IMPORTANT NOTICE

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

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

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

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

The distribution in the United Kingdom (the UK) of this Offering Circular and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates is being effected by a person who is not an authorised person under the Financial Services and Markets Act 2000, as amended (the FSMA), only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Financial Promotion Order); (ii) persons falling within any of the categories of persons described in Article 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the Promotion of CISs Order); (ii) persons falling within any of the categories of person described in Article 22 (high net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii)
any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order (all such persons together being referred to as Relevant Persons). Persons of any other description in the UK may not receive and should not act or rely on this Offering Circular or any other marketing materials in relation to the Certificates.

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

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

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. For example, financial institutions that are licensed by the Central Bank of the United Arab Emirates (the UAE) are restricted from investing in Additional Tier 1 sukuk issued by a financial institution which does not conduct all of its activities and business in accordance with the provisions of Shariah. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Certificates are legal investments for it; (b) the Certificates can be used as collateral for various types of financing; and (c) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

**CONFIRMATION OF YOUR REPRESENTATION:** By accepting this electronic communication and accessing, reading or making any other use of this Offering Circular, you shall be deemed to have represented to each of HSBC Bank plc, Merrill Lynch International, Riyad Capital and Standard Chartered Bank (together, the Joint Lead Managers), the Trustee and the Bank that: (i) you understand and agree to the terms set out herein; (ii) you are a Relevant Person; (iii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of a U.S. person, and, to the extent that you purchase the Certificates described herein, you will be doing so pursuant to Regulation S, and that the electronic mail address that you have given is not located in the United States (including the State and District of Columbia), its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands); (iv) you are a person who is permitted under applicable law and regulation to receive this Offering Circular; (v) you consent to delivery of such Offering Circular and any supplements thereto by electronic transmission; (vi) you will not transmit this Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person; (vii) if you are a person in Hong Kong, you are a “professional investor” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the SFO) and any rules made under the SFO and (viii) you acknowledge that you will make your own assessment regarding any credit, investment, legal, Shariah, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia (the Kingdom) except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority (the CMA) of the Kingdom pursuant to its Resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017G) as amended by its Resolution numbered 1-7-2021 dated 01/06/1442H (corresponding to 14 January 2021G) (the Rules on the Offer of Securities and Continuing Obligations).

The CMA does not make any representation as to the accuracy or completeness of this Offering Circular, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. Prospective purchasers of the Certificates offered hereby should conduct their own due diligence on the accuracy of the information relating to the Certificates. If you do not understand the contents of the Offering Circular you should consult an authorised financial adviser.
The Certificates may not be advertised, offered or sold to any person in the Kingdom other than to investors under the categories of institutional and qualified clients under Article 8(a)(1) of the Rules on the Offer of Securities and Continuing Obligations. In accordance with Article 8(a)(1) and Article 10 of the Rules on the Offer of Securities and Continuing Obligations, the CMA has been notified about the offering of the Certificates.

Each offer of Certificates shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the Rules on the Offer of Securities and Continuing Obligations, but is subject to the restrictions on secondary market activity under Article 14 of the Rules on the Offer of Securities and Continuing Obligations.

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

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

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

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

None of the Trustee, the Delegate, the Agents, the Bank or the Joint Lead Managers makes any representation as to the suitability of the Certificates, including the listing or admission to trading thereof on any dedicated “green”, “environmental”, “sustainable”, “social” or other equivalently-labelled segment of any stock exchange or securities market, or to fulfil any green, social, environmental or sustainability criteria required by any prospective investors. None of the Trustee, the Delegate, the Agents or the Joint Lead Managers have undertaken, nor are they responsible for, any assessment of the eligibility criteria for Eligible Sustainable Projects, as set out in the Bank’s Sustainable Finance Framework summarised under “Description of the Group – Sustainable Finance Framework” and to be published on the Bank’s website, financed or refinanced with the proceeds of the issuance of the Certificates, any verification of whether the Eligible Sustainable Projects meet such criteria or the impact or monitoring of the use of proceeds of the Certificates (or amounts equal thereto) or the allocation of the proceeds by the Trustee or the Bank to particular Eligible Sustainable Projects. Prospective investors should refer to the
Bank’s Sustainable Finance Framework and the Second Party Opinion (to be published on the Bank’s website) and determine for itself the relevance of such information for the purposes of an investment in the Certificates together with any other investigation it deems necessary. No representation or assurance is given by the Joint Lead Managers that the proposed admission of the Certificates to trading on the Sustainable Bond Market of the London Stock Exchange will be obtained or maintained for the lifetime of the Certificates. None of the Joint Lead Managers makes any representation as to the suitability or contents of the Sustainable Finance Framework, any second party opinion delivered in respect thereof or any public reporting by or on behalf of the Trustee or the Bank in respect of the application of the proceeds of the issue of the Certificates, all of which are not, nor shall be deemed to be, incorporated in and/or form part of the Offering Circular.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, the Trustee, the Bank nor any person who controls or is a director, officer, employee or agent of any Joint Lead Manager, the Trustee, the Bank nor any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Bank, the Trustee, the Joint Lead Managers. If you received this Offering Circular by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive this Offering Circular by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

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

UK MIFIR product governance / professional investors and ECPs only target market: Solely for the purposes of the manufacturers’ product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the EUWA); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a distributor) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

MiFID II product governance / professional investors and ECPs only target market: Solely for the purposes of the manufacturers’ 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 manufacturers’ 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 manufacturers’ target market assessment) and determining appropriate distribution channels.

PRIIPS regulation / prohibition of sales to EEA retail investors: The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the EEA). For these purposes, a retail investor means a person who is one
Consequently, no key information document required by Regulation (EU) No 1286/2014 (the PRIIPs Regulation) for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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

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

The distribution of this Offering Circular and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Joint Lead Managers, the Trustee and the Bank to inform themselves about, and to observe, any such restrictions.
Riyad Tier 1 Sukuk Limited
(incorporated as an exempted company with limited liability in the Cayman Islands)

U.S.$750,000,000 Additional Tier 1 Capital Certificates

The U.S.$750,000,000 Additional Tier 1 Capital Certificates (the "Certificates") of Riyad Tier 1 Sukuk Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the "Trustee") will be constituted by a declaration of trust (the Declaration of Trust) dated 16 February 2022 (the Issue Date) entered into between the Trustee, Riyad Bank (the Bank) and Citibank, N.A., London Branch as (i) the donee of certain of the Trustee's powers and (ii) the delegate of the Trustee (the Delegate). The Certificates confer on the holders of the Certificates from time to time (the Certificateholders) the right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the Trust) over the Trust Assets (as defined herein) and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates (the Conditions).

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

Periodic Distribution Amounts (as defined herein) will be payable subject to and in accordance with the Conditions on the outstanding face amount of the Certificates from (and including) the Issue Date to (but excluding) 16 August 2027 (the First Reset Date) at a rate of 4 per cent. per annum from amounts of Rab-al-Maal Mudaraba Profit and Rab-al-Maal Final Mudaraba Profit (as further described below). If the Certificates are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Reset Date, Periodic Distribution Amounts shall be payable from (and including) the First Reset Date subject to any cancellation with the Conditions at a fixed rate, to be reset on the First Reset Date and every five years thereafter, equal to the Relevant Five Year Reset Rate (as defined in the Conditions) plus a margin of 2.17 per cent. per annum. Periodic Distribution Amounts will, if payable pursuant to the Conditions, be payable semi-annually in arrear on 16 February and 16 August in each year, commencing 16 August 2022. Payments on the Certificates will be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction (as defined herein) (the Taxes) to the extent described under Condition 13 (Taxation). Each payment of a Periodic Distribution Amount will be made by the Trustee provided that the Bank (in its capacity as Mudareb (as defined herein)) shall have paid Rab-al-Maal Mudaraba Profit and Rab-al-Maal Final Mudaraba Profit (as applicable) (each as defined in the Conditions) equal to such Periodic Distribution Amount pursuant to the terms of the Mudaraba Agreement (as defined herein). Payments of such profit amounts under the Mudaraba Agreement are subject to mandatory cancellation if a Non-Payment Event (as defined herein) occurs, and are otherwise at the sole discretion of the Bank (as Mudareb). Any Periodic Distribution Amounts not paid as aforesaid will not accumulate and neither the Trustee nor the Certificateholders shall have any claim in respect thereof.

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

The Certificates are perpetual securities and have no fixed or final redemption date. Unless the Certificates have previously been redeemed or purchased and cancelled as provided in the Conditions, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem all but not some only of the Certificates on 16 February 2027 (the First Call Date), and on any date thereafter up to and including the First Reset Date, or on any Periodic Distribution Date thereafter in accordance with Condition 10.1(b) (Trustee’s Call Option).

In addition, upon the occurrence of a Tax Event or a Capital Event (each as defined in the Conditions), the Certificates may be redeemed in whole (but not in part) by the Trustee (but only upon the instructions of the Bank (acting in its sole discretion)), at any time on or after the Issue Date in accordance with Conditions 10.1(c) (Redemption due to Taxation) and 10.1(d) (Redemption for Capital Event). Any redemption is subject to the conditions described in Condition 10.1 (Redemption).

The Bank has appointed a deposit rating of “A2” with a “stable” outlook by Moody’s Investors Service (Moody’s). The Bank has also assigned long-term foreign currency ratings of “BBB+” with a “stable” outlook by S&P Global Ratings Europe Limited (S&P), “BBB+” with a “stable” outlook by Fitch Ratings Ltd (Fitch) and “A” with a “negative” outlook by Capital Intelligence Ratings Ltd. (Capital Intelligence) is established in the EU and is registered under Regulation (EC) No 1060/2009 (as amended) (the EU CRA Regulation). As such, each of Moody’s, S&P, Fitch and Capital Intelligence is included in the list of credit rating agencies published by the European Securities and Markets Authority (ESMA) on its website (at https://www.esma.europa.eu/supervision/credit-rating-agencies/risk) in accordance with the EU CRA Regulation. The rating issued by Moody’s, S&P and Fitch is established in the time of publication.

The 10.1(d) (Redemption for Capital Event) will, in any Winding-up Proceeding (as defined in the Conditions), rank (i) subordinate and junior to all Senior Obligations but not further or otherwise; (ii) pari passu with all other Pari Passu Obligations; and (iii) in priority to all Junior Obligations (each as defined in the Conditions).

The ISM is a market designated for professional investors. Certificateholders 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.

Arising from an undivided ownership interest in the assets of a trust declared by the Trustee (the Trust) over the Trust Assets (as defined herein) and the Trustee will hold such Trust Assets upon trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust and the terms and conditions of the Certificates. (the Conditions).

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

The Certificates will be represented by interests in a global certificate in registered form (the Global Certificate) deposited on or before the Issue Date with, and registered in the name of a nominee for, a common depositary (the Common Depository) for, Euroclear Bank SA/NV (Euroclear) and Clearstream Banking S.A. (Clearstream, Luxembourg). Interests in the Global Certificate will be only held through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.
The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

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

The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

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

The transaction structure relating to the Certificates (as described in this Offering Circular) has been approved by the Executive Shariah Committee of HSBC Saudi Arabia, the Shari'ah Committee of Riyad Bank 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 Shariah advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shariah principles. None of the Trustee, the Bank, the Joint Lead Managers, the Delegate nor any of the Agents (as defined in the Agency Agreement) makes any representation as to the Shariah compliance of the Certificates and/or any trading thereof.

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia (the "Kingdom", "KSA" or "Saudi Arabia") except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority (the "CMA") of the Kingdom pursuant to its Resolution number 3-123-2017 dated 9/4/1439H (corresponding to 27 December 2017G) as amended by its Resolution numbered 1-7-2021 dated 14/01/1442H (corresponding to 1 January 2021G) (the "Rules on the Offer of Securities and Continuing Obligations"). The CMA does not make any representation as to the accuracy or completeness of this Offering Circular, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this Offering Circular, you should consult an authorised financial adviser.

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

Joint Lead Managers and Bookrunners

<table>
<thead>
<tr>
<th>HSBC</th>
<th>BoA Securities</th>
<th>Riyad Capital</th>
<th>Standard Chartered Bank</th>
</tr>
</thead>
</table>

The date of this Offering Circular is 14 February 2022
The Offering Circular is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of UK domestic law by virtue of the EUWA.

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

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

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

The opinions, assumptions, intentions, projections and forecasts expressed in this Offering Circular with regard to the Trustee and the Bank are honestly held by the Trustee and the Bank, have been reached after considering all relevant circumstances and are based on reasonable assumptions and are not misleading in any material respect.

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

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

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

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Certificates shall, in any circumstances, constitute a representation or create any implication that the information contained in this Offering Circular is correct subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or the financial or trading position of the Trustee or the Bank since the date hereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Certificates is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.
No comment is made, or advice given, by the Trustee, the Delegate, the Agents, the Bank or the Joint Lead Managers, or any of their respective directors, affiliates, advisers or agents, in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under applicable or similar laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Certificates may be offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.

None of the Trustee, the Delegate, the Agents, the Bank or the Joint Lead Managers makes any representation as to the suitability of the Certificates, including the listing or admission to trading thereof on any dedicated “green”, “environmental”, “sustainable”, “social” or other equivalently-labelled segment of any stock exchange or securities market, or to fulfil any green, social, environmental or sustainability criteria required by any prospective investors. None of the Trustee, the Delegate, the Agents or the Joint Lead Managers have undertaken, nor are they responsible for, any assessment of the eligibility criteria for Eligible Sustainable Projects, as set out in the Bank’s Sustainable Finance Framework summarised under “Description of the Group – Sustainable Finance Framework” and to be published on the Bank’s website, financed or refinanced with the proceeds of the issuance of the Certificates, any verification of whether the Eligible Sustainable Projects meet such criteria or the impact or monitoring of the use of proceeds of the Certificates (or amounts equal thereto) or the allocation of the proceeds by the Trustee or the Bank to particular Eligible Sustainable Projects. Prospective investors should refer to the Bank’s Sustainable Finance Framework and the Second Party Opinion (to be published on the Bank’s website) and determine for itself the relevance of such information for the purposes of an investment in the Certificates together with any other investigation it deems necessary. No representation or assurance is given by the Joint Lead Managers that the proposed admission of the Certificates to trading on the Sustainable Bond Market of the London Stock Exchange will be obtained or maintained for the lifetime of the Certificates. None of the Joint Lead Managers makes any representation as to the suitability or contents of the Sustainable Finance Framework, any second party opinion delivered in respect thereof or any public reporting by or on behalf of the Trustee or the Bank in respect of the application of the proceeds of the issue of the Certificates, all of which are not, nor shall be deemed to be, incorporated in and/or form part of the Offering Circular.

The transaction structure relating to the Certificates (as described in this Offering Circular) has been approved by the Executive Shariah Committee of HSBC Saudi Arabia, the Shari’ah Committee of Riyad Bank 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 Shariah advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shariah principles. None of the Trustee, the Bank, the Joint Lead Managers, the Delegate nor any of the Agents makes any representation as to the Shariah compliance of the Certificates and/or any trading thereof.

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

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

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

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

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

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

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

This Offering Circular does not constitute an offer or an invitation to subscribe for or purchase Certificates, is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Trustee, the Bank, the Delegate, the Agents or the Joint Lead Managers, or any of their respective directors, affiliates, advisers or agents that any recipient of this Offering Circular or any other information supplied in connection with the issue of the Certificates should subscribe for, or purchase, the Certificates. Each recipient of this Offering Circular should make, and shall be taken to have made, its own independent investigation and appraisal of the condition (financial or otherwise) and affairs, and its own appraisal of the creditworthiness, of the Trustee and the Bank. None of the Joint Lead Managers, the Delegate or any Agent undertakes to review the financial condition or affairs of the Trustee or the Bank during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Joint Lead Managers, the Delegate or any Agent. None of the Joint Lead Managers, the Delegate or the Agents, or any of their directors, affiliates, advisers or agents, accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Trustee or the Bank in connection with the Certificates.

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

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Offering Circular;
have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;

have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor’s currency;

understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and

be able to evaluate possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments and are of high risk and are not a suitable or appropriate investment for all investors. See legends “UK MiFIR product governance / professional investors and ECPs only target market”, “PRIIPs regulation / prohibition of sales to EEA retail investors”, “UK PRIIPs regulation / prohibition of sales to UK retail investors”; “Risks relating to the Certificates – Certificateholders’ right to receive payment of the face amount of the Certificates and the Certificateholders’ right to any profit will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event; Risks relating to the Certificates – Basel III reforms and risk of a change in the regulations relating to loss absorption affecting the Certificates; Risks relating to the Certificates – Payments of Periodic Distribution Amounts may be cancelled and are non-cumulative. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities similar to the Certificates. There are risks inherent in the holding of the Certificates, including the risks in relation to their subordination and the circumstances in which holders of the Certificates may suffer loss as a result of holding the Certificates. See “Risk Factors” for a discussion of certain considerations to be taken into account in connection with an investment in the Certificates. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Certificates unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of the Certificates and the impact this investment will have on the potential investor’s overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. For example, financial institutions that are licensed by the Central Bank of the UAE are restricted from investing in Additional Tier 1 sukuk issued by a financial institution which does not conduct all of its activities and business in accordance with the provisions of Shariah. Each potential investor should consult its legal advisers to determine whether and to what extent: (a) the Certificates are legal investments for it; (b) the Certificates can be used as collateral for various types of financing; and (c) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.
STABILISATION

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

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 forward-looking statements. These forward-looking statements are contained in the sections entitled “Risk Factors”, “Financial Review” and “Description of the Group” and other sections of this Offering Circular. The Group 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”, “Description of the Group” and “Saudi Arabia’s banking sector and regulations”, which include a more detailed description of the factors that might have an impact on the Group’s business development and on the industry sector in which the Group operates.

The risks and uncertainties referred to above include:

- macro-economic and financial market conditions, in particular volatility in oil and gas prices;
- developments in relation to the coronavirus disease 2019 (COVID-19), including the emergence of more transmissible variants (such as the omicron variant which was identified in December 2021);
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions (in particular in relation to the real estate sector), the impact of provisions and impairments and the concentration levels in the Group’s financing portfolio;
- 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 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 Bank expressly disclaims 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. Given the uncertainties of forward-looking statements, the Bank cannot assure potential investors that projected results or events will be achieved and the Bank cautions potential investors not to place undue reliance on these statements.

**PRESENTATION OF FINANCIAL INFORMATION**

**Historical financial statements**

The financial statements relating to the Group and included in this Offering Circular are:

- the audited consolidated financial statements as at, and for the year ended, 31 December 2019 (including the comparative information as at and for the financial year ended 31 December 2018) (the **2019 Financial Statements**);
- the audited consolidated financial statements as at, and for the year ended, 31 December 2020 (including the comparative information as at and for the financial year ended 31 December 2019) (the **2020 Financial Statements** and, together with the 2019 Financial Statements, the **Annual Financial Statements**); and
- the unaudited interim condensed consolidated financial statements as at and for the nine-month period ended 30 September 2021 (including the unaudited comparative information for the nine-month period ended 30 September 2020) (the **Interim Financial Statements**).

The Annual Financial Statements and the Interim Financial Statements are together referred to as the **Financial Statements**.

The Annual Financial Statements were prepared in accordance with International Financial Reporting Standards (**IFRS**) as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants (**SOCPA**) and in compliance with the provisions of the Banking Control Law, the regulations for companies in Saudi Arabia and the by-laws of the Bank.

The Interim Financial Statements were prepared in accordance with International Accounting Standard 34: **Interim Financial Reporting** (**IAS 34**) as endorsed in Saudi Arabia and other standards and pronouncements endorsed by SOCPA.

The Bank’s financial year ends on 31 December and references in this Offering Circular to **2018**, **2019** and **2020** are to the 12-month period ending on 31 December in each such year.

The Trustee is a special purpose company established in the Cayman Islands. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint an auditor.

The Annual Financial Statements have been jointly audited by Ernst & Young Professional Services and PricewaterhouseCoopers, Certified Public Accountants (together the **Auditors**), in accordance with International Standards on Auditing as endorsed in Saudi Arabia. The Auditors have issued an unqualified audit report on each of the Annual Financial Statements.

The Interim Financial Statements have been jointly 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** endorsed in Saudi Arabia. The Auditors have expressed an unqualified review conclusion on the Interim Financial Statements.

All financial information in this Offering Circular as at 30 September 2021 and for the nine-month periods ended 30 September 2021 and 30 September 2020 is unaudited. Certain other financial information in this Offering Circular is unaudited financial information which has been extracted without material adjustment from the
accounting records of the Group which form the underlying basis of the Financial Statements. In particular, certain financial information included within “Selected financial information—Selected consolidated ratios” is identified as unaudited.

Certain non-IFRS financial information

This Offering Circular includes references to capital, leverage and certain other ratios which have not been prepared in accordance with IFRS (see “Selected financial information—Selected consolidated ratios”). Although these ratios are not IFRS measures, the Group believes that the capital and leverage ratios in particular are important to understanding its capital and leverage position, particularly in light of current or planned future regulatory requirements to maintain these ratios above prescribed minimum levels. Non-IFRS measures presented by the Group may not be comparable to similarly titled measures reported by other companies. Further, non-IFRS measures are not measurements of the Bank’s performance or liquidity under IFRS and should not be used instead of, or considered as alternatives to, any other measures under IFRS.

Sources of financial information and restatement and reclassifications of financial information

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

• in the case of the financial information as at, and for the nine-month periods ended, 30 September 2021 and 30 September 2020, from the Interim Financial Statements and the comparative column of the Interim Financial Statements, respectively;

• in the case of the financial information as at, and for the years ended, 31 December 2020 and 2019, from the 2020 Financial Statements and the 2019 Financial Statements, respectively; and

• in the case of the financial information as at, and for the year ended 31 December 2018, from the comparative column of the 2019 Financial Statements.

The Group made certain reclassifications in the comparative financial information for 2019 within the 2020 Financial Statements as follows:

• in the consolidated statement of cash flows, the Group made minor reclassifications of expected credit losses (ECL) and sukuk premiums; and

• in note 29, the Group made reclassifications to reflect the impact of customer migrations made within the segments for strategic and operational reasons.

For these reasons, cash flow and segmental financial information for the year ended 31 December 2019 which is identified as “reclassified” has been derived from both the 31 December 2019 comparative financial information of the 2020 Financial Statements and cash flow and segmental financial information for the year ended 31 December 2019 which is identified as “original” has been derived from the 2019 Financial Statements.

On 17 July 2019, SAMA instructed banks in Saudi Arabia to account for Zakat and income taxes in the statement of income rather than, as they had previously done, in the statement of equity. This aligns with IFRS and its interpretations as issued by the International Accounting Standards Board (the IASB) endorsed in Saudi Arabia and with the other standards and pronouncements that are endorsed by SOCPA.

Accordingly, the Group changed its accounting treatment for Zakat and income tax by retrospectively adjusting the impact in line with International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors (as disclosed in note 3 to the 2019 Financial Statements) and the effects of this change are disclosed in note 26 to the 2019 Financial Statements. The change in accounting policies due to this new standard and treatment of Zakat and tax are disclosed in note 3 to the 2019 Financial Statements.
In addition to the above restatement, certain minor line item reclassification changes were made to the 31 December 2018 comparative financial information included in the 2019 Financial Statements to match the presentation in the 2019 Financial Statements. Reflecting these changes, all 2018 financial information included in this Offering Circular has been extracted from the 2019 Financial Statements.

**Significant new accounting standards**

**IFRS 16**

The Bank adopted IFRS 16: Leases with effect from 1 January 2019. IFRS 16 replaces the previous guidance on leases, including IAS 17: Leases, IFRIC 4: Determining whether an Arrangement contains a Lease, SIC 15: Operating Leases – Incentives and SIC 27: Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the Group’s financial position, unless the term is 12 months or less or the lease is for a low value asset. Thus, the classification required under IAS 17: Leases into operating or finance leases is eliminated for lessees. For each lease, the lessee recognises a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset, which is generally equivalent to the present value of the future lease payments plus directly attributable costs, is capitalised and is then amortised over the useful life.

The Group opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. See further note 3 to the 2019 Financial Statements for an illustration of the impact of the adoption of IFRS 16 with effect from 1 January 2019.

**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; and
- **U.S. dollars** and **U.S.$** are to the lawful currency of the United States.

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

The riyal is pegged to the U.S. dollar at a fixed exchange rate (currently U.S.$1.00 = SAR 3.75) and, unless otherwise stated, all conversions of riyal amounts to U.S. dollar amounts in this Offering Circular have been converted at this rate. The peg to the U.S. dollar has been maintained by the Saudi central bank (SAMA) at this rate since 1986.

**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 Capital Markets Authority (the CMA). These bodies use certain of the data supplied to publish statistical information, among other matters. However, no assurance can be made that the information reported to these bodies by different market participants is, in all cases, directly comparable. Where third party information has been used in this Offering Circular, the source of such information has been identified.
In some cases, independently determined industry data is not available. In these cases, any Group market share data included in this Offering Circular is referred to as having been estimated. All such estimates have been made by the Group using its own information and other market information which is publicly available. The Bank believes that these estimates of market share are helpful as they give prospective investors a better understanding of the industry in which the Group operates, as well as its position within that industry. Although all such estimations have been made in good faith based on the information available and the Group’s knowledge of the market within which it operates, the Bank cannot guarantee that a third party expert using different methods would reach the same conclusions.

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

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

No incorporation of website information

The information on the Bank’s website or any other website mentioned in this Offering Circular or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Offering Circular, and investors should not rely on it.

Definitions

In this Offering Circular, references to:

- a billion are to a thousand million;
- the GCC are to the Cooperation Council for the Arab States of the Gulf, the members of which are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE;
- Government are to the Saudi Arabian government;
- the MENA region are to the Middle East and North Africa region; and
- Saudi Arabia or 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 data in this Offering Circular has been rounded to the nearest million, with 500,000 being rounded up and 499,999 being rounded down, or billion, with 500 million being rounded up and 499 million being rounded down. For the purposes of calculating certain figures and percentages, the underlying numbers used have been extracted from the rounded figures presented in the Financial Statements. As a result of such rounding, the totals of data presented in tables in this Offering Circular may vary slightly from the arithmetic totals of such data. Where the figure 0 appears in a table, it means that the relevant data has been rounded to zero. Where the symbol — appears in a table, it means there is no data for 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.

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

Solely for the purposes of the manufacturers’ product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the EUWA); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a distributor) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET**

Solely for the purposes of the manufacturers’ 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 manufacturers’ 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 manufacturers’ target market assessment) and determining appropriate distribution channels.

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

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

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

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

The Certificates are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, as amended (MiFID II); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.
Consequently, no key information document required by Regulation (EU) No 1286/2014 (the PRIIPs Regulation) for offering or selling the Certificates or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Certificates or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

SINGAPORE SFA PRODUCT CLASSIFICATION

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

VOLCKER RULE

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

NOTICE TO RESIDENTS OF THE UK

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

The distribution in the UK of this Offering Circular and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Financial Promotion Order); (ii) persons falling within any of the categories of persons described in Article 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the Promotion of CISs Order), (ii) persons falling within any of the categories of person described in Article 22 (High net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance
with the Promotion of CISs Order. Persons of any other description in the UK may not receive and should not act
or rely on this Offering Circular or any other marketing materials in relation to the Certificates.

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

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

NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS

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

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This 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 Capital Market
Authority of the Kingdom of Saudi Arabia (the Capital Market Authority).

The Capital Market Authority 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 should conduct their own
due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not
understand the contents of this Offering Circular he or she should consult an authorised financial adviser.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

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

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

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

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

NOTICE TO RESIDENTS OF KUWAIT

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

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

NOTICE TO RESIDENTS OF MALAYSIA

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

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

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Factors</td>
<td>1</td>
</tr>
<tr>
<td>Documents Incorporated by Reference</td>
<td>37</td>
</tr>
<tr>
<td>Structure Diagram and Cash Flows</td>
<td>38</td>
</tr>
<tr>
<td>Overview of the Offering</td>
<td>41</td>
</tr>
<tr>
<td>Terms and Conditions of the Additional Tier 1 Capital Certificates</td>
<td>47</td>
</tr>
<tr>
<td>Global Certificate</td>
<td>84</td>
</tr>
<tr>
<td>Use of Proceeds</td>
<td>87</td>
</tr>
<tr>
<td>Description of the Trustee</td>
<td>88</td>
</tr>
<tr>
<td>Selected Financial Information</td>
<td>90</td>
</tr>
<tr>
<td>Description of the Group</td>
<td>96</td>
</tr>
<tr>
<td>Financial Review</td>
<td>110</td>
</tr>
<tr>
<td>Risk Management</td>
<td>144</td>
</tr>
<tr>
<td>Management and Employees</td>
<td>152</td>
</tr>
<tr>
<td>Saudi Arabia’s Banking Sector and Regulations</td>
<td>162</td>
</tr>
<tr>
<td>Summary of the Principal Transaction Documents</td>
<td>178</td>
</tr>
<tr>
<td>Taxation and Zakat</td>
<td>184</td>
</tr>
<tr>
<td>Subscription and Sale</td>
<td>192</td>
</tr>
<tr>
<td>General Information</td>
<td>197</td>
</tr>
</tbody>
</table>
RISK FACTORS

Any investment in the Certificates is subject to a number of risks and uncertainties. Before making any investment decision, prospective investors should consider carefully the risks and uncertainties associated with an investment in the Certificates, the Group’s business and the countries and markets in which it operates, together with all of the other information that is included in this Offering Circular. Prospective investors should also consult their own financial and legal advisers about the risks associated with an investment in the Certificates and the suitability of investing in the Certificates in light of their particular circumstances, without relying on the Trustee or the Group. Should one or more of the events or circumstances described as risks below occur at the same time or separately, this could have a material adverse effect on the Group. As used in this section, material adverse effect and related expressions when used in relation to the Group mean that the Group’s financial condition, results of operations, liquidity, business, prospects and/or reputation could be materially adversely affected and/or the value of the Certificates could decline and these factors could result in an investor losing part or all of its investment.

Each of the Trustee and the Bank believes that the following factors may affect its ability to fulfil its obligations under the Certificates. All of these factors are contingencies which may or may not occur, and neither the Trustee nor the Bank is in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Trustee and the Bank believe may be material for the purpose of assessing the market risks associated with the Certificates are also described below.

Each of the Trustee and the Group believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the Trustee and the Bank may be unable to pay amounts due in connection with the Certificates for other reasons, and the Trustee and the Bank do not represent that the statements below regarding the risks of holding the Certificates are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

The order in which the risks are presented below does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Trustee or the Group.

FACTORS THAT MAY AFFECT THE TRUSTEE’S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE CERTIFICATES

The Trustee has no operating history and no material assets and will depend on receipt of payments from the Bank to make payments to the Certificateholders

The Trustee was incorporated under the laws of the Cayman Islands on 23 December 2021 as an exempted company with limited liability and has no operating history. The Trustee has not engaged, and will not engage, in any business activity other than the issue of the Certificates, the acquisition of the Trust Assets as described herein, acting in the capacity of 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 the Certificateholders, will be the Trust Assets, including its right to receive payments under the Transaction Documents. The ability of the Trustee to pay amounts due on the Certificates will primarily be dependent upon receipt by the Trustee of all amounts due from 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. See “—Risks relating to the Group”.

1
**RISKS RELATING TO THE GROUP**

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

The Group’s operations and assets are principally located in Saudi Arabia and, accordingly, its business is affected by the general economic conditions prevailing from time to time in Saudi Arabia and the Middle East generally, as well as by global economic conditions that affect Saudi Arabia. The economy of Saudi Arabia, as with the economies of many other countries, has experienced disruption as a result of the COVID-19 pandemic, see “—The COVID-19 pandemic has adversely affected the Group’s business and may continue to do so” below.

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

As oil is Saudi Arabia’s most important export, material and prolonged changes in oil prices affect various macroeconomic and other indicators, including, but not limited to, GDP, Government revenues, balance of payments and foreign trade. International oil prices have fluctuated significantly over the past two decades, and may remain volatile in the future. For example, in 2018 and 2019 the yearly average OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by OPEC countries) was U.S.$69.78 and U.S.$64.04, respectively. In 2020, the yearly average OPEC Reference Basket price was U.S.$41.47, reflecting a sharp drop in April 2020 (driven by OPEC actions and significantly reduced demand as a result of COVID-19 and a slow recovery throughout the remainder of the year. In 2021, the annual average OPEC Reference Basket price was U.S.$69.89. The price per barrel of Arabian Light Crude Oil (which is produced by Saudi Arabia and constitutes part of the OPEC Reference Basket) has also generally moved in line with these trends.

The impact of COVID-19 on Saudi Arabia’s economy has had, and may continue to have, an adverse effect on the Group’s credit risk profile, see “—The COVID-19 pandemic adversely impacted the Group’s business and may continue to do so” below.

The Group conducts regular stress tests of its loans and advances, net (referred to as its customer financing portfolio) under scenarios of differing severity in order to identify key vulnerabilities and to measure resultant impacts on asset quality and performance. However, these stress tests do not provide assurance against impacts that may be realised through external shocks and customer defaults may nevertheless occur. The occurrence of these events and a material increase in financing losses could have a material adverse effect on the Group, in particular through increases in the Group’s non-performing financing, increased financing loss provisions and reduced demand for financing and other banking services.

In addition, any sustained downturn in oil prices in the future could substantially slow down or disrupt Saudi Arabia’s economy, and the banking sector in particular, which could in turn have a material adverse effect on the Group. If oil prices fall significantly in the future, or if there is a significant negative change in other macroeconomic factors (such as exchange rates, wage levels, unemployment, foreign investment and international trade), this could have a significant adverse effect on Saudi Arabia’s economy, and the banking sector in particular. This could in turn have a material adverse effect on the Group’s business, in particular through increases in the Group’s non-performing loans and advances (NPL) portfolio, increased loan loss provisions which would negatively impact the Group’s profitability, a decline in the volume of transactions that the Group executes for its customers which would negatively affect its fee and commission income and reduced demand for loans and other banking products and services. See “—The Group’s customer financing portfolio, deposit base and investment securities portfolio are concentrated in Saudi Arabia” below.
The COVID-19 pandemic adversely impacted the Group’s business and may continue to do so

The COVID-19 pandemic has had a significant impact on investment sentiment, resulting in volatility in global capital markets and impacting commodity prices. The resulting restrictions on travel and public transport, requirements for people to remain at home and practice social distancing, and prolonged closures of workplaces impacted trade and transportation of goods and severely disrupted the global economy. This caused equity and bond markets to fall, resulted in high levels of unemployment, and negatively impacted global demand for oil and oil prices. It also had a material negative impact on global economic growth rates, and adversely impacted Saudi Arabia’s GDP in 2020. For example, in its October 2021 World Economic Outlook, the IMF estimated that global real GDP had declined by 3.1 per cent. in 2020 and that real GDP in Saudi Arabia had declined by 4.1 per cent. in 2021.

The Government took a number of temporary precautionary and preventative measures to contain the outbreak. These included suspending all international flights, requiring citizens to remain at home and practice social distancing, closing commercial markets and malls save for pharmacies and food supply activities, imposing curfews in several cities, and banning citizens, residents and visitors from performing the Umrah. These measures have subsequently been relaxed and/or removed. Depending on the extent to which the outbreak is contained and any resurgence of the outbreak (including as a result of the emergence of more transmissible variants such as omicron), some or all of the containment measures may need to be reinstated from time to time and it is not currently possible to determine how long and the extent to which any such measures may remain in place. In addition, while Saudi Arabia has administered enough vaccinations to fully vaccinate approximately 69 per cent. of the population according to Reuters on 30 November 2021, how the vaccination drive will continue to progress in Saudi Arabia is unclear and difficult to predict, which may also affect the extent of the temporary precautionary and preventative measures being imposed.

Principally in response to the impact of COVID-19, the Bank increased its impairment charge for credit losses and other financial assets, net by SAR 1,049 million, or 103.7 per cent., in 2020 compared to 2019.

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

Should the COVID-19 outbreak continue to cause disruption to economic activity globally in 2022, particularly if new more transmissible strains emerge (such as the omicron variant identified in late 2021), there could be an adverse impact on the Group’s financial assets. There could also be an adverse impact on the Group’s income due to lower lending and transaction volumes and potentially higher credit losses. Other potential risks include credit rating migration which could negatively impact the Group’s risk-weighted assets and capital position, and potential liquidity stress due, among other factors, to increased customer drawdowns and deposit withdrawals, notwithstanding the significant initiatives that governments and central banks in different countries have put in place to support funding and liquidity. In addition, lower interest rates globally could negatively impact the Group’s gross financing and investment income.

Current macroeconomic and financial market conditions have increased the risk of the Group’s loans and advances being impaired

As at 30 September 2021, the Group’s NPLs represented 1.58 per cent. of its customer financing portfolio compared to 1.86 per cent. as at 31 December 2020, 0.9 per cent. as at 31 December 2019 and 1.0 per cent. as at 31 December 2018. The Group is exposed to the risk that borrowers may not repay their loans and advances according to its contractual terms and that any collateral securing the payment of the Group’s financing may be insufficient. The Group continuously reviews and analyses its customer financing portfolio and credit risks, and its provision for losses on its loans and advances is based on, among other things, its analysis of the staging of customers and the probability of default and loss given default parameters for the different stages, loan management and the valuation of the underlying assets, as well as a number of other management assumptions. Factors which contributed to the increase in the amount of the Group’s NPLs as a percentage of its customer
financing portfolio in 2020 included the COVID-19 driven slowdown in the economy of Saudi Arabia and growth in the Group’s customer financing portfolio.

