009,810 | 1,429,418 | 4,040,713 |

31 December 2020

| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
|--|-------------------------|---|---|-------------------|
| Gross exposure | | <i>(SAR'000)</i> | | |
| Retail | | | | |
| Balance at the beginning of the year..... | 19,454,511 | 311,686 | 340,493 | 20,106,690 |
| Transfer to 12-month ECL..... | 77,014 | (69,375) | (7,639) | — |
| Transfer to life time ECL, not credit impaired | (198,528) | 217,645 | (19,117) | — |
| Transfer to life time ECL, credit impaired.. | (107,076) | (22,953) | 130,029 | — |
| New financial assets, net of financial assets derecognised and repayments | 4,328,989 | (59,035) | (5,819) | 4,264,135 |
| Write-off..... | — | — | (181,260) | (181,260) |
| Balance as at 31 December 2020⁽¹⁾..... | 23,554,910 | 377,968 | 256,327 | 24,189,205 |
| Corporate | | | | |
| Balance at the beginning of the year..... | 69,495,044 | 6,282,181 | 1,502,241 | 77,279,466 |
| Transfer to 12-month ECL..... | 781,736 | (781,736) | — | — |
| Transfer to life time ECL, not credit impaired | (2,704,044) | 2,704,044 | — | — |
| Transfer to life time ECL, credit impaired.. | (24,403) | (1,481,827) | 1,506,230 | — |
| New financial assets, net of financial assets derecognised and repayments | 13,795,280 | (390,882) | (9,961) | 13,394,437 |
| Write-off..... | — | — | (401,859) | (401,859) |
| Balance as at 31 December 2020⁽²⁾..... | 81,343,613 | 6,331,780 | 2,596,651 | 90,272,044 |

Total

31 December 2020

| | 12-month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
|--|--------------------|--|------------------------------------|--------------------|
| | <i>(SAR '000)</i> | | | |
| Gross exposure | | | | |
| Balance at the beginning of the year..... | 88,949,555 | 6,593,867 | 1,842,734 | 97,386,156 |
| Transfer to 12-month ECL..... | 858,750 | (851,111) | (7,639) | — |
| Transfer to life time ECL, not credit impaired | (2,902,572) | 2,921,689 | (19,117) | — |
| Transfer to life time ECL, credit impaired.. | (131,479) | (1,504,780) | 1,636,259 | — |
| New financial assets, net of financial assets derecognized and repayments | 18,124,269 | (449,917) | (15,780) | 17,658,572 |
| Write-off..... | — | — | (583,479) | (583,479) |
| Balance as at 31 December 2020⁽³⁾..... | 104,898,523 | 6,709,748 | 2,852,978 | 114,461,249 |

Notes:

- (1) In the 2020 Financial Statements, the total of "Balance as at 31 December 2020" was SAR 24,200,383 thousand. The difference between the amounts of the total of "Balance as at 31 December 2020" as shown in the 2021 Financial Statements and the 2020 Financial statements was as a result of reclassification in the 2021 Financial Statements of the presentation of modification loss arising from the deferral of MSMEs financing for the year ended 31 December 2020 by deducting modification loss directly against the gross financing instead of adding it in the allowance for impairment.
- (2) In the 2020 Financial Statements, the total of "Balance as at 31 December 2020" was SAR 90,296,057 thousand. The difference between the amounts of the total of "Balance as at 31 December 2020" as shown in the 2021 Financial Statements and the 2020 Financial statements was as a result of the reclassification described in Note (1) above.
- (3) In the 2020 Financial Statements, the total of "Balance as at 31 December 2020" was SAR 114,496,440 thousand. The difference between the amounts of the total of "Balance as at 31 December 2020" as shown in the 2021 Financial Statements and the 2020 Financial statements was as a result of the reclassification described in Note (1) above.

31 December 2020

| | 12 month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
|--|-------------------|--|------------------------------------|----------------|
| | <i>(SAR '000)</i> | | | |
| Allowance for impairment | | | | |
| Retail | | | | |
| Balance at the beginning of the year..... | 296,409 | 55,776 | 216,421 | 568,606 |
| Transfer to 12-month ECL..... | 14,769 | (11,280) | (3,489) | — |
| Transfer to life time ECL, not credit impaired | (428) | 6,351 | (5,923) | — |
| Transfer to life time ECL, credit impaired.. | (871) | (7,718) | 8,589 | — |
| Net charge for the year | 109,170 | 52,709 | 106,393 | 268,272 |
| Write-off..... | — | — | (181,620) | (181,620) |
| Balance as at 31 December 2020⁽¹⁾..... | 419,049 | 95,838 | 140,371 | 655,258 |
| Corporate | | | | |
| Balance at the beginning of the year..... | 407,034 | 692,353 | 916,765 | 2,016,152 |
| Transfer to 12-month ECL..... | 35,269 | (35,269) | — | — |

31 December 2020

| | 12 month ECL | Lifetime ECL not credit impaired | Lifetime ECL credit impaired | Total |
|--|-------------------------|---|---|------------------|
| | <i>(SAR '000)</i> | | | |
| Transfer to life time ECL, not credit impaired | (30,624) | 30,624 | — | — |
| Transfer to life time ECL, credit impaired.. | (83) | (286,082) | 286,165 | — |
| Net (reversal) / charge for the year | (28,253) | 460,580 | 563,812 | 996,139 |
| Write-off..... | — | — | (401,859) | (401,859) |
| Balance as at 31 December 2020⁽²⁾..... | 383,343 | 862,206 | 1,364,883 | 2,610,432 |
| Total | | | | |
| Balance at the beginning of the year..... | 703,443 | 748,129 | 1,133,186 | 2,584,758 |
| Transfer to 12-month ECL..... | 50,038 | (46,549) | (3,489) | — |
| Transfer to life time ECL, not credit impaired | (31,052) | 36,975 | (5,923) | — |
| Transfer to life time ECL, credit impaired.. | (954) | (293,800) | 294,754 | — |
| Net charge for the year | 80,917 | 513,289 | 670,205 | 1,264,411 |
| Write-off..... | — | — | (583,479) | (583,479) |
| Balance as at 31 December 2020⁽³⁾..... | 802,392 | 958,044 | 1,505,254 | 3,265,690 |

Notes:

- (1) In the 2020 Financial Statements, the total of "Balance as at 31 December 2020" was SAR 666,436 thousand. The difference between the amounts of the total of "Balance as at 31 December 2020" as shown in the 2021 Financial Statements and the 2020 Financial statements was as a result of reclassification in the 2021 Financial Statements of the presentation of modification loss arising from the deferral of MSMEs financing for the year ended 31 December 2020 by deducting modification loss directly against the gross financing instead of adding it in the allowance for impairment.
- (2) In the 2020 Financial Statements, the total of "Balance as at 31 December 2020" was SAR 2,634,445 thousand. The difference between the amounts of the total of "Balance as at 31 December 2020" as shown in the 2021 Financial Statements and the 2020 Financial statements was as a result of the reclassification described in Note (1) above.
- (3) In the 2020 Financial Statements, the total of "Balance as at 31 December 2020" was SAR 3,300,881 thousand. The difference between the amounts of the total of "Balance as at 31 December 2020" as shown in the 2021 Financial Statements and the 2020 Financial statements was as a result of the reclassification described in Note (1) above.

Cost of Risk

The Group's cost of risk ratio was 1.0 per cent. for the year ended 31 December 2021, 1.3 per cent. for the year ended 31 December 2020 and 0.8 per cent. for the year ended 31 December 2019.

The following table shows impairment charge of financing, net of recoveries and the cost of risk as at and for the years ended 31 December 2021, 31 December 2020 and 31 December 2019:

| | 31 December | | |
|--|---------------------------------------|---------------|-------------|
| | 2021 | 2020 | 2019 |
| | <i>(SAR '000, except percentages)</i> | | |
| Gross financing portfolio as at year end | 130,312,204 | 114,461,249 | 97,386,156 |
| Average gross financing portfolio (simple average of gross financing as at the start and end of the year)..... | 122,386,726.5 | 105,923,702.5 | 91,788,196 |
| Impairment charge of financing, net of recoveries | 1,251,603 | 1,419,182 | 700,480 |

| | 31 December | | |
|-----------------------|-------------------------------|------|------|
| | 2021 | 2020 | 2019 |
| | (SAR'000, except percentages) | | |
| Cost of risk (%)..... | 1.0 | 1.3 | 0.8 |

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 121.1 billion as at 31 December 2021, an increase of 1.3 per cent. as compared to SAR 119.5 billion as at 31 December 2020, which in turn represented an increase of 17.0 per cent. as compared to SAR 102.1 billion as at 31 December 2019.

As a result of concentrated marketing efforts by the Group's business lines through its network of branches, non-profit bearing accounts (current accounts and margin deposits) increased by 12.6 per cent. to SAR 72.0 billion as at 31 December 2021 from SAR 63.9 billion as at 31 December 2020 and SAR 55.6 billion as at 31 December 2019.

Profit-bearing deposits (saving accounts, investment accounts and "Nama" product accounts) was SAR 49.1 billion as at 31 December 2021, a decrease of 11.7 per cent. as compared to SAR 55.5 billion as at 31 December 2020, which in turn represented an increase of 19.4 per cent. as compared to SAR 46.5 billion as at 31 December 2019.

The table below provides total customers' deposits as at 31 December 2021, 31 December 2020 and 31 December 2019:

| | 2021 | 2020 | 2019 |
|--|--------------------|--------------------|--------------------|
| | (SAR'000) | | |
| Demand..... | 70,761,657 | 62,839,786 | 54,528,638 |
| Savings..... | 7,675,701 | 6,159,083 | 2,105,303 |
| Customers' time investments ⁽¹⁾ | 41,390,005 | 49,380,486 | 44,397,349 |
| Others ⁽²⁾ | 1,233,188 | 1,074,923 | 1,031,545 |
| Total | 121,060,551 | 119,454,278 | 102,062,835 |

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:

| | 2021 | 2020 | 2019 |
|-----------------------------------|------------------|-------------------|------------------|
| | | <i>(SAR '000)</i> | |
| Demand | 1,941,424 | 1,342,023 | 1,036,898 |
| Customers' time investments | 3,147,831 | 1,520,558 | 3,557,515 |
| Others..... | 80,051 | 72,965 | 38,696 |
| Total | 5,169,306 | 2,935,546 | 4,633,109 |

The ratio of non-profit bearing deposits to total deposits increased to 59.5 per cent. as at 31 December 2021 from 53.5 per cent. as at 31 December 2020, which was primarily attributable to the growth of demand deposits.

The ratio of non-profit bearing deposits to total deposits decreased to 53.5 per cent. as at 31 December 2020 from 54.4 per cent. as at 31 December 2019. This was due to a growth in savings deposits which outpaced the growth in non-profit bearing deposits.

In line with the Group's assets and liabilities statistical model, the average duration of non-profit bearing deposits (which are categorised as demand deposits) is 3.6 years with a stability coefficient of 62 per cent. This stability coefficient is computed every quarter (under the ALM policy of the Group).

SAMA Financing to Deposit Ratio and Financing to Deposit Ratio

The Group's SAMA financing to deposit ratio was 85.8 per cent., 81.2 per cent. and 86.3 per cent. as at 31 December 2021, 31 December 2020 and 31 December 2019, respectively.

The table below provides the calculation of the Group's financing to deposit ratio for each of the years ended 31 December 2021, 31 December 2020 and 31 December 2019:

| | 31 December | | |
|-------------------------------|--------------------|-------------|---------------------------------------|
| | 2021 | 2020 | 2019 |
| | | | <i>(SAR '000, except percentages)</i> |
| Financing, net | 126,271,491 | 111,195,559 | 94,801,398 |
| Customers' deposits | 121,060,551 | 119,454,278 | 102,062,835 |
| Financing to deposit (%)..... | 104.3 | 93.1 | 92.9 |

The level of concentration of deposits has declined since 2019 with the Group's 20 largest depositors representing 32.8 per cent. of total deposits as at 31 December 2021, as compared to 38.1 per cent. in 2020 and 35.7 per cent. in 2019. These depositors are large Saudi corporates, funds and Government-related companies.

Term Financings

The Group had no term financings outstanding as at 31 December 2021.

The table below provides the sources of the Group's capital funding as at 31 December 2021, 31 December 2020 and 31 December 2019:

| | 2021 | 2020 | 2019 |
|--|-------------------|-------------------|-------------------|
| | | (SAR'000) | |
| Equity | | | |
| Share capital | 20,000,000 | 20,000,000 | 15,000,000 |
| Statutory reserve | 1,268,845 | 591,498 | 100,000 |
| Other reserves | 155,366 | 177,046 | 161,097 |
| Retained earnings..... | 3,585,844 | 3,760,239 | 2,287,302 |
| Proposed issue of bonus shares..... | — | — | 5,000,000 |
| Proposed dividends | 795,131 | — | |
| Treasury shares | (94,159) | (99,996) | (103,475) |
| Equity attributable to the shareholders of the Bank⁽¹⁾ | 25,711,027 | 24,428,787 | 22,444,924 |
| Tier 1 Sukuk | 5,000,000 | — | — |

Note:

(1) This line item was labelled as “Total shareholders’ equity” in the 2020 Financial Statements.

Equity

The Group’s paid up share capital was SAR 20.0 billion as at 31 December 2021 and 31 December 2020 and SAR 15.0 billion as at 31 December 2019.

On 1 August 2021, the Board of Directors of the Bank (the “**Board of Directors**”) approved an interim dividend of SAR 696 million for the first half of 2021. This resulted to a net payment of SAR 0.35 per share to the shareholders of the Bank.

Equity attributable to the shareholders of the Bank was SAR 25.7 billion as at 31 December 2021, an increase of 5.2 per cent. as compared to SAR 24.4 billion as at 31 December 2020, which in turn represented an increase of 8.8 per cent. as compared to SAR 22.4 billion as at 31 December 2019. The increase in equity attributable to the shareholders of the Bank as at 31 December 2021 was primarily due to the movements in the proposed dividend and the increase in statutory reserve which, in turn, were due to the increase in net income for the year after Zakat. The increase in equity attributable to the shareholders of the Bank as at 31 December 2020 was primarily due to the increase in retained earnings.

Capital Adequacy

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 the Basel Committee on Banking Supervision including the framework and guidance regarding the implementation of capital reforms under Basel III (“**Basel III Accord**”) which has been adopted by the Bank’s regulator, SAMA. The Basel III capital ratios measure 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.).

The Bank’s total capital adequacy ratio was 22.8 per cent., 19.3 per cent. and 20.3 per cent. as at 31 December 2021, 31 December 2020 and 31 December 2019. The increase in the total capital adequacy ratio as at 31 December 2021 was primarily attributable to the issue of SAR 5,000,000,000 Fixed Rate Reset Additional Tier 1 Capital Sukuk by the Bank in 2021. The decrease in the total capital adequacy ratio as at 31 December 2020

was primarily due to the 19 per cent. increase in the Group's total assets as at 31 December 2020 as compared to 31 December 2019.

The table below provides the Bank's capital adequacy ratios as at 31 December 2021, 31 December 2020 and 31 December 2019:

| | As at 31 December | | |
|--|--------------------|--------------------|--------------------|
| | 2021 | 2020 | 2019 |
| | (SAR '000) | | |
| Particulars | | | |
| Credit Risk Weighted Assets | 133,095,735 | 123,738,743 | 109,989,481 |
| Operational Risk Weighted Assets | 11,242,756 | 10,118,355 | 9,267,525 |
| Market Risk Weighted Assets | 945,712 | 4,491,592 | 461,946 |
| Total Pillar-I Risk Weighted Assets | 145,284,203 | 138,348,690 | 119,718,952 |
| Tier I Capital | 31,433,895 | 25,151,654 | 22,878,645 |
| Tier II Capital | 1,663,697 | 1,546,734 | 1,374,869 |
| Total Tier I & II Capital | 33,097,592 | 26,698,388 | 24,253,514 |

| | As at 31 December | | |
|---------------------------------------|-------------------|-------------|-------------|
| | 2021 | 2020 | 2019 |
| | (%) | | |
| Capital Adequacy Ratio ⁽¹⁾ | | | |
| CET1 Capital Adequacy | 18.2 | 18.2 | 19.1 |
| Tier I Capital Adequacy | 21.6 | 18.2 | 19.1 |
| Total Capital Adequacy | 22.8 | 19.3 | 20.3 |

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 the 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 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 the Bank's capital adequacy ratios with effect from 31 March 2020.

Classification and Measurement of Financial Instruments

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 these assessments, 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 amortized cost.

Financial assets held at FVOCI

Sukuk and similar 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.

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 “Gain / (loss) 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.

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 loss allowances for ECL on financial instruments 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'.

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.

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 2021 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 2021 Financial Statements.

Results of operations for the years ended 31 December 2021, 31 December 2020 and 31 December 2019

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 2021, 31 December 2020 and 31 December 2019:

| | For the year ended 31 December | | |
|--|--------------------------------|------------------|------------------|
| | 2021 | 2020 | 2019 |
| | (SAR '000) | | |
| Income from investments and financing..... | 5,674,385 | 5,470,006 | 5,537,518 |
| Return on time investments | (537,386) | (822,183) | (1,214,303) |
| Income from investments and financing, net | 5,136,999 | 4,647,823 | 4,323,215 |
| Fees from banking services-income | 1,559,485 | 1,312,336 | 1,198,503 |
| Fees from banking services-expense ⁽¹⁾ | (474,241) | (376,278) | (306,676) |
| Fees from banking services, net ⁽²⁾ | 1,085,244 | 936,058 | 891,827 |
| Exchange income, net..... | 214,670 | 219,938 | 207,970 |
| Income / (loss) from FVSI financial instruments, net..... | 129,398 | (149,984) | 166,155 |
| Gain from FVOCI sukuk investments, net..... | 209 | 944 | 8,916 |
| Dividend income on FVOCI equity investments..... | 8,820 | 15,851 | 9,136 |
| Other operating income | 91,848 | 11,009 | 2,942 |
| Total operating income⁽³⁾..... | 6,667,188 | 5,681,639 | 5,610,161 |
| Salaries and employees' related expenses..... | 1,120,471 | 1,042,258 | 1,001,641 |
| Rent and premises related expenses | 56,824 | 52,081 | 80,679 |
| Depreciation and amortisation | 251,160 | 251,319 | 273,258 |
| Other general and administrative expenses ⁽⁴⁾ | 936,707 | 720,260 | 720,985 |
| Operating expenses before impairment charges⁽⁵⁾..... | 2,365,162 | 2,065,918 | 2,076,563 |
| Impairment charge of financing, net of recoveries | 1,251,603 | 1,419,182 | 700,480 |
| Impairment charge for / (reversal of) other financial assets | 14,728 | (685) | 5,837 |
| Total operating expenses⁽⁶⁾..... | 3,631,493 | 3,484,415 | 2,782,880 |
| Net operating income | 3,035,695 | 2,197,224 | 2,827,281 |
| Share of (loss) / profit from an associate and a joint venture..... | (14,140) | 4,536 | (10,825) |
| Income for the year before zakat⁽⁷⁾ | 3,021,555 | 2,201,760 | 2,816,456 |
| Zakat | (312,168) | (235,768) | (281,646) |
| Net income for the year after zakat..... | 2,709,387 | 1,965,992 | 2,534,810 |
| Basic and diluted earnings per share (SAR) | 1.31 | 0.99 | Restated 1.28 |
| Net income for the year after zakat..... | 2,709,387 | 1,965,992 | 2,534,810 |

| | For the year ended 31 December | | |
|---|--------------------------------|------------------|------------------|
| | 2021 | 2020 | 2019 |
| | | (SAR '000) | |
| Other comprehensive income: | | | |
| <i>Items that cannot be reclassified back to consolidated statement of income in subsequent periods</i> | | | |
| Net change in fair value of FVOCI equity investments | (411) | 9,032 | 56,611 |
| Actuarial loss on re-measurement of End of Service Benefits.... | — | — | — |
| Scheme balances | (6,311) | (11,706) | (14,218) |
| <i>Items that can be reclassified back to consolidated statement of income in subsequent periods</i> | | | |
| Net change in fair value of FVOCI sukuk investments..... | (41,482) | 17,201 | 59,098 |
| Net gain realised on sale of FVOCI sukuk investments..... | (209) | (944) | (8,916) |
| Total other comprehensive (loss) / income | (48,413) | 13,583 | 92,575 |
| Total comprehensive income for the year | 2,660,974 | 1,979,575 | 2,627,385 |

Notes:

- (1) In the 2020 Financial Statements, "Fees from banking services (expense)" for the year ended 31 December 2020 was SAR 323,631 thousand. In the 2021 Financial Statements, an amount of SAR 52,647 thousand was reclassified from "Other general and administrative expenses" to "Fees from banking services (expense)" for the year ended 31 December 2020.
- (2) In the 2020 Financial Statements, "Fees from banking services, net" for the year ended 31 December 2020 was SAR 988,705 thousand. The difference between the amounts of "Fees from banking services, net" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.
- (3) In the 2020 Financial Statements, "Total operating income" for the year ended 31 December 2020 was SAR 5,681,639. The difference between the amounts of "Total operating income" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.
- (4) In the 2020 Financial Statements, "Other general and administrative expenses" for the year ended 31 December 2020 was SAR 772,906. The difference between the amounts of "Other general and administrative expenses" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.
- (5) In the 2020 Financial Statements, this line item was labelled "Operating expenses before charge for credit impairment and other losses" and was SAR 2,118,564 thousand for the year ended 31 December 2020. The difference between the amounts of "Operating expenses before charge for credit impairment and other losses" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and of "Operating expenses before impairment charges" as shown in the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.
- (6) In the 2020 Financial Statements, "Total operating expenses" for the year ended 31 December 2020 was SAR 3,537,061 thousand. The difference between the amounts of "Total operating expenses" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.
- (7) In the 2020 Financial Statements, this line item was labelled as "Net income for the year before zakat".

Overview

The Group's total operating income for the year ended 31 December 2021 was SAR 6,667 million, an increase of 17.3 per cent. as compared to SAR 5,682 million for the year ended 31 December 2020, which in turn represented an increase of 1.3 per cent. as compared to SAR 5,610 million for the year ended 31 December 2019. The increase in the Group's total operating income in 2021 was primarily as a result of an increase in income from investments and financing, net, income/loss from FVSI financial instruments, net and fees from banking services, net.

The increase in the Group's total operating income in 2020 was primarily as a result of an increase in income from investments and financing, net, offset by a decrease in income/loss from FVSI financial instruments, net. The Group's fees from banking services, net was SAR 1,085 million (or 16.3 per cent. of the Group's total operating income), SAR 936 million (or 16.5 per cent. of the Group's total operating income) and SAR 892

million (or 15.9 per cent. of the Group's total operating income) for the years ended 31 December 2021, 31 December 2020 and 31 December 2019, respectively.

The Group's total operating expenses was SAR 3,631 million for the year ended 31 December 2021, an increase of 4.2 per cent. as compared to SAR 3,484 million for the year ended 31 December 2020, which in turn represented an increase of 25.2 per cent. as compared to SAR 2,783 million for the year ended 31 December 2019. The increase in the Group's total operating expenses in 2021 was primarily as a result of the increase in other general and administrative expenses which increased from SAR 720 million for the year ended 31 December 2020 to SAR 937 million for the year ended 31 December 2021 and was partially offset by a decrease in impairment charge of financing, net of recoveries. The increase in the Group's total operating expenses in 2020 was primarily due to an increase in the impairment charge of financing, net of recoveries.

The Group's impairment charge of financing, net of recoveries was SAR 1,252 million for the year ended 31 December 2021, a decrease of 11.8 per cent. as compared to SAR 1,419 million for the year ended 31 December 2020, which in turn represented an increase of 102.6 per cent. as compared to SAR 700 million for the year ended 31 December 2019.

Reflecting the above factors, the Group's net income for the year after zakat for the year ended 31 December 2021 was SAR 2,709 million, an increase of 37.8 per cent. as compared to SAR 1,966 million for the year ended 31 December 2020, which in turn represented a 22.4 per cent. decrease as compared to SAR 2,535 million for the year ended 31 December 2019.