Prolonged periods of low oil prices and associated changes in Government spending are the principal risk to the Bank’s operating environment. See “—The Group’s operations and assets are principally located in Saudi Arabia and, accordingly, the Group is exposed to general economic conditions in Saudi Arabia” above. Additionally, increases in global interest rates could also have an adverse impact on the macroeconomic environment, particularly as the fixed exchange rate between the riyal and the U.S. dollar means that Saudi Arabian interest rate policy effectively follows that of the US Federal Reserve. The main Saudi interbank rate partly reflects changes to the base rate, as well as local liquidity conditions. A tightening of monetary policy (including increases in interest rates) by global central banks could lead to capital outflows from emerging market economies, including Saudi Arabia, with an associated impact on many emerging market economies.

Should Saudi Arabia and other regional oil producing countries elect to remove the foreign exchange peg of their domestic currencies to the U.S. dollar, this could pose systemic risks to the banking systems in the GCC. See “—De-pegging the riyal from the U.S. dollar or re-pegging the riyal at a different rate could have a material adverse effect on the Group” below.

The Government’s generally tighter fiscal stance and its impact on the Saudi economy is expected to have an adverse effect on the Group’s credit risk profile. The Group conducts regular stress tests of its customer financing portfolio under scenarios of differing severity in order to identify key vulnerabilities and to measure resultant impacts on asset quality and performance. However, these stress tests do not provide assurance against impacts that may be realised through external shocks and customer defaults may nevertheless occur. The occurrence of these events and a material increase in loan losses could have a material adverse effect on the Group, in particular through increases in the Group’s NPLs, increased loan loss provisions and write downs which would negatively impact the Group’s profitability and reduce demand for loans and other banking products and services.

The Group’s business is also exposed to political conditions in Saudi Arabia

Most of the Group’s customers and almost all of its business are based in Saudi Arabia. While Saudi Arabia is seen as a relatively stable political environment, certain other jurisdictions in the Middle East are not and there is a risk that regional geopolitical instability could impact Saudi Arabia. Instability in the Middle East may result from a number of factors, including government or military regime change, civil unrest or terrorism. In particular, since early 2011, there has been political unrest in a range of countries in or proximate to the MENA region. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the civil war in Yemen that began in 2015 and the multinational conflict with Islamic State) and the overthrow of existing leadership in a number of countries, and it has given rise to increased political uncertainty across the region. These situations have caused disruption to the economies of affected countries and have had a destabilising effect on international oil and gas prices. Though the effects of the uncertainty have been varied, it is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that Saudi Arabia would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur.

Saudi Arabia and other regional countries are currently conducting an air campaign against Al-Houthi forces in Yemen. Saudi Arabia has been targeted on several occasions by ballistic missiles fired by Al-Houthi forces during 2017 and 2018, all of which have, to date, been successfully intercepted by Saudi Arabia’s defence systems. Debris from the missiles has resulted in one death and two injuries. There can be no assurance that the conflict in Yemen will not continue or re-escalate.

In September 2019, a drone attack was conducted on oil processing facilities at Abqaiq and Khurais in eastern Saudi Arabia owned by Saudi Arabian Oil Company (Saudi Aramco). As a consequence, Saudi Aramco’s monthly oil production dropped from 9.79 million barrels per day in August to 9.13 million barrels per day in September. In October, oil production rebounded to 10.30 million barrels a day. It cannot be ruled out that such attacks on oil industry infrastructure may occur again. A protracted oil production outage, caused by such attacks, could negatively affect Saudi Arabia’s oil revenues and, hence, the Government’s fiscal balance.

Saudi Arabia 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, an explosion caused by a projectile which resulted in a fire in a fuel tank at a Saudi Aramco petroleum products distribution terminal in the north of Jeddah in November 2020 and, in March 2021, a drone attack on a Saudi Aramco refinery in Riyadh. There can be no assurance that extremists or terrorist groups will not attempt to target Saudi Arabia or commit, or attempt to commit, violent activities in the future. Any occurrences or escalation of terrorist incidents or other disturbances in Saudi Arabia could have an adverse impact on Saudi Arabia’s economy which in turn could negatively impact its banking sector.

Tensions have persisted between Saudi Arabia and Iran, as exemplified in January 2016 by Saudi Arabia recalling its ambassador to Iran. In addition, on 8 May 2018, the United States reinstated nuclear sanctions on the Iranian regime. The United States also announced that it would not renew exceptional waivers for importing Iranian oil for several oil-importing countries, effective from May 2019, and on 2 January 2020, the United States carried out a military strike which killed a senior Iranian military commander. As a result of this military strike, Iran launched missiles at a US base in Iraq. Any continuation or increase in international or regional tensions regarding Iran including further attacks on or seizures of oil tankers which disrupt international trade, including any impairment of trade flow through the Strait of Hormuz, or any military conflict, could have a destabilising impact on the Gulf region, including with respect to Saudi Arabia and its ability to export oil.

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

Further, since the political, economic and legal environments in Saudi Arabia remain subject to continuous development, investors face uncertainty as to the security of their investments. The Group’s operations in Saudi Arabia are exposed to risks common to all regions that have recently undergone, or are undergoing, political, economic and social change, including changes relating to an evolving regulatory environment, inflation, changes in disposable income or gross national product, variations in commission rates, levels of economic growth and other similar factors. See “Risks relating to Saudi Arabia” below. Many of these factors are entirely beyond the Group’s control.

The Group is exposed to the credit risk of borrowers and other counterparties due to its financing and investment activities

Risks arising from adverse changes in the credit quality and recoverability of the Group’s loans and advances, securities and other amounts due from counterparties are inherent in a wide range of the Group’s businesses, principally in its financing and investment activities. In particular, the Group is exposed to the risk that its counterparties may not meet their obligations in respect of the loans and advances made 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 NPLs and require an increase in the Group’s impairment provisions.

Credit losses could arise from a deterioration in the credit quality of specific issuers and counterparties of the Group, from a general deterioration in local or global economic conditions, or from systemic risks within these financial systems, any of which could affect the recoverability and value of the Group’s assets and require an increase in its impairment provisions.

As at 30 September 2021, the Group’s customer financing portfolio amounted to SAR 210,482 million, compared to SAR 191,347 million as at 31 December 2020, SAR 173,982 million as at 31 December 2019 and SAR 151,025 million as at 31 December 2018. The Group’s NPLs were SAR 3,396 million as at 30 September 2021 compared to SAR 3,652 million as at 31 December 2020, SAR 1,554 million as at 31 December 2019 and SAR 1,561 million as at 31 December 2018, and its allowance for impairments in respect of its customer financing portfolio amounted to 2.0 per cent., 2.3 per cent., 1.6 per cent. and 1.5 per cent. of the value of its customer financing portfolio as at 30 September 2021, 31 December 2020, 31 December 2019 and 31 December 2018, respectively.
Saudi Arabia has continued to experience weaker economic conditions since 2017 which have been exacerbated by the COVID-19 pandemic. This may give rise to increased credit losses at Saudi Arabian banks, including the Bank. The amount of the Group’s loans and advances that were more than 90 days overdue were SAR 0.8 million as at 31 December 2020, SAR 1,022 million as at 31 December 2019 and SAR 779 million as at 31 December 2018.

Any failure by the Group to maintain the quality of its assets through effective risk management policies could lead to higher loss provisioning and result in higher levels of defaults and write-offs, each of which would be likely to reduce the Group’s profitability.

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

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

**The Group’s customer financing portfolio, deposit base and investment securities portfolio are concentrated in Saudi Arabia**

Geographically, the Group’s customer financing portfolio and its investments, net are concentrated in Saudi Arabia. Together, these portfolios aggregated SAR 267,933 million, or 84.1 per cent. of the Group’s total assets, as at 30 September 2021, SAR 247,796 million, or 79.9 per cent. of the Group’s total assets, as at 31 December 2020, SAR 227,343 million, or 85.5 per cent. of the Group’s total assets, as at 31 December 2019 and SAR 199,018 million, or 86.6 per cent. of the Group’s total assets, as at 31 December 2018.

The Group’s investment securities portfolio (which comprises its investments, net) principally comprises fixed and floating rate securities, with SAR 52,435 million, or 91.3 per cent. of the portfolio, being fixed and floating rate instruments as at 30 September 2021 compared to SAR 51,830 million, or 91.8 per cent., as at 31 December 2020, SAR 49,274 million, or 92.3 per cent., as at 31 December 2019 and SAR 45,648 million, or 95.1 per cent., as at 31 December 2018.

As at 31 December 2020, 97.5 per cent. of the Group’s customer financing portfolio and 63.9 per cent. of its investment securities portfolio were classified as Saudi Arabian risk, i.e. the borrowers or the issuers of such securities are Saudi Arabian entities.

The Group’s customer deposits aggregated SAR 203.996 million, equal to 74.8 per cent. of its total liabilities, as at 30 September 2021, compared to SAR 203,039 million, or 76.4 per cent., as at 31 December 2020, SAR 194,518 million, or 86.4 per cent., as at 31 December 2019 and SAR 169,822 million, or 87.9 per cent. of its total liabilities, as at 31 December 2018.

Accordingly, any deterioration in general economic conditions in Saudi Arabia or any failure by the Group to effectively manage its geographic risk concentrations could have a more significant adverse effect on the Group’s business than on that of a more diversified bank. See “—The Group’s operations and assets are principally located in Saudi Arabia and, accordingly, the Group is exposed to general economic conditions in Saudi Arabia” above.

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

The Group’s customer financing portfolio is concentrated in a small number of industry sectors. As at 31 December 2020, net loans and advances to the commerce sector, the manufacturing sector and the building and construction sector accounted for 24.3 per cent., 11.9 per cent. and 8.4 per cent., respectively, of the Group’s total net loans and advances. In addition, consumer loans and credit card advances accounted for 33.6 per cent. of the Group’s total net loans and advances as at the same dates. Of these sectors, the building and construction sector in particular has experienced difficulties, in part as a result of delayed Government payments to contractors for
infrastructure projects for a lengthy period. This has led to the Group restructuring some loans and advances to companies within this sector.

As at 31 December 2020, Government and quasi-Government issuers accounted for 55.4 per cent. of the securities in the Group’s investment securities portfolio.

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

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

The Group also has a high concentration of deposits from individual depositors, mainly Government and quasi-Government depositors. The withdrawal or non-renewal of its deposits by any one or more of the Group’s material depositors could require the Group to obtain replacement funding from other sources which may not be readily available or may be significantly more expensive, which would reduce the Group’s margins and adversely impact its operating income and profitability. See further “—The Group is subject to the risk that liquidity may not always be readily available” below.

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

As part of its normal banking business, the Group issues guarantees, letters of credit and acceptances which are accounted for off the Group’s balance sheet until such time as they are actually funded or cancelled. In addition, the Group makes irrevocable commitments to advance credit to its customers. Although these commitments are contingent, they nonetheless subject the Group to both credit and liquidity risks. As at 31 December 2020, the Group had SAR 12,435 million in irrevocable commitments to extend credit.

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

The Group is exposed to reputational risks related to its operations and industry

All financial institutions depend on the trust and confidence of their customers to succeed in their 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. In common with other banks, 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 which could have a material adverse effect on the Group.

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

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

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

Liquidity risk is the risk that the Group will be unable to meet its obligations, including funding commitments, as they become due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. Credit markets worldwide experienced a severe reduction in liquidity in the final quarter of 2008 and the first half of 2009. Since then, financial institutions have continued to experience periods of reduced liquidity.

The perception of counterparty risk between banks has also increased significantly since the final quarter of 2008, which has led at times to reductions in certain traditional sources of liquidity, such as the fixed income securities markets, asset sales and redemption of investments. The Group’s access to these traditional sources of liquidity may be restricted or available only at a higher cost and there can be no assurance that the Government will provide any support to the Saudi Arabian banking sector in the future. See “—The Government is under no obligation to support the Group and there is no assurance that the Group will receive any Government support in the future” below.

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

The Group has historically relied on both customer and interbank deposits, which are mainly short-term and generally low cost in nature, to meet most of its funding needs. The availability of deposits is subject to fluctuation due to factors outside the Group’s control, including possible loss of confidence and competitive pressures, and this could result in a significant outflow of deposits within a short period of time or may cause the Group to increase the return paid on its deposits to ensure that it retains sufficient deposits. As at 31 December 2020, 67 per cent. of the Group’s deposits did not have a fixed maturity, although, as is typical in the Saudi Arabian banking industry, these deposits have generally proved to be a stable source of funding based on historical behaviour analysis. Nevertheless, they are effectively repayable on demand. As at the same date, 79.3 per cent. of the Group’s non-equity funding (which comprises amounts due to banks and other financial institutions, customer deposits and debt securities in issue) had remaining contractual maturities of up to three months or was payable on demand and 88.0 per cent. had remaining maturities of one year or less or was payable on demand. These percentages were 81.8 per cent. and 97.2 per cent., respectively, as at 31 December 2019. The Group may experience outflows of deposits at times when liquidity is constrained generally in Saudi Arabia or when its major depositors experience short- or longer-term liquidity requirements. Particularly, if international oil and gas prices
fall significantly, the Group’s large depositors (including the Government and quasi-Governmental depositors) may start to withdraw part or even all of their deposits with it.

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

If a substantial portion of the Group’s depositors, or any of its largest depositors, withdraw their demand deposits or do not roll over their time deposits at maturity, the Group may need to seek other sources of funding or may have to sell, or enter into sale and repurchase or securitisation transactions over, certain of its assets to meet its funding requirements. There can be no assurance that the Group will be able to obtain additional funding as and when required or at prices that will not affect its ability to compete effectively and, if the Group is forced to sell assets to meet its funding requirements, it may suffer material losses as a result.

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

The Group could be adversely affected by market risks

The Group could be adversely affected by market risks that are outside its control, including, without limitation, market adverse changes in interest rates, prices of securities and currency exchange rates. In particular, an increase in interest rates 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 interest rates may result in a pricing gap between the Group’s interest-rate sensitive assets and liabilities. For example, the Group generally has a discretionary right to change the rates it charges on its customer financing whilst the rates that it pays on a part of its customer deposit base (namely, term deposits) are contractually fixed for the term of the deposit. As a result, the Group generally experiences an increase in its net special commission income in times of rising interest rates and a reduction in its net special commission income in times of falling interest rates. In this connection, in response to the COVID-19 pandemic, SAMA cut its repo rate and its reverse repo rate by 1.25 per cent to 1.00 per cent in March 2020. See note 31.2(i) to the 2020 Financial Statements which illustrates the Group’s sensitivity to a 100 basis point change in interest rates on major currencies, such as the riyal and the U.S. dollar, as at 31 December 2020 and 31 December 2019. 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.

As a financial intermediary, the Group is also exposed to foreign exchange rate risk. 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. See note 31.2(iii) to the 2020 Financial Statements which illustrates the Group’s sensitivity to a 1 per cent. change in the exchange rate of a number of significant currencies against the riyal as at 31 December 2020 and 31 December 2019. See also “De-pegging the riyal from the U.S. dollar or re-pegging the riyal at a different rate could have a material adverse effect on the Group” below.

The Group also has a portfolio of fair value through other comprehensive income (FVOCI) equity investments which are exposed to the effect of changes in market prices on their fair value. See note 31.2(v) to the 2020 Financial Statements which illustrates the Group’s sensitivity to a 5 and 10 per cent. change in market indices on this portfolio as at 31 December 2020 and 31 December 2019.

The Group enters into derivative transactions, such as commission rate and currency swaps, forward and future contracts and options, as part of its ordinary customer business, to manage its market risks and to take advantage of price differentials or anticipated market movements. These derivative contracts had a notional value of SAR 89,453 million as at 30 September 2021 compared to SAR 75,130 million as at 31 December 2020, SAR 73,372
million as at 31 December 2019 and SAR 63,006 million as at 31 December 2018, and the Group’s derivatives portfolio had a net negative fair value of SAR 51 million as at 30 September 2021 compared to a net negative fair value of SAR 82 million as at 31 December 2020, a net negative fair value of SAR 40 million as at 31 December 2019 and a net positive fair value of SAR 12 million as at 31 December 2018. There is no assurance that the Group’s derivative contracts will be successful in mitigating its interest rate and foreign exchange exposures or that the Group will not experience significant losses on its derivatives contracts from time to time.

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. Ultimately, there can be no assurance that the Group will be able to protect itself from any adverse effects of a currency revaluation or future negative changes in interest rate or currency exchange rates or from a significant change in the prices of its securities.

The Group is exposed to a range of operational risks. In particular, the Group is exposed to the risk of loss as a result of employee misrepresentation, misconduct and improper practice and through any failure of the Group’s information technology (IT) systems

Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, and conduct of business rules, systems and equipment failures (including, in particular, IT failures), natural disasters or the failure of external systems (for example, those of the Group’s counterparties or vendors). The Group has implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, but it is not possible to eliminate entirely each of the potential operational risks that the Group faces. Losses from the failure of the Group’s system of internal controls could have a material adverse effect on its business generally and its reputation.

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

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

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

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

The Group’s risk management policies 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.

The Group is subject to extensive regulation and changes in this regulation, or the interpretation or enforcement of this regulation, or any failure by the Group to comply with this regulation could have a material adverse effect on the Group

The Group is subject to a number of laws, regulations, administrative actions and policies designed to maintain the safety and soundness of banks in Saudi Arabia, ensure their compliance with economic and other obligations and limit their exposure to risk. These laws and regulations include Saudi laws and regulations, particularly those issued by SAMA and the CMA. See “Saudi Arabia’s banking sector and regulations”. These regulations may limit the Group’s activities and the Bank’s ability to carry on certain parts of its business or to grow its business generally and any changes to such regulations may increase the Group’s cost of doing business. In addition, a breach or violation of any regulations applicable to the Group could expose it to potential liabilities, fines and reputational damage. Changes in these laws and regulations (such as the changes pursuant to Basel III described under “Saudi Arabia’s banking sector and regulations”) and the manner in which they are interpreted or enforced or implemented may also impose significant additional compliance costs on the Group.

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. 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 increased international scrutiny of banks operating in all markets, including Saudi Arabia, in connection with anti-money laundering (AML), anti-terrorist financing, sanctions and other regulations, some of which are international in their application. In addition, Saudi Arabia has adopted a relatively comprehensive legislative and regulatory framework that deals with money laundering and terrorist financing as is described under “Saudi Arabia’s banking sector and regulations”. These laws and regulations require the Group, among 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. In the event of actual or alleged compliance breaches, the Group may become subject to investigation and judicial or administrative proceedings, which could result in financial penalties or lawsuits (including by customers) for damages and/or the loss of the Group’s ability to do business in the international banking market or specific jurisdictions or even the loss of its Saudi Arabian banking licence. Any such sanctions would be likely to materially damage its reputation and materially adversely impact its cash flow and profitability.

The Group’s internal compliance systems might not be fully effective in all circumstances

The Group’s ability to comply with all applicable regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. Although the Group is subject to oversight by regulatory authorities, including regular examination activity and annual supervisory review visits, and performs regular internal audits and employs an external auditing firm to review its internal auditing function as required by applicable regulations, the Group cannot be certain that these systems and procedures will be fully effective in all circumstances, particularly in the case of deliberate employee misconduct or other frauds perpetrated against it. In the case of actual or alleged non-compliance with applicable regulations, the Group could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages that could have a material adverse effect on the Group.

A negative change, or perceived negative change, in the Bank’s credit rating could limit its ability to raise funding and may increase the Group’s borrowing costs

The Bank currently has a long-term foreign currency issuer default rating of BBB+ with a stable outlook from Fitch Ratings Ltd (Fitch), a counterparty credit rating of BBB+ with a stable outlook from S&P Global Ratings Europe Limited (S&P), a deposit rating of A2 with a stable outlook from Moody’s Investors Service (Moody’s) and a long-term foreign currency rating of A+ with a negative outlook from Capital Intelligence Ratings Ltd (Capital Intelligence). These credit ratings are an important factor in determining the Group’s cost of borrowings. The special commission rates charged on the Group’s borrowings are also partly dependent on its credit ratings.

There is no assurance that the Bank’s ratings will remain in effect for any given period of time or that the ratings will not be lowered or withdrawn entirely if circumstances in the future so warrant. A downgrade, or increased risk of a downgrade, of the Bank’s credit ratings, or a negative change in their outlook, may:

- limit the Bank’s or any other member of the Group’s ability to raise funding;
- increase the Bank’s or any other member of the Group’s cost of borrowing; and
- limit the Bank’s or any other member of the Group’s ability to raise capital.

In addition, actual or anticipated changes in the Bank’s credit rating may negatively affect the market value of the Certificates.

According to each of Moody’s and Capital Intelligence, the Bank’s ratings depend on Saudi Arabia’s sovereign ratings and could be affected by any potential weakening of Saudi Arabia’s capacity to provide support to the Bank.

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

Saudi Arabia has been assigned the following credit ratings: A1 (stable outlook) by Moody’s, A (negative outlook) by Fitch and A- (stable outlook) by Standard & Poor’s. As a result, if any of the Bank’s rating organisations were to reduce their ratings, or change the outlook of their ratings, on Saudi Arabia, this could also result in the relevant rating organisation lowering its rating, or changing the outlook of its rating, on the Bank.
See “—The Government is under no obligation to support the Group and there is no assurance that the Group will receive any Government support in the future” below.

In addition, the credit ratings assigned to the Bank may not reflect the potential impact of all risks related to an investment in the Certificates, the market, additional factors discussed in this Offering Circular and other factors that may affect the value of the Certificates. A security 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.

The Group may not be able to raise capital as and when needed on commercially attractive terms

As at 30 September 2021, the Group’s tier 1 capital adequacy ratio (calculated according to Basel III standards for Pillar 1) was 16.0 per cent. and its total capital adequacy ratio was 19.3 per cent.. The Group has been designated as a domestically systemic important bank (D-SIB) with an additional common equity tier 1 D-SIB surcharge of 0.5 per cent.. Accordingly, the Group’s total minimum Pillar 1-based capital requirement as at 30 September 2021 was 13 per cent., which also included a capital conservation buffer of 2.5 per cent. and a countercyclical capital buffer of 0.0349 per cent..

The Group is subject to the risk, inherent in all regulated financial businesses, of having insufficient capital resources to meet the minimum regulatory capital requirements applicable to it. Under Basel III and its related guidance, 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, unless matched by capital increases, a significant increase in lending in any period would be likely to reduce the Group’s capital adequacy ratios and any losses experienced by it in any period would have a similar effect. In addition, regulatory requirements in relation to the calculation of capital adequacy and required levels of capital adequacy may change from time to time, including as a result of new guidance issued by the Basel Committee on Banking Supervision and implemented by SAMA. 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.

As a result, the Group is likely to need to obtain additional capital in the future to support the future growth of its business. Such capital, whether in the form of debt financing or additional equity, may not be available on commercially favourable terms, or at all. Moreover, should the Group’s capital ratios fall close to regulatory minimum levels or the Group’s own internal minimum levels, the Group may need to adjust its business practices, including reducing the risk and leverage of certain activities or undertaking asset disposals. 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 and it may suffer regulatory sanctions. Any such development may have a material adverse effect on the Group.

Increasing competition may affect the Group’s results of operations

All sectors of the Saudi Arabian market for financial and banking services are highly competitive and the Group faces competition from local and foreign banks that operate in Saudi Arabia. Based on SAMA’s website, there are 26 banks and financial institutions operating with at least one branch in Saudi Arabia, of which 11 were incorporated in Saudi Arabia. The remaining 15 are branches of foreign banks licensed to operate in Saudi Arabia. In the past few years, SAMA has awarded banking licences to a number of international banks, which has resulted in increased competition with respect to the sale of products and geographical spread and in the provision of banking services in general to all types of customer. In addition, the merger of National Commercial Bank and SAMBA Financial Group in April 2021 could result in stronger competition from the merged bank and any similar mergers to which the Bank is not a party could have a similar effect.

Competition in its key areas of operation including, in particular, consumer financing, may limit the Bank’s ability to grow its business, increase its client base and expand its operations and/or may reduce or reverse its asset growth rate and profit margins on the services it provides. If the Bank experiences increasing margin
pressure and rising operating expenses as the banking sector in Saudi Arabia develops and/or the Bank is not able to compete effectively and/or the Bank incurs significant additional costs as it seeks to compete effectively, these factors could have a material adverse effect on the Group’s business, results of operations, financial condition or prospects.

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

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

Management has identified certain accounting policies in the notes to its financial statements as being significant because they require management’s judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. See note 3 to the 2020 Financial Statements. In addition, note 2(d) to the 2020 Financial Statements identifies the most critical accounting judgments, estimates and assumptions made by the Group. These judgments include, for example, the measurement of expected credit losses on financial assets and the fair values of unquoted assets and liabilities.

A variety of factors could affect the ultimate value that is obtained either when recognising income or expenses, recovering an asset or reducing a liability. The Group has established policies and control procedures that are intended to ensure that its accounting judgments and estimates are monitored and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding the Group’s judgments and the estimates pertaining to these matters, the Group cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

The Group may not be able to recruit and retain qualified and experienced personnel, which could have an adverse effect on its business and its ability to implement its strategy

The Group’s success and ability to maintain current business levels and sustain growth will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The market for such personnel in the Middle East is intensely competitive and the Group could face challenges in recruiting and retaining such personnel to manage its businesses.

The Group depends on the efforts, skill, reputation and experience of its senior management, as well as synergies among their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent the Group from implementing its strategies and the Group may not be able to replace any such lost personnel easily or quickly. The Group is also not insured against losses that may be incurred in the event of the loss of any member of its key personnel.

Furthermore, the Government has introduced a number of initiatives, which require private sector entities to employ a certain proportion of Saudi nationals among their employees. As at 30 September 2021, the Bank’s Saudization level was 95 per cent., which would place the Bank in the “Platinum level,” which is the highest level.

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

The interests of the Government, through its direct and indirect ownership interests, may not be aligned with the interests of the Certificateholders

The Bank’s principal shareholders are the Public Investment Fund (the PIF), a Government-owned investment fund, which holds 21.75 per cent. of the Bank’s shares and the General Organization for Social Insurance (the GOSI), which holds 10.39 per cent. of the Bank’s shares. PIF and GOSI are Government-controlled entities,
which, as per publicly available records from Tadawul, gives the Government an indirect holding of 32.14 per cent. of the shares in the Bank as at 31 January 2022. In January 2022, GOSI transferred a 10.7 per cent. stake in the Bank to certain of its wholly owned subsidiaries, therefore GOSI’s direct and indirect holding in the Bank is 21.09 per cent. On this basis, the Government has an indirect holding of 42.84 per cent. of the Bank’s shares. As a result, the Government has the ability to influence the Bank’s business through its ability to control certain decisions and actions that require shareholder approval. If circumstances were to arise where the interests of the Bank’s principal shareholders conflict with the interests of its creditors (including the Certificateholders), the Certificateholders may be disadvantaged by any such conflict.

**The Government is under no obligation to support the Group and there is no assurance that the Group will receive any Government support in the future**

Although the Government has in the past supported the domestic banking industry, including in the period following the global financial crisis, there can be no assurance that it will continue to provide support to the domestic banking industry, including the Bank, in the future. The Certificates are not guaranteed by the Government, any of the Bank’s shareholders or any other party.

**De-pegging the riyal from the U.S. dollar or re-pegging the riyal at a different rate could have a material adverse effect on the Group**

The primary exchange rate of relevance to the Group is the riyal/U.S. dollar rate. The riyal is pegged to the U.S. dollar at a fixed exchange rate which is currently U.S.$1: SAR 3.75. The peg to the U.S. dollar has been maintained by SAMA at the same rate since 1986. In addition, the following oil-producing GCC countries have their currencies pegged to the U.S. dollar: Qatar, the UAE, Oman and the Kingdom of Bahrain. From time to time, oil-producing countries with currencies that have been traditionally pegged to the U.S. dollar have faced pressure to de-peg and, in certain cases, have de-pegged their currencies. For example, Kazakhstan de-pegged the Kazakhstani tenge from the U.S. dollar on 20 August 2015, which was followed on 21 December 2015 by the removal of the U.S. dollar peg against the Azerbaijani manat.

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

Any de-pegging or revaluation to the current exchange rate either in Saudi Arabia or across the wider region, particularly if the de-pegging or revaluation 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 Group’s business, results of operations, financial condition or prospects.

**RISKS RELATING TO SAUDI ARABIA**

**Saudi Arabia’s economy remains dependent on its oil revenue**

Saudi Arabia’s economy remains dependent upon oil revenue. According to OPEC data, global proven crude oil reserves stood at 1,549 billion barrels at the end of 2020. Proven crude oil reserves in OPEC member countries were 1,237 billion barrels at the end of 2020. At the end of 2020, global proven natural gas reserves were 206.7 billion standard cubic metres. Proven natural gas reserves in OPEC member countries stood at 73.7 billion standard cubic metres at the end of 2020.

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

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

These events, combined with the global challenges posed by the COVID-19 pandemic, caused a sharp drop in
oil prices. The OPEC Reference Basket price reached U.S.$34.71 per barrel on 9 March 2020 and had further
fallen to U.S.$16.85 per barrel by 1 April 2020, compared to a monthly average of U.S.$66.48 per barrel in
December 2019. In mid-April 2021, the countries participating in the Declaration of Cooperation agreed to
reduce their overall oil production in stages between 1 May 2020 and 30 April 2022. These measures, together
with the gradual easing of restrictions on travel imposed around the world to combat the COVID-19 pandemic,
helped prices to generally recover in 2020 and into 2021, with the annual average OPEC Reference Basket prices
being U.S.$41.47 in 2020 and U.S.$69.89 in 2021. Factors that may affect the price of oil include, but are not
limited to:

- economic and political developments in oil-producing regions, particularly in the Middle East;
- global and regional supply and demand, and expectations regarding future supply and demand, for oil
  products;
- the ability of members of OPEC and other crude oil-producing nations to agree upon and maintain specified
  global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil-producing or consuming countries;
- prices and availability of alternative fuels and new technologies using alternative fuels;
- the impact of COVID-19 or other pandemic diseases; and
- global weather and environmental conditions.

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

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

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

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

Saudi Arabia has strong trading relationships with many countries, particularly major oil-importing economies such as China, the United States, Japan, South Korea, India and a number of states of the EU. To the extent that there is a slowdown in the economies of any of these countries, this may have a negative impact on Saudi Arabia’s foreign trade and balance of payments, which could have a material adverse effect on Saudi Arabia’s economic and financial condition.

Any sustained market and economic downturn or geopolitical uncertainties in the United States, China or any of Saudi Arabia’s other key trading partners may exacerbate the risks relating to Saudi Arabia’s trade with those countries. If an economic downturn occurs or continues in the United States, China or any of Saudi Arabia’s other key trading partners, this may have a negative impact on Saudi Arabia’s foreign trade and balance of payments, which could have a material adverse effect on Saudi Arabia’s economic and financial condition.

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

Saudi Arabia’s banking regulatory environment is continually evolving and may change, which could have a material adverse effect on the Group

The Group is subject to regulatory supervision by SAMA, which is the body charged with regulating the banking and financial sector in Saudi Arabia. SAMA’s rules, regulations and guidelines may from time to time be amended in accordance with economic and political developments in Saudi Arabia. SAMA operates to a standard expected of international regulators and follows the recommendations of the Basel Committee. The Group’s business could be directly or indirectly affected by changes in Saudi Arabia’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 in other governmental policies. The laws and regulations governing the banking and financial sector are subject to future changes and the Group cannot provide any assurance that such changes will not adversely affect its business, financial condition or results of operations, nor can the Group provide any assurance 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 result in significant financial penalties, a requirement to cease carrying on one or more particular
businesses currently undertaken and significant reputational damage which could lead to a material loss of customers.

As a publicly listed company, the Bank is also subject to the regulations of the CMA, which include certain requirements related to disclosure, governance and other continuing obligations. Changes in, or violation of, any such requirements may adversely affect the Bank’s business, financial position, results of operations and prospects.

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

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

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

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

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

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 and the IMF. 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.
Investing in securities involving emerging markets generally involves a higher degree of risk

Investors in emerging markets, such as Saudi Arabia, should be aware that these markets are subject to greater risks than more developed markets, including, but not limited to, higher volatility, limited liquidity and changes in the political and economic environment. 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.

Specific risks in Saudi Arabia and the MENA region generally that could have a material adverse effect on the Group’s business include, without limitation, the following:

- political, economic or social instability;
- external acts of warfare, civil clashes or other hostilities or conflict;
- domestic unrest or violence;
- increases in inflation and the cost of living;
- changing tax regimes and tax laws, including the raising of the rate of Saudi Arabia’s VAT to 15 per cent. in 2020, and the imposition of other taxes in tax-free jurisdictions or the increase of taxes in low-tax jurisdictions;
- government interventions and protectionism;
- potential adverse changes in laws and regulatory practices, including legal structures and tax laws;
- difficulties in staffing and managing operations;
- legal systems which could make it difficult for the Group to enforce its intellectual property and contractual rights;
- restrictions on the right to convert or repatriate currency or export assets;
- greater risk of uncollectible accounts and longer collection cycles; and
- logistical and communications challenges.

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 any Certificates is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

RISKS RELATING TO THE CERTIFICATES

The application of an amount at least equal to the net proceeds of the Certificates as described in “Use of Proceeds” may not meet investor expectations or be suitable for an investors’ investment criteria

It is the Bank’s intention to apply an amount at least equal to the net proceeds from the Certificates (the equivalent amount) to the objectives set out in the Sustainable Finance Framework including to finance and/or refinance Eligible Sustainable Projects. The Sustainable Finance Framework will be published on the Bank’s website.

The Bank will exercise its judgement and sole discretion in determining the businesses and projects that will be financed or refinanced by the equivalent amount. If the use of the proceeds of the Certificates is a factor in any potential investor's decision to invest in the Certificates, that investor should carefully consider the disclosure in “Use of Proceeds” and the Sustainable Finance Framework to be published on the Bank’s website, and consult with its legal or other advisers and make any other investigation such investor deems necessary before making an
investment in the Certificates, including, but not limited to, reviewing the prevailing Sustainable Finance Framework. In particular, no assurance is given by the Trustee, the Bank, the Joint Lead Managers, the Delegate or the Agents or any other person that the use of the equivalent amount for any Eligible Sustainable Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. In addition, the Sustainable Finance Framework is subject to change at any time without notice.

The Sustainable Finance Framework is intended to be aligned with the ICMA Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines published by the International Capital Markets Association from time to time (the ICMA Principles), and the Green Loan Principles and Social Loan Principles published by the Loan Market Association from time to time (the LMA Principles).

None of the Bank, the Trustee, the Joint Lead Managers or any other person makes any representation or gives any assurance as to the Sustainable Finance Framework’s compliance or alignment with the ICMA Principles and the LMA Principles. These principles may be subject to change at any time without notice. In connection with the issue of the Certificates, the Bank has appointed S&P to provide a second party opinion (the Second Party Opinion) in relation to the Bank’s Sustainable Finance Framework and its alignment with the ICMA Principles and the LMA Principles. Both the Sustainable Finance Framework and the Second Party Opinion will be published on the Bank’s website. No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any report, assessment, opinion or certification of any third party (whether or not solicited by the Bank or the Trustee) which may or may not be made available in connection with the issue of the Certificates and in particular with any Eligible Sustainable Projects to fulfil any green, environmental, social, sustainability and/or other criteria (including the Second Party Opinion). The Sustainable Finance Framework, the ICMA Principles, the LMA Principles and any such report, assessment, opinion or certification are not, nor shall be deemed to be, incorporated in and/or form part of this Offering Circular and are not, nor should be deemed to be, a recommendation by the Trustee, the Bank, the Joint Lead Managers, the Agents, the Delegate or any other person to buy, sell or hold the Certificates. Any such report, assessment, opinion or certification is only current as of the date it was issued. Prospective investors must determine for themselves the relevance of any such report, assessment, opinion or certification and/or the information contained therein and/or the provider of such report, assessment, opinion or certification for the purpose of any investment in the Certificates. As at the date of this Offering Circular, the providers of such reports, assessments, opinions and certifications are not subject to any specific oversight or regulatory or other regime.

There is currently no clearly defined definition (legal, regulatory or otherwise) of, nor any market consensus as to what constitutes, a “green”, “social”, “sustainable” or an equivalently-labelled project or a loan that may finance such a project, or as to what precise attributes are required for a particular project or loan to be defined as “green” or such other equivalent label nor can any assurance be given that such a clear definition or consensus with respect to such projects or loans will develop in the future or that any prevailing market consensus will not change significantly.

Accordingly, no assurance or representation is or can be given (whether by the Trustee, the Bank, the Joint Lead Managers, the Delegate, the Agents or any other person) that the use of the equivalent amount to finance or refinance Eligible Sustainable Projects will satisfy or meet, whether in whole or in part, investor expectations or requirements regarding such “green”, “social”, “sustainable” or other similar labels (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called EU Taxonomy) or Regulation (EU) 2020/852 as it forms part of UK domestic law by virtue of the EUWA), as regards any investment criteria or guidelines with which such investor or its investments are required to comply or that any adverse environmental, social and/or other impacts will not occur during the implementation of any Eligible Sustainable Projects. Each prospective investor should have regard to the factors described in the Bank’s Sustainable Finance Framework and the relevant information contained in this Offering Circular and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the Certificates before deciding to invest. None of the Joint Lead Managers shall be responsible for (i) the suitability of the Certificates to fulfil environmental, social and/or sustainability criteria required by prospective investors, (ii)
whether the equivalent amount will be used to finance and/or refinance, in a Shariah compliant manner, relevant Eligible Sustainable Projects, (iii) any assessment of the Eligible Sustainable Projects, or (iv) the ongoing monitoring of the use of proceeds in respect of the Certificates.

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

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

While it is the intention of the Bank to apply the equivalent amount to finance and/or refinance, in a Shariah compliant manner, Eligible Sustainable Projects and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in the Sustainable Finance Framework, there is no contractual obligation to any potential investors of the Certificates to allocate the equivalent amount to finance or refinance, in a Shariah compliant manner, any Eligible Sustainable Projects or to provide the reports as described in the Sustainable Finance Framework, and there can be no assurance (whether by the Trustee, the Bank, the Joint Lead Managers, the Delegate, the Agents or any other person) that the Bank will be able to do this. Nor can there be any assurance that any Eligible Sustainable Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment, social or sustainability or similar) as originally expected or anticipated by the Bank.

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

Any part of the equivalent amount which, from time to time, is not earmarked towards Eligible Sustainable Projects is intended by the Bank to be invested in cash, cash equivalents and/or marketable securities, in accordance with the Group's cash management policies. While the Bank intends to place the equivalent amount in a segregated account, there can be no assurance that the Certificates or the proceeds therefrom will not be used to absorb any and all losses of the Bank, regardless of whether or not such losses stem from green, sustainable or
other assets, in the same way as the Bank’s other instruments not classified as Certificates which may be called upon to cover all losses on the balance sheet.

Any event or failure to apply the equivalent amount to finance or refinance, in a Shariah compliant manner, any Eligible Sustainable Projects, to obtain and publish any such reports, assessments, opinions and certifications or any failure of any of the projects funded with the proceeds from the Certificates to constitute an Eligible Sustainable Project, will not (i) give rise to any claim of a Certificateholder against the Trustee or the Bank (or against any of the Joint Lead Managers, the Delegate, the Agents or any other person), (ii) constitute a Dissolution Event (as defined in Condition 12), (iii) lead to an obligation of the Trustee to redeem the Certificates or be a relevant factor for the Trustee in determining whether or not to exercise any optional redemption rights in respect of the Certificates; or (iv) affect the qualification of the certificates as Additional Tier 1 Capital.

While the Sustainable Finance Framework provides a time frame to fully allocate the equivalent amount, the equivalent amount may not be allocated in the expected time frame. Furthermore, any part of the equivalent amount which, from time to time, is not allocated as funding for Eligible Sustainable Projects are intended by the Bank to be held pending allocation as funding towards the funding of Eligible Sustainable Projects. Neither the Trustee, the Bank, the Joint Lead Managers, the Agents, the Delegate undertakes to ensure that there is at all times a sufficient aggregate amount of Eligible Sustainable Projects to allow for allocation of the equivalent amount.

The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification attesting that the Bank is not complying in whole or in part with any matters for which such report, assessment, opinion or certification is reporting, assessing, opining or certifying on, and/or the Certificates ceasing to be admitted to trading on the Sustainable Bond Market of the London Stock Exchange or any dedicated "green", "environmental", "social", "sustainability" or other similarly labelled securities exchange or market, and/or the failure by the Bank to obtain or report on the use of proceeds as anticipated, may have a material adverse effect on the value of the Certificates and/or result in adverse consequences for certain investors with portfolio mandates to invest in “green”, "environmental", "social" or "sustainability" assets.

Certificateholders’ right to receive payment of the face amount of the Certificates and the Certificateholders’ right to any profit will be permanently cancelled or permanently Written-down (in whole or in part) upon the occurrence of a Non-Viability Event

If a Non-Viability Event (as defined below) occurs at any time on or after the Issue Date and prior to the date on which the Applicable Statutory Loss Absorption Regime becomes effective, the Certificates will be permanently cancelled (in the case of a Write-down in whole) or permanently Written-down in part on a pro rata basis (in the case of a Write-down in part) by the Trustee in accordance with the Conditions and (except as described in paragraph (d) of the definition of Write-down in the Conditions) all rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, the Dissolution Distribution Amount and any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event (each as defined in the Conditions)) in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Periodic Distribution Amounts) (each as defined in the Conditions) shall, as the case may be, be cancelled or Written-down pro rata among the Certificateholders and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event or notice in relation thereto. Further, a Write-down in full or in part of the Certificates could occur prior to the ordinary shares of the Group absorbing losses in full. A Write-down shall not constitute a Dissolution Event. As a result, Certificateholders will lose the entire amount or, as the case may be, a material amount, of their investment in the Certificates. Investors should also be aware that the application of a non-viability loss absorption feature similar to Condition 11 (Write-down at the Point of Non-Viability) has not been tested in the Kingdom and therefore uncertainty exists in its application.

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

- a Write-down of the Certificates (and write-down of any of the Group’s other capital instruments or other
obligations constituting Tier 1 Capital and/or Tier 2 Capital of the Group that, pursuant to their terms or by operation of law, are capable of being written-down and/or converted into equity); or

- a public sector injection of capital (or equivalent support) provided that such injection of capital is not made (i) by a shareholder of the Bank; or (ii) on terms that are more favourable to the Bank than those that would be accepted by private investors in comparable transactions.

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

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

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

There can be no assurance that in the future SAMA will not amend its interpretation and implementation of the January 13 Annex described above. In addition, revisions to the January 13 Annex may be implemented in the Kingdom in a manner that is different from that which is currently envisaged, or regulations may be introduced through the introduction of an Applicable Statutory Loss Absorption Regime in the Kingdom.

If the regulatory requirements for capital instruments applicable to the Bank are modified in the future, it is possible that authorities could use their powers in such a way as to result in the Certificates absorbing losses in a manner other than as described herein. For example, The Law on the Treatment of Systemically Important Financial Institutions M/38 dated 25/4/1442H (corresponding to 10 December 2020) (the SIFI Law), provides that in respect of any systemically important financial institution (which would include the Bank), subject to certain conditions being met which include, among others, the financial institution being in distress or likely to become distressed, SAMA may, among other things, amend the rights of the holders of capital instruments. The SIFI Law provides for executive regulations to be prepared by SAMA and the CMA and such executive regulations may stipulate further details with respect to any such amendment of rights. Whilst the SIFI Law provides that creditors whose rights are amended shall not incur greater losses than what is estimated would have been lost, had the relevant financial institution been wound up, there can be no assurance that any such amendment of rights or other action taken by SAMA will be similar to the loss absorption provisions set out in Condition 11 (Write-down at the Point of Non-Viability) or otherwise be in the interests of Certificateholders.

Furthermore, on or after the date on which the Applicable Statutory Loss Absorption Regime becomes effective, the provisions of Condition 11 (Write-down at the Point of Non-Viability) will lapse and cease to apply, except to the extent such provisions are required by the Applicable Statutory Loss Absorption Regime. If, on or after such date, an event occurs which under the Applicable Statutory Loss Absorption Regime would lead to a determination of non-viability by SAMA, in respect of the Bank, SAMA (or the Bank following instructions from SAMA) may take such action in respect of the Certificates as is required or permitted by such Applicable Statutory Loss
Absorption Regime. Accordingly, the operation of any such future legislation or implementation of an Applicable Statutory Loss Absorption Regime may have an adverse effect on the positions of the Certificateholders.

The circumstances triggering a Write-down are unpredictable

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

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

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

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

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

No limitation on issuing senior securities; subordination

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

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

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

In relation to the paragraph above, Distributable Profits is defined in the Conditions as “the amount of the Bank’s consolidated retained earnings and reserves, including general reserves, special reserves and statutory reserves (to the extent not restricted from distribution by applicable law), after the transfer of any amounts to non-distributable reserves, all as calculated by the Bank based on its most recent consolidated financial statements, or any equivalent or successor term from time to time as prescribed by the Capital Regulations”. As at 30 September 2021, the Bank’s Distributable Profits amounted to SAR 5,227 million.

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

In the absence of notice of a Non-Payment Election or a Non-Payment Event, as the case may be, having been given in accordance with Condition 8.3 (Effect of Non-Payment Event or Non-Payment Election), the fact of non-payment of the Rab-al-Maal Mudaraba Profit (or any part thereof) on the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, as the case may be, shall be evidence of the occurrence of a Non-Payment Election or a Non-Payment Event, as the case may be. Accordingly, the Certificateholders shall have no claim in respect of any Periodic Distribution Amount not paid as a result of either a Non-Payment Election or a Non-Payment Event (irrespective of whether notice of such Non-Payment Election or Non-Payment Event, as the case may be, has been given in accordance with Condition 8.3 (Effect of Non-Payment Event or Non-Payment Election)) and the consequential non-payment of any Periodic Distribution Amount in such a circumstance shall not constitute a
Dissolution Event. Any Periodic Distribution Amounts not paid following either a Non-Payment Election or a Non-Payment Event will not accumulate or compound. The Bank shall not have any obligation to make any subsequent payment in respect of any such unpaid profit (whether from its own cash resources, from the Mudaraba Reserve or otherwise) and the Trustee will not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts.

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

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

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

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

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

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

- the Trustee (upon the Bank’s instruction) exercises its rights to redeem the Certificates in accordance with Condition 10 (Redemption);
- the Trustee is directed by an Extraordinary Resolution of the Certificateholders, or by the Delegate (acting in accordance with the Declaration of Trust and the Conditions), following a Bank Event to redeem the Certificates; or
- they sell their Certificates.
The exercise of (or perceived likelihood of exercise of) any such redemption feature of the Certificates may limit their market value, which is unlikely to rise substantially above the price at which the Certificates can be redeemed.

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

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

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

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

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

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

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

Prospective investors should also note that any claims on a winding-up would be subject to KSA bankruptcy and other laws. Therefore there can be no assurance that Certificateholders will receive payment of their claims in full or at all in these circumstances. See also “Compliance with bankruptcy law in Saudi Arabia may affect the Bank’s ability to perform its obligations under the Transaction Documents to which it is a party”.

27
Resettable fixed rate instruments have a market risk

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

The Certificates are limited recourse obligations

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

After enforcing or realising the rights in respect of the Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 5.3 (The Trust), the obligations of the Trustee in respect of the Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Certificates and the right to receive any such sums from the Trustee remaining unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Bank shall be (in accordance with Condition 12.3 (Winding-up, dissolution or liquidation)) to enforce their respective obligations under the Transaction Documents.

Absence of secondary market/limited liquidity

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

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

Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates.

**Investment in the Mudaraba Assets**

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

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

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

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

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

One or more independent credit rating agencies may assign credit ratings to the Bank. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and other factors that may affect the value of the Certificates, and will not reflect the deeply subordinated nature of the Bank’s payment obligations under the Transaction Documents if such ratings relate to senior payment obligations of the Bank. Credit rating agencies could also seek to rate the Bank without having been requested to do so by the Bank. Such unsolicited ratings may be lower than any ratings sought by the Bank, which could have an adverse effect on the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

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

Investors regulated in the UK are subject to similar restrictions under Regulation (EC) No. 1060/2009 (as amended) as it forms part of UK domestic law by virtue of the EUWA (the UK CRA Regulation). As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (i) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (ii) transitional provisions that apply in certain circumstances. 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 Bank or the Certificates changes for the purposes of the EU CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EU or the UK, as applicable, and the Certificates may have a different regulatory treatment, which may impact the value of the Certificates and their liquidity in the secondary market.

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

RISKS RELATING TO ENFORCEMENT

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

The Certificates and the Transaction Documents are expressed to be governed by English law and provide for the resolution of disputes through arbitration in London, England under the Arbitration Rules of the London Court of International Arbitration. Despite this, the courts and judicial committees of Saudi Arabia may not recognise the
choice of English law and the enforcement of any arbitration award would be subject to certain conditions (as discussed below). 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. Accordingly, in any proceedings relating to the Certificates in Saudi Arabia, Shariah, as interpreted in Saudi Arabia, may be applied by the relevant court or judicial committee. The courts and judicial committees of Saudi Arabia have the discretion to deny the enforcement of any contractual or other obligations, if, in their opinion, the enforcement thereof would be contrary to the principles of Shariah. In addition to the above, provisions of foreign law which are deemed contrary to public policy, order or morals in Saudi Arabia (including Shariah law and principles), or to any mandatory law of, or applicable in, Saudi Arabia, are unlikely to be enforceable in Saudi Arabia.

A law of the judiciary was issued pursuant to the Royal Decree No. M/78 dated 19 Ramadan 1428H (corresponding to 02/09/2007G), which transferred the jurisdiction over commercial disputes from the Board of Grievances (the Board of Grievances) to the Commercial Courts in Saudi Arabia. The Board of Grievances also previously had exclusive jurisdiction to consider the enforcement of arbitral awards; however, with the enactment of the Enforcement Law pursuant to the Royal Decree No. M/53 dated 13 Shaaban 1433H (corresponding to 03/07/2012G), this jurisdiction has been transferred to the enforcement courts (the Enforcement Courts) staffed by specialised "enforcement judges". The Enforcement Courts may, at their discretion, enforce all or any part of a foreign arbitral award, subject to certain conditions, which include: (a) the arbitral award does not conflict with public policy (interpreted to mean, Shariah) in Saudi Arabia; (b) 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 not having jurisdiction over the dispute and the award having been issued in accordance with the jurisdictional rules of the country in which such award was made; (d) the respective parties to the dispute having been present, duly represented and able to defend themselves; (e) the award being final in accordance with the rules of the court; and (f) the award not conflicting with any ruling or order issued by a court of competent jurisdiction on the same matter in Saudi Arabia. Reciprocity may be demonstrated by way of the existence of a treaty or protocol between Saudi Arabia and the relevant jurisdiction (in this regard, it is noted that both Saudi Arabia and the United Kingdom have acceded to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the New York Convention)).

No assurance can be given that the court would agree to enforce the award even if all requirements are met. In addition, even if such requirements were met, Certificateholders should also be aware that if any terms of the Certificates or the Transaction Documents (including any provisions relating to the payment of profit) were found to be inconsistent with Shariah, they would not be enforced by the Enforcement Courts. Whether the courts in Saudi Arabia will enforce a foreign arbitral award in accordance with the terms of the New York Convention, or otherwise, is yet to have a clear established practice, however, there are a few precedents where the enforcement courts have enforced arbitral awards in accordance with the terms of the New York Convention. Pursuant to the Saudi Arabian Arbitration Law, issued pursuant to Royal Decree No. M/34 dated 24/05/1433H (corresponding to 16 April 2012), a Saudi Arabian court must decline to hear a dispute if the parties have entered into a prior agreement to submit disputes to arbitration and the defendant raises the issue before entering a defence on the merits. If parties to court proceedings agree in the course of the proceedings to submit the dispute to arbitration, the Arbitration Law makes it mandatory for the courts to discontinue the action.

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

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

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

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

Certificateholders’ rights may be amended by SAMA pursuant to The Law on the Treatment of Systemically Important Financial Institutions

The Law on the Treatment of Systemically Important Financial Institutions M/38 dated 25/4/1442H (corresponding to 10 December 2020) (the SIFI Law), provides that in respect of any systemically important financial institution (which would include the Bank), subject to certain conditions being met which include, among others, the financial institution being in distress or likely to become distressed, SAMA may, among other things, amend the rights of creditors and/or holders of capital instruments including, without limitation, the reduction, cancellation or conversion thereof. The SIFI Law provides for executive regulations to be prepared by SAMA and the CMA and such executive regulations may stipulate further details with respect to any such amendment of rights. Whilst the SIFI Law provides that creditors whose rights are amended shall not incur greater losses than what is estimated would have been lost, had the relevant financial institution been wound up, there can be no assurance that any such amendment of rights or other action taken by SAMA will be in the interests of Certificateholders.

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

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

If the Bank’s insolvency satisfied the eligibility conditions for such bankruptcy procedures, this could adversely affect the Bank’s ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Trustee’s ability to perform its obligations in respect of the Certificates. There is little precedent to predict how claims by or on behalf of the Certificateholders and/or the Delegate would be resolved in the event of the Bank satisfying the eligibility conditions of any such bankruptcy procedures and, accordingly, it is uncertain exactly how and to what extent the Transaction Documents would be enforced by a Saudi Arabian adjudicatory body in that situation and, therefore, there can be no assurance that Certificateholders will receive repayment of their claims in full or at all in these circumstances. In addition, there is a material likelihood that a Saudi Arabian adjudicatory body could consider void a contractual provision that seeks to terminate a contract in the event of a preventative settlement or financial restructuring process being instigated. This is based on article 23 of the Bankruptcy Law, which states that contracts should continue during preventative settlement or financial restructuring processes and any condition to the contrary is null and void. Although there is an exemption for finance contracts, it is not clear whether the Conditions or the Transaction Documents will fall within the scope of this exemption. It is open to a contractual party to apply for its contract to be terminated, pursuant to article 24 of the Bankruptcy Law, if the party undergoing preventative settlement fails to comply with its obligations in the period after the commencement of preventative settlement.

In addition, pursuant to the SIFI Law, any application for bankruptcy procedures in respect of the relevant financial institution is subject to approval by SAMA, such that SAMA may instead, commence a treatment plan.

A court may not grant an order for specific performance

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

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

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

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

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

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

Under Islamic law (Shariah) as applied in Saudi Arabia, a loan that generates a benefit to the lender is considered “riba”. As such, an obligation to pay interest or a sum in the nature of interest (whether described as “commission”, “profit” or another synonym), including any form of benefits, is not enforceable. Prospective Certificateholders should note that the provisions of the Transaction Documents relating to the payment of commission or profit (whether described as “commission”, “profit” or another synonym) and possibly any arrangement, commitment, agency, administration or upfront fees, may not be enforceable under the laws of Saudi Arabia and therefore prospective Certificateholders may not be able to enforce their right to receive such amounts under the Transaction Documents.

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

ADDITIONAL RISK FACTORS

Certificateholders must rely on Euroclear and Clearstream, Luxembourg procedures

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

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

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

Holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

No assurance can be given as to Shariah rules

The Executive Shariah Committee of HSBC Saudi Arabia, the Shari’ah Committee of Riyad Bank and the Global Shariah Supervisory Committee of Standard Chartered Bank have each confirmed that the transaction structure relating to the Certificates (as described in this Offering Circular) and the Transaction Documents are, in their view, compliant with the principles of Shariah as applicable to, and interpreted by, them. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be Shariah-compliant by any other Shariah board or Shariah scholars. None of the Trustee, the Bank, the Delegate, the Agents, or any of the Joint Lead Managers makes any representation as to the Shariah-compliance of the Certificates and/or any trading thereof and potential investors are reminded that, as with any Shariah views, differences in opinion are possible and different Shariah standards may be applied by different Shariah boards. Prospective investors should not rely on the above pronouncements in deciding whether to make an investment in the Certificates and should obtain their own independent Shariah advice as to the compliance of the Transaction Documents and whether the Certificates will meet their individual standards of compliance and the issue and trading of the Certificates with Shariah principles, including the tradability of the Certificates on any secondary market. Questions as to the Shariah compliance of the Transaction Documents or Shariah permissibility of the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Conditions or the Transaction Documents would be, if in dispute, be referred to, and finally resolved by arbitration in London, England under the Arbitration Rules of the London Court of International Arbitration. In such circumstances, the arbitrator will apply the relevant law of the relevant Transaction Document and/or the Certificates in determining the obligation of the parties.

Shariah requirements in relation to interest awarded by a court

In accordance with applicable Shariah principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any court in connection with any dispute under the Transaction Documents. Should there be any delay in the enforcement of a judgment given against the Bank, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive all, or any part of, such interest.
Certificates with a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade

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

If a Certificateholder holds an amount which is less than U.S.$200,000 in his account with the relevant clearing system at the relevant time, such Certificateholder may not receive a Definitive Certificate in respect of such holding (should Definitive Certificates be printed) and would need to purchase a face amount of Certificates such that its holding amounts to at least an Authorised Denomination (as defined in the Conditions) in order to be eligible to receive a Definitive Certificate.

If Definitive Certificates are issued, holders should be aware that Definitive Certificates which have a denomination that is not an integral multiple of U.S.$200,000 may be illiquid and difficult to trade.

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

The Conditions contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally and for obtaining written resolutions on matters relating to the Certificates from Certificateholders without calling a meeting. A written resolution signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Declaration of Trust and whose Certificates are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

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

- where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Trustee, the Bank or the Delegate or given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates for the time being outstanding; and

- where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, the Bank and/or the Delegate by (a) accountholders in the clearing system(s) with entitlements to the Global Certificate and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Trustee, the Bank and the Delegate shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the relevant clearing system) and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above.

A written resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Certificateholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Certificateholders satisfying the special quorum in accordance with the provisions of the Declaration of Trust, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. These provisions permit defined majorities to bind all
Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

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

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

Exchange rate risks and exchange controls

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

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

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive lesser amounts under the Certificates than expected, or no such amounts.
DOCUMENTS INCORPORATED BY REFERENCE

The following documents have previously been published or are published simultaneously with this Offering Circular:

(a) the unaudited interim condensed consolidated financial statements of the Bank as at and for the nine-month period ended 30 September 2021 together with the review report thereon (available at https://www.riyadbank.com/en/Images/Q3%20Riyad%20Bank%20Financial%20Statements%20English_tcm8-27390.pdf);

(b) the consolidated financial statements of the Bank as at and for the year ended 31 December 2020 together with the audit report thereon (available at: https://www.riyadbank.com/en/Images/rb-financial-statements-q4-2020-en_tcm8-26082.pdf); and

(c) the consolidated financial statements of the Bank as at and for the year ended 31 December 2019 together with the audit report thereon (available at: https://www.riyadbank.com/en/Images/quarter4-interim-condensed-consolidated-statements-en_tcm8-20994.pdf),

(together, the Documents Incorporated by Reference).

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

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

Structure Diagram

Principal Cash Flows

Payments by the Certificateholders and the Trustee

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

(a) the cash proceeds of the issuance of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(b) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets (as defined below);

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

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

**Periodic payments by the Trustee**

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

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

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

**Dissolution payments and redemption by the Trustee and the Mudareb**

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

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

(i) on the First Call Date and on any date thereafter up to and including the First Reset Date, or any Periodic Distribution Date thereafter, by giving not less than 20 nor more than 35 days’ prior notice to the Trustee; or

(ii) on any date on or after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 20 nor more than 35 days’ prior notice to the Trustee:

(a) upon the occurrence of a Tax Event; or

(b) upon the occurrence of a Capital Event.

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

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

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

Certificates

U.S.$750,000,000 Additional Tier 1 Capital Certificates.

Trustee

Riyad Tier 1 Sukuk Limited, an exempted company incorporated with limited liability on 23 December 2021 under the laws of the Cayman Islands, with incorporation number 385191 with its registered office at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.

Trustee Legal Entity Identifier

5493000887R2TI3PUB86.

Ownership of the Trustee

The authorised share capital of the Trustee is U.S.$50,000 consisting of 50,000 ordinary shares of U.S.$1.00 par value each, 250 of which are fully-paid and issued. The Trustee’s entire issued share capital is held on trust for charitable purposes by MaplesFS Limited as share trustee under the terms of a declaration of trust (the Share Declaration of Trust).

Administration of the Trustee

The affairs of the Trustee are managed by MaplesFS Limited (the Trustee Administrator), who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to a corporate services agreement dated 31 January 2022 between the Trustee Administrator and the Trustee (the Corporate Services Agreement). The Trustee Administrator’s registered office is at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands.

Mudareb / Bank

Riyad Bank.

Rab-al-Maal

Riyad Tier 1 Sukuk Limited.

Risk Factors

Certain factors may affect the Trustee’s ability to fulfil its obligations under the Certificates and the Bank’s ability to fulfil its obligations under the Transaction Documents. In addition, certain factors are material for the purpose of assessing the market risks associated with the Certificates. These are set out under “Risk Factors”.

Joint Lead Managers


Delegate

Citibank, N.A., London Branch.

Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future powers, rights, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being requested and indemnified and/or secured and/or pre-funded to its satisfaction, be obliged to) take enforcement action in the
name of the Trustee against the Mudareb and/or the Bank following a Bank Event.

**Principal Paying Agent, Calculation Agent and Transfer Agent**

Citibank, N.A., London Branch.

**Registrar**

Citibank Europe Plc, Germany Branch

**Summary of the transaction structure and Transaction Documents**

An overview of the structure of the transaction and the principal cash flows is set out under “Structure Diagram and Cash Flows” and a description of the principal terms of certain of the Transaction Documents is set out under “Summary of the Principal Transaction Documents”.

**Issue Date**

16 February 2022.

**Issue Price**

100 per cent. of the aggregate face amount of the Certificates.

**Periodic Distribution Dates**

16 February and 16 August in each year, commencing on 16 August 2022.

**Periodic Distributions**

Subject to Condition 8 (Periodic Distribution Restrictions), Periodic Distribution Amounts shall be payable on each Periodic Distribution Date up to and including the First Reset Date at a rate of 4 per cent. per annum. If the Certificates are not redeemed or purchased and cancelled in accordance with the Conditions on or prior to the First Reset Date, Periodic Distribution Amounts shall be payable on each Periodic Distribution Date after the First Reset Date (subject as aforesaid) at a fixed rate, to be reset on the First Reset Date and every five years thereafter, equal to the Relevant Five year Reset Rate plus a margin of 2.17 per cent. per annum.

If the Bank makes a Non-Payment Election or a Non-Payment Event occurs, the Trustee shall not pay the corresponding Periodic Distribution Amounts (or any part thereof, as applicable) and neither the Bank nor the Trustee shall have any obligation to make any subsequent payment in respect of any unpaid Periodic Distribution Amount as more particularly described in Condition 8 (Periodic Distribution Restrictions). In such circumstances, distributions will not be cumulative and any distributions which are not paid will not accumulate or compound and the Certificateholders will have no right to receive such distributions at any time, even if other distributions are paid in the future.

**Form of Certificates**

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

**Clearance and Settlement**

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

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

Status of the Certificates

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

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

Trust Assets

The Trust Assets consist of:

(a) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(b) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets;

(c) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenants given to the Trustee pursuant to clause 12.1 of the Declaration of Trust); and

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

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

Redemption of Certificates

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

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

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

Any redemption of the Certificates is subject to the conditions described in Condition 10.1 (Redemption).
Cancellation or Write-down at the Point of Non-Viability

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

Dissolution Events

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

Withholding Tax

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

In addition, the Transaction Documents provide that payments thereunder by the Bank (in its capacity as the Mudareb) shall be made free and clear of and without withholding or deduction, for and on account of, any Taxes, unless such withholding or deduction is required by law and, in such case, provide for the payment by the Bank of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.

Notwithstanding any other provision of the Conditions, the Trustee and the Agents shall be permitted to withhold or deduct any amounts imposed pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the Code), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof), or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof, implementing legislation adopted by another jurisdiction in connection with these provisions, or any agreement with the U.S. Internal Revenue Service (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a FATCA withholding). None of the Trustee, the Delegate or any Agent will have any obligation to pay Additional Amounts or otherwise indemnify a Certificateholder for any FATCA withholding deducted or withheld by the Trustee, a Paying Agent or any other party as a result of any person not being entitled to receive payments free of FATCA withholding.

Trustee Covenants

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

The Bank has been assigned a long-term foreign currency ratings of “BBB+” with a “stable” outlook by S&P and Fitch and “A+” with a “negative” outlook by Capital Intelligence. The Bank has also been assigned a deposit rating of “A2” with a “stable” outlook by Moody’s.

Each of Moody’s, Fitch, S&P and Capital Intelligence is established in the EU and is registered under the CRA Regulation. As such, each of Moody’s, Fitch, S&P and Capital Intelligence is included in the list of credit rating agencies published by ESMA on its website in accordance with the CRA Regulation.

The rating issued by Moody’s, S&P and Fitch are each endorsed by Moody’s Investors Service Ltd., Fitch Ratings Ltd and S&P Global Ratings UK Limited, each of which is established in the United Kingdom (the UK) and registered under UK CRA Regulation and is included on the list of registered credit rating agencies (as of 3 February 2022) on the FCA Financial Services Register.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Certificates will not be rated by any rating organisation upon their issue.

Certificateholder Meetings

A summary of the provisions for convening meetings of the Certificateholders to consider matters relating to their interests as such is set out in Condition 18 (Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination).

Listing and Admission to Trading

Application has been made to the London Stock Exchange for the Certificates to be admitted to trading on the ISM and the Sustainable Bond Market of the London Stock Exchange. The ISM is not a regulated market for the purposes of the UK MiFIR.

Transaction Documents

The Declaration of Trust, the Agency Agreement and the Mudaraba Agreement are referred to herein as the Transaction Documents.

Governing Law

The Declaration of Trust, the Certificates, the Conditions, the Agency Agreement, the Mudaraba Agreement and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.

The Corporate Services Agreement and the Share Declaration of Trust and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, the laws of the Cayman Islands.

Waiver of Immunity

Under each of the Transaction Documents, the Bank has acknowledged that the transactions contemplated in the Transaction Documents are commercial transactions and, to the extent that the Bank may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise), enforcement, injunction or other legal or arbitral process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Bank or any of its assets or revenues, the Bank has agreed not to claim and has irrevocably and unconditionally waived such immunity to the fullest extent permitted by the laws of such jurisdiction.

In addition, the Bank has irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, enforcement or execution against any of its assets whatsoever of any award,
order, injunction, prejudgment or judgment made or given in connection with any legal or arbitral proceedings or Disputes.

**Limited Recourse**

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

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

The Bank is obliged to make certain payments under the Transaction Documents directly to, or to the order of, the Trustee or the Delegate. Such payment obligations form part of the Trust Assets and the Trustee and/or the Delegate will, subject to Condition 4.2 (Subordination) and Condition 12.3 (Winding-up, dissolution or liquidation), have recourse against the Bank to recover payments due to the Trustee from the Bank pursuant to such Transaction Documents notwithstanding any other provision of Condition 4.4 (Limited Recourse and Agreement of Certificateholders). Such right of the Trustee and the Delegate shall constitute an unsecured claim against the Bank. None of the Certificateholders, the Trustee or the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Bank in connection with the enforcement of any such claim.

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

**Selling Restrictions**

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

**Use of Proceeds**

See “Use of Proceeds”.

46
TERMS AND CONDITIONS OF THE ADDITIONAL TIER 1 CAPITAL CERTIFICATES

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

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

Riyad Tier 1 Sukuk Limited (in its capacity as issuer and in its capacity as trustee, as applicable, the Trustee, which expression shall where the context allows include the Delegate (as defined below) acting pursuant to the powers delegated to it by the Trustee pursuant to the Declaration of Trust (as defined below)) has issued Additional Tier 1 Capital Certificates (the Certificates) in an aggregate face amount of U.S.$750,000,000. The Certificates are constituted by a declaration of trust (the Declaration of Trust) dated 16 February 2022 (the Issue Date) made between the Trustee, Riyad Bank (the Bank) and Citibank, N.A., London Branch as (a) the donee of certain powers and (b) the delegate of the Trustee (the Delegate, which expression shall include all persons for the time being appointed as the delegate or delegates under the Declaration of Trust).

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

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

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to contribute the sums paid by it in respect of its Certificate(s) to the Mudareb (as defined in Condition 5 (The Trust)) in accordance with the Mudaraba Agreement (as defined in Condition 5 (The Trust)); (b) to act as Rab-al-Maal (as defined in Condition 5 (The Trust)) pursuant to the Mudaraba Agreement on its behalf (which authorisation and direction shall also apply to its successors in title and any Substituted Trustee (as defined below)); and (c) to enter into each Transaction Document, subject to the provisions of the Declaration of Trust and these Conditions.

1. Interpretation

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

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

**Additional Tier 1 Capital** means capital qualifying as (or which would qualify as, but for any applicable limitation on the amount of such capital), and approved by the Financial Regulator as, additional tier 1 capital in accordance with the Capital Regulations;

**Applicable Regulatory Capital Requirements** means any requirements contained in the Capital Regulations for the maintenance of capital from time to time applicable to the Bank, including transitional rules and waivers granted in respect of the foregoing;

**Applicable Statutory Loss Absorption Regime** means a Statutory Loss Absorption Regime that is applicable to the Certificates and which, alone or together with any other law(s) or regulation(s), has the effect that Conditions 11.2 (Non-Viability Event) and 11.3 (Non-Viability Notice) could cease to apply to the Certificates without giving rise to a Capital Event;

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

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

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

(a) **Non-payment**: the Bank (acting in its capacity as Mudarab) fails to pay an amount which is equivalent to principal or profit (including Additional Amounts) due and payable by it pursuant to the Mudaraba Agreement and the failure continues for a period of (in the case of principal) five days or (in the case of profit) 14 days (save, in each case, where such failure occurs solely as a result of the occurrence of a Non-Payment Event or a Non-Payment Election); or

(b) **Winding-up**: a Winding-up Proceeding has occurred and is continuing; or

(c) **Analogous Event**: any event occurs which under the laws of the Kingdom of Saudi Arabia has an analogous effect to any of the events referred to in paragraph (b) above;

**Basel III** means the set of reforms to the international regulatory capital framework issued by the Basel Committee (including, but not limited to, the Basel III Documents) as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for international credit institutions (including guidance on the eligibility criteria for tier 1 capital instruments and tier 2 capital instruments);

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

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

**Business Day** means a day on which registered banks settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the Kingdom of Saudi Arabia, New York City and London;
**Capital Event** is deemed to have occurred if the Bank is notified in writing by the Financial Regulator to the effect that the outstanding face amount (or, if some amount of the Certificates outstanding are held by the Bank or whose purchase is funded by the Bank, the amount that qualifies as regulatory capital) of the Certificates is excluded (in full or, to the extent not prohibited by relevant regulatory criteria for Tier 1 Capital, in part) from the consolidated Tier 1 Capital of the Bank (save where such non-qualification is only as a result of either (a) any applicable limitation on the amount of such capital; or (b) such capital ceasing to count towards the Bank’s capital base through any amortisation or similar process or any changes thereto (including any amortisation or similar process imposed through any grandfathering arrangement));

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

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

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

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

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

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

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

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

**Dissolution Event** means a Bank Event and/or a Trustee Event;

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

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

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

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

**Final Mudaraba Profit** has the meaning given to it in the Mudaraba Agreement;
Financial Regulator means SAMA or such other governmental authority which assumes or performs the functions of SAMA, as at the Issue Date, or such other successor authority exercising primary banking supervision, in each case with respect to prudential matters in relation to the Bank;

First Call Date means 16 February 2027;

First Mudaraba Profit Distribution Date means 16 August 2022;

First Reset Date means 16 August 2027;

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

H.15 (519) means the weekly statistical release designated as such, or any successor or replacement publication, published by the Board of Governors of the United States Federal Reserve System and most recent H.15 (519) means the H.15 (519) published closest in time but prior to the applicable U.S. Securities Determination Date. H.15 (519) may be currently obtained at the following website: https://www.federalreserve.gov/releases/h15/;

Indemnifying Party has the meaning given to it in the Declaration of Trust.