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 2021, 31 December 2020 and 31 December 2019:

| | 31 December | | |
|---|--------------------|------------------|------------------|
| | 2021 | 2020 | 2019 |
| | <i>(SAR '000)</i> | | |
| Income from investments and financing, net..... | 5,136,999 | 4,647,823 | 4,323,215 |
| Fees from banking services, net ⁽¹⁾ | 1,085,244 | 936,058 | 891,827 |
| Investment gains and other operating income, net ⁽²⁾ | 444,945 | 97,758 | 395,119 |
| Total operating income⁽³⁾..... | 6,667,188 | 5,681,639 | 5,610,161 |
| Operating expenses before impairment charges ⁽⁴⁾ | 2,365,162 | 2,065,918 | 2,076,563 |
| Impairment charge of financing, net of recoveries..... | 1,251,603 | 1,419,182 | 700,480 |
| Impairment charge for / (reversal of) other financial assets..... | 14,728 | (685) | 5,837 |
| Share of (loss) / profit from an associate and a joint venture..... | (14,140) | 4,536 | (10,825) |
| Income for the year before zakat..... | 3,021,555 | 2,201,760 | 2,816,456 |

Notes:

- (1) In the 2020 Financial Statements, "Fees from banking services, net" for the year ended 31 December 2020 was SAR 988,705 thousand. The difference between the amounts of "Fees from banking services, net" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification of the amount of SAR 52,647 thousand from "Other general and administrative expenses" to "Fees from banking services (expense)" for the year ended 31 December 2020.
- (2) This line item comprises the sum of the following line items: "Exchange income, net", "(Loss)/income from FVSI financial instruments, net", "Gain from FVOCI sukuk investments, net", "Dividend income on FVOCI equity investments" and "Other operating income".

- (3) In the 2020 Financial Statements, "Total operating income" for the year ended 31 December 2020 was SAR 5,681,639. The difference between the amounts of "Total operating income" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.
- (4) In the 2020 Financial Statements, this line item was labelled "Operating expenses before charge for credit impairment and other losses" and was SAR 2,118,564 thousand for the year ended 31 December 2020. The difference between the amounts of "Operating expenses before charge for credit impairment and other losses" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and of "Operating expenses before impairment charges" as shown in the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.

Income from investments and financing, net

The Group's income from investments and financing, net was SAR 5,137 million for the year ended 31 December 2021, an increase of 10.5 per cent. as compared to SAR 4,648 million for the year ended 31 December 2020, which in turn represented an increase of 7.5 per cent. as compared to SAR 4,323 million for the year ended 31 December 2019. These increases were primarily attributable to the growth in the financing and investment portfolios and the Group's core operations and activities.

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 2021, 31 December 2020 and 31 December 2019:

| | 31 December | | |
|---|--------------------|---------------|--------------|
| | 2021 | 2020 | 2019 |
| | <i>(SAR '000)</i> | | |
| Fees from banking services-income | 1,559,485 | 1,312,336 | 1,198,503 |
| Fees from banking services-expense ⁽¹⁾ | (474,241) | (376,278) | (306,676) |
| Fees from banking services, net ⁽²⁾ | 1,085,244 | 936,058 | 891,827 |
| Exchange income, net..... | 214,670 | 219,938 | 207,970 |
| Income / (loss) from FVSI financial instruments, net..... | 129,398 | (149,984) | 166,155 |
| Gain from FVOCI sukuk investments, net..... | 209 | 944 | 8,916 |
| Dividend income on FVOCI equity investments..... | 8,820 | 15,851 | 9,136 |
| Other operating income | 91,848 | 11,009 | 2,942 |

Notes:

- (1) In the 2020 Financial Statements, "Fees from banking services (expense)" for the year ended 31 December 2020 was SAR 323,631 thousand. In the 2021 Financial Statements, an amount of SAR 52,647 thousand was reclassified from "Other general and administrative expenses" to "Fees from banking services (expense)" for the year ended 31 December 2020.
- (2) In the 2020 Financial Statements, "Fees from banking services, net" for the year ended 31 December 2020 was SAR 988,705 thousand. The difference between the amounts of "Fees from banking services, net" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.

Fees from banking services, net

Fees from banking services, net was SAR 1,085 million as at 31 December 2021, an increase of 15.9 per cent. as compared to SAR 936 million for the year ended 31 December 2020, which in turn represented a 5.0 per cent. increase as compared to SAR 892 million for the year ended 31 December 2019. These increases were primarily attributable to the growth in the Group's financing portfolio.

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 2021, 31 December 2020 and 31 December 2019.

| | 2021 | 2020 | 2019 |
|---|------------------|-------------------|------------------|
| | | <i>(SAR '000)</i> | |
| Income from: | | | |
| Trade finance services | 118,433 | 112,949 | 98,832 |
| Card services | 739,892 | 575,858 | 584,424 |
| Brokerage fees | 118,897 | 102,194 | 37,587 |
| Fund management and other banking services..... | 582,263 | 521,335 | 477,660 |
| | 1,559,485 | 1,312,336 | 1,198,503 |
| Expense on: | | | |
| Card services ⁽¹⁾ | (470,707) | (373,540) | (298,446) |
| Other fees | (3,534) | (2,738) | (8,230) |
| Fees from banking services - expense ⁽²⁾ | (474,241) | (376,278) | (306,676) |
| Fees from banking services, net⁽³⁾..... | 1,085,244 | 936,058 | 891,827 |

Notes:

- (1) In the 2020 Financial Statements, "Expense on card services" for the year ended 31 December 2020 was SAR 320,893 thousand. In the 2021 Financial Statements, an amount of SAR 52,647 thousand was reclassified from "Other general and administrative expenses" to "Fees from banking services (expense)" for the year ended 31 December 2021.
- (2) In the 2020 Financial Statements, "Fees from banking services (expense)" for the year ended 31 December 2020 was SAR 323,631 thousand. The difference between the amounts of "Fees from banking services (expense)" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.
- (3) In the 2020 Financial Statements, "Fees from banking services, net" for the year ended 31 December 2020 was SAR 988,705 thousand. The difference between the amounts of "Fees from banking services, net" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.

The Group's income from trade finance services was SAR 118 million for the year ended 31 December 2021, a 4.9 per cent. increase as compared to SAR 113 million for the year ended 31 December 2020, which in turn represented a 14.3 per cent. increase as compared to SAR 99 million for the year ended 31 December 2019. These increases were primarily due to the 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 740 million for the year ended 31 December 2021, a 28.5 per cent. increase as compared to SAR 576 million for the year ended 31 December 2020, which in turn represented a 1.5 per cent. decrease as compared to SAR 584 million for the year ended 31 December 2019. The increase in 2021 was primarily attributable to the increase in volumes of point-of-sale and e-commerce transactions which, in turn, was a result of partial relaxation of COVID-19 restrictions. The decrease in 2020 was primarily attributable to the decrease in volumes of point-of-sale ("POS") and automated teller machine ("ATM") transactions as a result of the COVID-19 restrictions.

The Group's income from brokerage fees was SAR 119 million for the year ended 31 December 2021, an increase of 16.3 per cent. as compared to SAR 102 million for the year ended 31 December 2020, which in turn represented an increase of 171.9 per cent. as compared to SAR 38 million for the year ended 31 December 2019. These increases were primarily due to the increase in investment trading activities of the Group's customers during the periods under review.

The Group's income from fund management and other banking services was SAR 582 million for the year ended 31 December 2021, an increase of 11.7 per cent. as compared to SAR 521 million for the year ended 31 December 2020, which in turn represented an increase of 9.1 per cent. as compared to SAR 478 million for the

year ended 31 December 2019. These increases were primarily due to the growth of assets under management in the periods under review.

Exchange income, net

The Group's exchange income, net is income arising from foreign exchange gains. Exchange income, net was SAR 215 million for the year ended 31 December 2021, a decrease of 2.4 per cent. as compared to SAR 220 million for the year ended 31 December 2020, which in turn represented an increase of 5.8 per cent. as compared to SAR 208 million for the year ended 31 December 2019.

Income / (loss) from FVSI financial instruments, net

The Group's income / (loss) from FVSI financial instruments, net was income of SAR 129 million for the year ended 31 December 2021, a loss of SAR 150 million for the year ended 31 December 2020 and income of SAR 166 million for the year ended 31 December 2019. The increase for the year ended 31 December 2021 was primarily attributable to the increase in net asset value of the fund portfolio as well as the growth in equity portfolio in the period under review which, in turn, resulted in the increased dividend income. The decrease for the year ended 31 December 2020 was primarily attributable to revaluation losses from the Group's investments in mutual funds incurred during the year ended 31 December 2020 as compared to revaluation gains for the year ended 31 December 2019.

Operating expenses before impairment charges

The Group's operating expenses before impairment charges was SAR 2,365 million for the year ended 31 December 2021, an increase of 14.5 per cent. as compared to SAR 2,066 million for the year ended 31 December 2020, which in turn represented a decrease of 0.5 per cent. as compared to SAR 2,077 million for the year ended 31 December 2019.

The increase in the Group's operating expenses before impairment charges for the year ended 31 December 2021 was primarily driven by a SAR 216 million increase in other general and administrative expenses and a SAR 78 million increase in salaries and employees' related expenses. The increase in other general and administrative expenses for the year ended 31 December 2021 was primarily attributable to the increase in the Kingdom's value added tax rate from 5 per cent. to 15 per cent. in July 2020 and the increase in communications expenses as a result of increase in transactions volumes and SMS. The increase in salaries and employees' related expenses was primarily driven by the increase in the Group's headcount to support the continued business growth.

The decrease in the Group's operating expenses before impairment charges for the year ended 31 December 2020 principally reflected lower rent and premises related expenses due to COVID-19 rent concessions and the continuing effects of the implementation of IFRS 16 ("Leases") which caused renewed lease contracts to be capitalized with the exception of those qualifying for short-term leases and leases of low-value assets, and lower depreciation and amortisation driven by lower depreciation of furniture and equipment, partially offset by higher salaries and employee related expenses.

Impairment charge of financing, net of recoveries

The Group's impairment charge of financing, net of recoveries was SAR 1,252 million for the year ended 31 December 2021, a decrease of 11.8 per cent. as compared to SAR 1,419 million for the year ended 31 December 2020, which in turn represented an increase of 102.6 per cent. as compared to SAR 700 million for the year ended 31 December 2019. The decrease in 2021 was primarily due to the decrease in NPFs, improving macroeconomic environment in the Kingdom, leading to lower ECL risk assessment on the Group's financing. The increase in 2020 was primarily attributable to the increase in NPFs, higher ECL risk assessments due to updates in macroeconomic and other assumptions in light of the anticipated impact of the COVID-19 pandemic and the increase of the Group's credit exposures.

Impairment charge for / (reversal of) other financial assets

The Group's impairment charge for other financial assets was SAR 15 million as at 31 December 2021, as compared to the reversal of other financial assets of SAR 0.7 million as at 31 December 2020 and a charge of SAR 6.0 million as at 31 December 2019. The movement in 2021 was primarily attributable to the increase in impairment charge of long outstanding management fee receivables and the movement in 2020 was primarily attributable to the reversal of impairment charge created in respect of one of the Group's investments in sukuk as a result of the disposal of this investment by the Group in 2020.

Share of (loss) / profit from an associate and a joint venture

Investment in an associate

Investment in an associate represents the Group's share of investment of 28.75 per cent. in Alinma Tokio Marine Company (a cooperative insurance company) ("ATMC").

The table below provides summarised financial information of ATMC based on its latest published financial statements.

| | As at / For the year ended | | |
|-------------------------|----------------------------|---------------------|---------------------|
| | 31 December 2021 | 31 December 2020 | 31 December 2019 |
| | | (SAR '000) | |
| Total assets | 676,876 | 655,997 | 762,028 |
| Total liabilities | 489,967 | 454,234 | 554,978 |
| Total equity..... | 186,909 | 201,763 | 207,050 |
| Total revenue | 169,400 | 167,810 | 187,953 |
| Total expenses | 180,587 | 169,258 | 221,984 |

The Group's share of net loss from an associate was SAR 6 million, SAR 0.198 million and SAR 13 million for the years ended 31 December 2021, 31 December 2020 and 31 December 2019, respectively.

Investment in a joint venture

Investment in a joint venture represents the Group's share of investment of 50 per cent. in ERSAL Financial Remittance Company (a joint venture between the Bank and Saudi Post) ("ERSAL"). The Group's share of net loss in a joint venture for the year ended 31 December 2021 was SAR 8.1 million compared to the share of net profit of SAR 4.7 million for the year ended 31 December 2020 and of SAR 1.8 million for the year ended 31 December 2019.

Key Performance Ratios

Net Profit Margin

The table below provides the calculation of the Group's net profit margin for the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

| | 31 December | | |
|---|--------------------|------------------|-------------|
| | 2021 | 2020 | 2019 |
| | | <i>(SAR'000)</i> | |
| Total operating income ⁽¹⁾ | 6,667,188 | 5,681,639 | 5,610,161 |
| Net income for the year after Zakat..... | 2,709,387 | 1,965,992 | 2,534,810 |
| Net Profit Margin (%) | 40.6 | 34.6 | 45.2 |

Note:

- (1) In the 2020 Financial Statements, "Total operating income" for the year ended 31 December 2020 was SAR 5,681,639. The difference between the amounts of "Total operating income" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the amount of SAR 52,647 thousand being reclassified from "Other general and administrative expenses" to "Fees from banking services (expense)" for the year ended 31 December 2020 in the 2021 Financial Statements.

The Group's net profit margin was 40.6 per cent. for the year ended 31 December 2021, an increase of 6.0 percentage points as compared to 34.6 per cent. for the year ended 31 December 2020, which in turn represented a decrease of 10.6 percentage points as compared to 45.2 per cent for the year ended 31 December 2019. The increase for the year ended 31 December 2021 was primarily attributable to the increase in net operating income and lower impairment charge of financing, net of recoveries. The decrease for the year ended 31 December 2020 was primarily due to an increase in impairment charge of 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 2021, 31 December 2020 and 31 December 2019.

| | 31 December | | |
|--|--------------------|------------------|-------------|
| | 2021 | 2020 | 2019 |
| | | <i>(SAR'000)</i> | |
| Average total assets..... | 165,176,444 | 144,358,122 | 126,688,706 |
| Average total shareholders' equity attributable to the Bank..... | 25,069,907 | 23,436,856 | 21,871,316 |
| Net income for the year after Zakat..... | 2,709,387 | 1,965,992 | 2,534,810 |
| Return on average assets (%) | 1.6 | 1.4 | 2.0 |
| Return on average equity (%) | 10.8 | 8.4 | 11.6 |

The Group's return on average assets ratio and return on average equity ratio were 1.6 per cent. and 10.8 per cent., respectively, for the year ended 31 December 2021 as compared to 1.4 per cent. and 8.4 per cent., respectively, for the year ended 31 December 2020, and 2.0 per cent. and 11.6 per cent. for the year ended 31 December 2019. The movements in these ratios were primarily attributable to the increase or decrease 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 2021, 31 December 2020 and 31 December 2019.

| | 2021 | 2020 | 2019 |
|---|------------------|------------------|------------------|
| | | (SAR '000) | |
| Total operating income⁽¹⁾ | 6,667,188 | 5,681,639 | 5,610,161 |
| Operating expenses before impairment charges ⁽²⁾ | 2,365,162 | 2,065,918 | 2,076,563 |
| Cost to income ratio (%) | 35.5 | 36.4 | 37.0 |

Notes:

- (1) In the 2020 Financial Statements, "Total operating income" for the year ended 31 December 2020 was SAR 5,681,639. The difference between the amounts of "Total operating income" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and the 2021 Financial Statements was as a result of the amount of SAR 52,647 thousand being reclassified from "Other general and administrative expenses" to "Fees from banking services (expense)" for the year ended 31 December 2020 in the 2021 Financial Statements.
- (2) In the 2020 Financial Statements, this line item was labelled "Operating expenses before charge for credit impairment and other losses" and was SAR 2,118,564 thousand for the year ended 31 December 2020. The difference between the amounts of "Operating expenses before charge for credit impairment and other losses" for the year ended 31 December 2020 as shown in the 2020 Financial Statements and of "Operating expenses before impairment charges" as shown in the 2021 Financial Statements was as a result of the reclassification described in Note (1) above.

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 35.5 per cent., 36.4 per cent. and 37.0 per cent. for the years ended 31 December 2021, 31 December 2020 and 31 December 2019.

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 2021 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 |

| Business Model and Bank's Internal Organisation | Business Segment as per the SAMA Format |
|--|--|
| Treasury | Murabahas with banks, investments and treasury services |
| Investment & brokerage | Asset management, custodianship, advisory, underwriting and brokerage services |

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 |
|--|---------------|------------------|------------------|-----------------------------------|------------------|
| | | | <i>(SAR'000)</i> | | |
| Net income for the year ended 31 December 2021 before zakat..... | 1,195,300 | 559,104 | 796,761 | 470,390 | 3,021,555 |
| Net income for the year ended 31 December 2020 before zakat..... | 895,476 | 425,340 | 487,471 | 393,473 | 2,201,760 |
| Net income for the year ended 31 December 2019 before zakat..... | 789,736 | 1,015,063 | 741,221 | 270,436 | 2,816,456 |

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 2021 was SAR 1,195 million, an increase of 33.5 per cent. as compared to SAR 895 million for the year ended 31 December 2020, which in turn represented an increase of 13.4 per cent. as compared SAR 790 million for the year ended 31 December 2019. These increases were primarily attributable to an increase in gross financing to retail customers during the periods under review.

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 2021 was SAR 559 million, an increase of 31.5 per cent. as compared to SAR 425 million for the year ended 31 December 2020, which in turn represented a decrease of 58.1 per cent as compared to SAR 1,015 million for the year ended 31 December 2019. The increase for the year ended 31 December 2021 was primarily attributable to an increase in gross financing to corporate customers. The decrease for the year ended 31 December 2020 was primarily attributable to an increase in impairment charge of financing, net of recoveries from SAR 700 million in 2019 to SAR 1,419 million in 2020.

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 2021 was SAR 797 million, an increase of 63.4 per cent. as compared to SAR 487 million for the year ended 31 December 2020, which in turn represented a decrease of 34.2 per cent. as compared to SAR 741 million for the year ended 31 December 2019. The increase for the year ended 31 December 2021 was primarily attributable to a 42.6 per cent. growth in the Government sukuk portfolio and the general improvement in the valuation of the Group's fund portfolio. The decrease for the year ended 31 December 2020 was primarily attributable to a

revaluation loss on the Group's FVSI financial instruments net in 2020 compared to revaluation income in 2019.

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 2021 was SAR 470 million, an increase of 19.6 per cent. as compared to SAR 393 million for the year ended 31 December 2020, which in turn represented an increase of 45.5 per cent. as compared to SAR 270 million for the year ended 31 December 2019. These increases were primarily due to an increase in income from investments and financing, net, which in turn were mainly attributable to the increase in investment trading activities of the Group's customers during the periods under review.

Credit Ratings

The Group is rated by Fitch. The table below shows the Group's credit rating:

| | Long Term Rating | Short Term Bank | Outlook / Review | Date ⁽¹⁾ |
|-------------|---------------------|--------------------|---------------------|---------------------|
| Fitch | BBB+ | F2 | Positive | 16 May 2022 |

Note:

(1) Dates of latest published reports.

The rating of the Group was reaffirmed on the date noted in the table above and, as at the date of this Offering Circular, the Bank enjoys investment grade status.

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 2021, 31 December 2020 and 31 December 2019.

| 2021 | Within 3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|--|--------------------|------------------|------------------|-----------------|-------------------|
| | <i>(SAR '000)</i> | | | | |
| 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 |

| 2020 | Within 3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|--|--------------------|----------------|-----------|-----------------|------------|
| | <i>(SAR '000)</i> | | | | |
| Letters of credit..... | 2,203,293 | 2,530 | 97 | 276 | 2,206,196 |
| Letters of guarantee..... | 8,814,595 | 885,291 | 1,385,481 | 99,750 | 11,185,117 |
| Acceptances..... | 458,628 | — | — | 2,480 | 461,108 |
| Irrevocable commitments to extend credit.. | — | 69,441 | — | — | 69,441 |

| 2020 | Within 3 months | 3-12 months | 1-5 years | Over 5 years | Total |
|--|-------------------|------------------|------------------|----------------|-------------------|
| | (SAR'000) | | | | |
| Total | 11,476,516 | 957,262 | 1,385,578 | 102,506 | 13,921,862 |
| | (SAR'000) | | | | |
| 2019 | Within 3 months | 3-12 months | 1-5 years | Over 5 years | Total |
| Letters of credit..... | 1,343,158 | 1,432,839 | 108,072 | 267 | 2,884,336 |
| Letters of guarantee..... | 1,656,355 | 5,502,165 | 3,305,392 | 50,922 | 10,514,834 |
| Acceptances..... | 294,166 | 43,827 | 547 | — | 338,540 |
| Irrevocable commitments to extend credit.. | — | 417,788 | — | — | 417,788 |
| Total | 3,293,679 | 7,396,619 | 3,414,011 | 51,189 | 14,155,498 |

Guarantees and standby letters of credit, which represent irrecoverable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, 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 Bank 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 2021 was SAR 29,302 million as compared to SAR 31,390 million as at 31 December 2020 and SAR 25,350 million as at 31 December 2019.

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 the applicable Rules and Regulations issued by SAMA. The balances as at 31 December 2021, 31 December 2020 and 31 December 2019 resulting from such transactions included in the consolidated financial statements are as follows:

As at 31 December

| | 2021 | 2020 | 2019 |
|---|-------------------|-----------|------------|
| | <i>(SAR '000)</i> | | |
| Directors, key management personnel, major shareholders and affiliates | | | |
| Financing to key management personnel..... | 43,685 | 26,114 | 29,209 |
| Financing to other related parties..... | 745,520 | 493,820 | 520,950 |
| Customers' deposits..... | 323,538 | 4,762,552 | 10,211,674 |
| Investments in associate and joint venture..... | 66,680 | 80,818 | 76,284 |
| Bank's mutual funds | | | |
| Investments in mutual funds..... | 1,755,631 | 1,665,653 | 1,678,486 |
| Financing to mutual funds..... | — | 2,627,303 | 1,611,619 |
| Deposits from mutual funds..... | 216,662 | 429,132 | 692,303 |
| Borrowings from mutual fund..... | 50,388 | — | 100,633 |

RECENT DEVELOPMENTS

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 Interim Financial Statements and the notes thereto incorporated by reference herein.

Interim Condensed Consolidated Statements of Income and Comprehensive Income

The table below provides the Group’s interim condensed consolidated statements of income and comprehensive income for the nine-month periods ended 30 September 2022 and 30 September 2021.

| | For the nine-months period ended | |
|---|----------------------------------|----------------------|
| | 30 September 2022 | 30 September 2021 |
| | <i>SAR'000</i> | |
| | (Unaudited) | |
| Income from investments and financing | 5,176,140 | 4,225,523 |
| Return on time investments | (777,481) | (394,563) |
| Income from investments and financing, net | 4,398,659 | 3,830,960 |
| Fee from banking services – income | 1,366,719 | 1,161,827 |
| Fee from banking services – expense | (491,628) | (341,052) |
| Fees from banking services, net | 875,091 | 820,775 |
| Exchange income, net..... | 206,203 | 158,463 |
| Income from FVSI financial instruments, net | 235,751 | 140,519 |
| Gain from FVOCI sukuk investments, net..... | 993 | 209 |
| Dividend income on FVOCI equity investments..... | 23,757 | 6,849 |
| Other operating income | 74,721 | 21,664 |
| Total operating income | 5,815,175 | 4,979,439 |
| Salaries and employee related expenses | 967,570 | 827,095 |
| Rent and premises related expenses | 44,878 | 37,723 |
| Depreciation and amortisation | 204,935 | 185,011 |
| Other general and administrative expenses..... | 797,661 | 625,789 |
| Operating expenses before impairment charges | 2,015,044 | 1,675,618 |
| Impairment charge on financing, net of recoveries..... | 761,908 | 962,622 |
| (Reversal) / impairment charge on other financial assets..... | (14,376) | 2,472 |
| Total operating expenses..... | 2,762,576 | 2,640,712 |
| Net operating income | 3,052,599 | 2,338,727 |
| Share of income / (loss) from an associate and a joint venture..... | 1,124 | (8,190) |
| Income for the period before zakat | 3,053,723 | 2,330,537 |

| | For the nine-months period ended | |
|---|---|------------------------------|
| | 30 September 2022 | 30 September 2021 |
| | <i>SAR'000</i> | |
| | (Unaudited) | |
| Zakat for the period..... | (314,861) | (240,278) |
| Net income for the period after zakat | 2,738,862 | 2,090,259 |
| Basic and diluted earnings per share (SAR) | 1.33 | 1.03 |
| Net income for the period after zakat | 2,738,862 | 2,090,259 |
| Other comprehensive (loss) / income: | | |
| <i>Items that cannot be recycled back to interim condensed consolidated statement of income in subsequent periods</i> | | |
| Net change in fair value of FVOCI equity investments | (175,859) | 13,424 |
| <i>Items that can be recycled back to interim consolidated statement of income in subsequent periods</i> | | |
| Net change in fair value of FVOCI sukuk investments..... | (229,154) | (40,143) |
| Net gain realised on sale of FVOCI sukuk investments..... | (993) | (209) |
| Total other comprehensive loss..... | (406,006) | (26,928) |
| Total comprehensive income for the period..... | 2,332,856 | 2,063,331 |

The Group's total operating income for the nine months ended 30 September 2022 was SAR 5,815 million, an increase of 16.8 per cent. as compared to SAR 4,979 million for the nine months ended 30 September 2021. This increase was primarily attributable to an increase in income from investments and financing, net, income from FVSI financial instruments, net, fees from banking services, net, exchange income, net and other operating income.

The Group's income from investments and financing, net for the nine months ended 30 September 2022 was SAR 4,399 million, an increase of 14.8 per cent. as compared to SAR 3,831 million for the nine months ended 30 September 2021. This increase was primarily attributable to an increase in income from investments and financing and was partially offset by an increase in return on time investments.

The Group's income from investments and financing for the nine months ended 30 September 2022 was SAR 5,176 million, an increase of 22.5 per cent. as compared to SAR 4,226 million for the nine months ended 30 September 2021. This increase was primarily attributable to the growth in the Bank's financing and investment portfolios and the increase in yield rates.

The Group's income from FVSI financial instruments, net for the nine months ended 30 September 2022 was SAR 236 million, an increase of 67.8 per cent. as compared to SAR 141 million for the nine months ended 30 September 2021. This increase was primarily attributable to the growth in net asset value of the fund portfolio, the growth in fair value of the equity portfolio and the increase in dividends received from the Group's fund portfolio.

The Group's return on time investments for the nine months ended 30 September 2022 was SAR 777 million, an increase of 97.0 per cent. as compared to SAR 395 million for the nine months ended 30 September 2021.

This increase was primarily attributable to increases in return on customers' time investments and return on time investments from SAMA, banks and other financial institutions which, in turn, were attributable to the increases in customer's time investments representing *Murabaha*, *Mudaraba* and *Wakala* deposits from customers and in time investments from banks and other financial institutions as well as the increase in rates payable in these investments which were in line with the overall increase in yield rates.

The Group's fees from banking services, net, for the nine months ended 30 September 2022 was SAR 875 million, an increase of 6.6 per cent. as compared to SAR 821 million for the nine months ended 30 September 2021. This increase was primarily attributable to the growth in the Bank's financing portfolio.

The Group's exchange income, net, for the nine months ended 30 September 2022 was SAR 206 million, an increase of 30.1 per cent. as compared to SAR 158 million for the nine months ended 30 September 2021. This increase was primarily attributable to an increase in transaction volumes.

The Group's other operating income for the nine months ended 30 September 2022 was SAR 75 million, an increase of 245 per cent. as compared to SAR 22 million for the nine months ended 30 September 2021. This increase was primarily attributable to a gain of SAR 52 million arising from the buyback by the Ministry of Finance of the KSA of Government Sukuk from the Group.

The Group's operating expenses before impairment charges for the nine months ended 30 September 2022 was SAR 2,015 million, an increase of 20.3 per cent. as compared to SAR 1,676 million for the nine months ended 30 September 2021. This increase was primarily attributable to increases in salaries and employee related expenses and other general and administrative expenses.

The Group's salaries and employee related expenses for the nine months ended 30 September 2022 was SAR 968 million, an increase of 17.0 per cent. as compared to SAR 827 million for the nine months ended 30 September 2021. This increase was primarily driven by the increase in the Group's headcount.

The Group's other general and administrative expenses for the nine months ended 30 September 2022 was SAR 798 million, an increase of 27.5 per cent. as compared to SAR 626 million for the nine months ended 30 September 2021. This increase was 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.

The Group's impairment charge on financing, net of recoveries for the nine months ended 30 September 2022 was SAR 762 million, a decrease of 20.9 per cent. as compared to SAR 963 million for the nine months ended 30 September 2021. This decrease was primarily attributable to the improving economic environment in the Kingdom resulting in lower ECL risk assessment on the Group's financing and repayments of NPFs.

The Group's net income after zakat for the nine months ended 30 September 2022 SAR 2,739 million, an increase of 31.0 per cent. as compared to SAR 2,090 million for the nine months ended 30 September 2021. This increase was primarily attributable to the factors described above.

Interim Condensed Consolidated Statement of Financial Position Data

The table below provides the Group's consolidated statement of financial position as at 30 September 2022 and 31 December 2021.

| | As at | |
|--|-------------------------------------|---------------------|
| | 30 September 2022 (Unaudited) | 31 December 2021 |
| | <u>SAR'000</u> | |
| ASSETS | | |
| Cash and balances with Saudi Central Bank (SAMA)..... | 10,225,099 | 9,177,296 |
| Due from banks and other financial institutions, net | 709,685 | 738,073 |
| Investments held at fair value through statement of income (FVSI)..... | 1,462,680 | 2,365,750 |
| Investments held at fair value through other comprehensive income (FVOCI)..... | 12,044,083 | 7,412,625 |
| Investments held at amortized cost, net | 24,693,227 | 23,432,514 |
| Investments in associate and joint venture | 67,804 | 66,680 |
| Financing, net | 139,987,366 | 126,271,491 |
| Property, equipment and right of use assets, net..... | 2,514,429 | 2,382,732 |
| Other assets..... | 1,524,954 | 1,628,923 |
| TOTAL ASSETS | 193,229,327 | 173,476,084 |
| LIABILITIES AND EQUITY | | |
| LIABILITIES | | |
| Due to SAMA, banks and other financial institutions..... | 23,224,724 | 15,239,791 |
| Customers' deposits | 132,048,325 | 121,060,551 |
| Amount due to Mutual Funds' unitholders | 503,717 | 495,990 |
| Other liabilities | 6,150,079 | 5,968,725 |
| TOTAL LIABILITIES | 161,926,845 | 142,765,057 |
| EQUITY | | |
| Share capital | 20,000,000 | 20,000,000 |
| Treasury shares | (66,247) | (94,159) |
| Statutory reserve | 1,268,845 | 1,268,845 |
| Other reserves | (273,111) | 155,366 |
| Retained earnings | 5,372,995 | 3,585,844 |
| Proposed dividends | — | 795,131 |
| Equity attributable to the shareholders of the Bank | 26,302,482 | 25,711,027 |
| Tier 1 Sukuk | 5,000,000 | 5,000,000 |
| TOTAL EQUITY | 31,302,482 | 30,711,027 |
| TOTAL LIABILITIES AND EQUITY | 193,229,327 | 173,476,084 |

Key Ratios

The table below provides key ratios for the Group as at and for the nine-month periods ended 30 September 2022 and 30 September 2021.

| Ratio | As at / for the nine months ended 30 September | |
|---|--|-------|
| | 2022 | 2021 |
| | (<i>%</i>) | |
| Cost to income ⁽¹⁾ | 34.7 | 33.7 |
| Cost of risk ⁽²⁾ | 0.7 | 1.1 |
| NPF ⁽³⁾ | 1.7 | 2.4 |
| NPF Coverage ⁽⁴⁾ | 155.5 | 146.4 |
| SAMA financing to deposit ⁽⁵⁾ | 87.0 | 85.5 |
| Financing to deposit ⁽⁶⁾ | 106.0 | 104.0 |
| Financing to funding sources ⁽⁷⁾ | 90.2 | 92.6 |
| Net profit margin ⁽⁸⁾ | 47.1 | 42.0 |
| Return on average assets ⁽⁹⁾ | 2.0 | 1.7 |
| Return on average equity ⁽¹⁰⁾ | 14.0 | 11.2 |
| CET1 capital adequacy ⁽¹¹⁾ | 16.0 | 17.8 |
| Tier 1 capital adequacy ⁽¹²⁾ | 18.9 | 21.3 |
| Total capital adequacy ⁽¹³⁾ | 20.1 | 22.4 |
| Leverage ⁽¹⁴⁾ | 15.6 | 17.6 |
| Liquidity coverage ⁽¹⁵⁾ | 129.5 | 131.1 |

Notes:

- (1) Calculated as operating expenses before impairment charges divided by total operating income.
- (2) Calculated as the ratio between annualised impairment charge on financing, net of recoveries for a given period and average funded credit facilities (calculated as the simple average of gross financing as at the start and end of the period) during the same period. Annualised impairment charge on financing, net of recoveries is calculated as impairment charge on financing, net of recoveries for the period divided by 9 and multiplied by 12.
- (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 period after zakat divided by total operating income for the period.
- (9) Calculated as annualised net income after zakat divided by average total assets (calculated as the simple average of total assets as at the start and end of the period). Annualised net income after zakat is calculated as net income for the period after zakat divided by 9 and multiplied by 12.
- (10) Calculated as annualised net income 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 period). Annualised net income after zakat is calculated as net income for the period after zakat divided by 9 and multiplied by 12.
- (11) Calculated in accordance with SAMA regulations and represents common equity tier 1 capital divided by total Pillar I risk-weighted assets.
- (12) Calculated in accordance with SAMA regulations and represents tier 1 capital divided by total Pillar I risk-weighted assets.
- (13) Calculated in accordance with SAMA regulations and represents and represents the sum of tier 1 and tier 2 capital divided by total Pillar I risk-weighted assets.
- (14) Calculated in accordance SAMA regulations and represents tier 1 capital divided by total exposures.
- (15) Calculated in accordance with SAMA regulations and represents high-quality liquid assets divided by expected net cash outflows.

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-Ula 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 7th largest listed commercial bank in the Kingdom as at 30 September 2022 and 31 December 2021 by total assets (based on the latest available financial statements of the banking industry), with total assets of SAR 193.2 billion and SAR 173.5 billion, respectively. As at 30 September 2022 and 31 December 2021, the Bank's total customers' deposits amounted to SAR 132.0 billion and SAR 121.1 billion, respectively, which represented approximately 5.8 per cent. and 5.7 per cent. of the market share in the Kingdom in terms of customer deposits. The Bank's net income after zakat was SAR 2,739 million for the nine months ended 30 September 2022, SAR 2,709 million for the year ended 31 December 2021, SAR 1,966 million for the year ended 31 December 2020 and SAR 2,535 million for the year ended 31 December 2019.

As at 30 September 2022, the Bank had a network of 105 branches, 1,557 ATMs, 125,071 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 three million individuals as of 30 September 2022. The Bank has also procured a steady growth in corporate customers (including SMEs) to 1,864 customers as at 30 September 2022.

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-Ula 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 competitive advantages 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 combined Tier 1 and Tier 2 capital ratio of 20.1 per cent. and 22.8 per cent. as at 30 September 2022 and 31 December 2021, respectively, which in each case 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 20.0 billion as at 30 September 2022, 31 December 2021 and 31 December 2020 and SAR 15.0 billion as at 31 December 2019.

- 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 14.0 per cent., 10.8 per cent., 8.4 per cent. and 11.6 per cent. for the nine months ended 30 September 2022, for the year ended 31 December 2021, for the year ended 31 December 2020 and for the year ended 31 December 2019, respectively. The Bank's net income after zakat was SAR 2,739 million for the nine months ended 30 September 2022, SAR 2,709 million for the year ended 31 December 2021, SAR 1,966 million for the year ended 31 December 2020 and SAR 2,535 million for the year ended 31 December 2019. The Bank's NPF ratio (calculated as NPFs divided by gross financing) was 1.7 per cent. as at 30 September 2022, 1.8 per cent. as at 31 December 2021, 2.5 per cent. as at 31 December 2020 and 1.9 per cent. as at 31 December 2019 (see – "*Financial Review – Consolidated Statement of Financial Position - Financing, net – Classification Process for Non-Performing Financings*" and "*Recent Developments*").
- 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 2021, the Bank delivered 54,450 training hours to 7,745 of the Bank's employees.
- Extensive channel distribution network:** The Bank has a branch network throughout the Kingdom, with a total of 105 branches as at 30 September 2022. 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. In addition, the Bank expanded its branches from 95 as at 31 December 2019, to 98 as at 31 December 2020, 100 as at 31 December 2021 and 105 as at 30 September 2022 and its ATM network from 1,523 as at 31 December 2019 to 1,551 as at 31 December 2020, 1,584 as at 31 December 2021 and 1,557 as at 30 September 2022.
- 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 30 September 2022 and 31 December 2021, the assets attributable to the Bank's corporate banking segment amounted to SAR 104.7 billion (or 54.2 per cent. of the Bank's total assets) and SAR 98.8 billion (or 56.9 per cent. of the Bank's total assets), respectively, and principally consisted of the corporate financings portfolio. The Bank is well placed to utilise opportunities created by the strong synergies between its corporate and retail banking business segments.
- 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 34.7 per cent., 35.5 per cent., 36.4 per cent. and 37.0 per cent. for the nine months period ended 30 September 2022, for the year ended 31 December 2021, for the year ended 31 December 2020 and for the year ended 31 December 2019, respectively.

Strategy

The Bank's vision is to be recognised as the fastest, 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 increasing 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 and most convenient retail bank in the Kingdom. The Bank is already considered to be one of the fastest growing banks in the Kingdom in terms of overall income. This organic growth has been achieved by delivering consistent high quality service offerings leading to notable growth in customer numbers, from 2.3 million as at 31 December 2019 to 2.9 million as at 31 December 2021. To date, the Bank’s retail banking division has focused on opening new accounts, increasing deposits from its retail customers and leveraging its digital capabilities to acquire new customers, in each case with a focus on wealth segments. Now, 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 and to start offering 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 number one employer of choice across all of the banks in the Kingdom, transforming the culture of the Bank to attract the best talent in the Kingdom. The Bank focusses on the empowerment of women and prides itself on 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). STC Bank will be converted from STC Digital Payments which is a digital payments company, founded in 2018, which has become the largest digital wallet provider in the MENA region. STC Bank will have a paid-up capital of U.S.\$666.7 million. Saudi Digital Bank is being established by a consortium led by Abdul Rahman bin-Saad al-Rashed and Sons Company and will have a paid-up capital of around U.S.\$400 million. D360 will be established through a consortium of investors with the Public Investment Fund as one of its key investors and will be led by Derayah Financial Company. It will have a paid-up of capital of around U.S.\$440 million. 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.

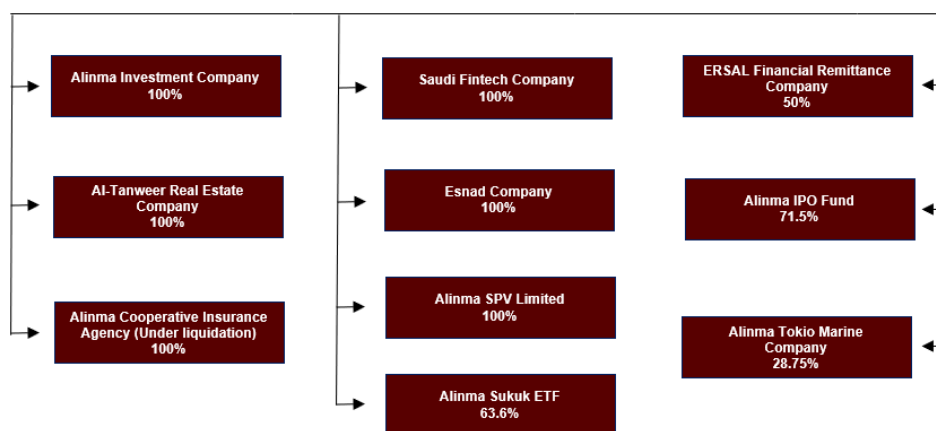
In the corporate banking sector, the Bank competes to attract large national corporate customers that can provide significant volumes of business directly and present opportunities to cross-sell retail banking services to their

employees. The Bank considers its primary competitors in this area to be The Saudi National Bank, Riyad 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 with regards to their attempts at providing fully digital banking propositions for the mass market. In addition, there have been several recent advances in the retail market within the digital space as a result of SAMA’s recent regulatory sandbox initiative. This has led to the emergence of 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. 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 relatively outdated 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 affiliates, subsidiaries and entities under effective control of the Bank as at 30 September 2022:



Share Capital and Ownership Structure

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

As at 30 September 2022, the Bank’s market capitalisation was SAR 72.5 billion, making it the 5th largest bank in the Kingdom by capitalisation according to Tadawul.

As at 30 September 2022 and 31 December 2021, the equity attributable to the shareholders of the Bank amounted to SAR 26.3 billion and SAR 25.7 billion, respectively.

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 30 September 2022:

| 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 2021, the Bank implemented the following high-priority initiatives:

- introduction of AA, which enhances the quality of decision making through the use of advanced data analytics;
- introduction of RPA, which aims to automate recurring operational processes, which is expected to increase productivity and efficiency and reduce the risk of human errors;
- roll out of a digital account opening solution, which enables the Bank’s customers to open accounts digitally without the need to visit its branches;
- roll out of a number of new digital products, including the family account; see – “*Operations – Retail Banking - E-banking*” below;
- launch of a new revolving *Shari’a* compliant credit card which enables the Bank’s customers to make purchases or withdraw cash and pay the amounts due by monthly instalments;
- enhancement of the Bank’s smartphone application user experience;
- roll out of a new instant stock financing deposit, which allows the Bank’s customers to promptly receive proceeds from sales of their stock;
- implementation of an anti-fraud management system, which is designed to effectively detect, analyse and report any potentially fraudulent activities;
- launch of a field sales mobility system, which enables the Bank’s sales agents to remotely offer the Bank’s products and services;
- introduction of an instant payment system, which enables customers to transfer funds in SAR instantly between local banks around the clock;
- implementation of a global payment innovation system, which provides an end-to-end payments tracking service to customers and gives end-to-end visibility on the status of a payment transaction; and
- further penetration of digital kiosk services among the Bank’s branches, increasing the share of branches providing such services from 10 per cent. in 2020 to 66 per cent. in 2021.

In 2021, the Bank acquired state-of-the-art machine learning and advanced AI tools, which enables the Bank to use its data library more efficiently, thereby paving the way to growth and new business opportunities. In addition, the Bank implemented a number of AA use cases, utilising AI capabilities in areas such as churn prediction, hidden affluent, cross-selling and behaviour scoring. In 2021, the share of digital transactions of the Bank's customers increased to 97 per cent.

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 banking 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 997 million for the nine months ended 30 September 2022, SAR 1,195 million for the year ended 31 December 2021, SAR 895 million for the year ended 31 December 2020 and SAR 790 million for the year ended 31 December 2019. The total assets of the retail banking segment amounted to SAR 34.4 billion as at 30 September 2022, SAR 26.6 billion as at 31 December 2021, SAR 22.9 billion as at 31 December 2020 and SAR 19.2 billion as at 31 December 2019. Financing, net to retail banking customers stood at SAR 34.4 billion as at 30 September 2022, SAR 26.6 billion as at 31 December 2021, SAR 22.9 billion as at 31 December 2020 and SAR 19.2 billion as at 31 December 2019. Customers' deposits within the retail banking segment amounted to SAR 91.1 billion as at 30 September 2022, SAR 81.5 billion as at 31 December 2021, SAR 83.3 billion as at 31 December 2020 and SAR 74.4 billion as at 31 December 2019.

As at 30 September 2022, the Bank had approximately three 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; 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 30 September 2022 and 31 December 2021, the Bank had granted real estate financing to its retail customers that amounted to SAR 17.7 billion and SAR 14.1 billion, respectively.

Deposit Solutions

The Bank offers a wide range of deposit solutions, including savings accounts, term deposits and structured deposits. As at 30 September 2022 and 31 December 2021, the Bank's retail customers' deposits amounted to SAR 91.1 billion and SAR 81.5 billion, respectively.

Bank Cards

As at 30 September 2022, the number of bank cards issued exceeded 2.9 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 fully *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 6,000 as at 30 September 2022.

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 2021, the Bank's customers transferred more than SAR 1,436 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 30 September 2022 and as at 31 December in each of the years 2015 to 2021:

| Year | Branches (excluding ladies' sections) |
|-------------------|--|
| 31 December 2015 | 69 |
| 31 December 2016 | 76 |
| 31 December 2017 | 85 |
| 31 December 2018 | 90 |
| 31 December 2019 | 95 |
| 31 December 2020 | 98 |
| 31 December 2021 | 100 |
| 30 September 2022 | 105 |

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 comprise:

- Western Region (Jeddah): 30 branches;
- Central Region (Riyadh): 52 branches;
- Eastern Region (Dammam – Al Khobar): 23 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 1,557 ATMs as at 30 September 2022 and 1,584 ATMs as at 31 December 2021.

The following table sets out the number of ATMs operated by the Bank as at 30 September 2022 and as at 31 December in each of the years 2015 to 2021:

| Year | Number of ATMs |
|-------------------|-----------------------|
| 31 December 2015 | 1,166 |
| 31 December 2016 | 1,340 |
| 31 December 2017 | 1,436 |
| 31 December 2018 | 1,485 |
| 31 December 2019 | 1,523 |
| 31 December 2020 | 1,551 |
| 31 December 2021 | 1,584 |
| 30 September 2022 | 1,557 |

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 the 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 the 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 797 million for the nine months ended 30 September 2022, SAR 559 million for the year ended 31 December 2021, SAR 425 million for the year ended

31 December 2020 and SAR 1,015 million for the year ended 31 December 2019. The total assets of the corporate banking segment amounted to SAR 104.7 billion as at 30 September 2022, SAR 98.8 billion as at 31 December 2021, SAR 87.7 billion as at 31 December 2020 and SAR 75.3 billion as at 31 December 2019. Financing, net to corporate customers stood at SAR 104.7 billion as at 30 September 2022, SAR 98.8 billion as at 31 December 2021, SAR 87.7 billion as at 31 December 2020 and SAR 75.3 billion as at 31 December 2019. Customers' deposits within the corporate banking segment amounted to SAR 23.7 billion as at 30 September 2022, SAR 23.7 billion as at 31 December 2021, SAR 5.2 billion as at 31 December 2020 and SAR 6.9 billion as at 31 December 2019.

As at 30 September 2022, the Bank's corporate banking segment had 1,864 corporate 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 nine months ended 30 September 2022 and the year ended 31 December 2021, the Bank participated in 19 project finance transactions and funded more than SAR 5.2 billion in petrochemicals, power, water, education and real estate 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 nine months ended 30 September 2022 and in the year ended 31 December 2021, the Bank participated as arranger or co-arranger in nine syndicated finance transactions in the Kingdom and funded more than SAR 3.5 billion in petrochemicals and education syndicated finance transactions.

- *Other Long-Term Financing*

In addition to the 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 nine months ended 30 September 2022 and the year ended 31 December 2021, the Bank provided such long-term financing in the aggregate amount of SAR 24,370 million and SAR 29,363 million respectively.

- *Working Capital Finance*

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

In the nine months ended 30 September 2022 and the year ended 31 December 2021, the Bank provided working capital facilities in the aggregate amount of SAR 36,339 million and SAR 33,057 million, respectively.

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).

Currently, 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 30 September 2022 and 31 December 2021, financing extended by the Bank under the Kafala Programme amounted to SAR 1.1 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 30 September 2022 and 31 December 2022, customers’ deposits attributable to the corporate banking segment amounted to SAR 23.7 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 30 September 2022, the Bank had 125,071 POS terminals (9.5 per cent. of the market share) in operation throughout the Kingdom, compared to 100,764 POS terminals, 74,277 POS terminals and 43,933 POS terminals as at 31 December 2021, 31 December 2020 and 31 December 2019, respectively, representing 9.9 per cent., 10.3 per cent. and 10.0 per cent, respectively, of the market share in the Kingdom in

terms of the number of POS terminals. The Bank was the 4th among the 11 local banks in terms of the number of POS terminals in operation as at 30 September 2022 and 31 December 2021.

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 19 million (37 customers) as at 31 December 2020 to SAR 224 million (276 customers) as at 31 December 2021 and SAR 330 million (401 customers) as at 30 September 2022.