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

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

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

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

Margin means 2.17 per cent. per annum;

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

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

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

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

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

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

Mudaraba Profit Distribution Date means 16 February and 16 August in each year, starting on (and including) the First Mudaraba Profit Distribution Date;

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

Mudareb has the meaning given to it in Condition 5 (The Trust);
Non-Payment Election has the meaning given to it in Condition 8.2 (Non-Payment Election);

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

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

(a) a Write-down of the Certificates (and write-down of any of the Bank’s other capital instruments or other obligations constituting Tier 1 Capital and/or Tier 2 Capital of the Bank that, pursuant to their terms or by operation of law, are capable of being written-down and/or converted into equity); or

(b) a public sector injection of capital (or equivalent support), provided that such injection of capital is not made (i) by a shareholder of the Bank or (ii) on terms that are more favourable to the Bank than those that would be accepted by private investors in comparable transactions;

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

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

Non-Viable means, in the case of the Bank, (a) insolvent, bankrupt, unable to pay a material part of its obligations as they fall due or unable to carry on its business or (b) any other event or circumstance which is specified as constituting non-viability by the Financial Regulator or in applicable Capital Regulations or any Applicable Statutory Loss Absorption Regime;

Ordinary Shares means the common shares of the Bank;

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

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

Pari Passu Obligations means all subordinated payment obligations of the Bank which rank, or are expressed to rank, pari passu with the Relevant Obligations;

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

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

Periodic Distribution Date means 16 February and 16 August in each year, starting on (and including) 16 August 2022;

Periodic Distribution Period means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;
**Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

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

**Proceedings** has the meaning given to it in Condition 21.3 (Waiver of Interest);

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

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

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

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

**Record Date** means in the case of the payment of a Periodic Distribution Amount, the date falling on the 15th day before the relevant Periodic Distribution Date and, in the case of the payment of a Dissolution Distribution Amount, the date falling two Payment Business Days before the date for payment of the relevant Dissolution Distribution Amount, as the case may be;

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

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

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

**Relevant Five Year Reset Rate** means, in respect of each Reset Period: (a) a rate (expressed as a decimal) determined on the relevant U.S. Securities Determination Date to be the per annum rate equal to the weekly average yield to maturity for U.S. Treasury securities with a maturity of five years and trading in the public securities markets; or (b) if there is no such published U.S. Treasury security with a maturity of five years and trading in the public securities markets, then the rate will be determined on the relevant U.S. Securities Determination Date by interpolation between the most recent weekly average yield to maturity for two series of U.S. Treasury securities trading in the public securities markets: (i) one maturing as close as possible to, but earlier than, the immediately following Reset Date; and (ii) the other maturing as close as possible to, but later than, the immediately following Reset Date, in the case of each of (a) and (b), as published in the most recent H.15 (519). If the Bank cannot procure the determination of the Relevant Five Year Reset Rate on the relevant U.S. Securities Determination Date pursuant to the methods described in (a) and (b) above, then the Relevant Five Year Reset Rate will be: (A) equal to the rate applicable to the immediately preceding Reset Period; or (B) in the case of the Reset Period commencing on the First Reset Date, 1.8 per cent.;

**Relevant Jurisdiction** means the Cayman Islands (in the case of any payment made by the Trustee) and the Kingdom of Saudi Arabia (in the case of any payment made by the Bank) or, in each case, any political sub-division or authority thereof or therein having the power to tax;
**Relevant Obligations** means the payment obligations of the Bank under the Mudaraba Agreement (including all payments which are the equivalent of principal and profit);

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

**Reset Date** means the First Reset Date and every fifth anniversary thereafter;

**Reset Period** means the period from (and including) the First Reset Date to (but excluding) the earlier of (a) the Mudaraba End Date and (b) the following Reset Date, and (if applicable) each successive period thereafter from (and including) such Reset Date to (but excluding) the earlier of (x) the Mudaraba End Date and (y) the next succeeding Reset Date;

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

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

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

**Senior Obligations** means all unsubordinated payment obligations of the Bank (including payment obligations to the Bank’s depositors) and all subordinated payment obligations (if any) of the Bank except *Pari Passu* Obligations and Junior Obligations;

**Statutory Loss Absorption Regime** means any statutory regime implemented in the Kingdom of Saudi Arabia which provides the Financial Regulator with the powers to implement loss absorption measures in respect of capital instruments (such as the Certificates), including, but not limited to, any such regime which is implemented pursuant to Basel III and/or The Law on the Treatment of Systemically Important Financial Institutions M/38 dated 25/4/1442H;

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

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

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

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

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

**Tax Event Redemption Amount** in relation to a Certificate, means 100 per cent of its outstanding face amount together with any Outstanding Payments;
Tax Law Change means any change in, or amendment to, the laws, published practice or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws, published practice or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective (or, in the case of application or official interpretation, is announced) on or after 14 February 2022;

Tier 1 Capital means capital qualifying as (or which would qualify as, but for any applicable limitation on the amount of such capital), and approved by the Financial Regulator as, tier 1 capital in accordance with the Capital Regulations;

Tier 2 Capital means capital qualifying as (or which would qualify as, but for any applicable limitation on the amount of such capital), and approved by the Financial Regulator as, tier 2 capital in accordance with the Capital Regulations;

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

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

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

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

Trustee Event means any of the following events:

(a) Non-Payment: default is made in the payment of the Dissolution Distribution Amount, or default is made in the payment of any Periodic Distribution Amount, in each case, on the due date for payment thereof and such default continues in the case of any Dissolution Distribution Amount for a period of five days and, in the case of any Periodic Distribution Amount, for a period of 14 days; or

(b) Winding-up: an administrator is appointed, an order is made by any competent court or the government of the Cayman Islands or an effective resolution is passed for the administration, winding-up, liquidation or dissolution of the Trustee in accordance with applicable law or the Trustee applies or petitions for a winding-up or administration order in respect of itself (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority); or

(c) Analogous Event: any event occurs that under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraph (b) above.

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

Trustee’s Territory has the meaning given to it in Condition 12.2 (Trustee Events);
U.S. means the United States of America;

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

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

**Winding-Up Proceeding** means an administrator is appointed, an order is made by any competent court or the government of the Kingdom of Saudi Arabia or an effective resolution is passed for the administration, winding-up, liquidation or dissolution of the Bank in accordance with applicable law or the Bank applies or petitions for a winding-up or administration order in respect of itself (except, in any such case, a solvent winding-up solely for the purposes of a reorganisation, reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority);

**Write-down** means:

(a) the Certificateholders’ rights under or in respect of the Trust Assets (including the Mudaraba Assets) shall automatically be deemed to be irrevocably and unconditionally Written-down in a proportion corresponding to the relevant Write-down Amount;

(b) (in the case of a Write-down in whole) the Certificates shall be cancelled or (in the case of a Write-down in part) Written-down in part on a pro rata basis;

(c) (in the case of a Write-down in whole) the Certificateholders’ rights under the Mudaraba Assets shall be granted to the Mudareb such that the value of the Mudaraba Assets is zero;

(d) the Trustee shall pay (x) any accrued and unpaid Periodic Distribution Amounts (in relation to the relevant Write-down Amount); and (y) any Additional Amounts (in relation to the relevant Write-down Amount), in each case, if and only to the extent that such Periodic Distribution Amount or Additional Amount, as applicable, became due and payable prior to the date of the Non-Viability Notice (and provided payment of such amounts are not prohibited by the Financial Regulator or the Capital Regulations at such time); and

(e) except as described in paragraph (d) above, all rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, the Dissolution Distribution Amount and any amounts arising as a result of, or due and payable upon the occurrence of, a Dissolution Event) in a proportion corresponding to the relevant Write-down Amount (and any related unpaid Periodic Distribution Amounts) shall be cancelled and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Notice or the Non-Viability Event Write-down Date,

and all references to **Written-down** will be construed accordingly; and

**Write-down Amount** means the outstanding face amount of the Certificates and the principal notional amount of the Trust Assets that the Financial Regulator has determined to be Written-down.

All references in these Conditions to **U.S. dollars**, **U.S.$** and **$** are to the lawful currency of the United States of America.
2. Form, Denomination and Title

2.1 Form and Denomination

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

Upon issue, the Certificates will be represented by a Global Certificate which will be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg (as applicable), and their respective participants. These Conditions are modified by certain provisions contained in the Global Certificate. Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive Certificates representing their holdings of Certificates. See “**Global Certificate**”.

2.2 Title

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

3. Transfers of Certificates

3.1 Transfers

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

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

3.2 Delivery of New Certificates

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

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

3.3 Formalities Free of Charge

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

3.4 Closed Periods

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

3.5 Regulations

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

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

4. Status, Subordination and Limited Recourse

4.1 Status

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

4.2 Subordination

(a) Upon the occurrence and continuation of any Winding-Up Proceeding, the Relevant Obligations will (i) constitute Additional Tier 1 Capital of the Bank, (ii) constitute direct, unsecured, unconditional and subordinated obligations of the Bank, (iii) rank subordinate and junior to all Senior Obligations but not further or otherwise, (iv) rank pari passu with all other Pari Passu Obligations and rank in priority only to all Junior Obligations.
(b) The Trustee irrevocably waives its rights to the extent necessary to give effect to the subordination provisions of this Condition 4.2 (Subordination). In order to give effect to such subordination provisions, the Trustee, the Bank and the Certificateholders agree that if a Winding-Up Proceeding shall have occurred and be continuing, any amounts that would be due and payable to them (including any amounts standing to the credit of the Mudaraba Reserve) will be applied:

(i) first, to the payment in full of each claim in respect of a Senior Obligation (including any amount in respect of a claim accruing after the date of commencement of such Winding-Up Proceeding); and

(ii) thereafter, to the payment, equally and rateably, of each amount owing in respect of the Relevant Obligations and all Pari Passu Obligations.

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

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

(e) The Trustee may only exercise its enforcement rights in relation to any Relevant Obligation or in relation to any of its other rights under the Mudaraba Agreement or any other Transaction Document in the manner provided in Condition 12.3 (Winding-up, dissolution or liquidation).

(f) The provisions of this Condition 4.2 (Subordination) apply only to the Relevant Obligations and nothing in this Condition 4.2 (Subordination) shall affect or prejudice the payment of the costs, charges, expenses, liabilities, indemnities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof and in such capacity the Delegate shall rank as an unsubordinated creditor of the Bank.

4.3 Other Issues

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

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

(a) no payment of any amount whatsoever shall be made by the Trustee or any of its directors, officers, employees or agents on its behalf except to the extent funds are available therefor from the Trust Assets;

(b) the Trustee may not deal with the Mudaraba Assets or realise or deal with its interest, rights, title, benefit and entitlements, present and future, in, to and under the Transaction Documents and the Trust Assets except in the manner expressly permitted by the Transaction Documents;

(c) the proceeds of the Trust Assets are the sole source of payments on the Certificates. Payment by the Trustee of any Periodic Distribution Amount or any amount required to redeem the Certificates is subject to receipt by the Trustee of the amounts expected to be received by it from the Mudareb in accordance with the provisions of the Mudaraba Agreement;

(d) if the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets is not sufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (other than the Trust Assets in the manner contemplated in the Transaction Documents) or of the Delegate or the Agents, or any of their respective affiliates in respect of any such shortfall, and no recourse shall be had, and no Certificateholder will have any claim, for the payment of any amount due and owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted (following which all obligations of the Trustee shall be extinguished) or the Delegate or the Agents;

(e) it will not petition for, institute, or join with any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee or any of its directors, officers, agents, shareholders or affiliates as a consequence of such shortfall or otherwise;

(f) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee arising under or in connection with these Conditions or the Transaction Documents by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, director or corporate services provider of the Trustee in their capacity as such. The obligations of the Trustee under these Conditions and the Transaction Documents are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the officers or directors of the Trustee (in each of their respective capacities as such), save in the case of their wilful default or actual fraud. References in these Conditions to wilful default or actual fraud mean a finding to such effect by a court of competent jurisdiction (in relation to the conduct of the relevant party);

(g) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of any sums due under such Certificate. No collateral is or will be given for the payment obligations under the Certificates; and
(h) the Trustee and the Mudareb have agreed in the Mudaraba Agreement that the Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee unless such losses are caused by (i) the Mudareb’s breach of the Mudaraba Agreement or (ii) the Mudareb’s gross negligence, wilful misconduct or fraud.

The Bank is obliged to make certain payments under the Transaction Documents directly to, or to the order of, the Trustee or the Delegate. Such payment obligations form part of the Trust Assets, and the Trustee and/or the Delegate will, subject to Condition 4.2 (Subordination) and Condition 12.3 (Winding-up, dissolution or liquidation), have recourse against the Bank to recover payments due to the Trustee from the Bank pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4.4 (Limited Recourse and Agreement of Certificateholders). Such right of the Trustee and the Delegate shall constitute an unsecured claim against the Bank. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Bank in connection with the enforcement of any such claim.

5. The Trust

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

The Trustee has opened a transaction account in London (the Transaction Account) in its own name with the Principal Paying Agent (details of which are set out in the Declaration of Trust) into which the Mudareb will pay all amounts due to the Trustee under the Mudaraba Agreement. If the Trustee is substituted in accordance with Condition 12.2 (Trustee Events), the Substituted Trustee will be required to open a new transaction account in London in its name with the Principal Paying Agent into which the Mudareb will pay all amounts due to the Trustee under the Mudaraba Agreement from the date of substitution onwards, and references in these Conditions to the Transaction Account will be construed accordingly.

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

(a) the cash proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

(b) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets;

(c) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee pursuant to clause 12.1 of the Declaration of Trust); and

(d) all amounts standing to the credit of the Transaction Account from time to time,
and all proceeds of the foregoing (together, the Trust Assets) upon trust absolutely for and on behalf of the Certificateholders pro rata according to the face amount of Certificates held by each such Certificateholder in accordance with the Declaration of Trust and these Conditions.

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

(a) first (to the extent not previously paid), to each of the Delegate and/or any Appointee (as defined in the Declaration of Trust) in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (in accordance with the Declaration of Trust) or Appointee, as applicable;

(b) second (to the extent not previously paid), to each Agent in respect of all amounts owing to such Agent under the Transaction Documents in its capacity as Agent (in accordance with the Agency Agreement) on pari passu and rateable basis;

(c) third (to the extent not previously paid), in or towards reimbursement pari passu and rateably of any amounts paid by any Indemnifying Party as contemplated by clause 12.8 of the Declaration of Trust;

(d) fourth, only if such payment is due on or before a Periodic Distribution Date (to the extent not previously paid) to pay, pro rata and pari passu, (i) the Trustee in respect of all amounts owing to it under the Transaction Documents in its capacity as trustee; and (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents and the Corporate Services Agreement in its capacity as trustee administrator and registered office provider;

(e) fifth, only if such payment is due on a Periodic Distribution Date, and subject to Condition 8 (Periodic Distribution Restrictions), in or towards payment pari passu and rateably of all Periodic Distribution Amounts (including Additional Amounts) due but unpaid;

(f) sixth, only if such payment is due on a date fixed for payment of the Dissolution Distribution Amount, in or towards payment pari passu and rateably of the Dissolution Distribution Amount; and

(g) seventh, only after all amounts required to be paid in respect of the Certificates have been discharged in full, in payment of any residual amount to the Bank, or prior to the Mudaraba End Date, the Mudaraba Reserve.

6. Covenants

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

(a) incur any indebtedness in respect of financed, obtained or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of Shariah or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
secure any of its present or future indebtedness or present or future obligations (whether structured in accordance with the principles of Shariah or otherwise) by granting or permitting to be outstanding any lien, pledge, charge, mortgage or other security interest upon any of its present or future undertakings, assets, properties or revenues (other than those arising by operation of law (if any) or under or pursuant to any of the Transaction Documents);

(c) sell, transfer, assign, participate, exchange or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise, or permit such to occur or suffer such to exist) any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents (other than those arising by operation of law);

(d) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;

(e) amend or agree to any amendment to any Certificate or Transaction Document (other than in accordance with the terms thereof);

(f) act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;

(g) have any subsidiaries or employees;

(h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders;

(i) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents have been paid in full, put to its directors or shareholders any resolution for, appoint any administrator or liquidator for or apply or petition for, its winding-up (except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation approved by any court of competent jurisdiction or other competent authority) or any resolution for the commencement of any other bankruptcy or insolvency proceedings with respect to it;

(j) subject to (i) above, consolidate or merge with any other person; or

(k) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:

(i) as provided for or permitted in the Transaction Documents;

(ii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and

(iii) such other matters which are incidental thereto.

7. **Periodic Distributions**

7.1 **Distribution of Mudaraba Profit**

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

7.2 Periodic Distribution Amounts

Subject to Conditions 4.2 (Subordination), 4.4 (Limited Recourse and Agreement of Certificateholders), 7.3 (Cessation of Accrual), 8 (Periodic Distribution Restrictions), 9 (Payments) and 11 (Write-down at the Point of Non-Viability), the Trustee shall distribute to Certificateholders, pro rata to their respective holdings, out of amounts transferred into the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date equal to the Periodic Distribution Amount. The Periodic Distribution Amount payable on each Periodic Distribution Date (i) falling prior to and including the First Reset Date shall be U.S.$20 per U.S.$1,000 in face amount of the Certificates and (ii) falling after the First Reset Date shall be the relevant amount calculated pursuant to Condition 7.4 (Periodic Distributions).

7.3 Cessation of Accrual

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

7.4 Periodic Distributions

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

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

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

(a) Periodic Distribution Rate

For the Initial Period, the Certificates bear profit at the Profit Rate of 4 per cent. per annum (the Initial Periodic Distribution Rate).

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

The Calculation Agent will, as soon as practicable upon determination of the Profit Rate which shall apply to the Reset Period commencing on the relevant Reset Date, but in no event later than the second
Business Day thereafter, cause the applicable Profit Rate and the corresponding Periodic Distribution Amount to be notified to each of the Paying Agents, the London Stock Exchange or any other stock exchange on which the Certificates are for the time being listed (if then required by the London Stock Exchange or such other stock exchange) and to be notified to Certificateholders in accordance with Condition 17 (Notices). To the extent that the Calculation Agent is unable to notify the London Stock Exchange, or any other stock exchange on which the Certificates are for the time being listed (if then required by the London Stock Exchange or such other stock exchange), the Calculation Agent shall promptly notify the Bank, which shall procure the performance of such obligation.

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

(b) Calculation Agent

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

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

(c) Determinations of Calculation Agent or Trustee Binding

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

8. Periodic Distribution Restrictions

8.1 Non-Payment Event

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

(a) the amount equal to the then applicable Periodic Distribution Amount to be paid by the Bank out of the Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as applicable
(the Relevant Rab-al-Maal Mudaraba Profit Amount), when aggregated with any distributions or amounts payable by the Bank (in its capacity as Mudareb or otherwise) on the same date (or otherwise due and payable on such date) on any other obligations in respect of Pari Passu Obligations and Junior Obligations, exceeds, on the relevant date for payment of the Relevant Rab-al-Maal Mudaraba Profit Amount, the Mudareb’s Distributable Profits; or

(b) the Bank (in its capacity as Mudareb or otherwise) is, on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be), in breach of (or such payment would cause a breach of) the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of any applicable capital buffers imposed on the Bank by the Financial Regulator); or

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

8.2 Non-Payment Election

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

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

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

8.4 Dividend and Redemption Restrictions

If any amount of Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit or Periodic Distribution Amount is not paid as a consequence of a Non-Payment Election or a Non-Payment Event pursuant to Condition 8.1 (Non-Payment Event) or 8.2 (Non-Payment Election) (as the case may be), then, from the date of such Non-Payment Election or Non-Payment Event (the Dividend Stopper Date), the Bank will not, so long as any of the Certificates are outstanding:

(a) declare or pay any distribution or dividend or make any other payment on, and will procure that no distribution or dividend or other payment is made on, Ordinary Shares issued by the Bank (other than to the extent that any such distribution, dividend or other payment is declared before such Dividend Stopper Date); or

(b) declare or pay profit or any other distribution on any of its Other Common Equity Tier 1 Instruments or securities ranking, as to the right of payment of dividend, distributions or similar payments, junior to or pari passu with the Relevant Obligations (excluding securities the terms of which do not at the relevant time enable the Bank to defer or otherwise not to make such payment), only to the extent such restriction on payment or distribution is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time; or

(c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any Ordinary Shares issued by the Bank; or

(d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by the Bank ranking, as to the right of repayment of capital, junior to or pari passu with the Relevant Obligations (excluding securities the terms of which stipulate (i) any mandatory redemption in accordance with its terms or (ii) any conversion into, or exchange for, Ordinary Shares), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Tier 1 Capital applicable from time to time,

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

9. Payments

9.1 Payments in respect of the Certificates

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

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

### 9.2 Payments subject to Applicable Laws

Payments in respect of the Certificates are subject in all cases to (a) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13 (Taxation) and (b) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the Code), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 13 (Taxation)) any law implementing an intergovernmental approach thereto.

### 9.3 No Commissions

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

### 9.4 Payment only on a Payment Business Day

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

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

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

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

### 9.5 Agents

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

10.1 Redemption

(a) No Fixed Redemption Date and Conditions for Redemption

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

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

(i) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so requires) the Bank having obtained the prior consent of the Financial Regulator;

(ii) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so requires) at the time when the relevant notice of redemption is given, the Bank being in compliance with the Applicable Regulatory Capital Requirements;

(iii) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so requires) immediately following such redemption, the Bank being in compliance with the Applicable Regulatory Capital Requirements; and

(iv) (in the case of a redemption pursuant to Conditions 10.1(c) (Redemption due to Taxation) or 10.1(d) (Redemption for Capital Event) only) the Tax Law Change or Capital Event, as the case may be, having become, or becoming, effective on or after the Issue Date.

(b) Trustee’s Call Option

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

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

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

(i) Subject to Condition 10.1(a) *(No Fixed Redemption Date and Conditions for Redemption)*, this Condition 10.1(c) *(Redemption due to Taxation)* and Condition 10.1(e) *(No redemption following delivery of a Non-Viability Notice)*, if a Tax Event occurs, the Bank may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than 15 nor more than 30 days’ prior notice to the Certificateholders in accordance with Condition 17 *(Notices)* and to the Delegate in accordance with the Declaration of Trust, (which notice shall specify the date fixed for redemption and applicable Record Date, and shall, subject to Condition 10.1(e) *(No redemption following delivery of a Non-Viability Notice)*, be irrevocable), redeem all, but not some only, of the Certificates at the Tax Event Redemption Amount. No such notice shall be given earlier than 90 days prior to the earliest date on which the Trustee or the Bank would be obliged to pay Additional Amounts or additional amounts under clause 5.11 of the Mudaraba Agreement. If the Bank does not instruct the Trustee to so redeem in accordance with this Condition 10.1(a)(i) *(Redemption due to Taxation)* in respect of such Tax Event then the Certificates shall continue to be perpetual securities in respect of which there is no fixed redemption date unless the Trustee shall otherwise (subject to the provisions of Condition 4.2 *(Subordination)*, Condition 11 *(Write-down at the Point of Non-Viability)* and Condition 12.3 *(Winding-up, dissolution or liquidation)* and without prejudice to the provisions of Condition 14 *(Prescription)* redeem the Certificates in accordance with the provisions of this Condition 10 *(Redemption)*.

(ii) Redemption of the Certificates pursuant to this Condition 10.1(c) *(Redemption due to Taxation)* may occur on any date on or after the Issue Date (whether or not a Periodic Distribution Date).

(iii) Prior to the delivery of any notice of redemption pursuant to this Condition 10.1(c) *(Redemption due to Taxation)*, the Bank shall give to the Trustee and the Delegate (A) a copy of the opinion of an independent tax or legal adviser of recognised standing to the effect that a Tax Event has occurred (upon which the Delegate may rely without liability to any person) and (B) a certificate signed by an Authorised Signatory (upon which the Delegate may rely without liability to any person) stating that (I) the conditions set out in Condition 10.1(a) *(No Fixed Redemption Date and Conditions for Redemption)* have been satisfied; and (II) a Tax Event has occurred. Such certificate and opinion shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above in this Condition 10.1(c) *(Redemption due to Taxation)* and the Delegate shall be entitled to accept and rely on such certificate and opinion without any further inquiry as sufficient evidence of the satisfaction of such conditions precedent without liability to any person. Upon expiry of such notice, the Trustee shall redeem the Certificates.

(d) **Redemption for Capital Event**

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

(ii) Redemption of the Certificates pursuant to this Condition 10.1(c) (Redemption due to Taxation) may occur on any date on or after the Issue Date (whether or not a Periodic Distribution Date).

(iii) Prior to the delivery of any notice of redemption pursuant to this Condition 10.1(d) (Redemption for Capital Event), the Bank shall give to the Trustee and the Delegate a certificate signed by an Authorised Signatory (upon which the Delegate shall rely without liability to any person) stating that (A) the conditions set out in Condition 10.1(a) (No Fixed Redemption Date and Conditions for Redemption) have been satisfied; and (B) a Capital Event has occurred and is continuing as at the date of the certificate. Such certificate shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above in this Condition 10.1(d)(iii) (Redemption for Capital Event) and the Delegate shall be entitled to accept and rely on such certificate without any further enquiry as sufficient evidence of the satisfaction of such conditions precedent without liability to any person. Upon expiry of such notice the Trustee shall redeem the Certificates.

(e) No redemption following delivery of a Non-Viability Notice

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

10.2 Purchase

Subject to the Bank (a) obtaining the prior approval of the Financial Regulator (except to the extent that the Financial Regulator no longer so requires); and (b) being in compliance with the Applicable Regulatory Capital Requirements at the time of purchase, the Bank or any of its Subsidiaries, may, in those circumstances permitted by the Applicable Regulatory Capital Requirements, purchase the Certificates in any manner and at any price. Upon any such purchase, the Bank shall deliver such Certificates to any Paying Agent for cancellation and, upon such cancellation, the Mudaraba Capital shall be reduced by the face amount of the Certificates so cancelled.

10.3 Cancellation

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

11. Write-down at the Point of Non-Viability

11.1 Effectiveness of this Condition 11

The provisions of this Condition 11 (Write-down at the Point of Non-Viability) will lapse and cease to apply with effect from (and including) the date on which the Applicable Statutory Loss Absorption Regime becomes effective in respect of the Certificates (the Effective Date), except to the extent such provisions are required by the Applicable Statutory Loss Absorption Regime. Forthwith following the occurrence of the Effective Date, the Bank shall give notice of such occurrence to the Trustee and the
Delegate in accordance with the Declaration of Trust and to the Certificateholders in accordance with Condition 17 (Notices). If the Bank becomes Non-Viable on or after the Effective Date, the Financial Regulator (or the Bank on instructions from the Financial Regulator) may take such action in respect of the Certificates as is required or permitted by such Applicable Statutory Loss Absorption Regime.

11.2 Non-Viability Event

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

11.3 Non-Viability Notice

(a) On the third Business Day following the date on which such Non-Viability Event occurs (or on such earlier date as determined by the Financial Regulator), (i) the Mudareb will notify the Trustee thereof in accordance with the Mudaraba Agreement and (ii) the Trustee will then notify the Delegate and the Certificateholders thereof and the Principal Paying Agent in accordance with Condition 17 (Notices) (a Non-Viability Notice).

(b) Such Non-Viability Notice shall:

(i) state that a Non-Viability Event has occurred;

(ii) state that a Write-down will take place and, following guidance from the Financial Regulator, whether such Write-down will be a full or partial Write-down;

(iii) specify, in the case of a partial Write-down, the amount as determined by the Financial Regulator and notified to the Bank by which the aggregate face amount of the Certificates then outstanding is to be Written-down;

(iv) specify, in the case of a full Write-down, that the Bank has received written confirmation from the Financial Regulator that the Financial Regulator has determined the principal notional amount of the Trust Assets to be zero; and

(v) specify the Non-Viability Event Write-down Date.

(c) A Write-down will occur on the Non-Viability Event Write-down Date.

(d) In the case of a Write-down in full only, the Mudaraba Agreement will be automatically terminated with effect from the Non-Viability Event Write-down Date and none of the Trustee, the Certificateholders nor the Delegate shall be entitled to any claim for any amounts in connection with the Mudaraba Assets.

(e) In the case of a Write-down in part only, the Mudaraba Capital shall be reduced in proportion to the face amount of the Certificates to be Written-down and none of the Trustee, the Certificateholders nor the Delegate shall be entitled to any claim for any amounts in connection with the Mudaraba Assets that relate to the proportion of the Mudaraba Capital that has been reduced.

11.4 Liability of Delegate and Agents

Neither the Delegate nor the Agents shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Non-Viability Event (or its disapplication, if applicable) or any consequent Write-down and/or cancellation of any Certificates or
termination of the Mudaraba Agreement or any claims in respect thereof, and the Delegate and the Agents shall not be responsible for any calculation, determination or the verification of any calculation or determination in connection with the foregoing.

12. **Dissolution Events and Winding-up**

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

12.1 **Bank Events**

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

12.2 **Trustee Events**

(a) The Bank has undertaken in the Declaration of Trust that, as soon as practicable following the occurrence of a Trustee Event, it will procure (without the consent of the Certificateholders), subject to the consent of the Financial Regulator, the substitution of any newly formed special purpose company in form substantially the same as that of the Trustee, in place of the Trustee (the **Substituted Trustee**), or of any previous substituted company, as trustee and issuer under the Declaration of Trust and the Certificates, provided that:

(i) a deed is executed or undertaking given by the Substituted Trustee to the Delegate, in form and manner satisfactory to the Delegate (acting in accordance with the Declaration of Trust and these Conditions), agreeing to be bound by the Declaration of Trust, the Certificates and the Transaction Documents (with consequential amendments as the Delegate may deem appropriate) as if the Substituted Trustee had been named in the Declaration of Trust, the Certificates and the other Transaction Documents as trustee and issuer in place of the Trustee;

(ii) if the Substituted Trustee is subject generally to the taxing jurisdiction of a territory or any authority of or in that territory with power to tax (the **Substituted Territory**) other than the territory of the taxing jurisdiction to which (or to any such authority of or in which) the Trustee is subject generally (the **Trustee’s Territory**), the Substituted Trustee shall give to the Delegate an undertaking satisfactory to the Delegate in terms...
corresponding to Condition 13 (Taxation) with the substitution for or the addition to the references in that Condition to the Trustee’s Territory of references to the Substituted Territory or any political sub-division or authority thereof or therein having the power to tax whereupon the Declaration of Trust and the Certificates shall be read accordingly (and the Bank shall also be required to give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to the last paragraph of Condition 13 (Taxation), extending its obligations thereunder to the Substituted Territory);

(iii) two directors of the Substituted Trustee certify that it will be solvent immediately after such substitution (the Delegate need not have regard to the Substituted Trustee’s financial condition, profits or prospects or compare them with those of the Trustee);

(iv) the Trustee, the Substituted Trustee and the Bank comply with such other requirements as the Delegate may direct in the interests of the Certificateholders; and

(v) such substitution would not, in the sole opinion of the Delegate, be materially prejudicial to the interests of the Certificateholders.

(b) Subject to this Condition 12.2 (Trustee Events), the Delegate may agree to the substitution of the Substituted Trustee without obtaining the consent or approval of the Certificateholders (it being acknowledged that each Certificateholder has by virtue of the last paragraph of the preamble to these Conditions authorised each Substituted Trustee to act as Rab-al-Maal pursuant to the Mudaraba Agreement on its behalf).

(c) If the Bank fails to comply with the foregoing provisions of this Condition 12.2 (Trustee Events) within 60 days of the occurrence of the relevant Trustee Event, Conditions 12.1 (Bank Events) and 12.3 (Winding-up, dissolution or liquidation) shall apply to the relevant Trustee Event as if it was a Bank Event.

12.3 Winding-up, dissolution or liquidation

(a) Proceedings for Winding-up

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

(b) Enforcement

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

(c) Non-Viability

All claims by the Delegate and/or the Certificateholders against the Trustee under the Certificates and all claims by the Trustee (or the Delegate) against the Bank under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Trustee and/or the Bank under the Certificates or the Transaction Documents, as the case may be) shall be subject to, and shall be superseded by the provisions of Condition 11 (Write-down at the Point of Non-Viability), irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim, provided that nothing in these Conditions shall affect or prejudice the payment of the costs, charges, expenses, liabilities, indemnities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

(d) Extent of Certificateholder remedy

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

(e) Realisation of Trust Assets

(i) Neither the Trustee nor the Delegate shall be bound to take any steps, actions or proceedings to enforce or to realise the Trust Assets or any of the actions, steps or proceedings referred to in
these Conditions in respect of the Bank or, in the case of the Delegate only, the Trustee to enforce the terms of the Certificates or the Transaction Documents or give a Dissolution Notice (including, without limitation, pursuant to this Condition 12 (Dissolution Events and Winding-up)), unless, in either case, (a) it shall have been so requested by an Extraordinary Resolution of the Certificateholders or in writing by Certificateholders holding at least one-fifth of the aggregate face amount of the Certificates then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

(ii) No Certificateholder shall be entitled to proceed directly against the Trustee or the Bank or to take the actions, steps or proceedings referred to in Conditions 12.3(a) (Proceedings for Winding-up) and 12.3(b) (Enforcement) above, unless (A) the Trustee or the Delegate (as the case may be), having become so bound to proceed, fails to do so within a reasonable period and such failure is continuing and (B) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against any of the Trustee or the Bank, as the case may be) holds at least one-fifth of the aggregate face amount of the Certificates then outstanding, in which case the Certificateholders shall have only such rights against the Trustee and/or the Bank as those which the Trustee or the Delegate (as the case may be) is entitled to exercise as set out in Condition 12.1 (Bank Events) and this Condition 12.3 (Winding-up, dissolution or liquidation).

(iii) Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Bank shall be to enforce their respective obligations under the Certificates and the Transaction Documents.

(iv) The foregoing paragraphs in this Condition 12.3(e) (Realisation of Trust Assets) are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the net proceeds thereof in accordance with the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such sums from the Trustee remaining unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

13. Taxation

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

(a) the holder of which is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or

(b) presented for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on such 30th day assuming that day to have been a Payment Business Day.
In these Conditions, references to the Dissolution Distribution Amount or any Periodic Distribution Amounts (and related expressions including, without limitation, the face amount of the Certificates and Outstanding Payments) shall be deemed to include any Additional Amounts payable under this Condition 13 (Taxation) or any undertaking given in addition to or in substitution for it under the Declaration of Trust.

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

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

The Mudaraba Agreement provides that payments made thereunder by the Bank (in its capacity as the Mudareb) to the Trustee shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future Taxes, unless such withholding or deduction is required by law. In such event, and/or if Additional Amounts are payable by the Trustee in respect of the Certificates in accordance with this Condition 13 (Taxation), the Mudaraba Agreement provides for the payment by the Bank of such additional amounts by payment to the Transaction Account in U.S. dollars by wire transfer for same day value so that the net amounts received by the Certificateholders shall equal the respective amounts that would have been received in the absence of such withholding or deduction and in the absence of the withholding or deduction to which this Condition 13 (Taxation) applies.

14. Prescription

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

15. Delegate

15.1 Delegation of Powers

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

In addition to the Delegation of the Relevant Powers under the Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust.

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

15.2 Indemnification

The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking any action, step or proceeding unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, but without limitation, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust or the other Transaction Documents, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so in accordance with Condition 12 (Dissolution Events and Winding-up), and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction. The Declaration of Trust provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Delegate shall be entitled (a) to evaluate its risk in any given circumstance by considering the worst-case scenario and (b) to require that any indemnity or security given to it by the Certificateholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

15.3 No Liability

(a) The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Bank or the Trustee under the Transaction Documents and shall not under any circumstances have any liability or be obliged to account to the Certificateholders in respect of any payments which should have been paid by the Bank or the Trustee but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.

(b) Each of the Trustee and the Delegate is exempted from: (i) any liability in respect of any loss or theft of the Trust Assets or any cash, unless such loss or theft arises as a result of fraud, wilful default or gross negligence by the Trustee or the Delegate, as the case may be; (ii) any obligation to monitor or insure the Trust Assets or any cash; and (iii) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account
15.4 **Reliance on Opinions, Certificates, Reports and/or Information**

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

15.5 **Proper performance of duties**

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

15.6 **Illegality**

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

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

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

15.8 **Notice of Events**

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

16. **Replacement of Certificates**

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

17. **Notices**

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

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

So long as the Certificates are represented by a Global Certificate and such Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg, or any other clearing system, notices to the Certificateholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for mailing. Any such notice shall be deemed to have been given to the Certificateholders on the day on which such notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other clearing system.

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

18.1 The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more Eligible Persons (as defined in the Declaration of Trust) present holding or representing in aggregate more than 50 per cent. in face amount of the Certificates for the time being outstanding, or at any adjourned such meeting one or more Eligible Persons whatever the face amount of the Certificates held or represented, except that any meeting the business of which includes consideration of proposals, namely, (a) to modify any date for payment (including any optional redemption date) in respect of the Certificates, (b) to reduce or cancel or vary the method or basis for calculating the amount of any payment due in respect of the Certificates, (c) to alter the denomination of
the Certificates or currency of payment under the Certificates, (d) to change any of the Trustee’s and the Bank’s covenants set out in the Transaction Documents, (e) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (f) to sanction any such scheme or proposal or substitution as is described in paragraphs 5.10(a) and 5.10(j) of Schedule 4 to the Declaration of Trust, (g) to change the governing law of the Certificates or any of the Transaction Documents; or (h) to amend the above list or the proviso to paragraph 4.6 of Schedule 4 to the Declaration of Trust, in which case the quorum shall be one or more Eligible Persons holding or representing in aggregate not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in face amount of the Certificates for the time being outstanding. To be passed, an Extraordinary Resolution requires (i) a majority in favour consisting of not less than 75 per cent. of the votes cast, (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (a Written Resolution) or (iii) where the Certificates are held by or on behalf of a clearing system or clearing systems, approval given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (in a form satisfactory to the Delegate) by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (an Electronic Consent). Any Extraordinary Resolution, if duly passed, will be binding on all Certificateholders, whether or not they were present at the meeting at which such resolution was passed and whether or not they voted.

18.2 The Declaration of Trust provides that a Written Resolution or an Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. Such a Written Resolution and/or Electronic Consent will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.

18.3 The Delegate may (but shall not be obliged to), without the consent or approval of the Certificateholders agree to any modification to these Conditions, any provisions of the Transaction Documents or to the Trustee’s memorandum and articles of association which, in the sole opinion of the Delegate, is of a formal, minor or technical nature or is made to correct a manifest error; (ii) agree to any modification (other than in respect of a Reserved Matter) of these Conditions, any provisions of the Transaction Documents or the Trustee’s memorandum and articles of association, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Declaration of Trust or the other Transaction Documents; or (iii) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in the case of (ii) and (iii) above that such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and that such waiver, authorisation or determination is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least one-fifth of the aggregate face amount of the Certificates then outstanding.

18.4 In connection with the exercise by it of any of its powers, authorities and discretions (including, without limitation, those referred to in this Condition 18 (Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination)), the Delegate shall have regard to the interests of the Certificateholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders except to the extent provided in Condition 13 (Taxation).
18.5 Any modification, waiver, authorisation or determination shall be binding on all of the Certificateholders and shall be notified by the Trustee to the Certificateholders as soon as practicable thereafter in accordance with Condition 17 (Notices).