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 902 million for the nine months ended 30 September 2022, SAR 797 million for the year ended 31 December 2021, SAR 487 million for the year ended 31 December 2020 and SAR 741 million for the year ended 31 December 2019. Total assets attributable to the treasury segment amounted to SAR 51.3 billion as at 30 September 2022, SAR 45.7 billion as at 31 December 2021, SAR 44.7 billion as at 31 December 2020 and SAR 36.3 billion as at 31 December 2019

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 the 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 full 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 Banking and Brokerage Segment

The Bank conducts its investment banking 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 357 million for the nine months ended 30 September 2022, SAR 470 million for the year ended 31 December 2021, SAR 393 million for the year ended 31 December 2020 and SAR 270 million for the year ended 31 December 2019. Total assets attributable to the investment banking and brokerage segment amounted to SAR 2.9 billion as at 30 September 2022, SAR 2.4 billion as at 31 December 2021, SAR 1.5 billion as at 31 December 2020 and SAR 1.1 billion as at 31 December 2019.

Brokerage

According to the Tadawul, as at 31 December 2021, AIC was ranked the 9th largest local equity broker in the Kingdom in terms of total value traded with a market share of approximately 3.26 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 2021.

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 2020, approximately 95 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 four mutual funds, all of which are *Shari’a*-compliant. All funds are managed locally, of which two are equity funds, one is a multi-assets fund and one is a money market and Murabaha fund. In addition, AIC manages one exchange traded fund (“ETF”), listed on the Tadawul Main Market, that invests in listed local sovereign sukuk.

As at 31 December 2021, AIC’s total assets under management amounted to more than SAR 69 billion (U.S.\$ 18.4 billion) and the listed ETF had a market capitalisation of more than SAR 1.2 billion (U.S.\$ 339 million). According to the CMA’s Capital Market Institutions Report for the fourth quarter of 2021, AIC’s share in “Assets under Management (Public, Private Funds and Discretionary Portfolio Management)” reached 9.2 per cent.

As at 30 September 2022, AIC has its own 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 2021, AIC was involved in 11 investment banking transactions, advising some of the most reputable names in the Kingdom. On the equity capital markets side, AIC acted as financial advisor and underwriter on five transactions. AIC also acted as arranger, joint lead manager and dealer on five debt capital market transactions. On the M&A side, AIC advised on one transaction. The work on some of these transactions is ongoing.

AIC provides various endowment investment funds which are managed on behalf of licensed endowments in the Kingdom. These funds offer effective multi-asset diversification to the endowment portfolio. As at 31 December 2021, AIC managed six public endowment funds with total assets under management exceeding SAR 222 million.

Subsidiaries and Associates

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 Cooperative Insurance Agency (“**ACI**”)*: ACI, a wholly-owned subsidiary, is the Bank’s insurance agent for Alinma Tokio Marine Company (an associate of the Bank). ACI operates according to the regulations of SAMA. As of the date of this Offering Circular, ACI is undergoing a voluntary liquidation process.

*Alinma Isnad Company (“**AIS**”)*: AIS 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, in cooperation with other banks, 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 Sukuk ETF (“**Alinma ETF**”)*: Alinma ETF, a 63.7 per cent. owned subsidiary, invests in local sovereign Sukuk issued by the Kingdom.

*Alinma IPO Fund (“**Alinma IPO**”)*: Alinma IPO, a 71.5 per cent. owned subsidiary, invests in equities of Saudi joint stock companies.

Alinma Tokio Marine Company

The Bank has a 28.75 per cent. shareholding in ATMC which has a paid-up share capital of SAR 300 million and has been established under Commercial Registration No. 1010342527 dated 28 Rajab 1433H (corresponding to 18 June 2012). ATMC is an operating insurance business in all insurance products in line with Saudi Cooperative Insurance Companies Control System and Regulations.

ATMC seeks to be the insurance partner of choice and build trust and create value for its customers through providing *Shari'a*-compliant insurance solutions created by highly talented people, superior technology, and consistently setting higher standards of service. ATMC provides a range of products for individuals (including protection and savings insurance) and corporates (including motor, health, property and casualty insurance).

The fair value of the Bank's investment in ATMC based on quoted value as at 31 December 2021 is SAR 271 million compared to SAR 210 million as at 31 December 2020 and SAR 108 million as at 31 December 2019.

ERSAL Financial Remittance Company

The Bank has invested SAR 25 million in ERSAL. 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.

The Bank's share of the net loss of ERSAL for the year ended 31 December 2021 was SAR 8.1 million compared to its share of the net profit of ERSAL of SAR 4.7 million for the year ended 31 December 2020 and SAR 1.8 million for the year ended 31 December 2019.

Litigation

As at 30 September 2022, there were no significant legal proceedings outstanding against the Bank.

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

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 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 respective 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.

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 ALCO evaluates, establishes, promulgates and enforces policies on the 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, 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 the 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 ("GCRAECL") 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 the various new and existing Bank investment assets.
- **RMG:** In partnership with the Bank's business and the support units, the RMG 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 risks. 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 obligation 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.

An internal credit-rating model is used to determine the Obligor Risk Rating, which is a measure of the obligor's probability of default. Ratings by the major credit rating agencies are also considered, when available. Target market is a key component of this process as it provides the first filter for prospective and existing obligors to avoid initiating or maintaining relationships that do not fit the Bank's strategy and desired risk profile. Risk Acceptance Criteria is a set of variables indicating the terms under which the Bank is willing to initiate and/or maintain a credit relationship with an obligor that meets the target market. The business team is a front-end marketing team responsible for originating, evaluating and recommending credit proposals. Approval is granted in accordance with the Credit Approval Authority Delegation Matrix through the CC which is composed of the CEO, business and credit management officers. Credit is extended based on the policies and guidelines of the corporate banking segment or the retail banking segment, as applicable.

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 prefers to use 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 mortgage brokers or based on housing price indices.

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 are 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 applies on a daily basis a VAR methodology based on historical rate changes observed in the market. The Bank also performs daily stress testing in order to estimate the potential economic loss based on a defined set of significant changes in market conditions.

A 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 VAR figure should not occur, on average, more than once every 10 days.

The 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 stress tests on a daily basis 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 "FVOCP".

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 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.

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 report 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 SAMA Liquidity Ratio, LCR and NSFR are maintained at the required minimum;
- constant review and assessment of 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 balances due to banks and other financial institutions (excluding balances due to SAMA and non-resident foreign currency deposits), savings, term deposits, margins of letters of credit and guarantee, excluding all types of repo deposits. 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 banks in order to get liquidity (if needed).

The table below shows the maturity profile of assets, liabilities and equity of the Group as at 31 December 2021, 31 December 2020 and 31 December 2019:

| | SAR'000 | | | | | |
|---|--------------------|-----------------------------|-----------------|-----------------|----------------------|------------|
| | Within 3 months | 3 months to 12 months | 1 to 5 years | Over 5 years | No fixed maturity | Total |
| 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 held 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 |

| SAR'000 | | | | | | |
|--|--------------------|-----------------------------|-------------------|-------------------|----------------------|--------------------|
| | Within 3 months | 3 months to 12 months | 1 to 5 years | Over 5 years | No fixed maturity | Total |
| 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 |
| SAR'000 | | | | | | |
| | Within 3 months | 3 months to 12 months | 1 to 5 years | Over 5 years | No fixed maturity | Total |
| 2020 | | | | | | |
| Assets | | | | | | |
| Cash and balances with SAMA | 3,315,862 | — | — | — | 8,891,880 | 12,207,742 |
| Due from banks and other financial institutions: | | | | | | |
| Current accounts..... | — | — | — | — | 443,002 | 443,002 |
| Murabaha and Wakala with banks | — | — | — | — | — | — |
| Investments, net | | | | | | |
| Investments held at amortized cost | 4,404,559 | 501,012 | 10,320,156 | 7,517,575 | — | 22,743,302 |
| Investments held at FVOCI..... | 39,327 | 37,742 | 1,633,991 | 2,629,691 | 175,370 | 4,516,121 |
| Investments held at FVSI..... | — | — | — | — | 2,185,553 | 2,185,553 |
| Investments in associate and joint venture | — | — | — | — | 80,818 | 80,818 |

SAR'000

| | Within 3 months | 3 months to 12 months | 1 to 5 years | Over 5 years | No fixed maturity | Total |
|--|-------------------|-----------------------|-------------------|-------------------|--------------------|--------------------|
| Financing, net | | | | | | |
| Retail | 1,133,537 | 3,108,932 | 10,877,835 | 8,413,643 | — | 23,533,947 |
| Corporate | 9,805,729 | 17,430,974 | 35,630,383 | 24,794,526 | — | 87,661,612 |
| Property and equipment, net..... | — | — | — | — | 2,365,286 | 2,365,286 |
| Other assets..... | — | — | — | — | 1,139,420 | 1,139,420 |
| Total assets | 18,699,014 | 21,078,660 | 58,462,365 | 43,355,435 | 15,281,329 | 156,876,803 |
| Liabilities and equity | | | | | | |
| Due to SAMA, banks and other financial institutions | | | | | | |
| Demand | — | — | — | — | 21,084 | 21,084 |
| Time investments and due to SAMA | 519,465 | 5,323,530 | 1,447,955 | — | — | 7,290,950 |
| Customers' deposits | | | | | | |
| Demand, savings and others..... | — | — | — | — | 70,073,792 | 70,073,792 |
| Customer's time investments..... | 26,575,635 | 21,699,684 | 1,102,035 | 3,132 | — | 49,380,486 |
| Amount due to Mutual Funds' unitholders | — | — | — | — | 110,381 | 110,381 |
| Other liabilities..... | — | — | — | — | 5,571,323 | 5,571,323 |
| Total equity..... | — | — | — | — | 24,428,787 | 24,428,787 |
| Total liabilities and equity | 27,095,100 | 27,023,214 | 2,549,990 | 3,132 | 100,205,367 | 156,876,803 |
| Commitments & contingencies | | | | | | |
| Letters of credit | 2,203,293 | 2,530 | 97 | 276 | — | 2,206,196 |
| Letters of guarantee | 8,814,595 | 885,291 | 1,385,481 | 99,750 | — | 11,185,117 |
| Acceptances | 458,628 | — | — | 2,480 | — | 461,108 |
| Irrevocable commitments to extend credit | — | 69,441 | — | — | — | 69,441 |
| 2019 | | | | | | |
| Assets | | | | | | |
| Cash and balances with SAMA..... | 8,039,748 | — | — | — | — | 8,039,748 |
| Due from banks and other financial institutions: | | | | | | |
| Current accounts..... | 256,787 | — | — | — | — | 256,787 |
| Murabaha and Wakala with banks | 1,887,482 | — | — | — | — | 1,887,482 |
| Investments, net | | | | | | |
| Investments at amortized cost..... | 4,995 | — | 10,357,876 | 7,154,989 | — | 17,517,860 |
| FVOCI investments | — | — | 1,357,317 | 2,254,693 | 16,646 | 3,628,656 |
| FVSI investments | — | 2,254,860 | — | — | — | 2,254,860 |
| Investments in associate and joint venture | — | — | — | — | 76,284 | 76,284 |
| Financing, net | | | | | | |
| Retail..... | 1,233,816 | 2,826,872 | 9,351,334 | 6,126,062 | — | 19,538,084 |
| Corporate | 8,562,967 | 17,091,379 | 25,380,078 | 24,228,890 | — | 75,263,314 |
| Property and equipment, net..... | — | — | — | — | 2,413,893 | 2,413,893 |
| Other assets..... | — | — | — | — | 962,473 | 962,473 |

SAR'000

| | 3 months | | | | | Total |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | Within 3 months | to 12 months | 1 to 5 years | Over 5 years | No fixed maturity | |
| Total assets | 19,985,795 | 22,173,111 | 46,446,605 | 39,764,634 | 3,469,296 | 131,839,441 |
| Liabilities and equity | | | | | | |
| Due to SAMA, banks and other financial institutions | | | | | | |
| Demand | 65,071 | — | — | — | — | 65,071 |
| Time investments | 3,224,773 | — | — | — | — | 3,224,773 |
| Customers' deposits | | | | | | |
| Demand, savings and others | 57,665,486 | — | — | — | — | 57,665,486 |
| Customer's time investments..... | 27,898,203 | 15,161,648 | 1,334,357 | 3,141 | — | 44,397,349 |
| Other liabilities..... | — | — | — | — | 4,041,838 | 4,041,838 |
| Total equity | — | — | — | — | 22,444,924 | 22,444,924 |
| Total liabilities and equity | 88,853,533 | 15,161,648 | 1,334,357 | 3,141 | 26,486,762 | 131,839,441 |
| Commitments & contingencies | | | | | | |
| Letters of credit | 1,343,158 | 1,432,839 | 108,072 | 267 | — | 2,884,336 |
| Letters of guarantee | 1,656,355 | 5,502,165 | 3,305,392 | 50,922 | — | 10,514,834 |
| Acceptances | 294,166 | 43,827 | 547 | — | — | 338,540 |
| Irrevocable commitments to extend credit | — | 417,788 | — | — | — | 417,788 |

In all cases, the expected maturities of assets and liabilities have been determined on the basis of 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 2021, 31 December 2020 and 31 December 2019:

| | As at 31 December | | |
|---|-------------------|-------------|-------------|
| | 2021 | 2020 | 2019 |
| | | (SAR'000) | |
| Financing, net | 126,271,491 | 111,195,559 | 94,801,398 |
| Customers' deposits | 121,060,551 | 119,454,278 | 102,062,835 |
| Due from banks and other financial institutions, net | 738,073 | 443,002 | 2,144,269 |
| Due to SAMA, banks and other financial institutions..... | 15,239,791 | 7,312,034 | 3,289,844 |
| Net interbank position ⁽¹⁾ | (14,501,718) | (6,869,032) | (1,145,575) |
| <i>Murabahas</i> with SAMA and sukuks (held at amortized cost, net) | 23,432,514 | 22,743,302 | 17,517,860 |

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 deposits for the years ended 31 December 2021, 31 December 2020 and 2019:

| | 31 December | | |
|--|--------------------|-------------|-------------|
| | 2021 | 2020 | 2019 |
| | (%) | | |
| Financings to customers deposit ratio..... | 104.3 | 93.1 | 92.9 |
| SAMA financings to deposits ratio | 85.8 | 81.2 | 86.3 |

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 uses the Economic Value of Equity methodology and 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 uses hedging strategies 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 used 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 2021, 31 December 2020 and as at 31 December 2019.

| Assets | 2021 | 2020 | 2019 |
|--|------------------|------------------|------------------|
| | (SAR '000) | | |
| Cash and balances with SAMA..... | 199,392 | 164,585 | 155,911 |
| Due from banks and other financial institutions..... | 738,069 | 444,229 | 1,570,616 |
| Investments, net..... | 1,541,066 | 607,118 | 539,028 |
| Financing, net..... | 3,831,989 | 3,083,237 | 3,265,853 |
| Other assets..... | 6,157 | 4,829 | 26,728 |
| Total currency risk on assets..... | 6,316,673 | 4,303,998 | 5,558,136 |
| Liabilities | | | |
| Due to SAMA, banks and other financial institutions..... | 1,331,069 | 636,912 | 579,119 |
| Customers’ deposits..... | 5,169,306 | 2,935,545 | 4,597,196 |
| Other liabilities..... | 78,578 | 267,537 | 217,237 |

| Assets | 2021 | 2020 | 2019 |
|---|------------------|------------------|------------------|
| | | <i>(SAR'000)</i> | |
| Total currency risk on liabilities | 6,578,953 | 3,839,994 | 5,393,552 |
| Net position – (liability)/asset | (262,280) | 464,004 | 164,584 |

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 2021, 31 December 2020 and 31 December 2019, the Bank had the following significant net exposures denominated in foreign currencies:

| | 2021 | 2020 | 2019 |
|--------------------|------------------|------------------|----------------|
| | | <i>(SAR'000)</i> | |
| USD | (324,756) | 401,906 | 197,992 |
| Euro | (8,772) | 855 | (53,048) |
| UAE Dirham..... | 25,780 | 33,794 | 5,398 |
| BHD..... | 6,145 | 3,307 | 1,957 |
| QAR..... | 2,782 | 166 | (75) |
| Others..... | 36,541 | 23,976 | 12,360 |
| Total | (262,280) | 464,004 | 164,584 |

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 3.75 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.

Macroeconomic and Business Cycle Risk

The macroeconomic and business cycle risk is a combination of attributes that gives rise to other risk types such as credit, market or liquidity. 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 the investment account holders, which could directly impact its capital position. If the index of profit rates rise, Islamic banks usually increase the return to the investment account holders to prevent 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 self-mitigated in nature due to the composition of the balance sheet of the Bank. Almost half of the financing is repriced every six months to one year, therefore, any loss on the liability side is offset by the gain from the asset side. 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. The relevant reports of the revised standard on interest rate risk in the banking book (the "**IRRBB standards**") are incorporated in the reporting package. The daily reports have been amended so that the Treasury Group can monitor these risk on a more frequent basis. The RMG independently monitors this risk on an ongoing basis.

Credit control and monitoring

The 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.

Special assets management

Special Assets Management ("**SAM**") is responsible for the management of non-performing credit exposures for the corporate banking business (all businesses except consumer credit, which is managed by a separate collections division). SAM is organised into a Debt Restructuring Unit and a Recovery Unit to manage remediation and hard collection strategies, respectively.

The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

Assets and Liabilities Management

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. It governs the policies that manage its assets and liabilities and ensures that it will have enough liquidity to cover its business and strategic requirements and will comply with the required regulatory ratios.

Liquidity: The Bank has a low tolerance to liquidity risks and has delegated the management of short-term liquidity to the Treasury Group and has delegated the management of long-term liquidity to the ALCO.

Profit rate risk: The Bank has a low tolerance to profit rate risk that arises from its banking book activities. 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.

Capital adequacy: The Bank seeks to hold sufficient capital in both quality and quantity to meet the regulatory minimum requirement set by SAMA as well as its own internal assessment of its capital requirements. The Bank's Finance Division in conjunction with the RMG are responsible for the preparation of the Bank's internal capital adequacy assessment plan. This plan seeks to ensure that the Bank retains sufficient capital for its current and forecast business under both normal and distressed market conditions.

Investment Portfolio

The primary objective of the Bank's proprietary investment portfolio is to assist in closing the gap between the Bank's assets and liabilities. It also acts as a reserve of liquidity for the Bank, as the securities are marketable or are capable of being subject to repurchase agreements.

As at 31 December 2021, the Bank's investment portfolio was SAR 33.3 billion, comprising Government sukuk, *Murabaha* notes and quasi-government sukuk (accounting for 74.0 per cent. of the investment portfolio) and corporate sukuk, equities and funds (accounting for 26.0 per cent. of the investment portfolio). The balance of the Bank's investment portfolio mainly comprised sukuk of banks and other financial institutions.

The table below provides the credit risk exposure of the Bank's investments as at 31 December 2021, 31 December 2020 and 2019:

Sukuk and Murabaha investments by risk rating

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------------------|--------------------------|--------------------------|
| | 12-month ECL | | |
| | <i>(SAR'000)</i> | | |
| Murabahas with SAMA investments – amortized cost | | | |
| Grades 1-4: investment grade..... | 906,617 | 4,905,571 | 1,912,152 |
| Sukuk investments – amortized cost | | | |
| Grades 1-4: investment grade..... | 22,479,261 | 17,790,240 | 15,574,471 |
| Grades 5-6: below investment grade | 56,522 | 56,480 | 56,476 |
| | <u>22,535,783</u> | <u>17,486,720</u> | <u>15,630,893</u> |
| Sukuk investments – FVOCI | | | |
| Grades 1-4: investment grade..... | 6,291,476 | 4,124,556 | 3,406,416 |
| Grades 5-6: below investment grade | 657,573 | 216,195 | — |
| | <u>6,949,049</u> | <u>4,340,751</u> | <u>3,406,416</u> |
| Murabahas with SAMA and Sukuk investments – Total | | | |
| Grades 1-4: investment grade..... | 29,677,354 | 26,820,367 | 20,892,985 |

| | 2021 | 2020 | 2019 |
|--|-------------------|---------------------|-------------------|
| | | 12-month ECL | |
| | | (SAR'000) | |
| Grades 5-6: below investment grade | 714,095 | 272,675 | 56,476 |
| Gross | 30,391,449 | 27,093,042 | 20,949,461 |
| Allowance for impairment | (9,886) | (8,989) | (25,185) |
| Net | 30,381,563 | 27,084,053 | 20,924,276 |

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.

Capital Adequacy Management

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 banks to hold and maintain a ratio of total regulatory capital to their risk-weighted assets at or above the Basel III prescribed minimum of 8 per cent. The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets and commitments at a weighted amount to reflect their relative risk.

SAMA has issued the framework and guidance for implementation of capital reforms under Basel III, which are effective from 1 January 2013. Accordingly, the risk weighted assets, total capital and related ratios are calculated using the Basel III framework. 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).

The Bank's Total Capital to Pillar I and Pillar II risk-weighted assets was 22.8 per cent. as at 31 December 2021 and remained significantly above the prescribed regulatory threshold throughout the first nine months of 2022.

The Bank has adopted the standardised approach for its Pillar I capital requirements, while Pillar II capital comprehensively covers risks specific to the Bank's portfolio and environment (for example concentration risk, profit rate risk on the banking book, strategic risk and macroeconomic risk).

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.

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 2021, there were no material observations in respect of the effectiveness of the Bank’s internal control system and procedures.

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.

Decision Making

Overview

The Bank's governance structure is headed by the Board of Directors, which has the overall responsibility for risk management. The Bank has a number of board committees and management committees which oversee and monitor the day to day risk management of the Bank. These committees are responsible for the overall approval and implementation of the Bank's risk management policies. The formulation, monitoring and reporting of such policies and any exceptions thereto or any required corrective actions is the responsibility of the RMG that is headed by the CRO.

Risk management is undertaken independently from the business units of the Bank. 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 evaluates risk in coordination with the its committees and management committees. For further information regarding the Board of Director’s committees and management committees (see – “*The Executive Committee*”, “*The Board Risk Committee*” and “*The ALCO*” below).

The EC, the BRC and the ALCO are responsible for overseeing the Bank’s risk management procedures. The Credit Risk division is responsible for drawing up credit policies, establishing limits, credit approval authorities and setting concentration limits.

A brief description of the three committees is set out below:

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 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 ALCO

The ALCO is responsible for establishing, evaluating and disseminating policies relating to market and liquidity risk management and strategies as well as its enforcement. The Bank aims to optimise shareholders’ value through effective management of its balance sheet and assumes management level oversight on the review, approval, implementation and monitoring of the Bank’s Risk Appetite Framework and Policy.

Risk Management Group

The RMG’s activities are organised into six main teams, namely the:

- Risk Management Excellence;

- Basel Reporting;
- Credit Risk Management;
- Operational Risk Management;
- Market Risk Management; and
- Cyber Security.

Each team works independently from the business units of the Bank to identify, measure and mitigate risks on a pre-emptive basis.

The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practices.

Credit Approval Procedures

Overview

Credit decisions are delegated to various committees depending on the amount of the proposed credit and the risk rating of customers. For every credit request, a credit committee is convened before a credit decision is finalised.

The Bank requires credit approvals to be in compliance with SAMA regulations and the credit procedures approved by the Board of Directors for both consumer and wholesale products. The Bank applies different credit limits and approval criteria depending on the types of products, customers and industry sectors.

Retail credit approval procedures

Credit risks in the retail portfolio are estimated based on individual credit-worthiness scores derived from an automated credit scoring platform.

Corporate credit approval procedures

The Bank follows a well-defined credit evaluation process anchored in clear target market and risk acceptance criteria with strong credit policies, extensive due diligence, credit review and approval processes, stringent credit administration and monitoring and control of credit limits.

To generate an internal risk rating, 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.

Collection Procedures

Retail banking collection procedures

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 banking collection procedures

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 Special Assets Management team ("SAM") manages the non-performing financing portfolio. 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.

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.

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 2022.