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

19. **Currency Indemnity**

If any sum due from the Trustee in respect of the Certificates or any order or judgment given or made in relation thereto has to be converted from the currency (the **first currency**) in which the same is payable under these Conditions or such order or judgment into another currency (the **second currency**) for the purpose of: (a) making or filing a claim or proof against the Trustee; (b) obtaining an order or judgment in any court or other tribunal; or (c) enforcing any order or judgment given or made in relation to the Certificates, the Trustee shall indemnify each Certificateholder, on the written demand of such Certificateholder addressed to the Trustee and delivered to the Trustee or to the specified office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between: (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency; and (ii) the rate or rates of exchange at which such Certificateholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

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

20. **Contracts (Rights of Third Parties) Act 1999**

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

21. **Governing Law and Dispute Resolution**

21.1 **Governing Law**

The Declaration of Trust (including these Conditions), the Agency Agreement, the Mudaraba Agreement and the Certificates, and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

21.2 **Arbitration**

(a) Any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Certificates (including any dispute, claim, difference or controversy as to their existence, validity, interpretation, performance, breach or termination or the consequences of the nullity of any of them or a dispute relating to any non-contractual obligations arising out of or in connection with them) (a **Dispute**) shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration (**LCIA**) (the **Rules**), which Rules (as amended from time to time) (with the exception of Articles 6, 9A and 9B of the Rules, which parties to a Dispute agree shall not apply) are deemed to be incorporated by reference into this Condition 21.2 (Arbitration). For these purposes

(i) the seat or legal place of arbitration shall be London, England;
there shall be three arbitrators, each of whom shall be English-law qualified and have at least 15 years’ practicing experience. The claimant(s), irrespective of number, shall nominate jointly one arbitrator, the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator), shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s), or, in the absence of agreement on the third arbitrator 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 (as defined in the Rules). The presiding arbitrator shall be a retired member of the judiciary of the Senior Courts of England & Wales or a Queen’s Counsel;

the language of the arbitration shall be English. All documents submitted in connection with the proceedings shall be in the English language, or, if in another language, accompanied by an English translation; and

delivery of any request for arbitration made pursuant to this Condition 21.2 shall be at the address given for the sending of notices under Condition 17 (Notices) and/or Clause 23.3 of the Declaration of Trust and in a manner provided for in that Condition and/or Clause.

(b) Joinder of parties, multiple parties and consolidation of Disputes

(i) For the purposes of the Rules:

A. the arbitration agreement set out in this Condition 21 and the arbitration agreement contained in each Linked Agreement (as defined below) shall together be deemed to be one arbitration agreement that binds the Delegate and the Bank to the Certificates and each of the Delegate, the Trustee and the Bank to each Linked Agreement;

B. any party to the Certificates or any Linked Agreement may, in accordance with the Rules, be joined to any arbitration commenced under the Certificates or any Linked Agreement; and

C. Disputes, in accordance with the Rules, may be resolved in a single arbitration together with Disputes (as defined in any Linked Agreement or the Certificates, as applicable) arising out of any such Linked Agreement or the Certificates.

(ii) Pursuant to Article 10(a) of the Rules, each of the Delegate, the Trustee and the Bank agree to the consolidation of any two or more arbitrations commenced pursuant to this Condition 21 and/or the arbitration agreement contained in any Linked Agreement into a single arbitration, as provided for in the Rules.

(iii) Each of the Delegate, the Trustee and the Bank waives any objection, on the basis that a Dispute has been resolved in a manner contemplated at Condition 21.2(b)(i) or (ii), to the validity and/or enforcement of any award made by an arbitral tribunal following the Dispute being resolved in that manner.

(iv) In this Condition 21, Linked Agreement means each of the Declaration of Trust, the Agency Agreement and the Mudaraba Agreement.

(v) Where an arbitral tribunal is appointed pursuant to this arbitration agreement in respect of a Dispute under the Certificates or any Linked Agreement, the whole of its award
(including any part relating to any Linked Agreement) is deemed for the purposes of the New York Convention on the Recognition and Enforcement of Arbitral Awards 1958 to be contemplated by the Certificates and that Linked Agreement.

21.3 **Waiver of Interest**

(a) Each of the Trustee, the Delegate and the Bank has irrevocably agreed in the Declaration of Trust that if any arbitration is commenced in relation to a Dispute and/or any proceedings relating to a Dispute (Proceedings) are brought by or on behalf of a party under the Declaration of Trust, it will:

(i) not claim interest under, or in connection with, such arbitration and/or Proceedings; and

(ii) to the fullest extent permitted by law, waive all and any entitlement it may have to interest awarded in its favour by an arbitrator as a result of such arbitration and/or by a court as a result of such Proceedings.

(b) For the avoidance of doubt, nothing in this Condition 21.3 (Waiver of Interest) shall be construed as a waiver of rights in respect of Mudaraba Profit, Final Mudaraba Profit, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit, Periodic Distribution Amounts, Outstanding Payments or profit of any kind howsoever described payable by the Bank or the Trustee pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

21.4 **Waiver of Immunity**

Each of the Trustee, the Delegate and the Bank acknowledges that the transactions contemplated by the Transaction Documents and/or these Conditions are commercial transactions and, to the extent that the each of them may claim for itself or any of its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to the Trustee, the Delegate and the Bank (as the case may be) or any of its respective assets or revenues, each of the Trustee, the Delegate and the Bank agrees not to claim and hereby irrevocably and unconditionally waives such immunity in relation to any such Proceedings or any such Disputes. In addition, each of the Trustee, the Delegate and the Bank hereby irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgment made or given in connection with any Proceedings or Disputes.
GLOBAL CERTIFICATE

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

Form of the Certificates

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

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

Holders

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

Cancellation

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

Payments

Payments of any amount in respect of the Certificate(s) represented by the Global Certificate will, in the absence of any provision to the contrary, be made to, or to the order of, the person shown on the Register as the registered holder of the Global Certificate at the close of business on the record date, which shall be the Clearing System Business Day immediately prior to the due date for payment (where Clearing System Business Day means Monday to Friday inclusive except 25 December and 1 January). Upon payment of any amount in respect of the Certificates represented by the Global Certificate, the details of such payment shall be entered by the Registrar in the Register.

None of the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.
Payments of the Dissolution Distribution Amount in respect of Certificates represented by the Global Certificate will be made upon presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office as may be specified by the Registrar subject to and in accordance with the Conditions and the Declaration of Trust. Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system’s rules and procedures. A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be prima facie evidence that payment has been made.

Notices

For so long as all the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to their Account holders rather than by publication and delivery as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Whilst any of the Certificates held by a Certificateholder are represented by the Global Certificate, notices to be given by such Certificateholder may be given (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

Registration of Title

The Registrar will not register title to the Certificates in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Distribution Amount in respect of the Certificates.

Record dates will be determined in accordance with the standard practices of Euroclear and Clearstream, Luxembourg.

Transfers

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

Exchange for Definitive Certificates

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

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

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

**Electronic Consent and Written Resolution**

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

(a) approval of a resolution proposed by the Trustee, the Bank or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates then outstanding (an **Electronic Consent** as defined in the Declaration of Trust) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum (as specified in the Declaration of Trust) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders whether or not they participated in such Electronic Consent; and

(b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Declaration of Trust) has been validly passed, the Trustee, the Bank and the Delegate shall be entitled to rely on consent or instructions given in writing directly to the Trustee, the Bank and/or the Delegate, as the case may be, by (a) Accountholders in the clearing system(s) with entitlements to such Global Certificate and/or (b) where the Accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that Accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Trustee, the Bank and the Delegate shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the **relevant clearing system** and, in the case of (b) above, the relevant clearing system and the Accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Certificates is clearly identified together with the amount of such holding. None of the Trustee, the Bank and/or the Delegate shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.
USE OF PROCEEDS

The net proceeds of the issue of the Certificates will be paid by the Trustee (as Rab-al-Maal) to the Bank (as Mudareb) as Mudaraba Capital in accordance with the investment plan set out in the Mudaraba Agreement.

An amount at least equal to such net proceeds received from the Trustee (the equivalent amount) will be applied by the Bank to finance and/or refinance in whole or in part, in a Shariah compliant manner, a portfolio of Eligible Sustainable Projects as set out in the Bank’s Sustainable Finance Framework summarised under “Description of the Group – Sustainable Finance Framework” and to be published on its website.

See further “Risk Factors—Risks Relating to the Certificates—The application of an amount at least equal to the net proceeds of the Certificates as described in “Use of Proceeds” may not meet investor expectations or be suitable for an investors’ investment criteria”.

DESCRIPTION OF THE TRUSTEE

The Trustee

The Trustee, an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 23 December 2021 under the Companies Act (As Revised) of the Cayman Islands with company registration number 385191. The registered office of the Trustee is at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands, with telephone number +1 345 945 7099.

Share Capital

The authorised share capital of the Trustee is U.S.$50,000 divided into 50,000 ordinary shares of U.S.$1.00 par value each, 250 of which have been issued. All of the issued shares (the Shares) are fully paid and are held by MaplesFS Limited as share trustee (in such capacity, the Share Trustee) under the terms of a share declaration of trust (the Share Declaration of Trust) under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

The Business of the Trustee

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 23 December 2021.

The Trustee has no prior operating history or prior business and will not have any substantial assets or liabilities other than in connection with the Certificates.

The Certificates are the obligations of the Trustee alone and not the Share Trustee. Furthermore, they are not the obligations of, or guaranteed in any way by, MaplesFS Limited or any other party.

Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

Directors of the Trustee

The directors of the Trustee are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal Occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Linval Stewart</td>
<td>Vice President at MaplesFS Limited</td>
</tr>
<tr>
<td>Jordan Hebert</td>
<td>Assistant Vice President, Fiduciary at Maples Fund Services (Middle East) Limited</td>
</tr>
</tbody>
</table>

The business address of Jordan Hebert is c/o Maples Fund Services (Middle East) Limited, Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.
The business address of Linval Stewart is c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

The Trustee’s Articles of Association provide that the board of directors of the Trustee will consist of at least one director.

**Conflicts**

Other than in their capacities as employees and officers of the Trustee Administrator (as defined below), there are no potential conflicts of interest between the duties of the directors of the Trustee to the Trustee and their private interests or other duties.

**The Trustee Administrator**

MaplesFS Limited also acts as the administrator of the Trustee (in such capacity, the **Trustee Administrator**). The office of the Trustee Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of a corporate services agreement entered into between the Trustee and the Trustee Administrator (the **Corporate Services Agreement**), the Trustee Administrator has agreed to perform in the Cayman Islands, the UAE and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and to provide certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee Administrator will also provide registered office services to the Trustee in accordance with its standard terms and conditions for the provision of registered office services (the **Registered Office Terms**). In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Corporate Services Agreement and the Registered Office Terms provide that either the Trustee or the Trustee Administrator may terminate such appointments upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Terms provide that either party shall be entitled to terminate such agreements by giving at least three months’ notice in writing to the other party.

The Trustee Administrator will be subject to the overview of the Trustee’s board of directors.

The Trustee Administrator’s principal office is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands.

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

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

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and should also be read in conjunction with “Financial review”. See also “Presentation of financial and other information” for a discussion of the sources of the numbers contained in this section.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATA

The table below shows the Group’s unaudited interim condensed consolidated statement of financial position data as at 30 September 2021 and the Group’s consolidated statement of financial position data as at 31 December in each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th></th>
<th>As at 30 September</th>
<th></th>
<th>As at 31 December</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>(SAR thousand)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and balances with Saudi Central Bank (SAMA) ..........</td>
<td>27,112,159</td>
<td>41,954,124</td>
<td>29,189,487</td>
<td>16,323,172</td>
</tr>
<tr>
<td>Due from banks and other financial institutions, net.......</td>
<td>17,301,727</td>
<td>13,624,476</td>
<td>4,734,888</td>
<td>11,029,176</td>
</tr>
<tr>
<td>Positive fair values of derivatives ............................................</td>
<td>1,478,552</td>
<td>1,558,957</td>
<td>608,847</td>
<td>286,625</td>
</tr>
<tr>
<td>Investments, net ..........</td>
<td>57,450,841</td>
<td>56,449,806</td>
<td>53,361,415</td>
<td>47,992,772</td>
</tr>
<tr>
<td>Loans and advances, net ....</td>
<td>210,482,066</td>
<td>191,346,635</td>
<td>173,981,999</td>
<td>151,024,830</td>
</tr>
<tr>
<td>Other assets ...............</td>
<td>1,392,879</td>
<td>1,702,893</td>
<td>774,378</td>
<td>720,641</td>
</tr>
<tr>
<td>Investment in associates.....</td>
<td>649,816</td>
<td>699,151</td>
<td>702,882</td>
<td>595,493</td>
</tr>
<tr>
<td>Other real estate ..........</td>
<td>287,734</td>
<td>324,054</td>
<td>233,057</td>
<td>227,405</td>
</tr>
<tr>
<td>Property, equipment and right of use assets, net.............</td>
<td>2,500,817</td>
<td>2,427,811</td>
<td>2,201,925</td>
<td>1,699,462</td>
</tr>
<tr>
<td>Total assets ..............</td>
<td>318,656,591</td>
<td>310,087,907</td>
<td>265,788,878</td>
<td>229,899,576</td>
</tr>
<tr>
<td>Liabilities and shareholders’ equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks and other financial institutions.................</td>
<td>42,933,640</td>
<td>41,788,903</td>
<td>13,124,480</td>
<td>8,580,514</td>
</tr>
<tr>
<td>Negative fair value of derivatives ...........................................</td>
<td>1,529,066</td>
<td>1,640,934</td>
<td>649,226</td>
<td>274,270</td>
</tr>
<tr>
<td>Customer deposits ..........</td>
<td>203,995,613</td>
<td>203,039,336</td>
<td>194,517,899</td>
<td>169,822,156</td>
</tr>
<tr>
<td>Debt securities in issue ....</td>
<td>8,648,055</td>
<td>5,684,008</td>
<td>4,003,029</td>
<td>4,003,783</td>
</tr>
<tr>
<td>Other liabilities ..........</td>
<td>15,500,352</td>
<td>13,579,628</td>
<td>12,922,782</td>
<td>10,444,637</td>
</tr>
<tr>
<td>Total liabilities ..........</td>
<td>272,606,726</td>
<td>265,732,809</td>
<td>225,217,416</td>
<td>193,125,360</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital ..............</td>
<td>30,000,000</td>
<td>30,000,000</td>
<td>30,000,000</td>
<td>30,000,000</td>
</tr>
<tr>
<td>Statutory reserve ..........</td>
<td>7,680,879</td>
<td>7,680,879</td>
<td>6,502,130</td>
<td>5,101,613</td>
</tr>
<tr>
<td>Other reserves .............</td>
<td>2,017,538</td>
<td>1,745,649</td>
<td>1,027,108</td>
<td>58,047</td>
</tr>
<tr>
<td>Retained earnings ..........</td>
<td>6,351,448</td>
<td>4,928,570</td>
<td>1,392,224</td>
<td>414,556</td>
</tr>
<tr>
<td>Proposed dividends ..........</td>
<td>—</td>
<td>—</td>
<td>1,650,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>46,049,865</td>
<td>44,355,098</td>
<td>40,571,462</td>
<td>36,774,216</td>
</tr>
</tbody>
</table>
The table below shows the Group’s unaudited interim condensed consolidated statement of income data for each of the nine-month periods ended 30 September 2021 and 30 September 2020.

<table>
<thead>
<tr>
<th>Nine-month periods ended 30 September</th>
<th>2021 (SAR thousand)</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special commission income</td>
<td>6,802,384</td>
<td>7,518,951</td>
</tr>
<tr>
<td>Special commission expense</td>
<td>(578,845)</td>
<td>(1,341,212)</td>
</tr>
<tr>
<td><strong>Net special commission income</strong></td>
<td><strong>6,223,539</strong></td>
<td><strong>6,177,739</strong></td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>2,219,622</td>
<td>2,028,830</td>
</tr>
<tr>
<td>Fee and commission expense</td>
<td>(711,647)</td>
<td>(592,250)</td>
</tr>
<tr>
<td><strong>Fee and commission income, net</strong></td>
<td><strong>1,507,975</strong></td>
<td><strong>1,436,580</strong></td>
</tr>
<tr>
<td>Exchange income, net</td>
<td>271,175</td>
<td>330,996</td>
</tr>
<tr>
<td>Trading income, net</td>
<td>187,222</td>
<td>218,118</td>
</tr>
<tr>
<td>Dividend income</td>
<td>109,016</td>
<td>89,292</td>
</tr>
<tr>
<td>Gains on disposal of non-trading investments, net</td>
<td>281,104</td>
<td>152,154</td>
</tr>
<tr>
<td>Other operating income</td>
<td>38,473</td>
<td>10,531</td>
</tr>
<tr>
<td><strong>Total operating income, net</strong></td>
<td><strong>8,618,504</strong></td>
<td><strong>8,415,410</strong></td>
</tr>
<tr>
<td>Salaries and employee-related expenses</td>
<td>(1,551,539)</td>
<td>(1,438,593)</td>
</tr>
<tr>
<td>Rent and premises-related expenses</td>
<td>(137,839)</td>
<td>(131,979)</td>
</tr>
<tr>
<td>Depreciation of property, equipment and right of use assets</td>
<td>(365,981)</td>
<td>(369,308)</td>
</tr>
<tr>
<td>Other general and administrative expenses</td>
<td>(875,803)</td>
<td>(693,181)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(70,660)</td>
<td>(43,265)</td>
</tr>
<tr>
<td><strong>Total operating expenses before impairment charge</strong></td>
<td><strong>(3,001,822)</strong></td>
<td><strong>(2,676,326)</strong></td>
</tr>
<tr>
<td>Impairment charge for credit losses and other financial assets, net</td>
<td>(591,992)</td>
<td>(1,410,316)</td>
</tr>
<tr>
<td>Impairment charge for investments, net</td>
<td>(27,117)</td>
<td>(14,569)</td>
</tr>
<tr>
<td><strong>Total operating expenses, net</strong></td>
<td><strong>(3,620,931)</strong></td>
<td><strong>(4,101,211)</strong></td>
</tr>
<tr>
<td><strong>Net operating income</strong></td>
<td><strong>4,997,573</strong></td>
<td><strong>4,314,199</strong></td>
</tr>
<tr>
<td>Share in (losses)/earnings of associates, net</td>
<td>(32,552)</td>
<td>13,256</td>
</tr>
<tr>
<td><strong>Income for the period before zakat</strong></td>
<td><strong>4,965,021</strong></td>
<td><strong>4,327,455</strong></td>
</tr>
<tr>
<td>Zakat for the period</td>
<td>(557,000)</td>
<td>(492,000)</td>
</tr>
<tr>
<td><strong>Net income for the period</strong></td>
<td><strong>4,408,021</strong></td>
<td><strong>3,835,455</strong></td>
</tr>
</tbody>
</table>
The table below shows the Group’s unaudited interim condensed consolidated statement of comprehensive income data for each of the nine-month periods ended 30 September 2021 and 30 September 2020.

<table>
<thead>
<tr>
<th>Nine-month periods ended 30 September</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income for the period</td>
<td>4,408,021</td>
<td>3,835,455</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will be reclassified to interim condensed statement of income in subsequent periods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value through other comprehensive income debt instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Net change in fair value</td>
<td>(142,866)</td>
<td>(75,639)</td>
</tr>
<tr>
<td>- Net amounts transferred to interim condensed statement of income</td>
<td>(241,371)</td>
<td>(91,317)</td>
</tr>
<tr>
<td>- Net changes in allowance for expected credit losses of debt instruments</td>
<td>37,689</td>
<td>9,828</td>
</tr>
<tr>
<td>Net change in fair value of cash flow hedge</td>
<td>(13,049)</td>
<td>801</td>
</tr>
<tr>
<td>Items that will not be reclassified to interim condensed statement of income in subsequent periods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net change in fair value of equity instruments at fair value through other comprehensive income</td>
<td>646,343</td>
<td>53,934</td>
</tr>
<tr>
<td><strong>Other comprehensive income/(loss) for the period</strong></td>
<td>286,746</td>
<td>(102,393)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>4,694,767</td>
<td>3,733,062</td>
</tr>
</tbody>
</table>

The table below shows the Group’s consolidated statement of income data for each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Special commission income</strong></td>
<td>9,813,394</td>
<td>10,371,426</td>
<td>8,332,365</td>
</tr>
<tr>
<td><strong>Special commission expense</strong></td>
<td>(1,599,789)</td>
<td>(2,534,411)</td>
<td>(1,703,905)</td>
</tr>
<tr>
<td><strong>Net special commission income</strong></td>
<td>8,213,605</td>
<td>7,837,015</td>
<td>6,628,460</td>
</tr>
<tr>
<td><strong>Fee and commission income</strong></td>
<td>2,710,220</td>
<td>2,880,929</td>
<td>2,411,911</td>
</tr>
<tr>
<td><strong>Fee and commission expense</strong></td>
<td>(836,665)</td>
<td>(850,184)</td>
<td>(700,859)</td>
</tr>
<tr>
<td><strong>Fee and commission income, net</strong></td>
<td>1,873,555</td>
<td>2,030,745</td>
<td>1,711,052</td>
</tr>
<tr>
<td><strong>Exchange income, net</strong></td>
<td>412,614</td>
<td>342,658</td>
<td>292,581</td>
</tr>
<tr>
<td><strong>Trading income, net</strong></td>
<td>218,297</td>
<td>132,806</td>
<td>104,560</td>
</tr>
<tr>
<td><strong>Dividend income</strong></td>
<td>102,518</td>
<td>102,866</td>
<td>57,533</td>
</tr>
<tr>
<td><strong>Gains on disposal of non-trading investments, net</strong></td>
<td>305,068</td>
<td>255,486</td>
<td>130,308</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>79,464</td>
<td>15,487</td>
<td>42,907</td>
</tr>
<tr>
<td><strong>Total operating income, net</strong></td>
<td>11,205,121</td>
<td>10,717,063</td>
<td>8,967,401</td>
</tr>
<tr>
<td><strong>Salaries and employee-related expenses</strong></td>
<td>(1,939,428)</td>
<td>(1,879,017)</td>
<td>(1,765,185)</td>
</tr>
<tr>
<td><strong>Rent and premises-related expenses</strong></td>
<td>(177,716)</td>
<td>(200,189)</td>
<td>(327,607)</td>
</tr>
<tr>
<td><strong>Depreciation of property, equipment and right of use assets</strong></td>
<td>(488,344)</td>
<td>(438,976)</td>
<td>(296,901)</td>
</tr>
<tr>
<td><strong>Other general and administrative expenses</strong></td>
<td>(974,969)</td>
<td>(1,035,685)</td>
<td>(926,271)</td>
</tr>
<tr>
<td><strong>Other operating expenses</strong></td>
<td>(54,100)</td>
<td>(120,207)</td>
<td>(31,392)</td>
</tr>
</tbody>
</table>
Total operating expenses before impairment charge ................................................................. (3,634,557) (3,674,074) (3,347,356)
Impairment charge for credit losses and other financial assets, net ................................. (2,061,743) (1,012,284) (927,840)
Impairment (charge)/reversal for investments, net ............................................................... (44,192) 48,028 (26,870)

Total operating expenses, net.......................................................... (5,740,492) (4,638,330) 4,302,066
Net operating income ............................................................... 5,464,629 6,078,733 4,665,335
Share in earnings of associates, net ............................................................................ 19,368 153,333 50,750

Income for the year before zakat......................... 5,483,997 6,232,066 4,716,085
Zakat for the year.................................................... (769,000) (630,000) 430,249
Zakat for the previous years ..................................... — — 1,193,559
Net income for the year .......................................................... 4,714,997 5,602,066 3,092,277

The table below shows the Group’s consolidated statement of comprehensive income data for each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th></th>
<th>2020 (SAR thousand)</th>
<th>2019 (SAR thousand)</th>
<th>2018 (SAR thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income for the year</td>
<td>4,714,997</td>
<td>5,602,066</td>
<td>3,092,277</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will be reclassified to interim condensed consolidated statement of income in subsequent periods</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value through other comprehensive income debt instruments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Net change in fair value</td>
<td>656,713</td>
<td>1,105,992</td>
<td>(579,105)</td>
</tr>
<tr>
<td>- Net amounts transferred to consolidated statement of income</td>
<td>(131,379)</td>
<td>(235,604)</td>
<td>(109,563)</td>
</tr>
<tr>
<td>- Net changes in allowance for expected credit losses of debt instruments</td>
<td>42,541</td>
<td>(17,276)</td>
<td>19,801</td>
</tr>
<tr>
<td>Net change in fair value of cash flow hedge</td>
<td>3,401</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial losses on defined benefit plans</td>
<td>(60,134)</td>
<td>(149,515)</td>
<td>1,581</td>
</tr>
<tr>
<td>Net change in fair value of equity instruments at fair value through other comprehensive income</td>
<td>207,497</td>
<td>251,583</td>
<td>101,200</td>
</tr>
<tr>
<td>Other comprehensive income/(loss) for the year</td>
<td>718,639</td>
<td>955,180</td>
<td>(566,086)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>5,433,636</td>
<td>6,557,246</td>
<td>2,526,191</td>
</tr>
</tbody>
</table>
SELECTED CONSOLIDATED STATEMENTS OF CASH FLOWS DATA

The table below summarises the Group’s unaudited interim condensed consolidated statement of cash flows data for each of the nine-month periods ended 30 September 2021 and 30 September 2020.

<table>
<thead>
<tr>
<th>Nine-month periods ended 30 September</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>(SAR thousand)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash from operating activities before changes in operating assets and liabilities and zakat paid</td>
<td>5,569,404</td>
<td>5,775,711</td>
</tr>
<tr>
<td>Net cash (used in)/from operating activities</td>
<td>(10,425,778)</td>
<td>23,479,316</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(1,176,638)</td>
<td>(1,958,952)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(203,066)</td>
<td>(149,456)</td>
</tr>
<tr>
<td>Net (decrease)/increase in cash and cash equivalents</td>
<td>(11,805,482)</td>
<td>21,370,908</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>44,965,596</td>
<td>23,472,740</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>33,160,114</td>
<td>44,843,648</td>
</tr>
</tbody>
</table>

The table below summarises the Group’s consolidated statement of cash flows data for each of 2020, 2019 and 2018. See further “Presentation of financial and other information”.

<table>
<thead>
<tr>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(SAR thousand)</td>
<td>Reclassified</td>
<td>Original</td>
</tr>
<tr>
<td>Net cash from operating activities before changes in operating assets and liabilities and zakat paid</td>
<td>7,531,187</td>
<td>6,989,695</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>23,703,746</td>
<td>12,186,689</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(2,237,735)</td>
<td>(3,403,988)</td>
</tr>
<tr>
<td>Net cash from/(used in) financing activities</td>
<td>26,168</td>
<td>(2,758,373)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>21,492,179</td>
<td>6,024,328</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the year</td>
<td>23,473,417</td>
<td>17,449,089</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the year</td>
<td>44,965,596</td>
<td>23,473,417</td>
</tr>
</tbody>
</table>
The table below contains information relating to selected consolidated ratios of the Group. These ratios are presented in this Offering Circular because the Group considers them an important supplemental measure of the Group’s operating performance and financial position and the Group believes they may be used by securities analysts, investors and other interested parties in their evaluation of banks. None of the information in the table below has been audited or reviewed by the Auditors. See further “Presentation of financial and other information—Presentation of financial information—Certain non-IFRS financial information”.

The table below shows selected unaudited consolidated ratios for the Group as at, and for the nine-month periods ended, 30 September in each of 2021 and 2020 and as, and for the years ended, 31 December in each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th>Performance measures</th>
<th>As at/nine-month periods ended 30 September</th>
<th>As at/year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Return (after zakat) on assets(1)</td>
<td>1.84</td>
<td>1.66</td>
</tr>
<tr>
<td>Return (after zakat) on equity(2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses to income ratio(3)</td>
<td>12.76</td>
<td>11.99</td>
</tr>
<tr>
<td>Net special commission margin(4)</td>
<td>3.01</td>
<td>3.20</td>
</tr>
</tbody>
</table>

| Asset quality                                  |                                           |                              |
|                                               | 2021 | 2020 | 2020 | 2019 | 2018 |
| NPL ratio(5)                                   | 1.58 | 1.50 | 1.86 | 0.88 | 1.02 |
| Loan loss coverage ratio(6)                    | 126.27 | 142.93 | 124.15 | 177.32 | 151.05 |
| Liquidity coverage ratio(7)                    | 168 | 190 | 200 | 155 | 121 |
| Loans to deposits ratio(8)                     | 98.98 | 92.22 | 91.67 | 87.64 | 86.88 |

| Other ratios                                   |                                           |                              |
|                                               | 2021 | 2020 | 2020 | 2019 | 2018 |
| Tier 1 capital adequacy ratio(7)              | 16.0 | 16.1 | 16.5 | 16.3 | 16.1 |
| Total capital adequacy ratio(7)               | 19.3 | 18.5 | 19.1 | 18.1 | 18.1 |
| Equity to total assets ratio(9)                | 14.45 | 13.82 | 14.30 | 15.26 | 16.00 |
| Leverage ratio(7)                              | 11.9 | 11.4 | 11.8 | 12.2 | 12.4 |

Notes:

(1) Net income for the period (annualised in the case of interim periods) divided by total assets at the end of the period.
(2) Net income for the period (annualised in the case of interim periods) divided by total shareholders’ equity at the end of the period.
(3) Total operating expense before impairment charges divided by total operating income, net.
(4) Net special commission income (annualised in the case of interim periods) divided by average interest earning assets for the period, with average interest earning assets calculated as the daily average for the period. Interest earning assets comprise loans and advances, net, investments, net and due from banks and other financial institutions.
(5) Non-performing loans and advances as a percentage of total loans and advances, each as set out in note 8.1 to the Interim Financial Statements and note 8(a) to each of the Annual Financial Statements.
(6) Allowance for impairment (as set out in note 8.1 to the Interim Financial Statements and note 8(a) to each of the Annual Financial Statements) as a percentage of non-performing loans and advances.
(7) Calculated in accordance with Basel III as implemented in Saudi Arabia.
(8) Total loans and advances, net divided by the sum of customer deposits and debt securities in issue.
(9) Total shareholders’ equity divided by total assets.

Where a figure is described as being annualised in these notes, it means that the figure has been divided by three and multiplied by four.
DESCRIPTION OF THE GROUP

OVERVIEW

The Bank was the first joint stock banking company to be established in Saudi Arabia. It is the third largest bank in Saudi Arabia in terms of consolidated total assets, which amounted to SAR 318.6 billion, as at 30 September 2021.

The Group offers a wide range of banking products and financial services to individuals, small - and medium-sized enterprises (SMEs) and large businesses. The Group’s principal business segments are:

- retail banking, which provides services to approximately 2.1 million retail and SME customers in Saudi Arabia;
- corporate banking, serving institutional banking, corporate and government customers in Saudi Arabia;
- treasury and investment; and
- investment banking and brokerage (which is provided through a wholly-owned subsidiary, Riyad Capital, in accordance with Saudi Arabian regulatory requirements).

The Group also offers a range of Islamic banking products across these segments as it believes that Islamic finance provides the most inclusive means of accessing Saudi Arabian and regional liquidity and growth in Islamic finance is being supported by product innovation and impetus from regulators across the GCC. As one of the major Islamic banking participants in the region, the Group believes that it is well-placed to enhance its role and contribution in this growing market.

The Bank principally operates through 341 licensed branches in Saudi Arabia, its London branch, an agency in Houston and a representative office in Singapore.

As at 30 September 2021, the Group’s total shareholders’ equity was SAR 46,050 million and its total assets were SAR 318,657 million. The Group generated total operating income, net of SAR 8,619 million and had net income for the period SAR 4,408 million in the nine-month period ended 30 September 2021. In the year ended 31 December 2020, the Group had total operating income, net of SAR 11,205 million and net income for the year of SAR 4,715 million. As at 30 September 2021, the Group’s common equity tier 1 and total capital adequacy ratios, calculated in accordance with Basel III as implemented in Saudi Arabia, were 16.0 per cent. and 19.3 per cent., respectively.

The Bank’s shares are currently traded on the Saudi Exchange (Tadawul). As at 11 January 2022, the Bank’s total market capitalisation was SAR 88.35 billion.

HISTORY

The Bank is a joint stock company incorporated under the laws of Saudi Arabia. It was established by Royal Decree and Council of Ministers’ Resolution No. 91 dated 23 November 1957 with registered number 1010001054. The Bank operates under a banking licence granted by SAMA, which permits it to operate as a commercial bank. It is authorised under its by-laws to conduct all types of banking activities within Saudi Arabia and abroad. The Bank’s head office is located at Granada Oasis – A1 Tower, Riyadh - Al Shuhada District, P.O. Box 22622, Riyadh 11416, Saudi Arabia, and its telephone number is +966-011-401-3030.

The Bank’s London branch was established in 1983. In 1990, the Bank also established a representative office in Singapore and an agency in Houston, USA.
The Bank’s shares were floated on Tadawul in 1991. In 2005, it increased its share capital to SAR 5.0 billion and the share capital was further increased to SAR 6.25 billion in 2006. In 2008, Riyad Capital was formed to conduct the Group’s investment banking and brokerage services and the Bank’s share capital was further increased to SAR 15 billion. The Bank secured SAMA licences to provide mortgages and conduct auto leasing activities in 2013. In 2014, its capital was increased to SAR 30 billion. In 2017, it established a Cayman Islands subsidiary to execute derivative transactions with international counterparties on behalf of the Bank.

The Bank’s ability to deliver a strong performance has been acknowledged by third parties through a number of awards, including:

- 2021 – Best Corporate Banking in Saudi Arabia (International Business Magazine);
- 2021 – Best Private Bank in Saudi Arabia (EMEA Finance);
- 2021 – Best Bank for SMEs and Middle East’s Best Bank for SMEs (Asiamoney);
- 2021 – KSA’s Most Innovative Trade Finance Bank (Trade Finance);
- 2021 – Red Hat Digital Leaders (Red Hat SEMEA); and
- 2021 – Best Sustainability Education or Awareness Programme (Gulf Sustainability Awards).

STRATEGY

In 2018, the Bank launched a five-year transformation plan in order to address performance gaps and make the most of the opportunities available in Saudi Arabia. The transformation covered four key areas and its objective was to create the most efficient and profitable bank in Saudi Arabia by 2022. The key areas of focus are:

- providing products for individual and corporate customers that meet all their needs, with customer satisfaction across all of the Bank’s departments being the main measure of success;
- retail and corporate sales, where the plan targets significantly increased productivity across new and existing sales channels and in emerging segments and an increasing return on capital on the corporate portfolio through institutionalised account planning and an enhanced focus on the SME and commercial segments;
- innovation, which targets increased sales through digitalisation, leveraging advanced analytics and developing new corporate partnerships to generate new and high-quality opportunities; and
- organisational health, which focuses on performance management and improving strategic and role clarity across the Bank.

The transformation plan has driven an increase in the Bank’s customer base, revenue and deposits. The Bank has also significantly developed its technical infrastructure and digital capabilities to meet customer’s needs, especially during the COVID-19 pandemic. In addition, the Bank has achieved specific targets resulting in the Riyad Bank brand being ranked the fourth most valuable brand among banks in Saudi Arabia and the UAE according to the 2020 ‘Kantar BrandZ Report.’ In addition, the Bank is in the top quality globally for its organisational health index results, as published by McKinsey & Company in 2020, and its high organisational health index score indicates that the Bank is one of the best work environments in Saudi Arabia.

In 2020, in light of the impact of the COVID-19 pandemic, related changes in the macro economic environment and banking consolidation in the Saudi banking industry, the Bank refreshed its transformation strategy. The revised strategy identifies a list of key objectives and initiatives in order to achieve its aspirations by 2025. These goals include, becoming:
• the most profitable bank, by achieving the highest return on equity relative to its peers;

• the most efficient bank, by generating the lowest cost to income ratio relative to its peers;

• the bank of choice for both of customers and employees, by achieving a net promoter score which is higher than 60 per cent. and ranking in the top decile of the organisational health index published by Mckinsey & Company in 2020; and

• the most digitally enabled bank, by increasing its share of digitally active customers in Saudi Arabia as measured by SAMA to more than 60 per cent..

STRENGTHS

Key strengths of the Group highlighted by its rating agencies are a strong capital position, sound asset quality, a strong liquidity and funding position, resilient operating income with stable margins, improved diversification through an expanding retail book and a well-established domestic franchise underpinned by a large branch network and reasonable market shares in both corporate and retail banking.

The Bank believes that the Group’s principal strengths are:

Excellent Government and corporate relationships

In part, reflecting the fact that the Government is an indirect shareholder in the Bank, the Bank currently provides services to approximately 70 per cent. of all Government entities in Saudi Arabia and it has a banking relationship with approximately 50 per cent. of listed corporations in Saudi Arabia.

Strong and well-capitalised balance sheet and solid income statement fundamentals

The Group has solid and stable capital adequacy ratios. Its Basel III total capital ratio was 19.3 per cent. as at 30 September 2021, 19.1 per cent. as at 31 December 2020 and 18.1 per cent. as at 31 December in each of 2019 and 2018 and its Basel III tier 1 capital ratio was 16.0 per cent. as at 30 September 2021, 16.5 per cent. as at 31 December 2020, 16.3 per cent. as at 31 December 2019 and 16.1 per cent. as at 31 December 2018. The Group’s net income for the year before zakat was SAR 5,484 million in 2020, SAR 6,232 million in 2019 and SAR 4,716 million in 2018. The Group’s profitability is also supported by an efficient cost structure (its expense to income ratio was 32.4 per cent. as at 31 December 2020, 34.3 per cent. as at 31 December 2019 and 37.3 per cent. as at 31 December 2018).

Well positioned for growth in line with and to support the Saudi Vision 2030

The Group believes that it is well positioned to gain from the implementation of the Government’s Saudi Vision 2030. Key aspects of this vision include:

• diversification of the Saudi Arabian economy away from its historical reliance on the hydrocarbon sector, as well as opening the Saudi Arabian economy and developments which the Bank believes it is well placed to exploit given its solid position in trade finance, the strong franchise of its subsidiary, Riyad Capital, and its risk appetite which takes into account increased demand for funding from entities in non-oil sectors such as entertainment, tourism and hospitality, which are all focus sectors for the Bank;

• strengthening the private sector and promoting SMEs, another area where the Bank believes that it is well positioned given its strategic focus on expanding its SME business and its position as a bank to approximately 50 per cent. of all private sector Saudi corporations listed on the Tadawul;
increasing home ownership, which the Bank believes it will be able to exploit given the fact that it has the third largest branch network in Saudi Arabia and in light of its significant focus on developing its mortgage business, including through partnerships with developers;

- a focus on developing digital infrastructure, which is an important element of the Bank’s strategy; and

- the creation of new job opportunities, particularly for women, which should benefit the Bank as it already has the highest female workforce penetration in the Saudi Arabian banking sector.

**Strong liquidity**

The Group benefits from a strong liquidity position, with its Basel III liquidity coverage ratio at 168 per cent. as at 30 September 2021 compared to 200 per cent. as at 31 December 2020, 155 per cent. as at 31 December 2019 and 121 per cent. as at 31 December 2018. The Bank’s net loans/customer deposits (including debt securities in issue) ratio was 99.0 per cent. as at 30 September 2021, 91.7 per cent. as at 31 December 2020, 87.6 per cent. as at 31 December 2019 and 86.9 per cent. as at 31 December 2018. The Group’s customer deposits have increased year-on-year by 14.55 per cent. from SAR 169.8 billion as at 31 December 2018 to SAR 194.5 billion as at 31 December 2019 and by 4.4 per cent. to SAR 203.0 billion as at 31 December 2020. As at 30 September 2021, the Group’s customer deposits amounted to SAR 204.0 billion, 0.5 per cent. higher than the level as at 31 December 2020.

**Strong Board and management team**

The Bank’s Board comprises 10 members with wide ranging experience. The current Chairman, who was appointed in October 2016, has been a Board member since 2007 and two other members have more than five years’ experience on the Board. The Bank’s Board includes persons who are members of the Boards of Directors of prominent Saudi Arabian companies, such as Saudi Basic Industries Corporation (SABIC), Saudi Arabian Mining Company (Ma’aden), Saudi Aramco and Saudi Telecom Company (STC).

The Bank believes that its management has strong expertise and knowledge of the local market. The Bank’s Board and senior management team are described in more detail under “Management and employees”.

**GROUP STRUCTURE AND SHAREHOLDERS**

**Group structure**

The chart below shows the Bank and its consolidated subsidiaries as at 30 September 2021.

---

**Notes:**

1. This company holds, manages, sells and purchases real estate assets for owners or third parties for financing activities.
2. This company acts as an agent for selling insurance products owned and managed by another insurance provider.
company.
(3) This company is a special purpose company incorporated to acquire the Bank’s London branch’s premises.
(4) This company executes derivative transactions with international counterparties on behalf of the Bank.
(5) This company provides human resources services to the Group.

Shareholders

The table below shows the shareholders which owned more than 5 per cent. of the Bank’s share capital as at 31 January 2022.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage of issued share capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIF</td>
<td>21.75%</td>
</tr>
<tr>
<td>GOSI</td>
<td>10.39%</td>
</tr>
<tr>
<td>Al Nahla Trading and Contracting Company</td>
<td>8.73%</td>
</tr>
<tr>
<td>Assila Investment Company</td>
<td>8.00%</td>
</tr>
<tr>
<td>Foreign shareholders</td>
<td>9.36%</td>
</tr>
<tr>
<td>Other shareholders</td>
<td>41.77%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

PIF and the GOSI are Government-controlled entities, which, as per publicly available records from Tadawul, gives the Government an indirect holding of 32.14 per cent. of the Bank’s shares as at 31 January 2022. In January 2022, GOSI transferred a 10.7 per cent. stake in the Bank to certain of its wholly owned subsidiaries, therefore GOSI’s direct and indirect holding in the Bank is 21.09 per cent.. On this basis, the Government has an indirect holding of 42.84 per cent. of the Bank’s shares.

BUSINESS

The Group has four reporting segments, which correspond to its principal operating businesses:

- **Retail banking** – which provides a range of products and services designed for individual customers and SMEs, including time deposits, current, call and savings accounts, credit cards, retail investment products and individual and consumer loans;

- **Corporate banking** – which provides a range of products and services designed for corporate customers, including time deposits, current and call accounts, cash management and trade services, overdrafts, loan and other credit facilities, derivatives and corporate advice;

- **Treasury and investments** – which manages the Bank’s investments, foreign exchange and money market liquidity requirements within set risk parameters. It also caters to evolving customer needs by offering tailored commodity, foreign exchange and interest rate services; and

- **Investment banking and brokerage** – which engages in wealth management, corporate investment banking, asset management and brokerage activities. This reporting segment reflects the activities of Riyad Capital described below.

The table below shows the relative significance of each reporting segment in terms of its contribution to Group total operating income, net and income for the period before zakat in the nine-month period ended 30 September 2021 and its contribution to Group total assets and Group total liabilities as at 30 September 2021.
Corporate banking

The Group’s corporate banking business has over 9,500 clients and provides banking and financial services to approximately 50 per cent. of Saudi Arabian companies listed on the Tadawul. The principal products and services offered include a current account that offers both riyal and foreign currency options, a range of time deposit options at competitive rates, liquidity management solutions, payment and collection processing solutions, cash collection and delivery services, electronic payment solutions for merchants, automated payroll processing, a wide range of import and export services (including letters of credit (LCs), banker’s acceptances, bills discounting and documentary collections) and guarantees (including standby LCs, letters of guarantee, performance guarantees, bid bonds, advance payment bonds and retention bonds).

The corporate banking business operates in four customer segments:

- wholesale banking (corporate finance, international corporates, banking and non-banking financial institutions and government and public sector entities);
- corporate banking (customers with a turnover of more than SAR 200 million);
- SME banking (customers with a turnover of between SAR 3 million and SAR 200 million); and
- overseas branches.

The Bank has two specialised and dedicated service units to enhance its service delivery to its customer segments, namely:

- the Customer Strategy and Planning Department, whose mandate is to define the target market for each customer segment and develop detailed marketing plans for each customer segment; and
- the Customer Services Department, which provides support in handling customers’ operational requirements.

The Bank is one of the market leaders in syndicated lending and project finance in Saudi Arabia. Its substantial capital base has enabled it to play an important role in lending, underwriting and arranging large syndicated loans in the petrochemical, mining, telecommunications and infrastructure sectors. The syndicated loans business of the Bank continues to exhibit signs of strong growth with the Bank being involved in 116 financings raising SAR 28.055 billion in 2019, 123 financings raising SAR 30.524 billion in 2020 and 160 financings raising SAR 31.765 billion in 2021.

---

<table>
<thead>
<tr>
<th></th>
<th>Corporate banking</th>
<th>Retail banking</th>
<th>Treasury and investment</th>
<th>Investment banking and brokerage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nine-month period ended 30 September 2021</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating income, net...</td>
<td>36.8</td>
<td>33.2</td>
<td>22.4</td>
<td>7.6</td>
</tr>
<tr>
<td>Income for the period before zakat</td>
<td>34.0</td>
<td>21.5</td>
<td>35.1</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>As at 30 September 2021</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets....................</td>
<td>44.8</td>
<td>26.9</td>
<td>27.5</td>
<td>0.8</td>
</tr>
<tr>
<td>Total liabilities...............</td>
<td>56.2</td>
<td>34.7</td>
<td>8.8</td>
<td>0.3</td>
</tr>
</tbody>
</table>
The Bank’s corporate banking segment continues to focus on trade finance and receivables financing where it is one of the market leaders (based on published financial information of banks in Saudi Arabia). Additional services provided include short and medium term financing, contracting finance, trade finance services, foreign exchange, cash management, payroll, hedging products and investment products.

The Bank sees the greatest potential for growth in the market serving medium enterprises with a local footprint, and it is actively targeting this sector. The Bank believes that it is well placed to take advantage of strong growth in the medium enterprise sector and has developed its strategy in consultation with the International Finance Corporation. The Kafala programme, in which the Bank is a market leader in terms of funds lent (according to the Saudi Industrial Development Fund (SIDF), is an initiative backed by the Ministry of Finance, represented by the SIDF, which aims to promote economic growth and financing to SMEs within Saudi Arabia.

The Bank also intends to maintain its leading position with multinational corporations, particularly for large corporate and project finance transactions, although this is a competitive market with relatively low returns.

The Bank’s commitment to deliver quality service to its customers has been strengthened by continuous upgrading of technology and training. This provides a simple online point-of-access to customers from anywhere around the globe, assisting clients to easily manage their global trading activities.

**Retail banking**

The Group has approximately 2.1 million active retail customers as at 30 September 2021. The Group offers a wide spectrum of retail banking products to individuals and SMEs (being entities with annual sales up to SAR 3 million) through its network of 341 licensed branches and 2,285 ATMs located throughout Saudi Arabia as at 30 September 2021. Many of the Group’s retail banking services are also available through direct access channels such as 24-hour telephone banking, online banking and mobile banking. See “—*Delivery channels*” below.

The retail banking business has adopted a digitally-enabled customer-centric approach which allows it not only to meet customer expectations, but also to respond to the rapidly evolving way in which customers want to access financial services. Retail banking continues to invest in the design and delivery of innovative services that reflect the values of its customers and are delivered when and where its customers need them. The Group’s retail banking business has prioritised investment in digital channels to improve its delivery capabilities, offer customers an innovative and convenient banking experience and maintain its competitive edge.

The Group continues to concentrate on intelligent lending and strict controls, which keeps performance healthy and steady in an otherwise challenging market.

The products and services provided by the Group’s retail banking segment include deposits, consumer loans, auto leasing, mortgage finance, credit cards, debit cards, remittance services, ATMs, interactive teller machines, kiosks, internet banking, mobile banking, Riyad Pay, Apple Pay, the standalone mobile application “Token” for children, short messaging service (SMS) banking and telephone banking, including interactive voice recognition (IVR).

The retail banking segment also offers business banking through its versatile product and service offerings including trade financing, POS financing, cash deposit cards, payroll processing and e-services for SMEs. The SME market is rapidly expanding as Saudi Arabia’s economy continues its strong growth and develops a broader industrial and service base through its Saudi Vision 2030. The Group’s retail banking segment believes that it is strategically better placed than its competitors, due to (a) a large retail footprint and retail customer base, (b) well-developed digital channels, and (c) a wide range of products.

The retail banking segment continues to introduce innovative service offerings that adhere to Shariah principles, including Islamic savings accounts, Islamic overdraft accounts, Islamic personal finance, auto and real estate mortgage products. All Islamic products are reviewed and approved by an external and independent Shariah Committee, comprising highly qualified Shariah scholars, to ensure compliance with the principles of Shariah.
The retail banking segment offers bespoke services to its high net worth private banking clients through three dedicated centres. The product offering includes sophisticated banking services, investment solutions and credit services to cater to the needs of this niche client segment.

Under the brand of “affluent banking”, the Group’s retail banking segment operates ‘Diamond’ and ‘Golden’ banking segments. As at 30 September 2021, the retail banking segment has 31 dedicated Diamond banking centres with exclusive relationship managers serving the needs of the Diamond banking clients. Additionally, the retail banking segment offers banking services to its Golden banking customers through a large footprint of 186 diamond banking centres.

Treasury and investments

The Group’s treasury and investments business offers a wide range of products to the Group’s corporate, commercial and private clients. These products include basic foreign exchange and interest rate protection, money market and Government bonds and sophisticated hedging structures tailored on an individual basis.

The treasury and investments business also ensures that the Group’s internal funding requirements are met and manages risks associated with liquidity, foreign exchange and interest rate exposures.

The Group also offers a variety of Shariah-compliant products, including murabaha, tawaruq, Islamic return account and foreign exchange waad. The Group continues to develop new products to meet the growing needs of its customers for Shariah-compliant products.

The treasury and investments business also manages the Group’s fixed income portfolio of fixed rate and floating rate securities, as well as the Group’s equity and mutual fund investments. See “Financial review—Investment securities portfolio”.

Derivatives are used by the Group for its own account to hedge interest rate and currency positions and for customer-related transactions and, to a limited extent, for proprietary trading.

The Group’s treasury has an established limit structure covering various risk aspects, including gap limits, stop loss limits and value at risk (VaR) limits. Oversight and review of these limits is provided by the Bank’s asset and liability management committee (ALCO).

Investment banking and brokerage – Riyad Capital

Riyad Capital is a wholly-owned subsidiary of the Bank licensed by the CMA. Its principal activities are dealing in securities (both as a principal and as an agent), underwriting, management of investment funds and clients’ portfolios, arranging and providing advisory and custody services.

Riyad Capital operates the following businesses:

Wealth management - Riyad Capital’s wealth management segment has a team of experienced investment advisers to support its corporate and individual clients’ investment decisions. Its wealth management services include a comprehensive advisory process, customised advisory solutions, including tailored investment portfolios and discretionary portfolio management, investments in Riyad Capital’s CMA-registered mutual funds which are managed in-house and by third party providers and advice on local and international equity markets and related brokerage services.

Corporate investment banking - Riyad Capital’s corporate investment banking activities include a broad range of services across equity and debt capital markets and advisory services (including mergers and acquisitions). Riyad Capital participates in both public and private equity capital raisings in Saudi Arabia through initial public offerings, rights issues, follow-on offerings and private placements. In addition, Riyad Capital is also active in
arranging issues of Saudi riyal-denominated fixed income debt securities (such as bonds and sukuk) and advises both local and international clients on mergers, acquisitions and divestitures across a number of industries.

**Asset management** - Riyad Capital’s total assets under management were SAR 87.6 billion as at 30 September 2021. Riyad Capital offers its customers a selection of 30 (including 16 Shariah-compliant) domestic and international public investment funds of varying risk levels and asset mixes, designed to meet its customers’ diverse risk/return tolerances. Of these funds, 21 (comprising eight funds of funds, seven Saudi equity funds, four money market funds, one GCC fund and one real estate fund) are managed by Riyad Capital. The remaining nine funds are managed in partnership with international fund managers.

**Brokerage** - Riyad Capital’s brokerage business offers both local and international market brokerage services which include execution and custody services. The services are offered through both electronic trading (internet trading, IVR trading and mobile trading) and broker assisted trading.

**Delivery channels**

The Bank’s delivery channels include:

- **branches** – the Bank has the third largest branch network in Saudi Arabia with 341 licensed branches (as at 30 September 2021) located across Saudi Arabia;
- **online banking** – which allows personal customers to open current and savings accounts, apply for personal loans, monitor their account activity, transfer funds, pay bills, manage their credit cards, arrange time deposits, subscribe to and trade initial public offering (IPO) shares, request services and update information;
- **digital wallets** – which allow customers to perform payment transactions through convenience using Riyad Pay and Apple Pay;
- **mobile banking** – which allows customers to open current and saving accounts, apply for personal loans and to perform everyday banking transactions, including fund transfers, bill payments, beneficiary management, managing credit cards and redeeming loyalty points, on their mobile telephone;
- **telephone banking** – which enables customers to perform a range of banking transactions, such as local and international transfers to pre-defined accounts, paying loan instalments and credit card bills, checking account balances, making Government or utility bill payments and activating cards, using a touch-tone phone or IVR;
- **2,285 ATMs** – through which customers can withdraw cash, makes certain transfers and payments, access IPO services and initiate certain enquiries;
- **Riyad Self Service** – allows customers to issue and renew debit cards, print account statements and manage their accounts; and
- **over 118,700 POS terminals** – which are located at merchants’ premises and enable them to accept card payments from their customers.

The Group has implemented Government services, such as SADAD, on all relevant remote channels and provides “Riyad Alerts” for all customer transactions on current accounts and credit cards. It also provides cash deposit cards, business banking credit cards and e-services for SMEs to extend customer reach for this segment. The Group’s digital strategy has resulted in the evolution of its website and mobile banking application from classical branding and service channels into dynamic marketing and sales engines that provide the Group with an opportunity to gain a competitive advantage in the marketplace through improved service and productivity, greater efficiency, lower costs and improved customer acquisition and retention.

**International operations**
The Group’s international operations comprise its London branch, an agency in Houston and a representative office in Singapore. The Bank has no current plans to extend its overseas presence.

**London branch**

The Bank’s London branch assists its Saudi Arabian-based customers in meeting their business and/or investment requirements in the European markets. The branch has also developed relationships with several major European corporations engaged in business and/or investment activities in Saudi Arabia and other GCC states. The London branch’s products and services include providing short and medium-term credit facilities, syndicated credit facilities, project financing (within Saudi Arabia), real estate financing, trade finance, foreign exchange and money markets.

**Houston agency**

The Bank is the only Saudi Arabian bank with a physical presence in the United States. Its agency in Houston, Texas, was established in 1990 to assist the Bank’s Saudi Arabian-based customers in meeting their business and/or investment requirements in the U.S. market. The agency has also developed business relationships with several major U.S. corporations engaged in business and/or investment activities in Saudi Arabia and the other GCC states. The agency offers a range of products and services on a wholesale banking basis, including trade finance and documentary credits, project finance (within Saudi Arabia), short and medium-term credit facilities and real estate financing.

**Singapore representative office**

The Bank established a representative office in Singapore in 1997 to assist the international business requirements of its private and corporate customers in the Asia/Pacific region, particularly in the areas of trade and finance.

The representative office’s services include regional marketing and relationship management, liaising with the Bank’s domestic branch network in Saudi Arabia and maintaining the Bank’s correspondent banking network in the Asia/Pacific region.

**COMPETITION**

The Group faces competition from foreign and domestic banks in each of the different business areas in which it operates. Based on SAMA’s website, 26 banks (comprising 11 Saudi banks and 15 international banks) conducted commercial banking activities in Saudi Arabia through permanent establishments. For further details, see “Saudi Arabia’s banking sector and regulations—General”.

In the corporate and investment banking sector, the Group competes to attract large national corporate clients that can provide significant volumes of business and that present opportunities to cross sell other banking services. In consumer banking, the Group primarily competes to attract the large Saudi Arabian and expatriate populations, and in particular, high net worth customers.

The Group believes that it has a strong position in the Saudi Arabian corporate and investment banking and consumer banking segments. It believes that its strong market position is attributable to its competitive advantages, including, in particular:

- its domestic systemically important bank (D-SIB) status in Saudi Arabia;
- its branch network, which is the third largest in Saudi Arabia;
- its strong risk management policies - the Group believes that its risk management policies and practices are comparable to “best practice” in the banking sector internationally;
• its size and financial strength - the Bank was the third largest Saudi Arabian bank in terms of consolidated total assets as at 30 September 2021, with a strong balance sheet and liquidity position, providing it with operational and financial flexibility;

• its wide range of banking products that cater to the needs of its corporate, retail and other customers; and

• its digital banking initiatives, such as contactless payment initiatives (including the Riyadh Pay wallet app, the Riyadh mobile sticker and the Smart wristband), Riyadh mobile and online services, including the ability to open a second account online, SADAD account services, the immediate issuance of virtual credit cards for online transactions, the Wazen programme for Shariah-compliant savings) and Riyadh foreign currency ATMs that enable customers to make withdrawals in U.S. dollars, euro, pounds sterling and UAE dirham.

SUSTAINABLE FINANCE FRAMEWORK

The Bank intends to apply an amount at least equal to the net proceeds of the issuance of the Certificates to fund and/or refinance, in whole or in part, a portfolio of Eligible Sustainable Projects as set out in the Bank's Sustainable Finance Framework.

The Sustainable Finance Framework envisages that an amount at least equal to the net proceeds of the Certificates will be used either to finance either eligible green projects or eligible social projects as described below.

Eligible green projects comprise (i) investments in projects related to the production, transmission and storage of renewable energy, including solar or wind energy and/or investments in projects related to the construction facilities and/or equipment (including research and development) for the manufacture of raw materials for batteries dedicated to renewal energy storage or (ii) investments in projects that reduce energy consumption or technology such as district cooling systems, smart energy grids, energy meters, management systems, battery storage facilities or upgrades in grid infrastructure to improve efficiency or reduce losses in electricity transmission or (iii) investments in projects related to low carbon vehicles and associated infrastructure for public, passenger and freight transportation and/or investments in projects supporting the deployment of electric vehicles and/or investments in projects related to the construction facilities and/or equipment (including research and development) for the manufacture of raw materials for batteries dedicated to development of electric vehicles or (iv) investments in projects related to construction, upgrades, renovations or improvements for transportation and treatment of wastewater and/or investment in projects that increase water-use efficiency and/or investment in projects related to sustainable urban drainage or desalination plants powered by reverse osmosis technology or (v) investments in projects related to construction, upgrades and renovation of facilities for collection, sorting, processing and conversion and treatment of waste or (vi) investments in projects related to acquisition, development, construction and refurbishment of green buildings or (vii) investments in projects related to sustainable forestry practices that are certified in accordance with the Forest Stewardship Council or Programme for the Endorsement of Forest Certification.

Eligible social projects comprise (i) financing and/or refinancing loans to micro, small and medium enterprises (MSMEs), microfinance clients, and/or providing supportive measures including extension of payment periods and exemption of facility fees during natural disasters and pandemics or (ii) investments in projects that increase access to clean drinking water, sanitation facilities, including construction of public sanitation stations or (iii) investments in projects related to the construction or expansion of public hospitals, healthcare-related infrastructure and schools for the provision of public, not-for-profit, free or subsidised healthcare and education, including Government-owned public-private partnerships for the provision of healthcare equipment or emergency medical response and disease control services or provision of child, youth or adult education and vocational training services or (iv) investments in projects related to financing and/or refinancing Government-supported or Government-subsidised mortgage financing programmes for the provision affordable housing.

The equivalent amount in relation the Certificates will not be used in cases where the main purpose of the financing is related to fossil fuels, nuclear power generation, conflict minerals, weapons, gambling, vaping and/or tobacco.
To ensure that the equivalent amount of the Certificates is allocated to eligible green projects and/or eligible social projects, the details of these projects will be entered into the Sustainable Financing Register. If, during the term of the Certificates, any relevant eligible green project and/or eligible social project is found to no longer be eligible for entry on the Sustainable Financing Register, the details of the relevant project will be removed. The proceeds allocated to projects which are no longer eligible will be re-allocated to another eligible green project or eligible social project.

In the event that the equivalent amount of the Certificates cannot be immediately and fully allocated, or in the event of any early repayment, any unallocated amount will be held in cash or short-term marketable securities until allocation to Eligible Sustainable Projects.

The Bank intends to allocate the equivalent amount of the Certificates to finance Eligible Sustainable Projects originated no more than three years prior to the issuance. The equivalent amount will be allocated within two years from the date of issue of the Certificates.

On an annual basis, the Bank will publish on its website an allocation report and an impact report on the Certificates and any other sustainable funding obtained. The first report will be published within one year from the date on which the Certificates are issued. These reports will be subject to external verification by an external reviewer and will be updated annually until no such funding is outstanding. The external reviewer’s reports will also be published on the Bank’s website.

The Bank has appointed S&P Global to provide an external review on its Sustainable Finance Framework and confirm its alignment with the ICMA Principles and other relevant benchmarks. This opinion will also be made available on the Bank’s website.

None of the Sustainable Finance Framework or the ICMA Principles or any of the above reports, verification assessments or the contents of any of the above websites are incorporated in or form part of this Offering Circular.

See also “Risk Factors—Risks relating to the Certificates—The application of an amount at least equal to the net proceeds of the Certificates as described in “Use of Proceeds” may not meet investor expectations or requirements or be suitable for an investor’s investment criteria”.

INFORMATION TECHNOLOGY

The Group’s Business Technology Division (the BTD) helps its businesses to manage customer and regulatory requirements through well-defined processes and the effective use of technology. Its mandate is to embrace the latest and best technology to improve business processes, in line with the Bank’s goals of generating revenue while enhancing customer experience.

The BTD continually undertakes projects to introduce new technologies and enhance existing technology infrastructure to yield better services to internal and external users. Each year the BTD undertakes a significant number of technology projects, with an average of 20 major projects per year. In each of 2021, 2020 and 2019, 2018 and 2017 major projects were successfully delivered.

The BTD continuously monitors and improves its business continuity management process. The Bank has disaster recovery centres in several locations, which have been successfully tested to ensure that they are ready to handle disruptive business situations.

The BTD also places particular emphasis on data protection and its IT infrastructure is backed up by an alternative data centre with a handling capacity similar to the primary data centre.

COMPLIANCE
The compliance function plays a vital role in identifying, assessing and providing advice relating to compliance with applicable laws and regulatory requirements. In addition to monitoring and reporting on compliance-related risks (which may give rise to legal and administrative penalties, financial loss or reputational damage), the compliance function is also responsible for oversight of the implementation of anti-financial crime operating controls guidelines.

The compliance function is independent and it is organised into five major sections, each responsible for specific activities in line with the Bank’s policies and SAMA requirements:

- compliance monitoring section;
- compliance advisory section;
- regulatory affairs and business ethics section;
- compliance quality assurance section; and
- anti-financial crime section.

**Compliance monitoring section**

The compliance monitoring section is responsible for reviewing, using a risk-based approach, the activities and products offered by the Bank to ensure compliance with applicable regulations. The nature, timing and extent of the monitoring activities are based on a number of factors, including a risk assessment of the activities and products offered by the Bank. The compliance monitoring section’s activities are approved and driven by a fit-for-purpose compliance monitoring programme.

**Compliance advisory section**

The compliance advisory section determines the impact of all regulatory updates on the Group’s business processes. Regulatory updates include new regulations, amendments to existing regulations, clarifications of existing regulations and notifications. Where the section determines that existing business processes and IT systems do not support the regulatory updates, it escalates the matter to the appropriate authority.

The compliance advisory section is responsible for providing interpretation and advice to the business units on an ongoing basis in relation to applicable regulations. It performs root-cause analysis and appropriate response plans where needed in the event of regulatory breaches.

The compliance advisory section is also responsible for conducting a review of internal policies and procedures to ensure they comply with regulatory requirements and for verifying that new products, services, and systems are consistent with all rules and regulations and internal procedures and instructions.

**Regulatory affairs and business ethics section**

The regulatory affairs and business ethics section manages the relationship between the Bank and SAMA through effective communication, receiving and responding to incoming requests, and following up on transactions and inquiries submitted to and raised with SAMA. The section periodically reviews and updates the policies related to compliance ethics, prepares the relevant compliance reports, which are submitted to top management and the Board, and approves investment accounts and stock transactions for relevant employees according to the Bank’s insider trading policy.

**Compliance quality assurance section**
The compliance quality assurance section is responsible for ensuring that the compliance department is aligned with regulatory requirements, internal policies/procedures and quality standards, by conducting frequent and ad hoc reviews and engaging in the significant processes undertaken. In addition, the section maintains a database of all the regulatory requirements and validates their implementation.

**Anti-financial crimes section**

The anti-financial crimes section comprises three units, the AML/CTF unit, the sanctions unit and the anti-financial fraud unit.

The AML/CTF unit ensures the Bank’s compliance with AML and counter-terrorist financing (CTF) rules, including the updated Saudi Arabian Anti-Money Laundering Law issued in 2017, SAMA rules and regulations governing AML and CTF activities and international best practice, such as the seventh principle of the Basel Committee on the Compliance Department. The Money Laundering Reporting Officer is the focal point for monitoring all AML and CTF-related policies and activities within the Bank and is responsible for assessing whether suspicious activities should be the subject of a Suspicious Activity Report to be submitted to the Saudi Arabian Financial Intelligence Unit.

The sanctions unit’s core business revolves around international sanctions affairs and transactions monitoring. The unit conducts research as necessary about global challenges that might affect sanctions banking practice, responds to enquiries from SAMA, senior management, the Bank’s divisions and correspondent banks related to economic sanctions compliance, disseminates FATF high-risk updates within the Bank and screens individuals, entities and third parties against sanctions lists.

The anti-financial fraud unit is responsible for aligning the control framework, governance and remediation actions for all fraud, financial crime, bribery and corruption risks in accordance with the Bank’s policy and for dealing with financial crimes by using effective systems and controls to detect, prevent and deter financial crime.

In accordance with the Bank’s policies and objectives, the anti-financial fraud unit ensures that all fraud and financial crime-related mandates, directives, policies and procedures implemented within the Bank are in compliance with the regulatory guidelines issued by SAMA.

**INTERNAL CONTROL DEPARTMENT**

The Bank’s internal control department (the ICD) serves as one of the key second line functions within the Internal Control and Market Risk Division and has the following roles and responsibilities:

- to identify, key risks inherent in the Group’s significant businesses and support processes and maintain an enterprise key risk register, covering key risks and controls;
- to ensure quarterly testing of key risks and controls through Bank-wide divisional controllers in order to identify control deficiencies;
- to maintain an inventory of Bank-wide control deficiencies received from business lines, key control functions and external parties such as the regulator and auditors;
- to present an integrated internal control governance report to the Risk Management and Compliance Committee on a monthly basis and to the Board Audit Committee on a semi-annual basis; and
- to ensure that the integrated reporting policy supports the executive management team in the annual attestation of the effectiveness of the internal controls across the Bank, and that such attestation provides reasonable assurance to the Board in ensuring the internal controls have been adequately designed and are operating effectively across the Bank’s divisions in order to mitigate various types of risks as set out in the Risk Appetite Statement and related documents.
FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in “Presentation of financial and other information”, “Selected financial information” and the Financial Statements.

This discussion of the Group’s financial condition and results of operations is based upon the Financial Statements. 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 financial and other information” for a discussion of the source of the numbers presented in this section and the basis of preparation of those numbers.

OVERVIEW

The Bank is the third largest bank in Saudi Arabia in terms of consolidated total assets, which amounted to SAR 318.6 billion as at 30 September 2021. The Group offers a wide range of banking products and financial services to individuals and businesses. The Group’s principal business segments are retail, corporate, investment banking and brokerage, and treasury and investments. The Group also offers a range of Islamic banking products across these segments.

The Group’s retail and corporate businesses principally generate net special commission income on loans and advances, as well as net fee and commission income. The Group’s treasury and investment activities principally generate net special commission income on the Group’s investment portfolio of fixed income securities, exchange income on foreign exchange transactions for clients, dividend income and investment and trading gains or losses. The Group provides investment banking and asset management services through its subsidiary Riyad Capital, and these activities principally generate fee and commission income on share brokerage, fund management activities and advisory mandates. The Group’s services are provided principally through its branch network in Saudi Arabia, a network of ATMs and point of sale (POS) terminals, telephone banking, internet banking and mobile banking.

As at 30 September 2021, the Group’s customer financing portfolio was SAR 210 billion and its total customer deposits were SAR 204 billion. As at 31 December in each of 2020, 2019 and 2018, the Group’s customer financing portfolio was SAR 191 billion, SAR 174 billion and SAR 151 billion, respectively, and as at the same dates its total customer deposits were SAR 203 billion, SAR 195 billion and SAR 170 billion, respectively.

In the nine-month period ended 30 September 2021, the Group’s total operating income, net was SAR 8,619 million and its net income for the period was SAR 4,408 million. In 2020, the Group’s total operating income, net was SAR 11,205 million and its net income for the year was SAR 4,715 million.

As at 30 September 2021, the Group’s total tier 1 and total capital adequacy ratios, calculated in accordance with Basel III as implemented in Saudi Arabia, were 16.0 per cent. and 19.3 per cent., respectively.

PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS

The following is a discussion of the principal factors that have affected, or are expected to affect, the Group’s results of operations.

Economic conditions

The Bank is a Saudi Arabian financial institution focused on lending to, and accepting deposits from, institutions, companies and residents in Saudi Arabia. As a result, its revenues and results of operations are principally affected by economic and market conditions in Saudi Arabia.
In 2018 and 2019, Saudi Arabia’s nominal GDP increased by 14.2 per cent. and by 0.8 per cent., respectively, according to GASTAT. On a real basis (which principally eliminates the effect of oil price changes), Saudi Arabia’s GDP increased by 2.4 per cent. and by 0.3 per cent. in 2018 and 2019, respectively. In 2020, driven by low oil prices and the impact of COVID-19, real GDP in Saudi Arabia fell by 4.1 per cent.

Reduced economic activity in Saudi Arabia will typically negatively impact the Group’s operating income in subsequent years. In particular, the Saudi Arabian economy is materially impacted by oil prices. In 2020, in large part driven by the impact of the COVID-19 pandemic, oil prices fell significantly in March to May although they increased throughout the rest of the year and into 2021.

Any deterioration in economic and market conditions in Saudi Arabia may result in a widening fiscal deficit and the Government may withdraw deposits from the banking system to fund such deficit. Saudi banks (including the Bank) may therefore be exposed to tightened liquidity in such circumstances. See “Risk factors—Risks relating to the Group—The Group’s operations and assets are principally located in Saudi Arabia and, accordingly, the Group is exposed to general economic conditions in Saudi Arabia”.

The Group also remains exposed to the risk of external changes, such as an increase in global financial market volatility, which could pose funding, market and credit risks for investment companies and banks.

**Factors affecting net special commission income**

The Group’s net special commission income is the major contributor to its total operating income, net, comprising 72.2 per cent. of its total operating income, net in the nine-month period ended 30 September 2021, 73.4 per cent. in the nine-month period ended 30 September 2020, 73.3 per cent. in 2020, 73.1 per cent. in 2019 and 73.9 per cent. in 2018.

Within the Group’s net special commission income:

- special commission earned on loans and advances to customers is the major contributor to total special commission income, comprising 82.6 per cent. of the Group’s total special commission income in 2020, 81.9 per cent. in 2019 and 82.8 per cent. in 2018. Special commission earned from investment securities comprised 16.0 per cent. of the Group’s total special commission income in 2020, 15.7 per cent. in 2019 and 15.5 per cent. in 2018. The balance in each year comprised special commission earned on due from banks and other financial institutions (which principally comprises short-term interbank lending); and

- special commission expense on customer deposits is the major contributor to total special commission expense, comprising 68.3 per cent. of the Group’s total special commission expense in 2020, 77.0 per cent. in 2019 and 73.3 per cent. in 2018. Special commission expense on debt securities in issue comprised 13.6 per cent. of the Group’s total special commission expense in 2020, 6.5 per cent. in 2019 and 14.5 per cent. in 2018. The balance in each year comprised special commission expense on due to banks and other financial institutions (which principally comprises short-term interbank funding).

The Group’s net special commission income is affected by a number of factors. It is primarily determined by the volume of special commission-earning assets relative to special commission-bearing liabilities, as well as the differential between the rates earned on special commission-earning assets and the rates paid on special commission-bearing liabilities.

The Group’s net special commission income for the nine-month period ended 30 September 2021 was SAR 46 million, or 0.7 per cent., higher than its net special commission income for the comparable period of 2020. The Group’s net special commission income for 2020 was SAR 377 million, or 4.8 per cent., higher than its net special commission income in 2019 which, in turn, was SAR 1,209 million, or 18.2 per cent., higher than its net special commission income in 2018. For a discussion of the trends in the Group’s net special commission income, see “—Results of operations—Comparison of the nine-month periods ended 30 September in each of 2021 and 2020—
Factors affecting fee and commission income, net

The Group’s fee and commission income, net is another significant contributor to its total net operating income, comprising 17.5 per cent. of the Group’s total operating income, net in the nine-month period ended 30 September 2021, 17.1 per cent. in the nine-month period ended 30 September 2020, 16.7 per cent. in 2020, 18.9 per cent. in 2019 and 19.1 per cent. in 2018.

Within the Group’s fee and commission income, net:

- fee and commission income earned on credit facilities and advisory, share brokerage and fund management, card products and trade finance are the major categories, together comprising 93.8 per cent. of the Group’s total fee and commission income in 2020, 94.8 per cent. in 2019 and 94.1 per cent. in 2018. The balance in each year comprised fee and commission income earned on other banking services; and

- fees and commission paid on card products is the major contributor to total fee and commission expense, comprising 67.7 per cent. of the Group’s total fee and commission expense in 2020, 72.4 per cent. in 2019 and 73.2 per cent. in 2018. Fee and commission expense on share brokerage comprised 14 per cent. of the Group’s total fee and commission expense in 2020, 5.9 per cent. in 2019 and 7.0 per cent. in 2018. The balance in each year comprised fee and commission expense paid on other banking services.

The Group’s net fee and commission income is affected by a number of factors. It is primarily determined by the volume of transactions conducted, especially in the case of trade finance and credit facilities and advisory fee and commission income, as well as the differential in the rates charged and paid by the Group, especially in relation to card and share brokerage transactions.

The Group’s net fee and commission income for the nine-month period ended 30 September 2021 was SAR 71 million, or 5.0 per cent., higher than its net fee and commission income for the comparable period of 2020. The Group’s net fee and commission income for 2020 was SAR 157 million, or 7.7 per cent., lower than its net fee and commission income in 2019. The Group’s net fee and commission income for 2019 was SAR 320 million, or 18.7 per cent., higher than its net fee and commission income in 2018. For a discussion of the trends in the Group’s net fee and commission income, see “—Results of operations—Comparison of the nine-month periods ended 30 September in each of 2021 and 2020—Total operating income, net—Fee and commission income, net” and “—Results of operations—Comparison of 2020, 2019 and 2018—Total operating income, net—Fee and commission income, net”.

Impairment charge for credit losses and other financial assets, net

IFRS 9 requires the Group to record an allowance for ECL for all loans and advances and other debt financial assets not held at fair value through the income statement (FVIS), together with loan commitments and financial guarantee contracts.