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. Abdulmalek 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 Al-Nemer | Member of the Board of Directors |
| Mr. Hytham Rashid AbdulAziz Al Shaikh Mubarak | Member of the Board of Directors |

Abdulmalek bin Abdullah Al-Hogail – Chairman of the Board of Directors

Mr. Al-Hogail was elected as a member of the Board of Directors on 13 April 2022. He was elected Chairman of the Board of Directors on 21 May 2022. Mr. Al-Hogail currently holds various senior positions outside the Bank including at 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 21 May 2022. 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 Veme 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 Non Oil Revenues Development Center, National Housing Company and Saudi Home Loans. 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, Dr. Suliman Fakeeh Hospital Company and Savola World. 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 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 including at Hassana Investment Company. 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 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 Savola Group, Al Rabie Saudi Foods Co, Zakat, Tax and Customs Authority, Diyar Al Khayyal Real Estate Development Company, Tunisian Saudi Bank, Saudi Ground Services Co., Environmental Fund and Agricultural Development Fund. Mr. Addas holds a master 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 Al-Nemer

Mr. Al-Nemer was elected as a member of the Board of Directors on 13 April 2022. Mr. Al-Nemer currently holds various senior positions outside the Bank including at Saudi Arabia Public Transport Company, Madaen Star Real Estate and Ministry of Energy and Wasat A'Riyadh Co. Mr Al-Nemer 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. Al-Nemer 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 Rashi AbdulAziz Al Shaikh Mubarak

Mr. Al Shaikh Mubarak was 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 Bank's directors and senior management team all have designated successors and most decisions are taken through the board committees. As such, the Bank does not consider itself reliant on any single individual.

The Executive Committee

For an overview of the Executive Committee, see – “*Risk Management - Decision Making – The Executive Committee*”.

The Board Risk Committee

For an overview of the Board Risk Committee, see – “*Risk Management - Decision Making – Board Risk Committee*”.

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 four 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.

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 | Senior VP, Head of Retail and Digital Banking Group |
| Mr. Emad AbdulRahman Al Butairi | 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 | Head of Strategy and Business Excellence |
| 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. Homood Abdulaziz Al Humaidan | Chief Compliance Officer (CCO) |
| Mr. Yasser Abdulaziz Al Marshde | General Secretary of Sharia Committee |
| 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 – Senior VP, Head of Retail and Digital Banking Group

Mr. Al Zumaie was appointed Senior VP 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.

Emad AbdulRahman Al Butairi – Head of Corporate Banking Group

Mr. Al Butairi joined the Bank as General Manager of the Corporate Banking Group in January 2007 and since May 2017 he has been Head of Corporate Banking Group. Prior to joining the Bank, he was General Manager of Corporate Banking at Bank Albilad, Regional Group Head – Eastern Region at National Commercial Bank (now The Saudi National Bank) and Regional Head – Eastern Region at United Saudi Commercial Bank. He has a Master of Business Administration from King Fahd 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 – Head of Strategy and Business Excellence

Mr Al Mohaimeed was appointed Head of Strategy and Business Excellence 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 November 2013. 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 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.

Homood Abdulaziz Al Humaidan – Chief Compliance Officer

Mr. Al Humaidan has been CCO since June 2019. Prior to that, he served as Deputy General Manager of Control and Follow-up, Deputy General Manager of Treasury Operations and Payments and Deputy General Manager

of Treasury Operations at the Bank. He was also the Head of Treasury and Investment Operations at Bank Al Bilad and Head of Treasury and Investment Operations, Head of Treasury Operations, Head of Treasury and International Brokerage Operations and Head of Payroll and Foreign Payments at Al Rajhi Bank. He has a bachelor's degree in Business Administration from American University of London.

Yasser Abdulaziz Al Marshde – General Secretary of Sharia Committee

Mr. Al Marshde joined the Bank as General Secretary of Sharia Committee 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 – General Counsel and Board Secretary

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 1,248 people work across 191 branches, while 1,533 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 92.31 per cent. of 2022 joiners as of September 2022. Moreover, the Bank's Saudisation percentage has increased from 94 per cent. in 2021 to 95.11 per cent. as of September 2022. The Bank focusses on the empowerment of women and prides itself on having among the lowest employee turnover levels in the Kingdom, according to the industry benchmark.

To drive the strategy forward in 2022, the Human Capital Division focused on and will continue to focus on:

- cascading a new strategy within the organisation and ensuring that the strategy is embedded in the Bank's 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 will drive individual and collective success for the future.

Recruitment and retention

Employee turnover increased from 6.36 per cent. in September 2021 to 6.77 per cent. in June 2022, the number of leavers increased by 81 per cent., and the number of joiners increased by 45 per cent., compared with 2021.

Meanwhile, internal promotions increased by 1 per cent., with 19 per cent. of employees moving into new roles in 2021, up from 18 per cent. the previous year.

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 34 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 2021. In the first nine months of 2022, the Human Capital Division delivered 7,856 days of training (or 52,663 hours, an increase of 14.43 per cent. compared to 2021). The training comprised both in-house and public training programmes.

In total, 3,952 employees received training covering knowledge, skill, and behavioural courses in banking, financial, legal and administrative subjects in the first nine months of 2022. 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 the first nine months of 2022, 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.

Corporate Social Responsibility

Community service is one of the pillars of the Bank and the Bank supports charities and social programmes as part of its social corporate responsibilities.

For example, as part of the Bank's ongoing commitment to community development and its desire to support research and education, the Bank signed a SAR 5 million agreement to sponsor an architectural exhibition of the mosques in Makkah in partnership with King Abdulaziz Foundation for Research and Archives, and the General Presidency of the Grand Mosque and the Prophet's Mosque. The exhibition will explore the history of the mosques and will feature historical timelines of both mosques' development.

In light of the COVID-19 pandemic, the Bank donated SAR 9 million to a number of initiatives including the Health Endowment Fund. These initiatives included the provision of advanced intensive care devices, air purifiers, personal protective equipment for healthcare workers, and supplies necessary for the ongoing sterilisation of healthcare and other key public facilities. The Bank has also donated SAR 1 million to facilitate at-home kidney dialysis for elderly individuals. In addition, the Bank contributed SAR 5.3 million to the Community Fund to assist those in need who were impacted by the COVID-19 pandemic in the Kingdom, with a focus on individuals with disabilities, families of prisoners, the elderly, small business owners, the

unemployed, and others across various fields such as relief and social work, education, health awareness, technical services, service industry workers and others.

In October 2020, the Bank organised a blood donation campaign at its head office in Riyadh in cooperation with King Faisal Specialist Hospital and Research Centre in Riyadh. The campaign witnessed strong employee participation.

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 Group 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. In addition, the PIF is the investment arm of the Government while the Islamic Development Bank is a multilateral development financing institution headquartered in Jeddah. On 15 June 2015, the Council of Ministers approved the merger of the General Organization of Social Insurance and the Public Pension Agency. SAMA does not regulate any of these entities.

As of 30 September 2022, there were 1,928 bank branches, 16,268 ATMs and 1,314,508 points of sale terminals in the Kingdom (*source*: SAMA September 2022 Monthly Statistics).

Key highlights of the trends and outlook for the Saudi banking industry are as follows:

- liquidity and funding is expected to remain solid against a backdrop of limited growth;
- a move towards digitisation with the rising sophistication and education of an increasingly young Saudi population, simultaneously driving demand for retail banking services in the Kingdom;
- fee-based services and products for retail markets are proliferating, the focus being turned to non-funded business volumes and cross-selling opportunities; and
- Islamic banking continues to be an area of growth.

History

Prior to 1976, a number of wholly foreign-owned banks operated branches and subsidiaries in 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 May 2021, the CMA has licensed at least 120 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 30 September 2022, banks' claims on the private sector constituted SAR 2.3 trillion equal to 63.5 per cent. of total commercial banks' assets (*source*: SAMA, September 2022 Monthly Statistics). This has been driven by the strong 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. Government stimulus to the Saudi economy has contributed to the growth in corporate assets.

Though commercial mortgages are a lucrative business in developed countries, Saudi banks have not been very active in this product due to legal and operational hurdles. However, financing is provided for real estate development purposes, which does not fall under commercial mortgages.

Investment banking activities have been growing rapidly in the Kingdom. Project finance has also been a strong growth area with several projects being financed in recent years. While the prevailing level of oil prices pose challenges to the Saudi economy, leading to both Government spending growth and weaker GDP growth, project finance is nonetheless expected to continue to be a strong area for banking business as a result of planned investments in infrastructure and industry in line with the reform and stabilisation programmes being implemented to reduce the economy's dependency on oil-related revenues.

Personal Banking Segment

Consumer lending increased from SAR 365.2 billion as at 31 December 2020 to SAR 428.4 billion as at 31 December 2021 and was SAR 448.139 billion as at 30 September 2022 (*source*: SAMA, September 2022 Monthly Statistics). Historically, growth in consumer finance has been driven by several factors, including:

- economic growth coupled with favourable consumer demographics;
- growth of the credit card market;
- product innovation and a rapidly expanding range of product and service offerings; and
- the creation of SIMAH.

The value of the credit card loans market was SAR 22.1 billion as at 30 September 2022 (*source*: SAMA, September 2022 Monthly Statistics), up from 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 increased from SAR 150.8 billion as at 31 December 2020 to SAR 152.5 billion as at 31 December 2021 and was SAR 97.2 billion as at 30 September 2022.

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. Main product offerings include *Ijara* and *Murabaha* and are offered as bilateral facilities, as well as through syndications. To cater to this market segment, Islamic banks have also introduced innovative *Shari'a* compliant solutions. In recent years, there have been several large size Islamic project finance transactions attracting participation from a large number of banks. This has placed the Islamic banking sector in a competitive position vis-à-vis its conventional counterpart.

The Islamic banking segment is expected to continue to grow with credit demand anticipated from corporate and consumer segments (as for the conventional banking market, growth in Islamic banking may evolve at a slower pace in light of the current economic challenges caused by a prolonged period of low oil prices). It is also expected to be accompanied by a simultaneous increase in innovative Islamic product offerings and growing awareness and demand within the general public for sophisticated *Shari'a* compliant solutions.

Treasury

The treasury activities of Saudi Arabian banks have increased over the past few years as the financial markets have become more sophisticated with the increased use of financial instruments. Some Saudi banks are able to offer their customers structured products that make use of derivatives and that are also *Shari'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 has since been steadily rising and was 8,389.23 as at 31 December 2019, 8,689.53 as at 31 December 2020 and 11,281.71 as at 31 December 2021.

As a response to the Government's drive to develop an efficient capital markets platform, a number of banks, including the Bank, embarked on providing corporate finance and equity and debt capital markets advisory services to companies. Since 2003, a number of initial public offerings have been 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), insurance 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 co-operative insurance companies and the self-employment professions relating to the insurance industry;
- supervising finance companies; and
- supervising credit information companies.

Banking Control Law

The 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 meeting 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).

The “G20 High-Level Principles on Financial Consumer Protection” provide the background for the “General Principles for Financial Consumer protection” which are now being adopted as part of the Principles.

In September 2022, SAMA published updated Financial Consumer Protection Principles and Rules (the “**New Regulations**”). The New Regulations contain a number of provisions relating to the protection of consumer rights, including:

- requiring financial institutions to develop appropriate data protection and information privacy mechanisms or consumer data with, including suitable control systems;
- 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 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;
- the Council of Ministers is entitled to grant tax incentives in connection with investing in real estate securities; and
- a credit check must be conducted against borrowers through one of the authorised credit bureaus.

Finance Lease Law

This law prescribes the rules relating to finance leasing and specifically states that:

- the responsibilities of the lessor and lessee must be carried out in a *Shari'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.

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 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.

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.

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.

In addition, pursuant to the CML, the CMA has formed the Committee for the Resolution of Securities Disputes and the Appeal Panel. Both of these committees are quasi-judicial bodies authorised to adjudicate disputes and violations in respect of the CML or the rules and regulations of the CMA and/or the Tadawul.

The CMA 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 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.

Tadawul

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 the early 1980s, the Government embarked on forming a regulated market for trading. In 1984, a Ministerial Committee composed of 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.

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, Saudi Exchange is instrumental to achieving long-term growth plans for the Group and providing market participants with attractive and diversified investment opportunities.

The Saudi Exchange is the 9th largest stock market among the 67 members of the World Federation of Exchanges and is the dominant market in the GCC. It is the 3rd largest stock market amongst its emerging

market peers, 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 explicitly 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 liquid reserve must comprise cash, gold or assets which can be converted into cash within a period not exceeding 30 days in order to comply with the requirements of the BCL. 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 its 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 its total eligible capital;
- in the case of individuals, sole proprietors and partnerships, 5 per cent. of its total eligible capital; and
- in the case of a group of connected parties, 15 per cent. of the Bank's eligible capital base at all times.

SAMA also has the power to regulate the liquidity and credit risk of a bank by restricting, among other things, the maximum amount of money which may be loaned by a bank, the level of a bank's exposure to a single customer and the categories of loans which a bank can make. These restrictions may vary from bank to bank depending on the relevant circumstances and are in addition to the statutory deposit and liquid reserve requirements provided for in the BCL.

SAMA carries out a full review of the operations of each bank every three years and more regular assessments of specific functions within each institution. SAMA has also intervened to support banks that have found themselves in difficulties. Similarly, it allowed distressed banks to benefit from low cost of funding in the 1980s.

Over the years, SAMA has developed a reputation as a strict regulator. In 1989, SAMA introduced accounting and disclosure standards for commercial banks in the Kingdom, which essentially comply 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 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).

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 on-site visit to come with the Mutual Evaluation Report issued in September 2018 and in 2020 FATF issued a follow up report and technical compliance re-rating. In brief, the Kingdom’s recently updated legal framework for international co-operation is comprehensive, and includes all the required elements, though minor gaps remain with respect to building systems and processes for managing cases, and to provide feedback to foreign counterparts. The Kingdom is largely compliant with FATF’s 40 recommendations.

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 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 |
| 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 |

| Classification | Defined as | Reserve requirement |
|-----------------------|---|------------------------------|
| 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 |

Prior to 2018, the provision was made by the relevant bank in its audited financial statements in accordance with the requirements of International Accounting Standard 39 (Financial Instruments: Recognition and Measurement). With effect from 1 January 2018, all Saudi banks have adopted IFRS 9 “Financial Instruments”. Among other things, IFRS 9 provides a new model for the calculation of impairment provisions which now is now recognised based on a forward-looking “Expected Credit Loss” model. The impairment assessment will now be based on forward-looking elements, including an economic forecast covering key macroeconomic factors such as unemployment, GDP growth, inflation, special commission rates and other market related variables, obtained through internal and external sources. This approach is expected to result in an increase in the total level of impairment allowances over the IAS 39 determined levels, although SAMA has permitted the impact that this would have otherwise immediately had on bank’s capital ratios to be recognised over a five-year period.

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 Banks carrying varying risk weights according to the risk assessment of the counterparty. There are also two levels of country risk, one for the GCC and member countries of the Organisation for Economic Cooperation and Development (the “OECD”) and others that have special lending arrangements with the IMF under its general agreement to borrow, considered a preferred risk. All other countries are considered full risk. In contrast, BIS only counts Saudi risk and not all of the GCC at par with OECD. The other major difference is that the GCC standards account for mortgage loans as 100 per cent. risk as opposed to 50 per cent. under BIS standards.

Deposit liabilities of banks are limited to 15 times its paid-up or invested capital and reserves. In cases where this ratio is exceeded, banks have to either increase their 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) have to be transferred to statutory reserves until the reserve balance equals paid-up capital.

SAMA has successfully implemented the Basel Committee on Banking Supervision rules and standards in their entirety, on a timely basis and in a prudent and conservative manner. As a result of such implementation, the Kingdom’s banking sector has reported among the strongest capital adequacy ratios, leverage ratios and liquidity ratios in the GCC and the MENA region.

Basel III Framework

In response to the global financial crisis which commenced in 2007, the Basel Committee enhanced its capital measurement and capital standards by issuing a new capital framework (the “**Basel III Framework**”). The Basel III Framework focuses on strengthening the quality of regulatory capital, raising the minimum capital requirements, enhancing risk coverage and reducing cyclicality of regulatory capital. It introduces new leverage and liquidity ratio requirements and capital buffers to promote the build-up of capital. These enhancements were implemented by means of a staggered approach up to 2019.

Since 2011, SAMA has introduced the main elements of the Basel III Framework in accordance with the timelines agreed by the Basel Committee. This includes the introduction of the leverage ratio, the liquidity coverage ratio, the net stable funding ratio and the capital adequacy framework as well as the sound management and operational risks guidelines, the standardised approach for measuring counterparty credit-risk exposures and capital requirements for banks’ exposures to central counterparties.

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.

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 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 Sukukholders:

- conversion of the Sukuk or other debt of the Bank into equity; or
- writing the value of the Sukuk 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, their 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 follows powers of SAMA in relation to banks that are SIFIs could apply to the Sukuk 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 is to mitigate the impacts of precautionary coronavirus measures on the SME sector, specifically by reducing the burden of cash flow fluctuations, supporting working capital, enabling the sector to grow during the coming period and contributing to supporting economic growth, and maintaining employment. The programme consists of three basic elements as follows:

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. Since its launch, 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 contributes to supporting economic growth and maintaining employment levels in these enterprises. From its launch, the number of relevant financing contracts totalled more than 1,000.

3. **Financing Guarantee Program**

This programme enables 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. Since its launch, over 13,000 financing contracts valued over SAR 11 billion (as at March 2022) have benefited from this programme. It has been extended until 14 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 3 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 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 and/or collection as set out under "General Information – Documents Available. Words and expressions defined elsewhere in this Offering Circular shall have the same meanings in this section.

Master Purchase Agreement, as supplemented by each Supplemental Purchase Agreement

The Master Purchase Agreement will be entered into on 15 December 2022 between the Trustee (in its capacity as purchaser, the “**Purchaser**”) and the Bank (in its capacity as seller, the “**Seller**”) and will be governed by Saudi Arabian law. A Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of each Tranche and will also be governed by Saudi Arabian law.

Pursuant to each Supplemental Purchase Agreement, the Seller will irrevocably and unconditionally sell, transfer and assign to the Purchaser, and the Purchaser will purchase from the Seller all of: (i) (on the issue date of the first Tranche of a Series) the relevant Initial Assets and (ii) (on each date on which any additional Certificates are issued) the relevant Additional Assets, in each case, together with all of the Seller’s rights, title, interests, benefits and entitlements, present and future, in, to and under such Initial Assets or Additional Assets, as the case may be.

Servicing Agency Agreement

The Servicing Agency Agreement will be entered into on 15 December 2022 between the Trustee and the Bank (in its capacity as servicing agent, the “**Servicing Agent**”) and will be governed by English law.

Pursuant to the Servicing Agency Agreement, the Trustee will appoint the Servicing Agent to service the Wakala Portfolio relating to each Series. In particular, the Servicing Agent will, in relation to each Series, undertake to perform, amongst other things, the following services (the “**Services**”) on behalf of the Trustee, during the Wakala Ownership Period:

- (a) it will service the Wakala Portfolio in accordance with the wakala services schedule (the “**Wakala Services Schedule**”) (the form of which is set out in the Schedule to the Servicing Agency Agreement), which shall be completed by the Servicing Agent at the time of issue of the first Tranche of the relevant Series upon receipt from the Trustee of the relevant Supplemental Purchase Agreement;
- (b) if the Trustee issues an additional Tranche, it shall as soon as practicable after such issuance amend the Wakala Services Schedule for that Series to take into account the issuance of such additional Tranche;
- (c) it shall ensure that, at all times on or following the Issue Date of the first Tranche of a Series, the Tangibility Ratio of such Series shall be more than 50 per cent. and if, at any time, the Tangibility Ratio falls:
 - (i) to 50 per cent. or less (but is 33 per cent. or more), the Servicing Agent shall consult with, and take any and all steps as may be required by, The Shariah Committee of Alinma Bank to ensure such Tangibility Ratio is restored to more than 50 per cent. within the time period determined by The Shariah Committee of Alinma Bank; and
 - (ii) below 33 per cent. (such event, being a “**Tangibility Event**”), within 10 business days of the Servicing Agent becoming aware of the occurrence of the Tangibility Event, the Servicing Agent shall send a Tangibility Event Notice notifying the Trustee and the Delegate of such occurrence

and requesting the Trustee to promptly deliver a notice to the Certificateholders (a “**Delisting Notice**”) in accordance with Condition 18 (*Notices*), specifying:

- (A) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence;
 - (B) that, as determined in consultation with The Shariah Committee of Alinma Bank, the Certificates shall only be tradeable in accordance with the *Shari'a* principles of debt trading;
 - (C) that, on the Tangibility Event Delisting Date, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been listed and/or admitted to trading; and
 - (D) the Tangibility Event Put Right Period, during which period any Certificateholder shall have the option to require the redemption of all or any of its Certificates.
- (d) if at any time there are Wakala Portfolio Principal Revenues standing to the credit of the Principal Collection Account, to the extent that the Bank has Eligible Assets available for sale to the Trustee, the Servicing Agent may notify the Trustee:
- (i) that there are amounts standing to the credit of the Principal Collection Account which can be used by the Trustee for the purposes of purchasing the Eligible Assets as selected by the Bank (the “**New Wakala Assets**”) (for a purchase price not greater than the Value of such Eligible Assets) (the “**New Wakala Asset Purchase Price**”); and
 - (ii) of the details and Value of such proposed Eligible Assets;
- (e) it shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it considers (and without the need for the consent of the Trustee) reasonably necessary to ensure the assumption of, and compliance with, by each Asset Obligor, its covenants, undertakings and other obligations under the Asset Contract(s) to which it is a party in accordance with the terms thereof and applicable law;
- (f) it shall discharge or procure the discharge of all obligations to be discharged by the Bank (in whatever capacity) in respect of all Asset Contracts relating to the Wakala Assets of each Series, it being acknowledged that the Servicing Agent may appoint one or more agents to discharge these obligations on its behalf;
- (g) it shall pay on behalf of the Trustee any actual costs, expenses, actual losses and taxes which would otherwise be payable by the Trustee as a result of the Trustee’s ownership of the Wakala Portfolio, and such actual costs, expenses, actual losses and taxes shall be reimbursed in accordance with the terms of the Servicing Agency Agreement;
- (h) it shall use all reasonable endeavours to ensure the timely receipt of all Wakala Portfolio Revenues (free and clear of, and without withholding, retention or deduction for, taxes), investigate non-payment of Wakala Portfolio Revenues and generally make all reasonable efforts to collect or enforce the collection of such Wakala Portfolio Revenues as and when the same shall become due, including so that the Wakala Portfolio Income Revenues in respect of each Wakala Distribution Period are at least equal to the expected return to be generated by the Wakala Portfolio on a periodic basis and shall record such Wakala Portfolio Revenues in the Collection Accounts in accordance with the terms of the Servicing Agency Agreement;

- (i) it shall maintain the Collection Accounts in accordance with the terms of the Servicing Agency Agreement;
- (j) it shall obtain all necessary licences, authorisations and consents in connection with any of the Wakala Assets and its obligations under or in connection with the Servicing Agency Agreement;
- (k) it shall use all reasonable endeavours to ensure that all Lessees in respect of the relevant Financing Assets maintain industry standard insurances and fulfil all structural repair and major maintenance obligations (if any) in respect of the relevant Financing Assets (each in accordance with the terms of the relevant Financing Contracts relating to such Financing Assets);
- (l) if any Wakala Asset comprised in the Wakala Portfolio of the relevant Series ceases to be an Eligible Asset (the occurrence of such event or circumstance being an "**Impaired Wakala Asset Event**"), it shall:
 - (i) notify the Trustee of such event and provide details of the relevant Impaired Wakala Assets; and
 - (ii) notify the Trustee of the availability (if any), together with all necessary details, of any Eligible Assets available for sale to the Trustee in replacement of the relevant Impaired Wakala Asset(s), to enable the Trustee to exercise its right under the Purchase Undertaking in respect of such Impaired Wakala Asset(s), provided that any such substitution shall otherwise be undertaken in accordance with, and subject to, the conditions of the Servicing Agency Agreement and the Purchase Undertaking; and
- (m) it shall carry out any incidental matters relating to any of the above.

The Servicing Agent shall provide the Services in accordance with all applicable laws and regulations and with the degree of skill and care that it would exercise in respect of its own assets and shall service the Wakala Portfolio relating to each Series in accordance with *Shari'a* principles as laid down by The Shariah Committee of Alinma Bank.

Upon receipt of the notification from the Servicing Agent referred to in paragraph (d) above, the Trustee shall pay, or procure the payment by the Servicing Agent of, the New Wakala Asset Purchase Price to, or to the order of, the Bank against the sale, transfer, assignment and conveyance to, or for the benefit of, the Trustee of all of the Bank's rights, title, interests, benefits and entitlements, present and future, in, to and under the New Wakala Assets. Such New Wakala Assets so acquired by or on behalf of the Trustee shall form part of the Wakala Portfolio, in respect of which the Bank and the Servicing Agent shall provide certain representations and warranties on the date of such acquisition as set out in the Servicing Agency Agreement. Each of the Trustee, the Servicing Agent and the Obligor agrees that the payment of the New Wakala Assets Purchase Price referred to above shall be effected by the creation of a ledger entry by the Servicing Agent (on behalf of the Trustee) debiting the amount of the New Wakala Asset Purchase Price from the Principal Collection Account which shall satisfy in full the Trustee's obligation under the relevant provision of the Servicing Agency Agreement.

The Servicing Agent will undertake, in relation to each Series, that: (a) it shall not take any steps during the Wakala Ownership Period that will result in the Wakala Portfolio not comprising any Wakala Assets at any time; and (b) it shall at all times during the Wakala Ownership Period maintain actual or constructive possession, custody or control of all of the Wakala Assets comprising the Wakala Portfolio provided that (A) it is legally possible for the Servicing Agent to so maintain, and (B) such maintenance should not result in a breach of the terms of the relevant Asset Contracts.

The parties to the Servicing Agency Agreement will agree and confirm that the Servicing Agent shall have no investment agency responsibilities (including any discretionary investment responsibilities with respect to monies received by it pursuant to the Transaction Documents or any discretionary substitution of a Wakala Asset), and shall not undertake any investment activities and shall not undertake any investment activities, in each case with respect to its appointment as agent of the Trustee under the Servicing Agency Agreement and is not permitted to trade in the Wakala Assets save, in all cases, as provided for in the Transaction Documents.

The Servicing Agent shall be entitled to receive a fee for acting as Servicing Agent which will comprise a fixed fee of U.S.\$100 (the receipt and adequacy of which will be acknowledged by the Servicing Agent under the Servicing Agency Agreement) and may also receive incentive payments as described below.

In relation to each Series, the Servicing Agent will maintain the Income Collection Account, the Principal Collection Account and the Reserve Account in its books (each of which shall be denominated in the Specified Currency) in which all Wakala Portfolio Revenues will be recorded. All Wakala Portfolio Revenues in relation to each Series will be recorded:

- (a) to the extent that any such amounts comprise Wakala Portfolio Income Revenues, in the Income Collection Account; and
- (b) to the extent that any such amounts comprise Wakala Portfolio Principal Revenues, in the Principal Collection Account.

Amounts standing to the credit of the Income Collection Account relating to each Series will be applied by the Servicing Agent on each “**Wakala Distribution Determination Date**” (being the Payment Business Day immediately preceding each Periodic Distribution Date under the Certificates of the relevant Series) in the following order of priority:

- (a) *first*, in repayment to the Bank or any relevant third party of any amounts advanced by it to the Trustee by way of a Liquidity Facility;
- (b) *second*, in payment to the Servicing Agent of any due but unpaid Servicing Agency Liabilities Amounts in respect of the Wakala Distribution Period ending immediately before the immediately following “**Wakala Distribution Date**” (being the date which corresponds with the relevant Periodic Distribution Date under the Certificates of the relevant Series) and (if applicable) any Servicing Agency Liabilities Amounts for any previous Wakala Distribution Period that remain unpaid;
- (c) *third*, in payment into the relevant Transaction Account of an amount equal to the lesser of the Required Amount payable on the immediately following Periodic Distribution Date and the balance of the Income Collection Account; and
- (d) *fourth*, in the case of any amounts still standing to the credit of the Income Collection Account immediately following payment of all of the above amounts, by debiting from the Income Collection Account and crediting to the Reserve Account such amounts.

If, there is a shortfall on a Wakala Distribution Determination Date (after payment into the Transaction Account of the relevant amount as described above) between (i) the amount standing to the credit of the Transaction Account; and (ii) the Required Amount payable on the immediately following Periodic Distribution Date (the difference between such amounts being referred to as a “**Shortfall**”), amounts standing to the credit of the Reserve Account (if any) shall be applied by the Servicing Agent by payment into the Transaction Account on that Wakala Distribution Determination Date of an amount equal to the Shortfall (or such lesser amount as is then standing to the credit of the Reserve Account). If, following payment of amounts standing to the credit of the Reserve Account as described above, a Shortfall remains on any Wakala Distribution Determination Date, the Bank may either (A) provide *Shari’a* compliant funding to the Trustee itself, or (B) procure the provision to the Trustee of *Shari’a* compliant funding from a third party, in each case, to the extent necessary to ensure that the Trustee receives, on each Wakala Distribution Determination Date, the Required Amount payable by it in accordance with the Conditions of the relevant Series on the immediately following Periodic Distribution Date, by payment of the same into the Transaction Account and on terms that such funding is to be settled (i) from Wakala Portfolio Income Revenues, or (ii) on the relevant Dissolution Date (such funding in relation to a Series, a “**Liquidity Facility**”).

The Servicing Agent will be entitled to deduct amounts standing to the credit of the Reserve Account at any time during the Wakala Ownership Period and to use such amounts for its own account, provided that such amounts shall be repaid by it if so required to fund a Shortfall.

The Servicing Agent will agree in the Servicing Agency Agreement that all payments by it under the Servicing Agency Agreement must be made in the Specified Currency and without any withholding, retention or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind. If there is any such withholding, retention or deduction, the Servicing Agent will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

The Servicing Agent will undertake in the Servicing Agency Agreement that any payment obligations of the Servicing Agent under the Servicing Agency Agreement will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) unsecured obligations of the Servicing Agent and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Servicing Agent from time to time outstanding.

Purchase Undertaking

The Purchase Undertaking will be executed as a deed on 15 December 2022 by the Bank in favour of the Trustee and the Delegate, and will be governed by English law.

In relation to each Series, the Bank will irrevocably grant to the Trustee and the Delegate (in each case, for and on behalf of the Certificateholders) each of the following rights:

- (a) provided that a Dissolution Event has occurred and is continuing, to require the Bank to purchase on the Dissolution Event Redemption Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;
- (b) to require the Bank to purchase, on the Scheduled Dissolution Date, all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;
- (c) provided that (i) Certificateholder Put Right is specified as applicable in the applicable Pricing Supplement (and Optional Dissolution Right is specified as not applicable in each applicable Pricing Supplement) and (ii) one or more Certificateholders have exercised the Certificateholder Put Right in accordance with the Conditions, to require the Bank to purchase on the Certificateholder Put Right Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the applicable portion of the Wakala Assets at the Certificateholder Put Right Exercise Price specified in the relevant Exercise Notice; and
- (d) provided that (i) a Tangibility Event has occurred and (ii) one or more Certificateholders have exercised the Tangibility Event Put Right in accordance with the Conditions, to require the Obligor to purchase on the Tangibility Event Put Right Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Tangibility Event Put Right Wakala Assets at the Tangibility Event Put Right Exercise Price specified in the relevant Exercise Notice; and

- (e) provided that the Trustee has received notice, or otherwise becomes aware, of the occurrence of an Impaired Wakala Asset Event in accordance with the terms of the Purchase Undertaking or the Servicing Agency Agreement, to require the Bank to assign, sell, transfer and convey to the Trustee on the relevant replacement date all of the Bank's rights, title, interests, benefits and entitlements, present and future, in, to and under the new Wakala Assets against the assignment sale, transfer and conveyance to the Bank of all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Impaired Wakala Assets, subject to certain conditions set out in the Purchase Undertaking,

in each case, on an "as is" basis but free and clear of any adverse claim (without any warranty express or implied and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Purchase Undertaking.

The Bank will covenant and undertake in the Purchase Undertaking that:

- (a) if, at the time of delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking, Alinma Bank remains in actual or constructive possession, custody or control of all or any part of the Wakala Assets comprising the Wakala Portfolio, the Certificateholder Put Right Wakala Assets or the Tangibility Event Put Right Wakala Assets, as the case may be; and
- (b) if, following delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking, the relevant Exercise Price, Certificateholder Put Right Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever,

the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates or the relevant Certificates to be redeemed on the Certificateholder Put Right Date or the Tangibility Event Put Right Date, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price, the Certificateholder Put Right Exercise Price or the Tangibility Event Put Right Exercise Price, as the case may be.

Subject to and promptly following payment in full of the Exercise Price, the Certificateholder Put Right Exercise Price or the Tangibility Event Put Right Exercise Price, as the case may be, in accordance with the Purchase Undertaking (or an indemnity equal to the Exercise Price, the Certificateholder Put Right Exercise Price or the Tangibility Event Put Right Exercise Price, as the case may be), the Bank will irrevocably undertake to enter into a Sale Agreement with the Trustee.

The Bank will agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking must be made in the Specified Currency and without any withholding, retention or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind. If there is any such withholding, retention or deduction, the Bank will pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

The Bank has undertaken in the Purchase Undertaking that any payment obligations of the Bank under the Purchase Undertaking are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) unsecured obligations of the Bank and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Bank from time to time outstanding.

Sale and Substitution Undertaking

The Sale and Substitution Undertaking will be executed as a deed on 15 December 2022 by the Trustee in favour of the Bank and will be governed by English law.

In relation to each Series, the Trustee will irrevocably grant to the Bank each of the following rights:

- (a) provided that a Tax Event has occurred, to require the Trustee to sell, assign, transfer and convey to the Bank on the Early Tax Dissolution Date specified in the relevant Exercise Notice all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice;
- (b) provided that Optional Dissolution Right is specified as applicable in each applicable Pricing Supplement (and Certificateholder Put Right is specified as not applicable in each applicable Pricing Supplement), to require the Trustee to sell, assign, transfer and convey to the Bank on the Optional Dissolution Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the applicable portion of the Wakala Assets at the Optional Dissolution Exercise Price specified in the relevant Exercise Notice;
- (c) following delivery of the Registered Certificate(s) representing the cancelled Certificates to the Registrar for cancellation pursuant to Condition 9(i) (*Cancellation*), to require the Trustee to assign, transfer and convey to the Bank on the cancellation date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the cancellation Wakala Assets subject to certain conditions set out in the Sale and Substitution Undertaking;
- (d) at its discretion, to require the Trustee to assign, transfer and convey to the Bank on the substitution date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under, the substituted Wakala Assets against the sale, assignment, transfer and conveyance to the Trustee of all of the Bank's rights, title, interests, benefits and entitlements, present and future, in, to and under, the new Wakala Assets subject to certain conditions set out in the Sale and Substitution Undertaking; and
- (e) if 75 per cent. or more of the aggregate face amount of Certificates of such Series then outstanding have been redeemed or purchased pursuant to the operation of Condition 9 (*Redemption and Dissolution of the Trust*), to require the Trustee to sell, assign, transfer and convey to the Bank on the Clean Up Call Dissolution Date all of the Trustee's rights, title, interests, benefits and entitlements, present and future, in, to and under the Wakala Assets comprised in the Wakala Portfolio applicable to such Series at the Exercise Price specified in the relevant Exercise Notice,

in each case, on an "as is" basis but free and clear of any adverse claim (without any warranty express or implied and if any warranty is implied by law, it shall be excluded to the fullest extent permitted by law) and otherwise on the terms and subject to the conditions of the Sale and Substitution Undertaking and provided the Bank irrevocably, unconditionally and fully accepts, and shall not dispute or challenge in any way, all or any interest (including ownership interests) the Seller may have in the relevant Wakala Assets, as acquired by the Trustee.

Master Murabaha Agreement

The Master Murabaha Agreement will be entered into on 15 December 2022 between the Trustee (in its capacity as seller, the "**Commodity Seller**"), the Bank (in its capacity as buyer, the "**Commodity Buyer**") and the Delegate and will be governed by English law.

Pursuant to the Master Murabaha Agreement, and in connection with each relevant Tranche of Certificates, the Commodity Seller may enter into a Commodity Murabaha Investment with the Commodity Buyer using a

portion of the issue proceeds of the relevant Tranche (being no more than 45 per cent. of the aggregate face amount of the Certificates of that Tranche). In accordance with the Master Murabaha Agreement, on receipt of a duly completed Notice of Request to Purchase from the Commodity Buyer, the Commodity Seller (acting through the Commodity Agent) may purchase the relevant Commodities on the relevant Issue Date from a commodity supplier on a spot basis at the relevant Commodity Purchase Price.

Upon completion of the purchase of the Commodities by the Commodity Seller and the Commodity Seller gaining title thereto and (actual or constructive) possession thereof, the Commodity Seller may deliver to the Commodity Buyer a duly completed Offer Notice by no later than 1.00 p.m. (London time) (or such other time as may be agreed in writing by the Commodity Buyer and the Commodity Seller) on the relevant Issue Date.

Provided that the Commodity Buyer has received the Offer Notice delivered to it in accordance with the terms of the Master Murabaha Agreement and wishes to enter into a Murabaha Contract, the Commodity Buyer will accept the terms of, countersign and deliver to the Commodity Seller such Offer Notice and purchase from the Commodity Seller the relevant Commodities acquired by the Commodity Seller for the relevant Deferred Payment Price (to be paid in the amounts and on the dates as specified in the Offer Notice, as may be adjusted in accordance with the terms of the Master Murabaha Agreement), in each case no later than 2.00 p.m. (London time) (or such other time as may be agreed between the Commodity Buyer and the Commodity Seller) on the relevant Issue Date.

As soon as the Commodity Buyer has accepted the Commodity Seller's offer by countersigning the relevant Offer Notice, a Murabaha Contract shall be created between the Commodity Seller and the Commodity Buyer upon the terms of that Offer Notice and incorporating the terms and conditions set out in the Master Murabaha Agreement and ownership (including, without limitation, the right of ownership from a Shari'a perspective) of and all risks in and to the relevant Commodities shall immediately pass to and be vested in the Commodity Buyer, together with all rights and obligations relating thereto.

The Commodity Buyer will agree in the Master Murabaha Agreement that all payments by it under the Master Murabaha Agreement must be made in the Specified Currency and without any withholding, retention or deduction for, or on account of, any taxes unless required by law and without set-off or counterclaim of any kind and, in such case, the Commodity Buyer will pay all additional amounts as will result in the receipt by the Commodity Seller of such net amounts as would have been receivable by it if no withholding, retention or deduction had been made.

The Commodity Buyer has undertaken in the Master Murabaha Agreement that any payment obligations of the Commodity Buyer under the Master Murabaha Agreement will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)) unsecured obligations of the Commodity Buyer and shall (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*)), at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Commodity Buyer from time to time outstanding.

Trust Deed

The Master Trust Deed will be entered into on 15 December 2022 between the Bank, the Trustee and the Delegate and will be governed by English law. A Supplemental Trust Deed between the same parties shall be entered into on the Issue Date of each Tranche and shall also be governed by English law.

Upon issue of a Series of Certificates, the Master Trust Deed as supplemented by each relevant Supplemental Trust Deed shall together constitute the Trust declared by the Trustee in relation to such Series (the Master Trust

Deed as supplemented by each relevant Supplemental Trust Deed for each Series being referred to herein as the “**Trust Deed**”).

The Trust Assets in respect of each Series shall comprise:

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

Pursuant to the relevant Trust Deed, the Trustee will, in relation to each Series of Certificates, amongst other things, hold the relevant Trust Assets on trust absolutely for the Certificateholders of such Series *pro rata* according to the face amount of Certificates held by each Certificateholder and act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the relevant Trust Deed. Pursuant to the Master Trust Deed, the Trustee will, by way of security for the performance of all covenants, obligations and duties of the Trustee to the Certificateholders under the relevant Trust Deed, irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed to:

- (a) execute, deliver and perfect all documents; and
- (b) exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the relevant Trust Deed or any of the other Transaction Documents) and discretions vested in the Trustee by the Trust Deed,

that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (i) exercise all of the rights, powers, authorities and discretions of the Trustee under the Purchase Undertaking and any of the other Transaction Documents and (ii) make such distributions from the relevant Trust Assets as the Trustee is bound to make in accordance with the Conditions and the Trust Deed (together the “**Delegation**” of the “**Relevant Powers**”), provided that (i) no obligations, duties, liabilities or covenants of the Trustee pursuant to the Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (ii) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust or managing the Trust Assets; and (iii) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve any of the trusts constituted by the Trust Deed following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee has undertaken in the Master Trust Deed to ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of its powers pursuant to the Delegation.

The Delegation is to be made by the Trustee to the Delegate for the benefit of the Delegate and the Certificateholders, subject to the terms of the Conditions and the Trust Deed.

In addition to the Delegation of the Relevant Powers, certain powers, rights, authorities and discretions under the Master Trust Deed will be vested solely in the Delegate, including, amongst other things, the power to convene and conduct meetings at the request of Certificateholders, to determine whether a certain event is, in its opinion, materially prejudicial to the interests of the holders of the Certificates so as to qualify as a Trustee Event or Obligor Event, and the powers set out in Condition 13 (*Dissolution Events*) to decide, pursuant to the provisions therein, whether the Certificates should become immediately due and payable subject to and in accordance with Condition 13 (*Dissolution Events*) and the power to consent to certain types of amendments to any Transaction Document or the memorandum and articles of association of the Trustee, in each case as more particularly described in the Master Trust Deed.

The Bank has covenanted and undertaken in the Master Trust Deed, among other things, as follows:

- (a) to comply with and perform and observe all provisions of the Conditions which are expressed to be applicable to it including, without limitation, the negative pledge provisions described in Condition 7 (*Obligor Negative Pledge*); and
- (b) that it shall forthwith notify the Delegate and the Trustee in writing of any Dissolution Event (and the steps, if any, being taken to remedy it) and/or Potential Dissolution Event and Tangibility Event (and provide a description of such Tangibility Event), in each case promptly upon becoming aware of its occurrence.

The Bank has acknowledged in the Master Trust Deed that the Obligor Events applicable to it are set out in full in the Conditions, that it is fully aware of and understands the terms thereof and that the occurrence thereof shall constitute a Dissolution Event for the purposes of the Conditions.

The Bank will also covenant and undertake in the Master Trust Deed that:

- (a) if, at the time of delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, Alinma Bank remains in actual or constructive possession, custody or control of all or any part of the Wakala Assets comprising the Wakala Portfolio, the Certificateholder Put Right Wakala Assets, the Tangibility Event Put Right Wakala Assets or the Optional Dissolution Wakala Assets, as the case may be; and
- (b) if, following delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, the relevant Exercise Price, Certificateholder Put Right Exercise Price, Tangibility Event Put Right Exercise Price or Optional Dissolution Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking or the Sale and Substitution Undertaking (as the case may be) for any reason whatsoever,

the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates, the Certificateholder Put Right Certificates the Tangibility Event Put Right Certificates or the Optional Dissolution Certificates, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Put Right Exercise Price or the Optional Dissolution Exercise Price, as the case may be.

Payment of an amount equal to the relevant Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Put Right Exercise Price or the Optional Dissolution Exercise Price, as the case may be, into the Transaction Account in accordance with the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, shall (i) evidence the acceptance by the Bank of the Exercise Notice delivered in accordance with the provisions of the Purchase Undertaking and the conclusion of the transfer of the Trustee's title, rights, interests, benefits and entitlements in, to and under the Wakala Assets comprising the Wakala Portfolio, the

Certificateholder Put Right Wakala Assets, the Tangibility Event Put Right Wakala Assets or the Optional Dissolution Wakala Assets to the Obligor, as the case may be, and (ii) constitute full discharge of the obligation of the Bank to pay the Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Put Right Exercise Price or the Optional Dissolution Exercise Price, as the case may be, to the Trustee (for the benefit of the Certificateholders).

The Bank will also covenant and undertake in the Master Trust Deed that if, in relation to a Murabaha Contract, the outstanding Deferred Payment Price is not paid on the relevant Dissolution Date in accordance with the provisions of the Master Murabaha Agreement for any reason whatsoever, the Bank shall (as an independent, severable and separately enforceable obligation) fully indemnify (on an after Tax basis) the Trustee for the purpose of redemption of the outstanding Certificates of such Series, and the amount payable under any such indemnity claim will equal the Deferred Payment Price.

In addition, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 11 (*Taxation*), the Bank has covenanted and undertaken in the Master Trust Deed that it will unconditionally and irrevocably (irrespective of the payment of any fee), as a continuing obligation, pay to or to the order of the Delegate (for the benefit of the Certificateholders) such net amounts as are necessary so that the amount receivable by the Delegate (after any withholding, retention or deduction for or on account of tax) equals any and all additional amounts required to be paid by it in respect of the Certificates pursuant to Condition 11 (*Taxation*).

If and to the extent the Trustee has exercised its rights under Condition 19 (*Further Issues*) to issue additional Certificates in respect of a Series, on the date of issue of such additional Certificates, the Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so created and issued, declaring that the relevant Additional Assets (as defined in the relevant Declaration of Commingling of Assets) and the Wakala Assets comprised in the Wakala Portfolio as in existence immediately prior to the creation and issue of such additional Certificates and, if applicable, each Commodity Murabaha Investment made pursuant to the Master Murabaha Agreement (and all rights arising under or with respect thereto) in respect of the relevant Series, are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the Master Trust Deed.

Agency Agreement

The Agency Agreement will be entered into on 15 December 2022 in relation to the Certificates between, amongst others, the Trustee, the Bank, the Delegate, the Principal Paying Agent and the Registrar. The Agency Agreement will govern the arrangements between the Trustee and the agents named therein for the issuance of Certificates and the making of payments in respect thereof. The Agency Agreement will be governed by English law.