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVIS:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.
No impairment loss is recognised on equity instruments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which they are measured as 12-month ECL:

- debt investment securities 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 debt security to have low credit risk when the security’s credit risk rating is equivalent to investment grade. Twelve-month ECL is the portion of ECL that result from default events on a financial instrument that are possible within the 12 months of the reporting date.

ECL is a probability-weighted estimate of credit losses. ECL is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group actually expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group actually expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

For a further discussion, including the treatment of restructured financial assets, the identification of credit impaired financial assets and the presentation of the allowance for ECL in the Group’s statement of financial position, see note 3(e) to the 2020 Financial Statements.

The Group’s impairment charge for credit losses and other financial assets, net was SAR 592 million for the nine-month period ended 30 September 2021 compared to SAR 1,410 million for the comparable period of 2020. The Group’s impairment charge for credit losses and other financial assets, net was SAR 2,062 million in 2020 compared to SAR 1,012 million in 2019 and SAR 928 million in 2018.

For a discussion of the trends in the Group’s net fee and commission income, see “—Results of operations—Comparison of the nine-month periods ended 30 September in each of 2021 and 2020—Total operating expenses, net” and “—Results of operations—Comparison of 2020, 2019 and 2018—Total operating expenses, net”.

Impact of COVID-19

COVID-19 continues to disrupt global and the Group continues to evaluate the impact of COVID-19 through stress-testing scenarios on expected movements of key macroeconomic indicators and their impact on key credit, liquidity, operational, solvency and performance indicators in addition to other risk management practices. Management continues to (i) undertake periodic reviews of credit exposure concentrations at a more granular level with a particular focus on specific economic sectors, regions, counterparties and collateral protection, (ii) take appropriate customer credit rating actions and (iii) initiate restructuring of loans, where required. The credit reviews also take into consideration the impact of Government and SAMA support relief programmes.

The Group has also revised certain inputs and assumptions used for the determination of ECL. These primarily revolve around either adjusting macroeconomic factors used by the Group in the estimation of ECL and revisions
to the scenario probabilities currently being used by the Group in its ECL estimations. In 2020, the Group made certain adjustments to the macroeconomic factors and scenario weightings.

The Group’s ECL model continues to be sensitive to macroeconomic variables and scenario weightings. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and, therefore, the actual outcomes may be different to those projected. The impact of the uncertain economic environment is judgmental and the Group continues to reassess its position and the related impact on a regular basis.

To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. The Group has therefore recognised overlays of SAR 253.5 million for corporate financing as at 30 September 2021. These have been based on a sector-based analysis and other post model adjustments performed by the Group depending on the impacted portfolios.

In response to COVID-19, SAMA launched the Private Sector Financing Support Program (the **PSFSP**) in March 2020 to provide support to MSMEs. The PSFSP included:

- a deferred payments programme;
- a funding for lending programme;
- a loan guarantee programme; and
- a POS and e-commerce service fee support programme.

As part of the deferred payments programme, the Group has deferred payments on lending facilities to all eligible MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower’s potential cash flow issues. The Group implemented the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 30 June 2021, and increasing the facility tenors accordingly at no additional cost to the customers. The Group continues to believe that, in the absence of other factors, participation in the deferment payments programme on its own is not considered a significant increase in credit risk.

The accounting impact of the above changes in the terms of the MSME credit facilities are treated as a modification in terms of arrangement in accordance with IFRS. Under the deferred payments programme, the resulting total modification losses amounted to SAR 1,031 million, of which SAR 399 million was recorded in the nine-month period ended 30 September 2021 and SAR 632 million was recorded in 2020.

During the nine-month period ended 30 September 2021 and during 2020, SAR 524 million and SAR 314.9 million, respectively, were recognised in the statement of income relating to the unwinding of modification losses.

In order to compensate the related cost that the Group is expected to incur under the PFSFP and other public authorities programmes, during 2020 the Group received profit free deposits from SAMA amounting to SAR 19.9 billion 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. As at 31 December 2020, total income of SAR 632 million had been recognised in the statement of income with the remaining amount deferred. In the nine-month period ended 30 September 2021, SAR 9.3 billion in additional SAMA profit free deposits were received on which grant income amounting to SAR 28 million was recognised. During the nine-month period ended 30 September 2021, a total of SAR 282 million was recognised in the statement of income with respect to related deposits with an aggregate of SAR 296 million deferred grant income as at 30 September 2021.
As at 30 September 2021, the Group has participated in SAMA’s funding for lending and facility guarantee programmes and the accounting impact for the period is immaterial.

In addition, during the nine-month period ended 30 September 2021, the Group recognised reimbursement from SAMA for the forgone POS and e-commerce service fees of SAR 17 million.

As part of SAMA’s liquidity support for the banking sector, the Bank received an SAR 6.3 billion profit free deposit with a one year maturity in the second quarter of 2020. Management determined, based on the communication received from SAMA, that this government grant primarily related to liquidity support. As a result, the benefit of the subsidised funding rate was accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total day 1 fair valuation gain of SAR 97 million which was fully recognised by the Bank. The deposit has been repaid.

**Zakat**

On 17 July 2019, SAMA instructed banks in Saudi Arabia to recognise zakat and income taxes in the statement of income rather than, as they had previously done, in the statement of equity. This aligns with IFRS and its interpretations as issued by the IASB endorsed in Saudi Arabia and with the other standards and pronouncements that are endorsed by SOCPA.

Accordingly, the Group changed its accounting treatment for zakat and income tax by retrospectively adjusting the impact in line with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* (as disclosed in notes 3(a) and 26 to the 2019 Financial Statements.

During 2018, the Group reached an agreement with the General Authority of Zakat and Tax (now the Zakat, Tax and Customs Authority (ZATCA)) on the settlement of zakat claims for previous financial years up to the end of 2017, against payment of an amount of SAR 2,970 million. In accordance with the settlement agreement, the Group was required to settle 20 per cent. of the agreed zakat liability in 2018, with the remaining amount to be settled over a period of five years.

As a result of these factors, the Group’s zakat charge to its restated income statement in 2018 amounted to SAR 1,624 million, of which SAR 430 million represented current zakat for 2018 and the remainder represented its remaining liability under the settlement agreement.

**SIGNIFICANT ACCOUNTING POLICIES**

For a discussion of the significant accounting policies applied by the Group generally, see note 3 to each of the Annual Financial Statements.

**CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

In preparing the Group’s financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Group’s assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements. For a discussion of the most significant accounting estimates, judgments and assumptions made in the preparation of the Group’s financial statements, see note 2(d) to the 2020 Financial Statements. This note identifies (i) the measurement of expected credit losses on financial assets, (ii) the measurement of fair values of assets and liabilities, (iii) the determination of whether or not the Bank controls certain investment funds and special purpose entities, (iv) the assumptions and estimates made in accounting for
its end of service benefit scheme, (v) assumptions made when recognising upfront fees charged to borrowers on loan financings and (vi) judgments made in the recognition and measurement of grant income as the significant areas where management of the Group has used estimates or assumptions or exercised judgment.

RESULTS OF OPERATIONS

Comparison of the nine-month periods ended 30 September in each of 2021 and 2020

Total operating income, net

The table below shows the components of the Group’s unaudited total operating income, net for the nine-month periods ended 30 September in each of 2021 and 2020.

<table>
<thead>
<tr>
<th>Nine-month periods ended 30 September</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net special commission income</td>
<td>6,223,539</td>
<td>6,177,739</td>
</tr>
<tr>
<td>Fee and commission income, net</td>
<td>1,507,975</td>
<td>1,436,580</td>
</tr>
<tr>
<td>Exchange income, net</td>
<td>271,175</td>
<td>330,996</td>
</tr>
<tr>
<td>Trading income, net</td>
<td>187,222</td>
<td>218,118</td>
</tr>
<tr>
<td>Dividend income</td>
<td>109,016</td>
<td>89,292</td>
</tr>
<tr>
<td>Gain on disposal of non-trading investments, net</td>
<td>281,104</td>
<td>152,154</td>
</tr>
<tr>
<td>Other operating income</td>
<td>38,473</td>
<td>10,531</td>
</tr>
<tr>
<td><strong>Total operating income, net</strong></td>
<td><strong>8,618,504</strong></td>
<td><strong>8,415,410</strong></td>
</tr>
</tbody>
</table>

The Group’s total operating income, net for the nine-month period ended 30 September 2021 was SAR 8,619 million compared to SAR 8,415 million for the comparable period of 2020, an increase of SAR 203 million, or 2.4 per cent.. This increase reflected the changes described below in each component of the Group’s total operating income.

Gain on disposal of non-trading investments, net

The Group’s gain on disposal of non-trading investments, net principally represents gains and losses recognised on the sale of FVOCI investments and, to a limited extent, other investments held at amortised cost (which are fixed income investments that are not traded in active markets). The Group’s gain on disposal of non-trading investments, net was SAR 281 million for the nine-month period ended 30 September 2021 compared to SAR 152 million for the comparable period of 2020. The increase of SAR 129 million, or 84.7 per cent., in the 2021 period principally reflected an improvement in market conditions and a higher volume of disposals.

Fee and commission income, net

The Group earns fees and commissions on its card products, on customer loans advanced by it, on other credit facilities (such as commitments to lend made by it and letters of credit and guarantees issued by it), on its trade finance transactions, on its corporate finance and other advisory mandates, on its share brokerage and fund management services and on other banking services provided by it. The Group pays fees and commissions principally in respect of cards and share brokerage, but also on other banking services provided to it.

The Group’s fee and commission income, net for the nine-month period ended 30 September 2021 amounted to SAR 1,508 million compared to SAR 1,437 million for the comparable period of 2020. The Group’s fee and commission income increased by SAR 71 million, or 5.0 per cent., in the 2021 period, driven mainly by higher income from cards transactions, assets under management and brokerage.

Net special commission income
Special commission income is the Group’s principal source of income. The Group earns special commission income on the customer loans and advances made by it, on its portfolio of fixed income investment securities and on its deposits with central banks and other banks. The Group incurs special commission expense on its customer deposits, on its debt securities in issue and on its deposits from banks and other financial institutions. Special commission income and expense is recognised in the income statement using the effective interest method, as explained in note 3(h) to the 2020 Financial Statements.

The Group’s net special commission income for the nine-month period ended 30 September 2021 amounted to SAR 6,224 million compared to SAR 6,178 million for the comparable period of 2020. The Group’s net special commission income increased by SAR 46 million, or 0.7 per cent., in the 2021 period, principally reflecting the combined impact of reduced funding costs and lower special commission income.

The Group’s net special commission margin was 3.01 per cent. for the nine-month period ended 30 September 2021 compared to 3.20 per cent. for the comparable period of 2020.

**Dividend income**

The Group’s dividend income represents the dividends and distributions it receives from its portfolio of equity and mutual fund securities. The Group’s dividend income for the nine-month period ended 30 September 2021 amounted to SAR 109 million compared to SAR 89 million for the comparable period in 2020. The increase of SAR 20 million, or 22.1 per cent., was mainly driven by better performance of portfolio companies as well as an increase in the portfolio.

**Other operating income**

The Group’s other operating income was SAR 38 million in the nine-month period ended 30 September 2021 compared to SAR 11 million for the comparable period of 2020. The increase of SAR 28 million principally related to gains derived from disposals of real estate.

**Exchange income, net**

The Group’s exchange income, net principally comprises exchange related gains and losses from derivative financial instruments and translation differences relating to foreign currency assets and liabilities. The Group’s exchange income, net for the nine-month period ended 30 September 2021 amounted to SAR 271 million compared to SAR 331 million for the comparable period of 2020. The decrease of SAR 60 million, or 18.1 per cent., in the 2021 period was mainly due to a lower volume of customer transactions.

**Trading income, net**

The Group’s trading income, net principally comprises income from derivatives transactions. The Group’s trading income, net for the nine-month period ended 30 September 2021 amounted to SAR 187 million compared to SAR 218 million for the comparable period of 2020.

**Total operating expenses, net**

The table below shows the components of the Group’s unaudited total operating expenses, net for the nine-month periods ended 30 September in each 2021 and 2020.

<table>
<thead>
<tr>
<th>Nine-month periods ended 30 September</th>
<th>2021 (SAR thousand)</th>
<th>2020 (SAR thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and employee-related expenses</td>
<td>1,551,539</td>
<td>1,438,593</td>
</tr>
<tr>
<td>Rent and premises-related expenses</td>
<td>137,839</td>
<td>131,979</td>
</tr>
<tr>
<td>Depreciation of property, equipment and right of use assets</td>
<td>365,981</td>
<td>369,308</td>
</tr>
<tr>
<td>Other general and administrative expenses</td>
<td>875,803</td>
<td>693,181</td>
</tr>
</tbody>
</table>
The Group’s total operating expenses, net for the nine-month period ended 30 September 2021 was SAR 3,621 million compared to SAR 4,101 million for the comparable period of 2020, a decrease of SAR 480 million, or 11.7 per cent. This decrease principally reflected an SAR 722 million, or 53.9 per cent., fall in impairment charge for credit losses, net in the 2021 period compared to the 2020 period, which principally reflected lower ECL partially offset by lower recoveries and higher charge-offs, coupled with an SAR 25 million reversal of impairment charge for other financial assets, net in the 2021 period compared to an SAR 71 million impairment charge for other financial assets, net in the 2020 period.

The Group’s total operating expenses before impairment charges for the nine-month period ended 30 September 2021 were SAR 3,002 million compared to SAR 2,676 million for the comparable period of 2020, an increase of SAR 325 million, or 12.2 per cent.. This increase reflected increases in all components of the Group’s total operating expenses, net with the exception of depreciation of property, equipment and right of use assets which fell by 0.9 per cent. in the 2021 period compared to the 2020 period. The principal movements in the Group’s operating expense categories are discussed individually below.

**Salaries and employee-related expenses**

The Group pays both fixed and variable remuneration to its staff in accordance with its compensation policy. The Group’s compensation policy is based on the job profile, market practices and the nature and level of involvement in risk taking. It applies to the Group’s executive management and all employees and aims to link individual performance to the Group’s overall achievements and soundness.

The Group’s total salaries and employee-related expense for the nine-month period ended 30 September 2021 was SAR 1,552 million compared to SAR 1,439 million for the comparable period in 2020, an increase of SAR 113 million, or 7.9 per cent.. This increase principally reflected incremental salary increases and an increase in staff numbers.

**Other general and administrative expenses**

The Group’s other general and administrative expenses for the nine-month period ended 30 September 2021 were SAR 876 million compared to SAR 693 million for the comparable period of 2020, an increase of SAR 183 million, or 26.3 per cent.. This increase was driven by investments in transformation programmes and an increase in VAT rates on 1 July 2020.

**Other operating expenses**

The Group’s other operating expenses were SAR 71 million for the nine-month period ended 30 September 2021 compared to SAR 43 million for the comparable period of 2020, an increase of SAR 27 million, or 63.3 per cent..

**Net operating income**

Reflecting the changes in total operating income, net and total operating expenses, net described above, the Group’s net operating income for the nine-month period ended 30 September 2021 was SAR 4,998 million compared to SAR 4,314 million for the comparable period of 2020, an increase of SAR 683 million, or 15.8 per cent.
Share in (losses)/earnings of associates, net

In the nine-month periods ended 30 September in each of 2021 and 2020, the Group had three associates: Ajil Financial Services Company in which it had a 48.46 per cent. shareholding in both periods, Royal and Sun Alliance Insurance (Middle East) Limited E.C. in which it had a 21.4 per cent. shareholding in both periods and Al-Alamiya for Cooperative Insurance Company in which it had a 30.6 per cent. shareholding in both periods. The Group records its share of the net profit or loss of its associates as its share of (losses)/earnings of associates, net.

The Group’s share of the losses of its associates, net was SAR 33 million for the nine-month period ended 30 September 2021 and its share of the earnings of its associates, net was SAR 13 million for the nine-month period ended 30 September 2020.

Zakat for the period

The Group’s zakat for the period amounted to SAR 557 million for the nine-month period ended 30 September 2021 and SAR 492 million for the comparable period of 2020, an increase of SAR 65 million, or 13.2 per cent.

Net income for the period

Reflecting the above factors, the Group recorded net income for the period of SAR 4,408 million for the nine-month period ended 30 September 2021 compared to SAR 3,835 million for the comparable period of 2020, an increase of SAR 573 million, or 14.9 per cent.

Other comprehensive income

The Group’s other comprehensive income principally comprises changes in the fair value and the recycling of net gains on its FVOCI investments.

In the nine-month period ended 30 September 2021, the Group recorded an SAR 143 million negative change in the fair value of its FVOCI debt investments and an SAR 646 million positive change in the fair value of its FVOCI equity investments. In addition, SAR 241 million in respect of gains realised on the sale of FVOCI investments was transferred to the consolidated statement of income. Together with small change in the allowance for expected credit losses on debt instruments and the fair value of cash flow hedges, these factors resulted in other comprehensive income of SAR 287 million in the nine-month period ended 30 September 2021.

In the nine-month period ended 30 September 2020, the Group recorded an SAR 76 million negative change in the fair value of its FVOCI debt investments and an SAR 54 million positive change in the fair value of its FVOCI equity investments. In addition, an amount of SAR 91 million in respect of gains realised on the sale of FVOCI investments was transferred to the consolidated statement of income. Together with small change in the allowance for expected credit losses on debt instruments and the fair value of cash flow hedges, these factors resulted in other comprehensive loss of SAR 102 million in the nine-month period ended 30 September 2020.

Total comprehensive income for the period

Reflecting the above factors and the Group’s net income for the period, the Group’s total comprehensive income for the nine-month period ended 30 September 2021 was SAR 4,695 million compared to SAR 3,733 million for the comparable period of 2020, an increase of SAR 962 million, or 25.8 per cent.

Segmental analysis

The table below shows certain unaudited income statement line items of the Group’s reporting segments for the nine-month periods ended 30 September in each of 2021 and 2020.
### Nine-month period ended 30 September 2021

<table>
<thead>
<tr>
<th></th>
<th>Retail banking</th>
<th>Investment banking and brokerage</th>
<th>Corporate banking</th>
<th>Treasury and investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating income, net</td>
<td>2,865,131</td>
<td>652,710</td>
<td>3,172,756</td>
<td>1,927,907</td>
<td>8,618,504</td>
</tr>
<tr>
<td>Total operating expenses, net</td>
<td>1,798,499</td>
<td>187,269</td>
<td>1,484,483</td>
<td>150,680</td>
<td>3,620,931</td>
</tr>
<tr>
<td>Income for the period before zakat</td>
<td>1,066,632</td>
<td>465,441</td>
<td>1,688,273</td>
<td>1,744,675</td>
<td>4,965,021</td>
</tr>
</tbody>
</table>

### Nine-month period ended 30 September 2020

<table>
<thead>
<tr>
<th></th>
<th>Retail banking</th>
<th>Investment banking and brokerage</th>
<th>Corporate banking</th>
<th>Treasury and investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating income, net</td>
<td>2,793,590</td>
<td>505,792</td>
<td>3,294,648</td>
<td>1,821,380</td>
<td>8,415,410</td>
</tr>
<tr>
<td>Total operating expenses, net</td>
<td>1,795,396</td>
<td>149,433</td>
<td>2,031,984</td>
<td>124,398</td>
<td>4,101,211</td>
</tr>
<tr>
<td>Income for the period before zakat</td>
<td>998,194</td>
<td>356,359</td>
<td>1,262,664</td>
<td>1,710,238</td>
<td>4,327,455</td>
</tr>
</tbody>
</table>

**Retail banking**

The retail banking segment recorded total operating income, net of SAR 2,865 million for the nine-month period ended 30 September 2021 compared to SAR 2,794 million for the comparable period of 2020, an increase of SAR 72 million, or 2.6 per cent. Within total operating income, net, the retail banking segment’s net special commission income increased by SAR 135 million, or 5.1 per cent., principally as a result of an increase in loans and an increase in demand deposits which are commission free and the increase was relative to other commission-bearing deposits which caused commission expense to fall, and its fee and commission income, net fell by SAR 55 million, or 31.5 per cent., mainly due to lower fee income from customer loans.

The retail banking segment recorded total operating expenses, net of SAR 1,798 million for the nine-month period ended 30 September 2021 compared to SAR 1,795 million for the comparable period of 2020, an increase of SAR 3 million, or 0.2 per cent. This principally reflected an SAR 157 million reversal of impairment charges in respect of credit losses in the 2021 period compared to a reversal of SAR 7 million in the 2020 period which was substantially offset by an increase in operating expenses in the 2021 period compared to the 2020 period which was principally due to growth in operations and the VAT rate increase.

Principally reflecting the above changes, the retail banking segment’s income before zakat for the period was SAR 1,067 million for the nine-month period ended 30 September 2021 compared to SAR 998 million for the comparable period of 2020, an increase of SAR 68 million, or 6.9 per cent..

**Investment banking and brokerage**

The investment banking and brokerage segment recorded total operating income, net of SAR 653 million for the nine-month period ended 30 September 2021 compared to SAR 506 million for the comparable period of 2020, an increase of SAR 147 million, or 29.0 per cent. Within total operating income, net, the investment banking and brokerage segment’s fee and commission income, net increased by SAR 145 million, or 41.0 per cent., mainly due to higher brokerage income driven by an increase in trading volumes locally and internationally and a higher volume of assets under management, and its net special commission income increased by SAR 10 million, or 7.8 per cent., principally as a result of higher margin lending income.

The investment banking and brokerage segment recorded total operating expenses, net of SAR 187 million for the nine-month period ended 30 September 2021 compared to SAR 149 million for the comparable period of 2020, an increase of SAR 38 million, or 25.3 per cent.. This principally reflected an increase in staff costs in the 2021
period compared to the 2020 period which was due to period on period growth in business operations and an increase in expenses as a result of building resources for future growth.

Principally reflecting the above changes, the investment banking and brokerage segment’s income before zakat for the period was SAR 465 million for the nine-month period ended 30 September 2021 compared to SAR 356 million for the comparable period of 2020, an increase of SAR 109 million, or 30.6 per cent..

**Corporate banking**

The corporate banking segment recorded total operating income, net of SAR 3,173 million for the nine-month period ended 30 September 2021 compared to SAR 3,295 million for the comparable period of 2020, a decrease of SAR 122 million, or 3.7 per cent.. Within total operating income, net, the corporate banking segment’s net special commission income fell by SAR 114 million, or 4.7 per cent., principally as a result of a decrease in market rates, and its fee and commission income, net fell by SAR 4 million, or 0.5 per cent.

The corporate banking segment recorded total operating expenses, net of SAR 1,484 million for the nine-month period ended 30 September 2021 compared to SAR 2,032 million for the comparable period of 2020, a decrease of SAR 548 million, or 26.9 per cent.. This principally reflected a decrease of SAR 654 million in impairment charges in respect of credit losses and other financial assets, net in the 2021 period compared to the 2020 period which was due to improved credit conditions. This decrease was offset by an increase in operating expenses due to the VAT rate increase and increased staff expenses as a result of growth in operations in the 2021 period compared to the 2020 period.

Principally reflecting the above changes, the corporate banking segment’s income before zakat for the period was SAR 1,688 million for the nine-month period ended 30 September 2021 compared to SAR 1,263 million for the comparable period of 2020, an increase of SAR 426 million, or 33.7 per cent..

**Treasury and investment**

The treasury and investment segment recorded total operating income, net of SAR 1,928 million for the nine-month period ended 30 September 2021 compared to SAR 1,821 million for the comparable period of 2020, an increase of SAR 107 million, or 5.8 per cent.. This increase was principally driven by higher earnings on the investment portfolio and other treasury fund management activities along with gains from strategic disposals on the investment portfolio.

The treasury and investment segment recorded total operating expenses, net of SAR 151 million for the nine-month period ended 30 September 2021 compared to SAR 124 million for the comparable period of 2020, an increase of SAR 26 million, or 21.1 per cent.. This principally reflected an increase in allocated expenses due to the VAT rate increase and increased usage of support services in the 2021 period compared to the 2020 period.

Principally reflecting the above changes and an SAR 33 million share in losses of associates for the nine-month period ended 30 September 2021 compared to an SAR 13 million share in earnings of associates for the comparable period of 2020, the treasury and investment segment’s income before zakat for the period was SAR 1,745 million for the nine-month period ended 30 September 2021 compared to SAR 1,710 million for the comparable period of 2020, an increase of SAR 34 million, or 2.0 per cent..

**Comparison of 2020, 2019 and 2018**

**Total operating income, net**

The table below shows the components of the Group’s total operating income, net for each of 2020, 2019 and 2018.
The Group’s total operating income, net for 2020 was SAR 11,205 million compared to SAR 10,717 million in 2019 and SAR 8,967 million in 2018, an increase of SAR 488 million, or 4.6 per cent., in 2020 compared to 2019 and an increase of SAR 1,750 million, or 19.5 per cent., in 2019 compared to 2018. These increases reflected the changes described below in each component of the Group’s total operating income.

**Net special commission income**

The Group’s special commission income, net for 2020 amounted to SAR 8,214 million compared to SAR 7,837 million in 2019 and SAR 6,628 million in 2018.

The table below shows a breakdown of the Group’s net special commission income in each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special commission income on:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments - FVOCI</td>
<td>695,722</td>
<td>624,587</td>
<td>437,340</td>
</tr>
<tr>
<td>Investments – Amortised cost</td>
<td>872,900</td>
<td>999,496</td>
<td>841,049</td>
</tr>
<tr>
<td>Investments - FVIS</td>
<td>—</td>
<td>—</td>
<td>11,805</td>
</tr>
<tr>
<td>Due from banks and other financial institutions</td>
<td>1,568,622</td>
<td>1,624,083</td>
<td>1,290,194</td>
</tr>
<tr>
<td>Loans and advances</td>
<td>8,104,203</td>
<td>8,490,566</td>
<td>6,895,458</td>
</tr>
<tr>
<td>Total special commission income</td>
<td>9,813,394</td>
<td>10,371,426</td>
<td>8,332,365</td>
</tr>
<tr>
<td>Special commission expense on:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to banks and other financial institutions</td>
<td>298,376</td>
<td>417,087</td>
<td>209,255</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>1,092,300</td>
<td>1,952,622</td>
<td>1,248,209</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>218,113</td>
<td>164,702</td>
<td>246,441</td>
</tr>
<tr>
<td>Total special commission expense</td>
<td>1,599,789</td>
<td>2,534,411</td>
<td>1,703,905</td>
</tr>
<tr>
<td>Net special commission income</td>
<td>8,213,605</td>
<td>7,837,015</td>
<td>6,628,460</td>
</tr>
</tbody>
</table>

**Comparison of 2020 and 2019**

The Group’s special commission income, net for 2020 was SAR 377 million, or 4.8 per cent., higher than its special commission income, net in 2019. This reflected an SAR 935 million, or 36.9 per cent., decrease in the Group’s special commission expense in 2020 compared to 2019 which was partially offset by an SAR 558 million, or 5.4 per cent., decrease in the Group’s special commission income in 2020 compared to 2019.

The decrease in the Group’s special commission expense in 2020 principally reflected lower special commission expense on customer deposits, which fell by SAR 860 million, or 44.1 per cent., principally due to lower market rates. In addition, the Group recorded lower special commission paid on interbank funding, which fell by SAR 128 million, or 30.6 per cent. These decreases were partially offset by an SAR 53 million, or 32.4 per cent., increase in special commission expense on debt securities in issue, driven by higher average volumes.
The decrease in the Group’s special commission income in 2020 principally reflected an SAR 386 million, or 4.6 per cent., decrease in special commission earned on loans and advances reflecting lower rates which were offset by higher average volumes. In addition, there was:

- a decrease of SAR 116 million, or 45.3 per cent., in special commission earned on interbank lending which principally reflected lower rates offset by higher average volumes; and

- an SAR 55 million, or 3.4 per cent., decrease in special commission earned on investments, principally reflecting SAR 127 million, or 12.7 per cent., lower special commission earned on investments held at amortised cost resulting from lower rates, which was offset by an increase of SAR 71 million, or 11.4 per cent., in special commission earned on investments held at FVOCI.

Principally reflecting the factors described above, the Group’s net special commission margin was 3.13 per cent. in 2020 compared to 3.48 per cent. in 2019.

Comparison of 2019 and 2018

The Group’s special commission income, net in 2019 was SAR 1,209 million, or 18.2 per cent., higher than its special commission income, net in 2018. This reflected an SAR 2,039 million, or 24.5 per cent., increase in the Group’s special commission income in 2019 which was partially offset by an SAR 831 million, or 48.7 per cent., increase in the Group’s special commission expense.

The increase in the Group’s special commission income in 2019 principally reflected an SAR 1,595 million, or 23.1 per cent., increase in special commission earned on loans and advances reflecting higher income from commercial loans (mainly on account of higher yields and average volumes). In addition, there was:

- an SAR 334 million, or 25.9 per cent., increase in special commission earned on investments, principally as a result of increased yields and an increase in average volumes; and

- an SAR 110 million, or 75.0 per cent., increase in special commission earned on interbank lending which also principally reflected increased yields and an increase in average volumes.

The increase in the Group’s special commission expense in 2019 principally reflected:

- higher special commission expense on customer deposits, which rose by SAR 704 million, or 56.4 per cent., principally due to higher average volumes of interest bearing deposits and also higher rates; and

- higher special commission expense on interbank funding, which rose by SAR 208 million, or 99.3 per cent., principally reflecting rate increases.

These increases were partially offset by an SAR 82 million, or 33.2 per cent., decrease in special commission paid on debt securities in issue, principally as a result of debt securities maturing.

Principally reflecting the factors described above, the Group’s net special commission margin was 3.48 per cent. in 2019 compared to 3.33 per cent. in 2018.

Fee and commission income, net

The Group’s fee and commission income, net for 2020 amounted to SAR 1,874 million compared to SAR 2,031 million in 2019 and SAR 1,711 million in 2018.

The table below shows a breakdown of the Group’s fee and commission income, net for each of 2020, 2019 and 2018.
Fee and commission income on:

<table>
<thead>
<tr>
<th>Service</th>
<th>2020 (SAR thousand)</th>
<th>2019 (SAR thousand)</th>
<th>2018 (SAR thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share brokerage and fund management</td>
<td>642,555</td>
<td>460,426</td>
<td>323,464</td>
</tr>
<tr>
<td>Trade finance</td>
<td>593,368</td>
<td>599,826</td>
<td>596,781</td>
</tr>
<tr>
<td>Credit facilities and advisory</td>
<td>684,260</td>
<td>901,583</td>
<td>641,278</td>
</tr>
<tr>
<td>Card products</td>
<td>621,341</td>
<td>767,946</td>
<td>707,002</td>
</tr>
<tr>
<td>Other banking services</td>
<td>168,696</td>
<td>151,148</td>
<td>143,386</td>
</tr>
<tr>
<td><strong>Total fee and commission income</strong></td>
<td><strong>2,710,220</strong></td>
<td><strong>2,880,929</strong></td>
<td><strong>2,411,911</strong></td>
</tr>
</tbody>
</table>

Fee and commission expense on:

<table>
<thead>
<tr>
<th>Service</th>
<th>2020 (SAR thousand)</th>
<th>2019 (SAR thousand)</th>
<th>2018 (SAR thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Card products</td>
<td>566,634</td>
<td>615,936</td>
<td>513,162</td>
</tr>
<tr>
<td>Share brokerage</td>
<td>117,315</td>
<td>50,169</td>
<td>49,080</td>
</tr>
<tr>
<td>Other banking services</td>
<td>152,716</td>
<td>184,079</td>
<td>138,617</td>
</tr>
<tr>
<td><strong>Total fee and commission expense</strong></td>
<td><strong>836,665</strong></td>
<td><strong>850,184</strong></td>
<td><strong>700,859</strong></td>
</tr>
</tbody>
</table>

Fee and commission income, net

<table>
<thead>
<tr>
<th></th>
<th>2020 (SAR thousand)</th>
<th>2019 (SAR thousand)</th>
<th>2018 (SAR thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total fee and commission income, net</strong></td>
<td><strong>1,873,555</strong></td>
<td><strong>2,030,745</strong></td>
<td><strong>1,711,052</strong></td>
</tr>
</tbody>
</table>

Comparison of 2020 and 2019

The Group’s fee and commission income, net for 2020 was SAR 157 million, or 7.7 per cent., lower than its net fee and commission income in 2019. This reflected an SAR 171 million, or 5.9 per cent., decrease in the Group’s fee and commission income and an SAR 14 million, or 1.6 per cent., decrease in the Group’s fee and commission expense in 2020 compared to 2019.

The decrease in the Group’s fee and commission income in 2020 principally reflected:

- an SAR 217 million, or 24.1 per cent., decrease in fees and commissions on credit facilities and advisory, mainly due to lower business volumes; and
- an SAR 147 million, or 19.1 per cent., decrease in fees and commissions on card products, mainly due to lower business volumes.

These decreases were partially offset by an SAR 182 million, or 39.6 per cent., increase in fees and commissions from share brokerage and fund management, which principally reflected improved market conditions and higher transaction volumes.

The decrease in the Group’s fee and commission expense in 2020 principally reflected:

- an SAR 49 million, or 8.0 per cent., decrease in fee and commission expense on card products, mainly due to lower transaction volumes; and
- an SAR 31 million, or 17.0 per cent., decrease in fee and commission expense on other banking services also due to lower transaction volumes.

These decreases were partially offset by an SAR 67 million, or 133.8 per cent., increase in fees and commissions paid on share brokerage, which principally reflected increased business volumes.

Comparison of 2019 and 2018

The Group’s fee and commission income, net for 2019 was SAR 320 million, or 18.7 per cent., higher than its net fee and commission income in 2018. This reflected an SAR 469 million, or 19.4 per cent., increase in the Group’s fee and commission income offset by an SAR 149 million, or 21.3 per cent., increase in the Group’s fee and commission expense in 2019 compared to 2018.
The increase in the Group’s fee and commission income in 2019 principally reflected:

- an SAR 260 million, or 40.6 per cent., increase in fees and commissions on credit facilities and advisory, mainly due to an increase in the Group’s loan book;
- an SAR 137 million, or 42.3 per cent., increase in fees and commissions on share brokerage and fund management, mainly due to higher income from fees relating to assets under management and related products and services; and
- an SAR 61 million, or 8.6 per cent., increase in fees and commissions on card products, mainly due to increased business volumes.

The increase in the Group’s fee and commission expense in 2019 principally reflected:

- an SAR 103 million, or 20.0 per cent., increase in fee and commission expense on card products, mainly due to an increase in POS and ATM network-related expenses; and
- an SAR 45 million, or 32.8 per cent., increase in fee and commission expense on other banking expenses due to higher credit facility-related fee expenses.

*Exchange income, net*

The Group’s exchange income, net in 2020 amounted to SAR 413 million compared to SAR 343 million in 2019 and SAR 293 million in 2018. The increase of SAR 70 million, or 20.4 per cent., in 2020 compared to 2019 was mainly due to higher income from customer transactions. The increase of SAR 50 million, or 17.1 per cent., in 2019 compared to 2018 was also mainly due to higher income from customer transactions.

*Trading income, net*

The Group’s trading income, net in 2020 amounted to SAR 218 million compared to SAR 133 million in 2019 and SAR 105 million in 2018. The increase of SAR 28 million, or 27.0 per cent., in 2019 principally reflected higher volumes of transactions.

*Dividend income*

The Group’s dividend income in each of 2020 and 2019 amounted to SAR 103 million. The Group’s dividend income in 2018 amounted to SAR 58 million. The increase of SAR 45 million, or 78.8 per cent., in 2019 compared to 2018 was mainly derived from the Group’s equity investment portfolio.

*Gain on disposal of non-trading investments, net*

The Group’s gain on disposal of non-trading investments, net was SAR 305 million in 2020 compared to SAR 255 million in 2019 and SAR 130 million in 2018. The increase of SAR 50 million, or 19.4 per cent., in 2020 compared to 2019 principally reflected an SAR 56 million, or 22.8 per cent., increase in gains recognised on the sale of FVOCI investments. The increase of SAR 125 million, or 96.1 per cent., in 2019 compared to 2018 principally reflected an SAR 120 million, or 97.5 per cent., increase in gains recognised on the sale of FVOCI investments. In both 2020 and 2019 the increase in gains recognised on the sale of FVOCI investments mainly related to the fixed income portfolio.

*Other operating income*

The Group’s other operating income was SAR 79 million in 2020 compared to SAR 15 million in 2019 and SAR 43 million in 2018.
Total operating expenses, net

The table below shows the components of the Group’s total operating expenses, net for each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(SAR thousand)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee-related expenses</td>
<td>1,939,428</td>
<td>1,879,017</td>
<td>1,765,185</td>
</tr>
<tr>
<td>Rent and premises-related expenses</td>
<td>177,716</td>
<td>200,189</td>
<td>327,607</td>
</tr>
<tr>
<td>Depreciation of property, equipment and right of use assets</td>
<td>488,344</td>
<td>438,976</td>
<td>296,901</td>
</tr>
<tr>
<td>Other general and administrative expenses</td>
<td>974,969</td>
<td>1,035,685</td>
<td>926,271</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>54,100</td>
<td>120,207</td>
<td>31,392</td>
</tr>
<tr>
<td>Total operating expenses before impairment charge</td>
<td>3,634,557</td>
<td>3,674,074</td>
<td>3,347,356</td>
</tr>
<tr>
<td>Impairment charge for credit losses and other financial assets, net</td>
<td>2,061,743</td>
<td>1,012,284</td>
<td>927,840</td>
</tr>
<tr>
<td>Impairment charge/(reversal) for investments, net</td>
<td>44,192</td>
<td>(48,028)</td>
<td>26,870</td>
</tr>
<tr>
<td>Total operating expenses, net</td>
<td>5,740,492</td>
<td>4,638,330</td>
<td>4,302,066</td>
</tr>
</tbody>
</table>

The Group’s total operating expenses, net for 2020 were SAR 5,740 million compared to SAR 4,638 million for 2019 and SAR 4,302 million for 2018, an increase of SAR 1,102 million, or 23.8 per cent., in 2020 and an increase of SAR 336 million, or 7.8 per cent., in 2019.