Shari'a Compliance

Each Transaction Document to which it is a party provides that each of Alinma 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) is *ultra vires* or not compliant with the principles of *Shari'a*;

- (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

For these purposes:

“Asset Contract(s)” means a Financing Contract and/or any other contract(s), agreement(s), or document(s) evidencing or otherwise related to or associated with a Wakala Asset, as the case may be;

“Asset Obligor” means a Lessee, an Other Tangible Asset Obligor and/or any other person that is a party to an Asset Contract (other than Bank or any party acting on behalf of the Bank) who is obliged to make payments thereunder, as the context so requires;

“Certificateholder Put Right Exercise Price” means, in relation to each relevant Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the relevant Certificates to be redeemed on the Certificateholder Put Right Date; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the relevant Certificates; plus
- (c) if all of the Certificates of such Series are being redeemed in full, to the extent not previously satisfied in accordance with the Servicing Agency Agreement, an amount equal to the sum of any outstanding (i) amounts payable in respect of any Liquidity Facility; and (ii) due but unpaid Servicing Agency Liabilities Amounts; plus
- (d) without double counting or duplication, if all of the Certificates of such Series are being redeemed in full, to the extent not previously satisfied, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents to which it is a party (including but not limited to all amounts due but unpaid to the Delegate pursuant to Condition 5(b)(i) (*Application of Proceeds from Trust Assets*)) provided that, in the case of any amounts payable pursuant to Condition 5(b)(i), the Obligor has received notification from the Delegate of such amounts by not later than the third Business Day prior to the date on which the Exercise Notice is delivered); plus
- (e) without double counting or duplication, any other amounts payable in relation to the relevant Certificates as specified in the applicable Pricing Supplement; less
- (f) if a Commodity Murabaha Investment forms part of the relevant Series, the applicable portion of the aggregate amounts of Deferred Payment Price outstanding on the Certificateholder Put Right Date which has been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement;

“Eligible Asset” means a Financing Asset or an Other Tangible Asset:

- (a) in respect of which: (i) the Bank is generating cashflows under the related Asset Contract(s) relating to an activity which is in compliance with the principles of *Shari'a*; and (ii) the relevant Asset Obligor under the related Asset Contract(s) is not in breach of its payment obligations in respect of that Asset Contract;

- (b) which is held or owned by the Seller in a manner consistent with its usual credit and origination and/or investment policies as approved by The Shariah Committee of Alinma Bank;
- (c) in respect of which the obligations contained in the related Asset Contract(s) entered into by the Asset Obligor thereof constitute legal, valid, binding and (subject to the laws of bankruptcy and other laws affecting enforceability generally) enforceable obligations of the Asset Obligor under the governing law of that Asset Contract and any related transaction documents and in the jurisdiction in which such Asset Obligor is located;
- (d) in respect of which the Seller is entitled to receive all payments due;
- (e) in respect of which there has not occurred any acceleration or analogous event under the related Asset Contract(s);
- (f) in respect of which there has not occurred any expropriation, total loss event or total destruction; and
- (g) at the time of the transfer of the relevant Financing Asset or Other Tangible Asset to form part of the Wakala Portfolio, in respect of which the Seller's rights, title, interests, benefits and entitlements, present and future, therein are capable of being sold, transferred and assigned by the Seller to the Purchaser in accordance with all applicable laws, its own terms and the terms set out in the Master Purchase Agreement;

“Exercise Price” means, in relation to each Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the Certificates outstanding on the relevant Dissolution Date; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to such Certificates; plus
- (c) to the extent not previously satisfied in accordance with the Servicing Agency Agreement, an amount equal to the sum of any outstanding (i) amounts payable in respect of any Liquidity Facility; and (ii) due but unpaid Servicing Agency Liabilities Amounts; plus
- (d) without double counting or duplication, to the extent not previously satisfied, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to all amounts due but unpaid to the Delegate pursuant to Condition 5(b)(i) (*Application of Proceeds from Trust Assets*)) provided that, in the case of any amounts payable pursuant to Condition 5(b)(i), the Obligor has received notification from the Delegate of such amounts by not later than the third Business Day prior to the date on which the Exercise Notice is delivered); plus
- (e) without double counting or duplication, any other amounts payable on redemption of the Certificates as specified in the applicable Pricing Supplement; less
- (f) if a Commodity Murabaha Investment forms part of the relevant Series, the aggregate amounts of Deferred Payment Price outstanding on the relevant Dissolution Date which have been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement;

“Financing Asset” means a Real Estate Financing Asset or a Non-Real Estate Financing Asset, as the case may be;

“Financing Contract” means a Real Estate Financing Contract or a Non-Real Estate Financing Contract, as the case may be;

“Lessee” means a Real Estate Financing Lessee or a Non-Real Estate Financing Lessee, as the case may be;

“Non-Real Estate Financing Asset” means a tangible asset, other than a Real Estate Financing Asset, in relation to which the Bank or any person on its behalf has entered into a Non-Real Estate Financing Contract; provided, however, that such tangible asset is in existence on the date on which it becomes part of the relevant Wakala Portfolio;

“Non-Real Estate Financing Contract” means (a) an ijara contract entered into by the Bank or any person on its behalf (the **“Non-Real Estate Financing Lessor”**) and another person (the **“Non-Real Estate Financing Lessee”**) pursuant to which the Non-Real Estate Financing Lessor leases a tangible asset (other than a real estate asset) to the Non-Real Estate Financing Lessee, and in respect of which lease payments are due from the Non-Real Estate Financing Lessee to the Non-Real Estate Financing Lessor, including any other agreements or documents associated with that contract; or (b) any arrangement similar in economic effect to that described in item (a) (and the terms **“Non-Real Estate Financing Lessor”** and **“Non-Real Estate Financing Lessee”** shall be construed accordingly);

“Optional Dissolution Exercise Price” means, in relation to each relevant Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the relevant Certificates to be redeemed on the Optional Dissolution Date; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the relevant Certificates; plus
- (c) if all of the Certificates of such Series are being redeemed in full, to the extent not previously satisfied in accordance with the Servicing Agency Agreement, an amount equal to the sum of any outstanding (i) amounts payable in respect of any Liquidity Facility; and (ii) due but unpaid Servicing Agency Liabilities Amounts; plus
- (d) without double counting or duplication, if all of the Certificates of such Series are being redeemed in full, to the extent not previously satisfied, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents to which it is a party (including but not limited to all amounts due but unpaid to the Delegate pursuant to Condition 5(b)(i) (*Application of Proceeds from Trust Assets*) provided that, in the case of any amounts payable pursuant to Condition 5(b)(i), the Bank has received notification from the Delegate of such amounts by not later than the third Business Day prior to the date on which the Exercise Notice is delivered); plus
- (e) without double counting or duplication, any other amounts payable on redemption of the relevant Certificates as specified in the applicable Pricing Supplement; less
- (f) if a Commodity Murabaha Investment forms part of the relevant Series, the applicable portion of the aggregate amounts of Deferred Payment Price outstanding on the Optional Dissolution Date which has been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement;

“Real Estate Financing Asset” means a real estate asset located in Saudi Arabia (excluding the cities of Makkah and Medina) in relation to which the Bank or any person on its behalf has entered into a Real Estate Financing Contract (and includes that Real Estate Financing Contract and all rights, title, interests, benefits and entitlements, present and future, of the Real Estate Financing Lessor in, to and under such Real Estate Financing Contract); provided, however, that such real estate asset is in existence on the date on which it becomes part of the relevant Wakala Portfolio;

“Real Estate Financing Contract” means (a) an ijara contract entered into by the Bank or any person on its behalf (the **“Real Estate Financing Lessor”**) and another person (the **“Real Estate Financing Lessee”**) pursuant to which the Real Estate Financing Lessor leases a real estate asset located in Saudi Arabia to the Real

Estate Financing Lessee, and in respect of which payments are due from the Real Estate Financing Lessee to the Real Estate Financing Lessor, including any other agreements or documents associated with that contract; or (b) any arrangement similar in economic effect to that described in item (a) (and the terms “Real Estate Financing Lessor” and “Real Estate Financing Lessee” shall be construed accordingly);

“**Tangibility Event Put Right Exercise Price**” means, in relation to each relevant Series, an amount equal to the aggregate of:

- (a) the aggregate face amount of the Tangibility Event Put Right Certificates; plus
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Tangibility Event Put Right Certificates; plus
- (c) if all of the Certificates of a Series are being redeemed, to the extent not previously satisfied in accordance with the Servicing Agency Agreement, an amount equal to the sum of any outstanding (i) amounts payable in respect of any Liquidity Facility; and (ii) due but unpaid Servicing Agency Liabilities Amounts; plus
- (d) without double counting or duplication, if all of the Certificates of such Series are being redeemed, to the extent not previously satisfied, an amount representing any amounts payable by the Trustee (in any capacity) under the Transaction Documents (including but not limited to all amounts due but unpaid to the Delegate pursuant to Condition 5(b)(i) (*Application of Proceeds from Trust Assets*) provided that, in the case of any amounts payable pursuant to Condition 5(b)(i), the Obligor has received notification from the Delegate of such amounts by not later than the third Business Day prior to the date on which the Exercise Notice is delivered); plus
- (e) without double counting or duplication, any other amounts payable in relation to the Tangibility Event Put Right Certificates as specified in the applicable Pricing Supplement; less
- (f) if a Commodity Murabaha Investment forms part of the relevant Series, the Tangibility Event Put Right Proportion of the aggregate amounts of Deferred Payment Price outstanding on the Tangibility Event Put Right Date which has been paid into the Transaction Account in accordance with the terms of the Master Murabaha Agreement;

“**Wakala Distribution Period**” means, in relation to a Series, the period beginning on (and including) the Issue Date of the first Tranche of such Series and ending on (but excluding) the first Wakala Distribution Date and each successive period beginning on (and including) a Wakala Distribution Date and ending on (but excluding) the next succeeding Wakala Distribution Date, each such period also being a Periodic Distribution Period; and

“**Wakala Ownership Period**” means, in relation to each Series, the period commencing on the Issue Date of the first Tranche of such Series and ending on the date on which all of the Certificates of that Series are redeemed in full.

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 Arrangers, the Dealers, the Delegate or any of the Agents makes any representation as to the *Shari'a* compliance of the Certificates and/or any trading thereof.

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. 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. Abdullah Bin Wakeel Al-Sheikh (Member)

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. 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.

Prof. Yousuf Bin Abdullah Al-Shobily (Member)

Prof. Al-Shobily is chairman and member of a number of *Shari'a* boards in Islamic financial institutions inside and outside the Kingdom, a faculty member at the High Judiciary Institute at Al-Imam Mohammed Ibn Saud Islamic University and an arbitrator and head of a number of arbitration committees in commercial disputes. He holds M.A. and Ph.D. degrees in Comparative Fiqh from Al-Imam Mohammed Ibn Saud Islamic University. Prof. Al-Shobily is a leading scholar in the field of *Shari'a*-compliant financial transactions, a field in which he has made numerous contributions. He is also a member of several Islamic finance, legal and economic committees in Saudi Arabia and abroad including the Judicial Legislation Committee, General Authority for the Guardianship of Funds for Minors and their Counterparts, Scientific Society of Islamic Banking, Saudi Fiqh Society, Saudi Judicial Scientific Society and International Islamic Fiqh Academy.

Prof. Al-Shobily is a member of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) *Shari'a* Board.

TAXATION

The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those jurisdictions or elsewhere, nor does it address the considerations that are dependent on individual circumstances. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on Certificates to be issued will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax. On 10 October 2022, the Trustee received an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Act (as amended) of the Cayman Islands, that for a period of 30 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Act (as amended). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. However, an instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

Saudi Arabia

Unless otherwise stated, capitalised terms in this sub-section shall have the meanings given to them in “*Taxation—Saudi Arabia—General*” below.

The statements herein regarding taxation/Zakat are based on the Kingdom's laws in effect as of the date of this Offering Circular and are subject to any changes occurring after such date, which changes could have retroactive effect. These include the Income Tax Law promulgated under Royal Decree No. M/1 dated 15/1/1425H (corresponding to 6 March 2004) and its By-Laws issued under Ministerial Resolution No. 1535 dated 11/6/1425H (corresponding to 29 July 2004), as amended from time to time (collectively the “**Income Tax Law**”), and the Zakat Collection Regulations issued pursuant to Royal Decree No. 17/04/28/8634 dated 29/06/1370H (corresponding to 7 April 1951) and the Implementing Zakat Regulations under Ministerial Resolution No. 2216 dated 7/7/1440H (corresponding to 14 March 2019) (“**Zakat Regulations**”), and the Value

Added Tax Law promulgated under Royal Decree No. M113 dated 2/11/1438H (Corresponding to 25 July 2017) and its implementing regulations notified under the ZATCA Board of Directors Resolution No. 3839 dated 14/12/1438H (corresponding to 5 September 2017), as amended from time to time, with the most recent being a Royal Order (A/638) issued on 15/10/1441H (corresponding to 7 June 2020) ratifying the amendment, with effect from 1 July 2020, of Article 2 of the Value Added Tax (“VAT”) Law, increasing the VAT rate from 5 per cent. to 15 per cent. (the “KSA VAT Law”)

The following summary is a general description of certain Saudi Arabian tax and Zakat considerations relating to the Certificates. It does not purport to be a comprehensive description of all the tax and Zakat considerations which may be relevant for a decision to subscribe for, purchase, own or dispose of the Certificates and does not purport to deal with the tax and Zakat consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

Prospective purchasers of the Certificates are advised to consult their own Saudi Arabian tax and Zakat advisers concerning the overall tax and Zakat consequences of their ownership of the Certificates.

Overview of Saudi Tax and Zakat

Corporate Income Tax

Persons Subject to Taxation include a Resident capital company owned by non-GCC persons and a non-Resident who carries out business in the Kingdom through a Permanent Establishment (other than a Permanent Establishment of GCC persons that meet the conditions set out under Article 2(4) of the Zakat Regulations) are subject to corporate income tax in the Kingdom.

As per the Income Tax Law, Persons Subject to Taxation are subject to 20 per cent. corporate income tax (other than legal entities Resident in the Kingdom which are engaged in oil and hydrocarbon) in the Kingdom on their gross income, less deduction of allowable costs and certain other tax adjustments.

However, legal entities Resident in the Kingdom (other than legal entities Resident in the Kingdom which are engaged in oil and hydrocarbon and natural gas production), which are owned jointly by GCC persons and non-GCC persons are subject to corporate income tax in respect of the share of their profit attributable to the ownership percentage held by non-GCC persons and Zakat on the ownership percentage held by GCC persons.

Non-GCC natural persons Resident in the Kingdom who are not performing commercial activities in the Kingdom (as defined in Article 1 of the Income Tax Law and Article 2 of the By-laws to the Income Tax Law) are not currently subject to corporate income tax in the Kingdom. However, non-GCC natural persons Resident in the Kingdom who conduct business in the Kingdom, are subject to corporate income tax on the profits deriving from their business activity.

In determining the tax or Zakat profile of a legal entity Resident in the Kingdom, the ZATCA applies a “look-through” approach to determine whether the up-stream shareholding structure at any point exists outside of the GCC. However, the “look-through” approach only applies to shareholders that are GCC Resident persons. Therefore, the percentage of the share capital of a legal entity Resident in the Kingdom that is owned by a shareholder entity incorporated outside the GCC is subject to corporate income tax regardless of the nationalities of the ultimate shareholder in such non-GCC incorporated entity.

Finally, as per the Income Tax Law, legal entities Resident in the Kingdom which are engaged in oil and hydrocarbon and natural gas production are subject to corporate income tax in the Kingdom at levels either between 50 per cent. and 85 per cent. (in the case of oil and hydrocarbon production) depending on the level of total capital investment of such entity or 20 per cent. (in the case of natural gas production) on their gross income, less deduction of allowable costs and certain other tax adjustments, regardless of their shareholders being GCC and/or non-GCC persons.

Resident companies engaged in oil and hydrocarbons production activities as well as engaged in related downstream activities are subject to 20 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 an obligation imposed on Muslims by the *Shari'a* law to pay a fixed percentage of their wealth for the relief of poverty.

Zakat is a religious levy subject to varying interpretations and complex computation rules. Separate rules are applicable for the calculation of Zakat by Zakatpayers who are engaged in the Kingdom in financing activities (licensed by the Saudi Central Bank (SAMA)) and Zakatpayers who are engaged in the Kingdom in non-financing activities. Persons Subject to Zakat (as defined below) include companies that are owned by GCC persons and/or a Permanent Establishment of GCC Persons in the Kingdom (meeting the conditions set out under Article 2(4) of the Zakat Regulations – refer to below definition of “Permanent Establishment of GCC persons”).

This section broadly covers the Zakat consequences of investment in Certificates by investors who are engaged in non-financing activities in the Kingdom. In general, Zakat on Zakatpayers engaged in non-financing activities is currently levied on the higher of the adjusted Zakatable profits and the Zakat base. Zakat base, in general, comprises equity, provisions, loans and credit balances (subject to certain conditions) reduced by certain deductible long-term investments, fixed assets etc. plus/minus adjusted profit (loss) for the year for Zakat purposes. The Zakat rate on the Zakat base is 2.578 per cent. if a Zakatpayer is following the Gregorian financial year and 2.5 per cent. if a Zakatpayer 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 Zakatpayer.

Under Article 5(4) of the Zakat Regulations which are in effect as of the date of this Offering Circular in the Kingdom, receivable loans, subordinated/ additional financing and equivalents provided to the investee are not considered as valid deductible investments for Zakat purposes. Therefore, investments in Certificates (whether short term or long term) are not deductible from the Zakat base of the Certificateholders for Zakat purposes.

Special Zakat Rules for Financing Activities

Special Zakat rules were issued pursuant to Ministerial Decision No. 2215 dated 07/07/1440H (corresponding to 14 March 2019) (*Zakat Calculation for Financing Companies*) which are applicable to resident Zakatpayers engaged in financing activities, such as banking and finance lease activities, and which are licenced by SAMA. These Zakat rules are based on the attributable method in computing Zakat, by calculating the Zakatable assets and sources of funds subject to Zakat which depend on the residual maturity profile of all assets and liabilities.

The rules provide for minimum and maximum cap amounts for the Zakat base depending on the net profit or net loss of the Zakatpayer 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.

Withholding Tax (“WHT”)

Residents of the Kingdom and the Permanent Establishment of a non-Resident are required to withhold taxes on certain payments to non-Residents of the Kingdom, including to residents of the other GCC countries if such payment is from a source in the Kingdom. The WHT rate varies from 5 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 (akin in interest) as per Article 5(1) of the By-laws to Income Tax Law.

WHT is imposed on payments against services and not on goods. Services are defined to mean any work performed for compensation except for the purchase and sale of goods or any other properties.

A Loan Charge paid to non-Residents attracts 5 per cent. WHT unless such WHT is reduced or eliminated pursuant to the terms of an applicable double tax treaty between Saudi Arabia and the country of such non-Resident beneficiary. As at the date of this Offering Circular, no effective tax treaty between Saudi Arabia and the Cayman Islands is in place. Moreover, as of the date of this Offering Circular, the Kingdom had double tax treaties that are currently or about to be effective with 55 countries.

In view of the above, payment of periodic distributions by the Bank to the Trustee (being a non-resident) will be subject to a 5 per cent. WHT as a Loan Charge.

The Transaction Documents provide that payments by the Bank (in its relevant capacity) shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in the Conditions), unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by the Bank of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

In addition, Condition 12 (*Taxation*) provides that all payments by the Trustee in respect of the Certificates shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee shall pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates is received by the parties entitled thereto, subject to certain exceptions described in Condition 12 (*Taxation*). The Trust Deed provides that, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 12 (*Taxation*), the Bank will pay to the Delegate (for the benefit of the Certificateholders) an amount equal to the liability of the Trustee in respect of any and all additional amounts required to be paid by it in respect of the Certificates pursuant to those provisions.

Value Added Tax (“VAT”)

Saudi Arabia introduced VAT with effect from 1 January 2018 pursuant to ratifying the GCC Framework Agreement with the remaining GCC member states. The VAT legislation was implemented in Saudi Arabia in line with the GCC Framework Agreement.

All goods and services supplied within or imported into Saudi Arabia are subject to VAT, unless they are classified as exempt or outside the scope for VAT purposes. Certain supplies are prescribed to be subject to VAT at a zero rate (including qualifying medicines and medical goods, exports, international transportation etc.). From 1 July 2020, the standard rate of VAT was increased from five per cent to fifteen per cent and is applicable on all the standard-rated taxable supplies made in Saudi Arabia, with exceptions to certain transitional supplies where the supplier can continue to apply the rate of 5 per cent. until 30 June 2021 the latest, provided the prescribed conditions are satisfied.

Certain financial services, including those where the consideration payable in respect of the services is by way of an implicit margin or spread (including but not limited to interest, spread, margin or other implicit margin), are treated as exempt supplies from a Saudi Arabian VAT perspective. Further, the exemption also applies to

the issue or transfer of a debt security, equity security, or any other transferable document recognising an obligation to pay a monetary amount to the bearer.

“Capital certificate” is not a defined term for Saudi Arabian VAT purposes, but is akin in nature to a debt security and should be exempt for Saudi Arabian VAT purposes where the supply is made by a registered taxpayer in Saudi Arabia as a part of its regular economic activity. However, the issue of securities by persons residing outside Saudi Arabia would be outside the scope of VAT in Saudi Arabia. Any additional explicit fee, such as an administration charged in relation to the issue of a security, would be treated as consideration for a taxable supply subject to VAT where the supply is made in Saudi Arabia. Such an additional fee could be subject to VAT under a reverse charge mechanism if it is received by a VAT-registered taxpayer in Saudi Arabia from a supplier located outside Saudi Arabia.

Profits generated by holding the Certificate or trading gains from its sale should be treated as VAT-exempt or outside the scope of VAT (depending on the client-specific circumstances of the transaction) for Saudi Arabian VAT purposes. The VAT exemption does not apply to fees charged by brokers or other intermediary parties for their services.

Further, supplies that are not related to Saudi Arabian real estate services may qualify for zero rating if supplied to a Saudi Arabian non-resident who benefits from the service outside of Saudi Arabia, subject to the fulfilment of the relevant conditions as mentioned in Article 33 of the Saudi Arabian VAT implementing regulations. Otherwise, the services would be subject to VAT at the standard rate of 15%.

The precise reporting requirements related to the various payments and receipts associated with the aforementioned transactions will depend on the residence of the Certificateholders, their types of activity and whether they are registered for Saudi Arabian VAT purposes. However, with the exception of explicit fees or charges, any trading gains should not be subject to VAT charge as they should either be treated as outside the scope or exempt for the purposes of Saudi Arabian VAT.

Real Estate Transaction Tax (“RETT”)

Pursuant to the Royal Decree No. (A/84) dated 1 October 2020, new rules were announced treating certain supplies of real estate as exempt from Saudi Arabian VAT and implementing RETT at the rate of 5%. The tax base for RETT should be the value agreed upon between the parties, or the value of the property, *provided that* it is not less than the fair market value at the date of disposal. This law became effective from 4 October 2020.

Specifically, the supply of real estate in Saudi Arabia that results in the transfer of legal ownership or possession will be VAT-exempt. Further, RETT at 5% will be imposed on certain real estate transactions. Given that VAT and RETT are not mutually exclusive, it is possible that a certain real estate transaction can be subject to RETT and at the same time reportable in the VAT return as exempt supply. As explained above, the transactions under consideration refer to any legal act transferring ownership or possession of Saudi Arabian real estate, including - but not limited to - contracts intended for transferring the right of usage or the right to a long-term lease. As an example, this would include the transfer of shares in a so-called “real estate company”. The term “real estate company” is not defined in the RETT Regulations. However, the guidelines on RETT issued by ZATCA clarify that a company will be considered as a “real estate company” if the real estate assets constitute more than 50% by value of the assets or capital. The guidelines further clarify that the rationale behind this principle is that the transfer of shares in a real estate company is, in effect, an indirect transfer of ownership of the real estate assets of such a company.

RETT would not be applicable if the underlying real estate is located outside Saudi Arabia.

Each real estate transaction must be registered with ZATCA and RETT accounted for by the seller on each transaction separately. Certain real estate transactions are exempt from RETT, for example: disposals related to family or charitable endowments; dividing property for inheritance purposes; gifts between relatives up to

second degree; disposals by a government entity acting in its capacity as a public authority, or a government agency or legal public body for public benefit; temporary disposals for the purpose of a guarantee for financing or credit or transferring between a fund and custodian; a contribution for shares, provided the shares are not disposed of within five years; disposals if one of the parties is a foreign government, international organization, diplomatic or military body, or mission or a member of the diplomatic, consular or military corps accredited in Saudi Arabia, provided reciprocity applies.

Capital Gains Tax (“CGT”)

According to Article 2 of the Income Tax Law, Persons Subject to Taxation (as defined below) include non-Residents in the Kingdom with taxable income generated from sources in the Kingdom and without a Permanent Establishment for tax purposes in the Kingdom (other than Permanent Establishment of a GCC person as defined under Article 2 of the Zakat Regulations, the treatment of which is discussed in “—Zakat” above).

Further, Article 1(2) of the By-Laws to the Income Tax Law defined the applicable tax on such a Person as to being subject to the following:

- (a) WHT, if the income generated is stipulated under Article 68 of the Income Tax Law (as discussed in “—Withholding Tax (“WHT”) and “—Certain tax and Zakat implications for Certificateholders — Certificateholders who are not Resident in the Kingdom”); and
- (b) capital gains tax, if the income is derived from disposal of fixed and traded assets, or from disposal of shares in a resident company under the general provisions of the Income Tax Law.

Based on the above, if the sale of the Certificates by the Certificateholders is considered a source of income in the Kingdom, then the related income (or capital gain) will be subject to tax at the rate of 20 per cent. in the Kingdom according to the rules for computation of capital gain tax provided in the Income Tax Law for non-Residents.

Capital gains realised from disposal of securities (such as the Certificates) traded inside or outside the Kingdom are exempt from tax in the Kingdom if the following conditions are met:

- The disposal is carried out in accordance with the regulations of a stock exchange in the Kingdom or the disposal is carried out outside of the Kingdom, but such securities are also traded on Tadawul; and
- The investor did not hold the securities before the effective date of the Income Tax Law (i.e., 30 July 2004).

The above exemption provided in the Income Tax Law is not applicable to the Certificates, as the Certificates will not be listed on a stock exchange in the Kingdom and, therefore, the exemption is not considered in the below taxation summary.

Capital gains realised from disposal of the Certificates by (a) a Resident Certificateholder, (b) a non-resident Certificateholder with a Permanent Establishment for tax purposes (if such gain is attributed to such Permanent Establishment’s activities) and (c) a Permanent Establishment of a Certificateholder that is a GCC person as defined under Article 2 of the Zakat Regulations (if such gain is attributed to the Permanent Establishment’s activities) will not be subject to capital gains tax. However, such gains will be included in the total income of such Certificateholders subject to corporate income tax or Zakat in the Kingdom.

Transfer Pricing

Saudi Arabia has introduced Transfer Pricing (“TP”) by-laws in February 2019 that require, Saudi Arabian entities and branches of foreign companies that are subject to Income Tax Law in Saudi Arabia, to file the TP disclosure form and affidavit issued by a licensed Certified Public Accountant in Saudi Arabia.

Taxpayers are also required to maintain a TP master file and local file. The thresholds for maintaining TP master file and local file documentation are connected to the aggregate annual arm's-length value of the controlled transactions. If the annual value is below SAR 6 million in a given fiscal year, that entity will be exempted from this mandate.

Multinational enterprise groups (MNE Group -either Zakat or taxpayers) operating in Saudi Arabia are expected to file a country-by-country report ("CbCR") if their consolidated group revenues exceed SAR 3.2 billion, within 12 months of the end of the fiscal year. MNE can also file a CbCR at their headquartered location instead of Saudi Arabia or other countries where they operate, subject to certain conditions. These qualifying multinational enterprises also need to file a CbCR notification form along with their annual tax return within 120 days from the end of the fiscal year end (i.e., 30 April 2022).

Article 10 of Zakat regulations empowered the ZATCA to re-allocate revenues and expenses in transactions between related parties to reflect the returns that would have resulted if the parties were independent or unrelated. Furthermore, Article No. 9 of the Zakat regulation prohibits the deductibility of extra costs in materials and services provided by related parties, in excess of the pricing between non-related parties. Moreover, Article No. 63(c) of Tax Law empowered the ZATCA to re-allocate revenues and expenses in transactions between related parties to reflect the returns that would have resulted if the parties were independent or unrelated. Furthermore, Article No. 10(11) of the tax by-laws prohibits the tax deductibility of expenses which are not at arm's length.

ZATCA has recently issued an amended draft of Transfer Pricing Bylaws. The proposed amendment seeks to bring Zakatpayers within the ambit of TP Bylaws which was earlier applicable to taxpayers and mixed companies only.

E-invoicing

On 28 May 2021, the ZATCA has published the e-invoicing resolution setting out the controls, requirements, technical specifications, and procedural rules covering the generation and integration phases, which includes value-added tax (VAT) invoices, debit notes, and credit notes.

The generation phase will be mandated from 4 December 2021, and the integration will be implemented in phases starting from 1 January 2023.

The Organization for Economic Co-operation and Development's ("OECD") Multilateral Convention ("MLI") to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting ("BEPS")

The Kingdom of Saudi Arabia has signed the MLI to Implement Tax Treaty Related Measures to Prevent BEPS issued by the OECD on 18 September 2018. The MLI allows countries to implement the anti-tax treaty abuse BEPS measures and other aspects of the OECD BEPS programme into existing double tax treaties ("DTTs").

Saudi Arabia deposited its instrument of ratification for the MLI to Implement Tax Treaty Related Measures to Prevent BEPS with the Secretary-General of the OECD on 23 January 2020. The MLI was ratified and entered into force on 1 May 2020. As more jurisdictions are expected to proceed with ratification of the MLI, going forward, certain Saudi Arabian double tax treaties will be amended in line with the MLI. Accordingly, businesses operating in Saudi Arabia should review the changes introduced by the MLI to determine if the changes will affect access to treaty benefits.

Certain tax and Zakat implications for Certificateholders

(A) Certificateholders who are GCC persons and Resident in the Kingdom

Certificateholders that are legal entities Resident in the Kingdom and wholly owned by GCC persons

Certificateholders that are legal entities Resident in the Kingdom and wholly owned by GCC persons are subject to Zakat only.

All income in the nature of profit, Loan Charge or capital gains realised in respect of the Certificates will be part of such Certificateholder's Saudi Arabian reportable gross income subject to Zakat. This summary does not consider the extent to which such Certificateholder would be liable to Zakat as a consequence of acquiring, holding or disposing of its Certificates. It should be noted that under Article 5(4) of the Zakat Regulations which is in effect as of the date of this Offering Circular in the Kingdom, investment in the Certificates (whether short term or long term) are not deductible from the Zakat base of the Certificateholders for Zakat purposes.

Legal Entities Resident in Saudi Arabia but not Wholly Owned by GCC Persons

Certificateholders that are legal entities Resident in the Kingdom owned jointly by GCC persons and non- GCC persons are subject to Zakat and corporate income tax in the Kingdom, based on the percentage of shares held by GCC and non-GCC shareholders, respectively in respect of any income received in the nature of profit, Loan Charge or capital gains realised in respect of the Certificate.

Certificateholders that are GCC Natural Persons and Resident in Saudi Arabia

Certificateholders that are GCC natural persons and Resident in the Kingdom are not subject to Zakat in the Kingdom as per the Zakat Regulations in respect of any income received in the nature of profit, Loan Charge or capital gains realised in respect of the Certificates, unless such Certificateholder's investment in the Certificates is connected to such Certificateholder's business activity in the Kingdom. If such payment is connected to such Certificateholder's business activity in the Kingdom, such amounts generally will be subject to Zakat in the Kingdom. WHT is not applicable on payments to persons who are Resident in the Kingdom.

(B) *Certificateholders who are Non-GCC persons and Resident in the Kingdom*

Certificateholders that are non-GCC persons and Resident in the Kingdom will be subject to corporate income tax in the Kingdom.

Income in the nature of profit, Loan Charge or capital gains realised in respect of the Certificates will be part of such Certificateholder's Saudi Arabian reportable gross income. Such gross income, less deduction of allowable costs and certain other tax adjustments, will be subject to 20 per cent. corporate income tax (other than in respect of persons engaged in oil and hydrocarbon and natural gas production).

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).

Certificateholders that are non-GCC natural persons and Resident in the Kingdom are not subject to income tax, be it by way of withholding or by way of direct corporate income tax, in respect of any income received in the nature of profit, Loan Charge or capital gains realised in respect of the Certificates unless such Certificateholder's investment in the Certificates is connected to such Certificateholder's business activity in the Kingdom. If such payment is connected to such Certificateholder's business activity in the Kingdom (including on capital gains realised from disposal of Certificates), such amounts generally will be subject to 20 per cent. corporate income tax in the Kingdom.

(C) Certificateholders who are not Resident in the Kingdom

Certificateholders, either natural persons or legal entities, that are not Resident and do not have a permanent establishment in the Kingdom, (whether such Certificateholders are GCC persons (other than the Kingdom) or non-GCC persons), prima facie, should not be subject to Saudi Arabian corporate income tax or Zakat.

However, direct payments by the Bank (if any) that are in the nature of a Loan Charge (other than capital gain realised from disposal of Certificate) in respect of the Certificates (as provided by the Terms and Conditions of the Certificates) to Certificateholders that are resident outside the Kingdom are subject to WHT at a rate of 5 per cent. in the Kingdom. In a few limited instances, Certificateholders may claim a refund of the WHT where a double tax treaty is in place between the Kingdom and the country in which the Certificateholder is resident for tax purposes and where such treaty provides for an exemption, lower tax rate or refund (subject to meeting certain conditions and submission of prescribed documents).

Certain Transaction Documents require the Bank to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Trustee, or by the Trustee to Certificateholders, which are intended to fund Periodic Distribution Amounts and Dissolution Distribution Amounts.

Generally, the capital gains arising from the disposal of Certificates will be subject in the Kingdom to 20 per cent. capital gains tax *provided that* the resulting capital gain is considered to be a source of income in the Kingdom.

Certificateholders, be it natural persons or legal entities, that are not Resident in the Kingdom (whether such Certificateholders are GCC persons or non-GCC persons) with a Permanent Establishment in the Kingdom for tax purposes as defined in Article 4 of the Income Tax Law (other than Permanent Establishment of a GCC person as defined under Article 2 of the Zakat Regulations) will be subject to corporate income tax on the income earned by the Permanent Establishment in the nature of profit, Loan Charge or capital gains realised from the disposal of Certificates if such profit, Loan Charge or capital gains realised from the disposal of Certificates is attributable to the Permanent Establishment's activities in the Kingdom. A non-resident GCC person with a Permanent Establishment in Saudi Arabia will be subject to income tax unless such person qualifies as a Zakatpayer under Article 2 of the Zakat Regulations. If such person qualifies as a Zakatpayer, such person will be subject to Zakat on the payment received as profit, Loan Charge or capital gains realised from the disposal of Certificates if such profit, Loan Charge or capital gains realised from the disposal of Certificates is attributable to the Permanent Establishment's activities in the Kingdom.

The income earned by the Permanent Establishment (other than Permanent Establishment of a GCC person as defined under Article 2 of the Zakat Regulations) in the nature of profit, Loan Charge or capital gains realised from the Certificates is subject to 20 per cent. corporate income tax (*provided that* such income from the Certificates is attributable to the Permanent Establishment). Furthermore, any transfer of the profit by the Permanent Establishment (whose profit was subjected to corporate income tax or Zakat) to its head office outside Saudi Arabia will be considered to be a distribution of profit and will be subject to a 5 per cent. WHT.

(D) Other Taxes

(1) *Inheritance Tax*

Currently, there is no inheritance or other taxes of a similar nature in the Kingdom.

(2) *Residency*

Certificateholders will not be deemed to be Resident, domiciled or carrying on business in the Kingdom solely by holding any Certificates.

(3) *Local Income Taxes*

There are no local, state, or provincial government taxes on income other than the regular income tax or Zakat as mentioned above.

(4) *Other Taxes*

There is no form of stamp duty, transfer, sales, turnover, or production taxation, except in so far as they may fall within the scope of Zakat, which is applicable only to Saudi nationals.

(5) *Corporate - Branch Income*

Taxable income from a branch of a non-Saudi based corporation is taxed at 20%. Certain charges incurred by the headquarters are not deductible in the branch tax return.

General

For the purposes of this summary:

“**Dependent Agent**” means, as per Article 4(1) of the By-Laws to the Income Tax Law, an agent who:

- (a) is authorised to negotiate on behalf of a non-resident;
- (b) is authorised to enter into contracts on behalf of a non-resident;
- (c) has a stock of goods, owned by a non-resident, located in Saudi Arabia to supply the client’s demands on behalf of the non-resident.

“**GCC**” means the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.

“**GCC person**” means (a) a citizen of any of the member country of the Cooperation Council of the Arab States of the Gulf (namely, the Kingdom of Saudi Arabia, the United Arab Emirates, the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar and the State of Kuwait), (b) a legal entity owned by GCC citizens and established under the laws of a GCC country and (c) public shareholders (or persons who hold shares for speculation) in a resident listed company (irrespective of their nationalities).

The following persons are not considered to be a GCC person irrespective of their nationalities:

- (a) shareholders of Resident legal entities engaged in oil and hydrocarbons production;
- (b) shareholders of Resident legal entities engaged in natural gas production; and
- (c) shareholders of Resident legal entities if such shares are ultimately owned by a Resident legal entity engaged in the oil and hydrocarbon production (directly or indirectly). Effective 1 January 2020, this provision will not apply to shares held directly or indirectly in the resident capital companies listed on Tadawul in Saudi Arabia and shares held by such listed companies in other capital companies.

“**Resident**” means any natural person or company that satisfies the residency conditions stipulated in Article 3 of the Income Tax Law or any governmental department or ministry, public entity, or other corporate person or entity formed in the Kingdom (Article 1 of the Income Tax Law).

The concept of Residency in the Kingdom as defined in Article 3 of the Income Tax Law is set out below:

- (A) a natural person is considered to be a Resident in the Kingdom for a taxable year if he/she meets either of the two following conditions:

- (a) he/she has a permanent place of abode in the Kingdom and is physically residing in the Kingdom for a period, in aggregate, of not less than 30 days during the taxable year; or
- (b) he/she is physically residing in the Kingdom for a period of not less than 183 days in the taxable year.

For the purposes of this paragraph, residence in the Kingdom for part of a day is considered residence for the whole day, except in the case of a person in transit between two points outside the Kingdom.

- (B) a company is considered resident in the Kingdom during the taxable year if it meets either of the following conditions:
 - (a) it is formed in accordance with the Saudi Arabian Companies Regulations; or
 - (b) its central management is located in the Kingdom.

“Loan Charge” as defined in Article 5(1) of the By-Laws to Income Tax Law means an amount paid for the use of money. This includes income realised from loan transactions of any type, whether secured by guarantees or not, or by giving rights to participate in the profits of the debited person or not. It also includes income realised from governmental and non-governmental bonds.

“Persons Subject to Taxation” as defined in Article 2 of the Income Tax Law, are:

- (a) a Resident capital company on non-GCC shares (owned directly or indirectly);
- (b) a Resident non-GCC natural person who does business in the Kingdom;
- (c) a non-Resident who does business in the Kingdom through a Permanent Establishment;
- (d) a non-Resident, on income subject to tax from sources within the Kingdom;
- (e) a person engaged in the field of natural gas investment;
- (f) a person engaged in the production of oil and hydrocarbon products; and
- (g) persons subject to taxation also include a resident capital company in respect of those shares owned directly or indirectly by persons operating in oil and hydrocarbon production. Effective 1 January 2020, this provision will not apply to shares held directly or indirectly in the resident capital companies listed on Tadawul in Saudi Arabia and shares held by such listed companies in other capital companies.

Note: A capital company, as per Article 1 of the Income Tax Law, is a joint stock company, a limited liability company or a company limited by shares. For purposes of the Income Tax Law, investment funds shall be considered capital companies.

“Persons Subject to Zakat” as per Article 2 of the Zakat Regulations, are:

- (a) Saudi and GCC nationals residing in the Kingdom, carrying on business activity in the Kingdom.
- (b) Companies (listed and unlisted) Resident in the Kingdom in respect of shares owned by GCC persons, as well as anyone who carries on business activity under a license issued by a competent governmental or administrative authority in accordance with rules established by the authority.
- (c) Companies (listed) Resident in the Kingdom in respect of shares owned by Non-GCC persons, other than the founders and their assigns, in accordance with the memorandum of association or statutory documents, and the shareholders of Saudi governmental authorities, bodies and institutions.
- (d) Effective 1 January 2020, Resident listed companies (and their Resident investees) with respect to shares owned directly or indirectly by person engaged in oil and hydrocarbon production.

- (e) Permanent Establishment of GCC persons as per Article 2(4) of the Zakat Regulations.

The following shall be excluded from the provisions of Article 2(4):

- (a) Resident capital companies, in respect of the shares directly/indirectly owned by Zakatpayers engaged in the production of oil and hydrocarbons, whether natural or legal persons, resident or non-resident.
- (b) A Zakatpayer who is not subject to levy of Zakat per a decision from ZATCA.

“Permanent Establishment” for income tax purposes means a permanent place of a non-Resident’s activity through which it carries out its business activity, in full or in part; including business carried out through its agent (an agent having the meaning specified in the Article 4(1) of the By-laws to the Income Tax Law). A non-Resident carrying out an activity in the Kingdom through a licensed branch (as defined in Article 4(b) 4 of the Income Tax Law) is considered to have a Permanent Establishment in the Kingdom.

“Permanent Establishment of GCC persons” is subject to Zakat provided at least two of the following three conditions are met in respect of the central management of such Permanent Establishment (as set out under Article 2(4) of the Zakat Regulations):

- (a) board of directors’ ordinary meetings which are held regularly and where main policies and decisions relating to management and running of the Permanent Establishment’s business are held in and made from the Kingdom;
- (b) senior executive decisions relating to the Permanent Establishment’s functions such as executive directors / deputies’ decisions are made in the Kingdom; and
- (c) the Permanent Establishment’s business is mainly (i.e. 50 per cent. of its revenues) generated from the Kingdom.

“ZATCA” means the Zakat, Tax and Customs Authority.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes (**“foreign pass thru payments”**) to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**“IGAs”**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, 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 pass thru 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 pass thru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if

additional Certificates (as described under “*Terms and Conditions of the Certificates— Condition 19 (Further Issues)*”) that are not distinguishable from previously issued Certificates are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Certificates, including the Certificates offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (the “**Programme Agreement**”) dated 15 December 2022, agreed with the Trustee and the Bank a basis upon which they or any of them may from time to time agree to purchase Certificates.

In accordance with the terms of the Programme Agreement, each of the Trustee and the Bank has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Certificates under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

Each Dealer has acknowledged and agreed that the Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has represented and agreed that, and each further Dealer appointed under the Programme will be required to represent and agree that, it has not offered or sold the Certificates and each Dealer has agreed that, and each further Dealer appointed under the Programme will be required to agree that, it will not offer or sell any Certificates (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Certificates of the Tranche of which such Certificates are a part, within the United States or to, or for the account or benefit of, U.S. persons.

The Certificates are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

Each Dealer has also agreed that, at or prior to confirmation of sale of Certificates, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Certificates from it during the distribution compliance period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Securities as determined and certified by the relevant Dealer, in the case of a non-syndicated issue, or the Lead Manager, in the case of a syndicated issue, and except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Certificate, and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of the Certificates within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction under the Prospectus Regulation

In relation to each Member State of the EEA (each, a “**Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Certificates to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and the Bank for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Certificates referred to in (a) to (c) above shall require the Trustee, the Bank or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- (i) the expression “**an offer of Certificates to the public**” in relation to any Certificates in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates; and
- (ii) the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129 (as amended).

United Kingdom

Public Offer Selling Restriction under the UK Prospectus Regulation

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Certificates to the public in the United Kingdom:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee and the Bank for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Certificates referred to in (a) to (c) above shall require the Trustee, the Bank or any Dealer to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression “**an offer of Certificates to the public**” in relation to any Certificates means the communication in any form and by any means of sufficient information on the terms of

the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates:

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Certificates which have a maturity of less than one year: (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (b) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Bank; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the UK.

State of Qatar (including the Qatar Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Offering Circular: (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre); (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold Certificates, and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Kuwait

Each Dealer has represented and agreed that the Certificates have not been and will not be offered, marketed and/or sold by it in the State of Kuwait, except through a licensed person duly authorised to undertake such activity pursuant to Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and Regulating of Securities Activities and its executive bylaws (each as amended) (the “CML Rules”) and unless all necessary approvals from the Kuwait Capital Markets Authority pursuant to the CML Rules, together with the various resolutions, regulations, directives and instructions issued pursuant thereto or in connection therewith (regardless of nomenclature or type), or any other applicable law or regulation in the State of Kuwait, have been given in respect of the offering, marketing and/or sale of the Certificates.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA;
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

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

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong by means of any document any Certificates other than to (a) “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made thereunder, or (b) in circumstances which do not result in the document being a “prospectus” as defined in the Companies Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the “Companies Ordinance”) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (b) it has not issued or had in its possession, for the purposes of issue, whether in Hong Kong or elsewhere, and will not issue or have in its possession any advertisement, invitation or document relating to the Certificates which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Certificates which are intended to be disposed of only to persons outside Hong Kong or only to “professional investors,” as defined in the SFO and any rules made under the SFO.

Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any Saudi Investor who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 8 of the “Rules on the Offer of Securities and Continuing Obligations” as issued by the CMA resolution number 3-123-2017 dated 27 December 2017, as amended by CMA resolution number 1-4-2022 dated 22 August 2022, (the “KSA Regulations”), made through a capital market institution licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 10 of the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to “institutional and qualified clients” under Article 8(a)(1) of the KSA Regulations or by way of a limited offer under Article 9, or as otherwise required or permitted by, the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates made by it to a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article 9 of the KSA Regulations.

Each offer of Certificates shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 14 of the KSA Regulations.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates to be issued under the Programme have not been and will

not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT Module) of the Dubai Financial Services Authority (the “DFSA”) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

Kingdom of Bahrain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an “**accredited investor**” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more (excluding that person’s principal place of residence);
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Cayman Islands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make any offer or invitation (whether directly or indirectly) to the public in the Cayman Islands to subscribe for any Certificates.

Malaysia

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Securities Commission of Malaysia under the CMSA. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b) and Part I of Schedule 7 or Section 230(1)(b), read together with Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

General

These selling restrictions may be modified by the agreement of the Trustee, the Bank and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the applicable Pricing Supplement issued in respect of the issue of Certificates to which it relates or in a supplement to this Offering Circular.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Certificates or possesses or distributes this Offering Circular and neither the Trustee, the Bank nor any of the other Dealers shall have any responsibility therefor.

None of the Trustee, the Bank and the Dealers represents that (i) Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale or (ii) any action has been, or will be taken in any jurisdiction that would permit a public offering of any Certificates, or possession or distribution of this Offering Circular or any other offering material or any applicable Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

GENERAL INFORMATION

Admission to Trading

Application has been made to the London Stock Exchange for Certificates issued under the Programme during the 12 months from the date of this Offering Circular to be admitted to trading on the ISM. The ISM is not a regulated market within the meaning of UK MiFIR. The ISM is a market designated for professional investors. Certificates admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

Certificates may also be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Trustee and the Bank.

Legal Entity Identifier

The Trustee's legal entity identifier (LEI) code is 549300UOBOJVBACQKT03. The Bank's legal entity identifier (LEI) code is 558600HPAUTN6XSVBK93.

Authorisation

Each of the Trustee and the Bank has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Certificates and the entry into and performance of the Transaction Documents to which it is a party. The establishment of the Programme was authorised by a resolution of the board of directors of the Trustee dated 16 November 2022 and a resolution of the board of directors of the Bank dated 26 July 2022.

Significant or Material Change

There has been no significant change in the financial or trading position, or material adverse change in the prospects, of the Trustee since 7 October 2022 (being the date of its incorporation).

There has been no significant change in the financial or trading position of the Bank or the Group since 30 September 2022 and there has been no material adverse change in the prospects of the Bank or the Group since 31 December 2021.

Litigation

Neither the Trustee nor the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee or the Bank is aware) in the 12 months preceding the date of this Offering Circular which may have or has had in the recent past significant effects on the financial position or profitability of the Trustee, the Bank or the Group.

Website

The website of the Bank is <https://www.alinma.com/>. The information on <https://www.alinma.com/> does not form part of this Offering Circular, except where that information has been incorporated by reference into this Offering Circular. Except where such information has been incorporated by reference into this Offering Circular, the contents of the Bank's website, any website mentioned in this Offering Circular or any website

directly or indirectly linked to these websites have not been verified and do not form part of this Offering Circular and investors should not rely on such information.

Clearing Systems

Certificates are expected to be accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Tranche of Certificates will be set out in the applicable Pricing Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Pricing Supplement.

Documents Available

For the 12 months following the date of this Offering Circular, physical copies of the following documents (together with English translations, when appropriate) may be (i) inspected during normal business hours at the registered offices of the Trustee and the specified office of the Principal Paying Agent; or (ii) at the option of the Principal Paying Agent, emailed to any Certificateholder, at its request (subject to provision of proof of holding satisfactory to the Principal Paying Agent):

- (a) each applicable Pricing Supplement and the Trust Deed and Agency Agreement (save that such documents will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of the relevant Certificate and identity);
- (b) the constitutional documents of the Trustee and the Bank;
- (c) the most recently published consolidated financial statements of the Bank and interim condensed consolidated financial information of the Bank, in each case, together with any audit or review reports thereon and the notes thereto; and
- (d) this Offering Circular together with any supplement to this Offering Circular or further Offering Circular.

Independent Auditors

The current joint auditors of the Bank are EY and KPMG. The business address of KPMG is Riyadh Front, Airport Road, P.O. Box 92876, Riyadh 11663, the Kingdom of Saudi Arabia (Commercial Registration No. 1010425494), 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. EY and KPMG are independent auditors regulated by and registered to practice as auditors with the SOCPA in Saudi Arabia.

The 2021 Financial Statements and the 2020 Financial Statements were jointly audited by EY and PwC, 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.

The Interim Financial Statements have not been audited but have been jointly reviewed by EY and KPMG in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom, as stated in their joint review report incorporated by reference herein. With respect to the Interim Financial Statements, KPMG and EY have jointly reported that they have applied limited procedures in accordance with International

Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Auditor of the Entity” as endorsed in the Kingdom of Saudi Arabia. Their joint review report dated 1 November 2022, incorporated by reference herein, states that they did not audit and they do not express any audit opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

Cayman Islands Data Protection

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>.

Dealers transacting with the Bank

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Bank and its affiliates in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank financings) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, the Bank and their affiliates, including, without limitation, the Certificates. Certain of the Dealers or their affiliates that have a financing relationship with the Trustee, the Bank and their affiliates may routinely hedge their credit exposure to the Trustee, the Bank and their affiliates consistent with their customary risk-management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially any Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of Certificates issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

THE TRUSTEE

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c/o Walkers Fiduciary Limited
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Cayman Islands

THE BANK AND OBLIGOR

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DELEGATE, PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

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For the nine months ended 30 September 2022 and the years ended 31
December 2021 and 31 December 2020

For the nine months ended 30 September 2022

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KPMG Professional Services

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For the years ended 31 December 2021 and 31 December 2020

PricewaterhouseCoopers Certified Public Accountants

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