The Group’s total operating expenses before impairment charges for 2020 were SAR 3,635 million compared to SAR 3,674 million for 2019 and SAR 3,347 million for 2018, a decrease of SAR 40 million, or 1.1 per cent., in 2020 and an increase of SAR 327 million, or 9.8 per cent., in 2019.

Salaries and employee-related expenses

The Group’s total salaries and employee-related expenses for 2020 was SAR 1,939 million compared to SAR 1,879 million for 2019, an increase of SAR 60 million, or 3.2 per cent.. This increase principally reflected incremental salary increases.

The Group’s total salaries and employee-related expenses for 2019 was SAR 1,879 million compared to SAR 1,765 million for 2018, an increase of SAR 114 million, or 6.4 per cent.. This increase principally reflected a combination of higher compensation to risk-taking employees and a fall in the number of outsourced employees.

Rent and premises-related expenses

The Group’s total rent and premises-related expenses for 2020 were SAR 178 million compared to SAR 200 million for 2019, a fall of SAR 22 million, or 11.2 per cent.. This decrease principally reflected lower utility, rent and maintenance charges.

The Group’s total rent and premises-related expenses for 2019 were SAR 200 million compared to SAR 328 million for 2018, a fall of SAR 127 million, or 38.9 per cent., which was due to the adoption of IFRS 16: Leases which resulted in certain leases (for which the rent paid had previously been accounted for as rent and premises-related expenses) being re-categorised as right of use assets and thereafter being depreciated.

Depreciation of property and equipment

The Group’s depreciation charge for 2020 was SAR 488 million compared to SAR 439 million for 2019, an increase of SAR 49 million, or 11.2 per cent.. This increase was due to an increase in depreciable assets and the VAT rate increase.
The Group’s depreciation charge for 2019 was SAR 439 million compared to SAR 297 million for 2018, an increase of SAR 142 million, or 47.9 per cent., which was due to the adoption of IFRS 16 from 1 January 2019 which requires right of use assets to be capitalised and depreciated.

Other general and administrative expenses

The Group’s other general and administrative expenses for 2020 were SAR 975 million compared to SAR 1,036 million for 2019, a decrease of SAR 61 million, or 5.9 per cent.. This decrease was principally driven by lower IT maintenance, business travel and marketing expenses.

The Group’s other general and administrative expenses for 2019 were SAR 1,036 million compared to SAR 926 million for 2018, an increase of SAR 109 million, or 11.8 per cent..

Other operating expenses

The Group’s other operating expenses were SAR 54 million for 2020 compared to SAR 120 million for 2019 and SAR 31 million for 2018, a decrease of SAR 66 million, or 55.0 per cent., in 2020 compared to 2019 and an increase of SAR 89 million, or 282.9 per cent., in 2019 compared to 2018, which in each case mainly reflected higher operational losses in 2019.

Impairment charges

In 2020, the Group’s net impairment charge for credit losses and other financial assets on its income statement amounted to SAR 2,062 million, an increase of SAR 1,049 million, or 103.7 per cent., compared to the SAR 1,012 million charged in 2019. This increase principally reflected an SAR 1,017 million, or 104.8 per cent., increase in impairment charge for credit losses, net.

In 2019, the Group’s net impairment charge for credit losses and other financial assets on its income statement amounted to SAR 1,012 million, an increase of SAR 84 million, or 9.1 per cent., compared to the SAR 928 million charged in 2018. This increase principally related to the loans and advances portfolio and reflected the growth in volumes.

In each of 2020, 2019 and 2018, the Group recorded an SAR 44 million net impairment charge on its debt investments, an SAR 48 million net reversal of impairment charge on its debt investments and an SAR 27 million net impairment charge on its debt investments. The reversal in 2019 was driven by the implementation of revised probability of default and loss given default estimates.

Net operating income

Reflecting the above factors, the Group recorded net operating income for 2020 of SAR 5,465 million compared to SAR 6,079 million for 2019 and SAR 4,665 million for 2018, a decrease of SAR 614 million, or 10.1 per cent., in 2020 compared to 2019 and an increase of SAR 1,413 million, or 30.3 per cent., in 2019 compared to 2018. The decrease in 2020 was driven by the impact of COVID-19 and related adverse economic factors.

Share in earnings of associates, net

In each of 2020, 2019 and 2018, the Group had three associates:

- Ajil Financial Services Company, in which it had a 48.46 per cent. shareholding as at 31 December 2020 and 31 December 2019 and a 35.0 per cent. shareholding as at 31 December 2018;

- Royal and Sun Alliance Insurance (Middle East) Limited E.C., in which it had a 21.4 per cent. shareholding as at 31 December in each of 2020, 2019 and 2018; and
• Al-Alamiya for Cooperative Insurance Company, in which it had a 30.6 per cent. shareholding as at 31 December in each of 2020, 2019 and 2018.

The Group’s share of the earnings of its associates, net was SAR 19 million in 2020, SAR 153 million in 2019 and SAR 51 million in 2018, a decrease of SAR 134 million, or 87.4 per cent., in 2020 compared to 2019 and an increase of SAR 103 million, or 202.1 per cent., in 2019 compared to 2018. The increase in 2019 was mainly due to gains from the purchase of an additional stake in Ajil Financial Services Company during 2019.

**Zakat**

In 2020, the Group recorded a zakat charge of SAR 769 million compared to a zakat charge of SAR 630 million in 2019.

In 2019, the Group recorded a zakat charge of SAR 630 million compared to a zakat charge of SAR 1,624 million in 2018. The Group’s zakat charge in 2018 was materially impacted by a settlement agreed with the ZATCA in that year. See “—Principal factors affecting results of operations—Zakat” above.

**Net income for the year**

Reflecting the above factors, the Group recorded net income for the year of SAR 4,715 million in 2020 compared to SAR 5,602 million in 2019 and SAR 3,092 million in 2018, a decrease of SAR 887 million, or 15.8 per cent. in 2020 compared to 2019 and an increase of SAR 2,510 million, or 81.2 per cent., in 2019 compared to 2018.

**Other comprehensive income**

The Group’s other comprehensive income principally comprises changes in the fair value and the recycling of net gains on its FVOCI investments.

In 2020, the Group recorded an SAR 657 million positive change in the fair value of its FVOCI debt investments and an SAR 207 million positive change in the fair value of its FVOCI equity investments. An amount of SAR 131 million in respect of gains realised on the sale of FVOCI investments was transferred to the consolidated statement of income. Together with a small net change in the allowance for expected credit losses on debt instruments and a small amount of actuarial gains on defined benefit plans, these factors resulted in other comprehensive income of SAR 719 million in 2020.

In 2019, the Group recorded an SAR 1,106 million positive change in the fair value of its FVOCI debt investments and an SAR 252 million positive change in the fair value of its FVOCI equity investments. An amount of SAR 236 million in respect of gains realised on the sale of FVOCI investments was transferred to the consolidated statement of income. Together with a small net change in the allowance for expected credit losses on debt instruments and a small amount of actuarial gains on defined benefit plans, these factors resulted in other comprehensive income of SAR 955 million in 2019.

In 2018, the Group recorded an SAR 579 million negative change in the fair value of its FVOCI debt investments and SAR 101 million positive change in the fair value of its FVOCI equity investments. An amount of SAR 110 million in respect of gains realised on the sale of FVOCI investments was transferred to the consolidated statement of income. Together with a small net change in the allowance for expected credit losses on debt instruments and a small amount of actuarial gains on defined benefit plans, these factors resulted in other comprehensive loss of SAR 566 million in 2018.

**Total comprehensive income for the year**

Reflecting the above factors and the Group’s net income for the year, the Group’s total comprehensive income for 2020 was SAR 5,434 million compared to SAR 6,557 million for 2019 and SAR 2,526 million for 2018, a
decrease of SAR 1,124 million, or 17.14 per cent., in 2020 compared to 2019 and an increase of SAR 4,031 million, or 159.6 per cent., in 2019 compared to 2018.

Segmental analysis

The table below shows certain income statement line items of the Group’s reporting segments for each of 2020, 2019 and 2018. The figures referred to as “2019 (reclassified)” are unaudited and have been extracted from the 2020 Financial Statements. The figures referred to as “2019 (original)” have been extracted from the 2019 Financial Statements. In the 2020 Financial Statements, the Group reclassified the comparative figures for 2019 to reflect the impact of customer migrations made for strategic and operational reasons. See further “Presentation of financial and other information.”

<table>
<thead>
<tr>
<th></th>
<th>Retail banking</th>
<th>Investment banking and brokerage</th>
<th>Corporate banking</th>
<th>Treasury and investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2020</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating income, net..........</td>
<td>3,744,544</td>
<td>766,802</td>
<td>4,301,581</td>
<td>2,392,194</td>
<td>11,205,121</td>
</tr>
<tr>
<td>Total operating expenses, net........</td>
<td>2,463,384</td>
<td>222,909</td>
<td>2,873,623</td>
<td>180,576</td>
<td>5,740,492</td>
</tr>
<tr>
<td>Income before zakat..................</td>
<td>1,281,160</td>
<td>543,893</td>
<td>1,427,958</td>
<td>2,230,986</td>
<td>5,483,997</td>
</tr>
<tr>
<td><strong>2019 (reclassified)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating income, net..........</td>
<td>3,719,535</td>
<td>588,570</td>
<td>4,239,006</td>
<td>2,169,952</td>
<td>10,717,063</td>
</tr>
<tr>
<td>Total operating expenses, net........</td>
<td>2,346,799</td>
<td>218,670</td>
<td>2,002,278</td>
<td>70,583</td>
<td>4,638,330</td>
</tr>
<tr>
<td>Income before zakat..................</td>
<td>1,372,736</td>
<td>369,900</td>
<td>2,236,728</td>
<td>2,252,702</td>
<td>6,232,066</td>
</tr>
<tr>
<td><strong>2019 (original)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating income, net..........</td>
<td>3,898,044</td>
<td>587,302</td>
<td>4,062,047</td>
<td>2,169,670</td>
<td>10,717,063</td>
</tr>
<tr>
<td>Total operating expenses, net........</td>
<td>2,341,755</td>
<td>218,671</td>
<td>2,005,505</td>
<td>72,399</td>
<td>4,638,330</td>
</tr>
<tr>
<td>Income before zakat..................</td>
<td>1,556,289</td>
<td>368,631</td>
<td>2,056,542</td>
<td>2,250,604</td>
<td>6,232,066</td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating income, net..........</td>
<td>3,197,392</td>
<td>379,825</td>
<td>3,576,043</td>
<td>1,814,141</td>
<td>8,967,401</td>
</tr>
<tr>
<td>Total operating expenses, net........</td>
<td>2,382,915</td>
<td>154,662</td>
<td>1,618,686</td>
<td>145,803</td>
<td>4,302,066</td>
</tr>
<tr>
<td>Income before zakat..................</td>
<td>814,477</td>
<td>225,163</td>
<td>1,957,357</td>
<td>1,719,088</td>
<td>4,716,085</td>
</tr>
</tbody>
</table>

**Retail banking**

Comparison of 2020 and 2019 (reclassified)

The retail banking segment recorded total operating income, net of SAR 3,745 million in 2020 compared to SAR 3,720 million in 2019, an increase of SAR 25 million, or 0.7 per cent.. Within total operating income, net, the retail banking segment’s net special commission income increased by SAR 249 million, or 7.5 per cent., principally as a result of higher average loan volumes and an increase in demand deposits (which are commission free and the increase was relative to other commission-bearing deposits which caused commission expense to fall) and its net fee and commission income fell by SAR 226 million, or 53.3 per cent., mainly due to fee waivers mandated by SAMA in response to COVID-19. The retail banking segment recorded total net operating expenses of SAR 2,463 million in 2020 compared to SAR 2,347 million in 2019, an increase of SAR 117 million, or 5.0 per cent., principally reflecting an SAR 33 million impairment charge for credit losses and other financial assets, net in 2020 compared to an SAR 86 million reversal of impairment charge for credit losses and other financial assets, net in 2019.

The retail banking segment’s income before zakat for 2020 was SAR 1,281 million compared to SAR 1,373 million for 2019, a decrease of SAR 92 million, or 6.7 per cent.
Comparison of 2019 (original) and 2018

The retail banking segment recorded total operating income, net of SAR 3,898 million in 2019 compared to SAR 3,197 million in 2018, an increase of SAR 701 million, or 21.9 per cent.. Within total operating income, net, the retail banking segment’s net special commission income increased by SAR 663 million, or 23.4 per cent., principally as a result of an increase in the average volume of retail loans and demand deposits and its net fee and commission income increased by SAR 62 million, or 17.1 per cent., mainly due to higher credit facilities-related fee income. The retail banking segment recorded total net operating expenses of SAR 2,342 million in 2019 compared to SAR 2,383 million in 2018, a fall of SAR 41 million, or 1.7 per cent., principally reflecting an SAR 85 million reversal of impairment charges in respect of credit losses in 2019 compared to an SAR 162 million impairment charge in respect of credit losses in 2018.

The retail banking segment’s net income before zakat for the year was SAR 1,556 million in 2019 compared to SAR 814 million in 2018, an increase of SAR 742 million, or 91.2 per cent.

Investment banking and brokerage

Comparison of 2020 and 2019 (reclassified)

The investment banking and brokerage segment recorded total operating income, net of SAR 767 million in 2020 compared to SAR 589 million in 2019, an increase of SAR 178 million, or 30.3 per cent.. Within total operating income, net, the investment banking and brokerage segment’s net special commission income increased by SAR 49 million, or 34.5 per cent., and its net fee and commission income increased by SAR 132 million, or 32.1 per cent., principally as a result of increased volumes of assets under management and higher brokerage-related income due to increased transaction volumes. The investment banking and brokerage segment recorded total net operating expenses of SAR 223 million in 2020 compared to SAR 219 million in 2019, an increase of SAR 4 million, or 1.9 per cent..

The investment banking and brokerage segment’s net income before zakat for the year was SAR 544 million in 2020 compared to SAR 370 million in 2019, an increase of SAR 174 million, or 47.0 per cent.

Comparison of 2019 (original) and 2018

The investment banking and brokerage segment recorded total operating income, net of SAR 587 million in 2019 compared to SAR 380 million in 2018, an increase of SAR 207 million, or 54.6 per cent.. Within total operating income, net, the investment banking and brokerage segment’s net special commission income increased by SAR 45 million, or 47.7 per cent., principally as a result of increased average balances and rates and its net fee and commission income increased by SAR 145 million, or 54.5 per cent., principally as a result of higher asset management related fee income. The investment banking and brokerage segment recorded total net operating expenses of SAR 219 million in 2019 compared to SAR 155 million in 2018, an increase of SAR 64 million, or 41.3 per cent., reflecting higher salaries and staff-related expenses.

The investment banking and brokerage segment’s net income before zakat for the year was SAR 369 million in 2019 compared to SAR 225 million in 2018, an increase of SAR 144 million, or 63.7 per cent..

Corporate banking

Comparison of 2020 and 2019 (reclassified)

The corporate banking segment recorded total operating income, net of SAR 4,302 million in 2020 compared to SAR 4,239 million in 2019, an increase of SAR 63 million, or 1.5 per cent. Within total operating income, net, the corporate banking segment’s net special commission income increased by SAR 158 million, or 5.2 per cent., principally as a result of higher average loan volumes and demand deposit balances. Its net fee and commission income decreased by SAR 80 million, or 6.8 per cent., principally reflecting SAMA-mandated COVID-19 fee
waivers. The corporate banking segment recorded total net operating expenses of SAR 2,874 million in 2020 compared to SAR 2,002 million in 2019, an increase of SAR 871 million, or 43.5 per cent., principally reflecting an SAR 921 million increase in impairment charges for credit losses and other financial assets, net in 2020 compared to 2019 which was driven by the impact of COVID-19 and related adverse economic developments.

The corporate banking segment’s income before zakat for 2020 was SAR 1,428 million compared to SAR 2,237 million in 2019, a decrease of SAR 809 million, or 36.2 per cent..

Comparison of 2019 (original) and 2018

The corporate banking segment recorded total operating income, net of SAR 4,062 million in 2019 compared to SAR 3,576 million in 2018, an increase of SAR 486 million, or 13.6 per cent.. Within total operating income, net, the corporate banking segment’s net special commission income increased by SAR 390 million, or 15.7 per cent., principally as a result of higher corporate loan volumes and higher yields on those loans. Its net fee and commission income increased by SAR 105 million, or 9.8 per cent.. The corporate banking segment recorded total net operating expenses of SAR 2,006 million in 2019 compared to SAR 1,619 million in 2018, an increase of SAR 387 million, or 23.9 per cent., principally reflecting an SAR 334 million increase in impairment charges for credit losses and other financial assets, net in 2019 compared to 2018 which was driven by higher provision charges offset by higher recoveries.

The corporate banking segment’s income before zakat for 2019 was SAR 2,057 million compared to SAR 1,957 million in 2018, an increase of SAR 100 million, or 5.1 per cent.

Treasury and investment

Comparison of 2020 and 2019 (reclassified)

The treasury segment recorded total operating income, net of SAR 2,392 million in 2020 compared to SAR 2,170 million in 2019, an increase of SAR 222 million, or 10.2 per cent.. Within total operating income, net, the treasury segment’s net special commission income decreased by SAR 79 million, or 5.9 per cent., principally as a result of lower market rates. The treasury segment’s net fee and commission income increased by SAR 17 million, or 133.9 per cent., principally as a result of higher foreign exchange and derivatives income. The treasury segment recorded total net operating expenses of SAR 181 million in 2020 compared to SAR 71 million in 2019, an increase of SAR 110 million, or 155.8 per cent., which was mainly due to an SAR 44 million impairment charge for investments, net in 2020 compared to an SAR 48 million reversal of impairment charge for investments, net in 2019.

The treasury segment’s income before zakat for 2020 was SAR 2,231 million compared to SAR 2,253 million in 2019, a decrease of SAR 22 million, or 1.0 per cent.

Comparison of 2019 (original) and 2018

The treasury segment recorded total operating income, net of SAR 2,170 million in 2019 compared to SAR 1,814 million in 2018, an increase of SAR 356 million, or 19.6 per cent.. Within total operating income, net, the treasury segment’s net special commission income increased by SAR 111 million, or 9.0 per cent., principally as a result of higher yields and higher volumes of investments. The treasury segment’s net fee and commission income increased by SAR 7 million, or 146.4 per cent., principally as a result of an increase in fees related to Islamic products and other fee-based services. The treasury segment recorded total net operating expenses of SAR 72 million in 2019 compared to SAR 146 million in 2018, a decrease of SAR 74 million, or 50.7 per cent., which was mainly due to an SAR 27 million impairment charge for investments, net in 2018 compared to an SAR 48 million reversal of impairment charge for investments, net in 2019.

The treasury segment’s income before zakat for 2020 SAR 2,251 million in 2019 compared to SAR 1,719 million in 2018, an increase of SAR 532 million, or 30.9 per cent..
LIQUIDITY AND FUNDING

Overview

The Group’s liquidity needs arise primarily as a result of the need to fund loans and advances to customers and investments in securities, the payment of expenses and the payment of dividends. To date, the Group’s liquidity needs have been funded principally through deposits, the issuance of debt securities, operating cash flow, including special commission income received on its customer financing portfolio and its portfolio of debt investment securities, and the sale of investments. See “—Funding” below.

Liquidity

The table below summarises the Group’s unaudited interim condensed consolidated statement of cash flows data for each of the nine-month periods ended 30 September 2021 and 30 September 2020.

<table>
<thead>
<tr>
<th>Nine-month periods ended 30 September</th>
<th>2021 (SAR thousand)</th>
<th>2020 (SAR thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash from operating activities before changes in operating assets and liabilities and zakat paid</td>
<td>5,569,404</td>
<td>5,775,711</td>
</tr>
<tr>
<td>Net cash (used in)/from operating activities</td>
<td>(10,425,778)</td>
<td>23,479,316</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(1,176,638)</td>
<td>(1,958,952)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(203,066)</td>
<td>(149,456)</td>
</tr>
<tr>
<td>Net (decrease)/increase in cash and cash equivalents</td>
<td>(11,805,482)</td>
<td>21,370,908</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>44,965,596</td>
<td>23,472,740</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>33,160,114</td>
<td>44,843,648</td>
</tr>
</tbody>
</table>

Operating activities

The Group’s net cash used in operating activities in the nine-month period ended 30 September 2021 was SAR 10,426 million compared to a net cash inflow of SAR 23,479 million in the comparable period of 2020. The changes in the Group’s operating cash flows in each period principally reflected movements in operating assets and liabilities.

The Group’s net cash from operating activities before changes in operating assets and liabilities and zakat paid in the nine-month period ended 30 September 2021 was SAR 5,569 million compared to SAR 5,776 million in the comparable period of 2020. The Group’s net cash flow from operating activities before changes in operating assets and liabilities principally reflects its income for the period before zakat adjusted to reflect its provisions for impairment losses, depreciation and its net unrealised gains on non-trading investments and dividend income.

Investing activities

The Group’s net cash used in investing activities was SAR 1,177 million in the nine-month period ended 30 September 2021 compared to SAR 1,959 million in the comparable period of 2020.

The Group’s net cash flows from investing activities principally reflect the purchase, sale and maturity of its investments not held at FVIS. In the nine-month period ended 30 September 2021, the Group spent a net SAR 701 million on this activity compared to a net SAR 1,673 million in the comparable period of 2020. In addition, in the nine-month period ended 30 September 2021, the Group spent SAR 476 million in the purchase of property and equipment, net compared to SAR 286 million in the comparable period of 2020.

Financing activities
The Group’s net cash used in financing activities was SAR 203 million in the nine-month period ended 30 September 2021 compared to SAR 149 million in the comparable period of 2020.

In the 2021 period, the Group recorded cash outflows of SAR 2,989 million from dividends paid and SAR 178 million from lease payments, which were substantially offset by a cash inflow of SAR 2,964 million from debt securities in issue, net. In the 2020 period, the Group recorded cash outflows of SAR 1,645 million from dividends paid and SAR 131 million from lease payments, which were substantially offset by a cash inflow of SAR 1,626 million from debt securities in issue, net.

The table below summarises the Group’s consolidated statement of cash flows data for each of 2020, 2019 and 2018. See further “Presentation of financial and other information.”

<table>
<thead>
<tr>
<th></th>
<th>2020 (SAR thousand)</th>
<th>2019 Reclassified (SAR thousand)</th>
<th>2019 Original (SAR thousand)</th>
<th>2018 (SAR thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash from operating activities before changes in operating assets and liabilities and zakat paid</td>
<td>7,531,187</td>
<td>6,989,695</td>
<td>6,988,940</td>
<td>5,675,925</td>
</tr>
<tr>
<td>Net cash from operating activities</td>
<td>23,703,746</td>
<td>12,186,689</td>
<td>12,191,134</td>
<td>10,654,749</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(2,237,735)</td>
<td>(3,403,988)</td>
<td>(3,404,665)</td>
<td>(3,116,065)</td>
</tr>
<tr>
<td>Net cash from/(used in) financing activities</td>
<td>26,168</td>
<td>(2,758,373)</td>
<td>(2,757,618)</td>
<td>(6,246,438)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>21,492,179</td>
<td>6,024,328</td>
<td>6,028,851</td>
<td>1,292,246</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of the year</td>
<td>23,473,417</td>
<td>17,449,089</td>
<td>17,443,889</td>
<td>16,151,643</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the year</td>
<td>44,965,596</td>
<td>23,473,417</td>
<td>23,472,740</td>
<td>17,443,889</td>
</tr>
</tbody>
</table>

**Operating activities**

The Group’s net cash inflow from operating activities in 2020 was SAR 23,704 million compared to SAR 12,187 million on a reclassified basis in 2019, SAR 12,191 million on an original basis in 2019 and SAR 10,655 million in 2018. The changes in the Group’s operating cash flows in 2020 and 2019 principally reflected movements in operating assets and liabilities.

The Group’s net cash from operating activities before changes in operating assets and liabilities and zakat paid in 2020 was SAR 7,531 million compared to SAR 6,990 million on a reclassified basis in 2019, SAR 6,989 million on an original basis in 2019 and SAR 5,676 million in 2018. The Group’s net cash flow from operating activities before changes in operating assets and liabilities principally reflects its net income for the year before zakat adjusted to reflect its provisions for impairment losses, depreciation and its net unrealised gains on non-trading investments.

**Investing activities**

The Group’s net cash used in investing activities in 2020 was SAR 2,238 million compared to SAR 3,404 million on a reclassified basis in 2019, SAR 3,405 million on an original basis in 2019 and SAR 3,116 million in 2018.

In 2020, the Group spent a net SAR 1,759 million on this activity compared to a net SAR 3,070 million in 2019 (on a reclassified basis), a net SAR 3,071 million (on an original basis) in 2019 and a net SAR 2,872 million in 2018.
The Group’s net purchases of property, plant and equipment amounted to SAR 479 million in 2020 compared to SAR 334 million in 2019 (on both a reclassified and an original basis) and SAR 244 million in 2018.

**Financing activities**

The Group’s net cash from financing activities in 2020 was SAR 26 million compared to net cash used in financing activities of SAR 2,758 million (on both a reclassified and an original basis) in 2019 and SAR 6,246 million in 2018.

In 2020, the Group recorded a net cash inflow of SAR 1,681 million from debt securities in issue which was substantially offset by a cash outflow of SAR 1,655 million in dividends paid. In 2019 (on a reclassified basis), the Group’s net cash flow used in financing activities related almost entirely to its dividend payments and (on an original basis) related entirely to its dividend payments. In 2018 the Group recorded financing cash outflows of SAR 4,000 million in the redemption of debt securities which it had issued in 2015 and SAR 2,246 million in dividends.

**Funding**

**Sources of funding**

The Group’s principal source of funding is its customer deposits. In addition, the Group’s funding comprises its debt securities in issue and the interbank deposits accepted by it.

The Group also has access to a pool of unencumbered and liquid securities in the form of fixed income debt securities, mutual fund and equity securities that it can access to meet liquidity needs, in addition to its cash balances and placements with central banks and other financial institutions.

The Group’s customer deposits were SAR 203,995 million, or 74.8 per cent. of its total liabilities, as 30 September 2021, SAR 203,039 million, or 76.4 per cent. of its total liabilities, as at 31 December 2020, SAR 194,518 million, or 86.4 per cent. of its total liabilities, as at 31 December 2019 and SAR 169,822 million, or 87.9 per cent. of its total liabilities, as at 31 December 2018.

The table below shows the Group’s funding in the form of amounts due to banks and other financial institutions, debt securities in issue and customer deposits as at 30 September 2021 and as at 31 December in each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>As at 30 September 2021</th>
<th>As at 31 December 2020</th>
<th>As at 31 December 2019</th>
<th>As at 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due to banks and other financial institutions</td>
<td>42,933,640</td>
<td>41,788,903</td>
<td>13,124,480</td>
<td>8,580,514</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>203,995,613</td>
<td>203,039,336</td>
<td>194,517,899</td>
<td>169,822,156</td>
</tr>
<tr>
<td>Debt securities in issue</td>
<td>8,648,055</td>
<td>5,684,008</td>
<td>4,003,029</td>
<td>4,003,783</td>
</tr>
<tr>
<td><strong>Total funding</strong></td>
<td><strong>255,577,308</strong></td>
<td><strong>250,512,247</strong></td>
<td><strong>211,645,408</strong></td>
<td><strong>182,406,453</strong></td>
</tr>
</tbody>
</table>

**Maturity profile of funding**

The table below shows the maturity profile of the Group’s funding as at 31 December 2020. This analysis is based on when the funding is expected to be settled.

134
Due to banks and other financial institutions: 7,427,769
Customer deposits:
  Demand: 116,760,934
  Saving: 1,054,476
  Time: 56,955,746
  Other: 16,320,615
Debt securities in issue: 56,608
Total funding: 198,576,148

A significant proportion of the Group’s funding disclosed in the table above as at 31 December 2020 is short term in nature, with 79.3 per cent. of such funding being repayable on demand or within three months and a further 8.7 per cent. being repayable within one year. See “Risk Factors—Risks relating to the Group—The Group is subject to the risk that liquidity may not always be readily available”. The issue of the Certificates is intended to help the Group extend the average maturity of its funding base.

Customer deposits

The table below shows a breakdown of the Group’s customer deposits by type as at 30 September 2021 and as at 31 December in each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th></th>
<th>As at 30 September</th>
<th>As at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>(SAR thousand)</td>
<td>(SAR thousand)</td>
</tr>
<tr>
<td>Demand deposits</td>
<td>111,989,233</td>
<td>116,760,934</td>
</tr>
<tr>
<td>Time deposits</td>
<td>71,432,245</td>
<td>67,075,543</td>
</tr>
<tr>
<td>Saving deposits</td>
<td>1,248,279</td>
<td>1,054,476</td>
</tr>
<tr>
<td>Other deposits</td>
<td>19,325,856</td>
<td>18,148,383</td>
</tr>
<tr>
<td>Total deposits</td>
<td>203,995,613</td>
<td>203,039,336</td>
</tr>
</tbody>
</table>

The Group’s customer deposits principally comprise demand deposits which amounted to 54.9 per cent. of its total customer deposits as at 30 September 2021 compared to 57.5 per cent. as at 31 December 2020, 48.2 per cent. as at 31 December 2019 and 51.1 per cent. as at 31 December 2018.

The Group’s demand accounts mostly do not pay special commission and amounts may be withdrawn from these accounts at any time without notice. The Group’s time accounts do pay special commission and amounts can be withdrawn from these accounts at their maturity.

The Group believes that its demand accounts are diversified and sticky in nature, and constitute a stable and secure source of low cost funding.

The Group accepts customer deposits in both riyal and a range of other currencies.

Geographical breakdown of customer deposits

The table below shows the geographical breakdown of the Group’s customer deposits as at 31 December in each of 2020, 2019 and 2018.
As at 31 December

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(SAR thousand)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>200,434,165</td>
<td>193,530,568</td>
<td>168,705,850</td>
</tr>
<tr>
<td>Europe</td>
<td>2,605,171</td>
<td>987,331</td>
<td>1,116,306</td>
</tr>
<tr>
<td>Total deposits</td>
<td>203,039,336</td>
<td>194,517,899</td>
<td>169,822,156</td>
</tr>
</tbody>
</table>

The Group’s customer deposits are geographically concentrated in Saudi Arabia, which comprised 98.7 per cent. of customer deposits as at 31 December 2020, 99.5 per cent. as at 31 December 2019 and 99.3 per cent. as at 31 December 2018.

See “Risk Factors—Risks relating to the Group—The Group has significant customer and sector concentrations” and “Risk Factors—Risks relating to the Group—The Group is subject to the risk that liquidity may not always be readily available”.

Given the state-run and oil-driven nature of the domestic economy, the Group’s deposit base is, at least in the near future, expected to remain concentrated by depositor type, namely cash-rich Government and quasi-Government entities. See “Risk Factors—Risks relating to the Group—The Group has significant customer and sector concentrations”.

Due to banks and other financial institutions

The Group’s interbank funding predominantly comprises money market deposits and a small proportion of current accounts. Money market deposits included deposits against sales of fixed rate bonds with agreement to repurchase the same at fixed future dates of SAR 12,971 million as at 31 December 2020, SAR 10,891 million as at 31 December 2019 and SAR 684 million as at 31 December 2018.

During 2020, the Bank received profit free deposits from SAMA under various COVID-19 support programmes amounting to SAR 26 billion and these are included in money market deposits.

Money market deposits include margin deposits amounting to SAR 854 million as at 31 December 2020 and SAR 103 million as at 31 December 2019.

Debt securities in issue

As at 30 September 2021, the Bank had outstanding sukuk in issue with an aggregate outstanding amount of SAR 8,648 million. As at 31 December in each of 2020, 2019 and 2018 the aggregate outstanding amounts of the Bank’s debt securities in issue were SAR 5,684 million, SAR 4,003 million and SAR 4,004 million, respectively.

During November 2018, the Bank redeemed an SAR 4,000 million subordinated sukuk issued in November 2013.

In February 2020, the Bank issued a U.S.$1.5 billion (SAR 5.63 billion) subordinated sukuk due 2030, but callable after five years and, in June 2020, the Bank redeemed an SAR 4,000 million subordinated sukuk issued in June 2015.

During February 2021, the Bank issued an SAR 3,000 million subordinated sukuk due 2031, but callable after five years.

Equity

For a discussion of the Group’s share capital and reserves as at 31 December in each of 2020, 2019 and 2018, see notes 16 to 18 to each of the Annual Financial Statements.
LENDING

Total customer financing portfolio

The Group’s total customer financing portfolio (net of provisions) was SAR 210,482 million as at 30 September 2021. The table below shows the breakdown of the Group’s total customer financing portfolio (net of provisions) as at 30 September 2021 and as at 31 December in each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th></th>
<th>Overdraft</th>
<th>Credit cards</th>
<th>Consumer loans(1)</th>
<th>Commercial loans</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As at 30 September 2021</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performing loans and advances – gross........</td>
<td>5,314,749</td>
<td>763,756</td>
<td>71,783,387</td>
<td>132,855,417</td>
<td>656,709</td>
<td>211,374,018</td>
</tr>
<tr>
<td>Non-performing loans and advances .............</td>
<td>359,891</td>
<td>27,879</td>
<td>739,816</td>
<td>2,267,105</td>
<td>1,015</td>
<td>3,395,706</td>
</tr>
<tr>
<td><strong>Total loans and advances ...................</strong></td>
<td>5,674,640</td>
<td>791,635</td>
<td>72,523,203</td>
<td>135,122,522</td>
<td>657,724</td>
<td>214,769,724</td>
</tr>
<tr>
<td>Loans and advances, net ........................</td>
<td>5,465,758</td>
<td>768,298</td>
<td>71,774,692</td>
<td>131,816,478</td>
<td>656,840</td>
<td>210,482,066</td>
</tr>
<tr>
<td><strong>As at 31 December 2020</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performing loans and advances – gross........</td>
<td>6,432,126</td>
<td>679,634</td>
<td>63,426,847</td>
<td>121,300,756</td>
<td>389,349</td>
<td>192,228,712</td>
</tr>
<tr>
<td>Non-performing loans and advances .............</td>
<td>327,012</td>
<td>30,482</td>
<td>1,105,749</td>
<td>2,186,669</td>
<td>2,024</td>
<td>3,651,936</td>
</tr>
<tr>
<td><strong>Total loans and advances ...................</strong></td>
<td>6,759,138</td>
<td>710,116</td>
<td>64,532,596</td>
<td>123,487,425</td>
<td>391,373</td>
<td>195,880,648</td>
</tr>
<tr>
<td>Loans and advances, net ........................</td>
<td>6,542,077</td>
<td>680,286</td>
<td>63,534,028</td>
<td>120,200,000</td>
<td>390,244</td>
<td>191,346,635</td>
</tr>
<tr>
<td><strong>As at 31 December 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performing loans and advances – gross........</td>
<td>6,778,704</td>
<td>798,484</td>
<td>55,951,555</td>
<td>111,157,478</td>
<td>497,510</td>
<td>175,183,731</td>
</tr>
<tr>
<td>Non-performing loans and advances .............</td>
<td>95,536</td>
<td>—</td>
<td>377,950</td>
<td>1,078,062</td>
<td>2,586</td>
<td>1,554,134</td>
</tr>
<tr>
<td><strong>Total loans and advances ...................</strong></td>
<td>6,874,240</td>
<td>798,484</td>
<td>56,329,505</td>
<td>112,235,540</td>
<td>500,096</td>
<td>176,737,865</td>
</tr>
<tr>
<td>Allowance for impairment ......................</td>
<td>(110,945)</td>
<td>(37,971)</td>
<td>(937,524)</td>
<td>(1,667,204)</td>
<td>(2,222)</td>
<td>(2,755,866)</td>
</tr>
<tr>
<td>Loans and advances, net ........................</td>
<td>6,763,295</td>
<td>760,513</td>
<td>55,391,981</td>
<td>110,568,336</td>
<td>497,874</td>
<td>173,981,999</td>
</tr>
<tr>
<td><strong>As at 31 December 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performing loans and advances – gross........</td>
<td>6,006,142</td>
<td>775,403</td>
<td>45,029,627</td>
<td>99,728,737</td>
<td>282,013</td>
<td>151,821,922</td>
</tr>
<tr>
<td>Non-performing loans and advances .............</td>
<td>62,817</td>
<td>—</td>
<td>243,387</td>
<td>1,255,233</td>
<td>—</td>
<td>1,561,437</td>
</tr>
<tr>
<td><strong>Total loans and advances ...................</strong></td>
<td>6,068,959</td>
<td>775,403</td>
<td>45,273,014</td>
<td>100,983,970</td>
<td>282,013</td>
<td>153,383,359</td>
</tr>
<tr>
<td>Allowance for impairment ......................</td>
<td>(71,928)</td>
<td>(44,456)</td>
<td>(923,783)</td>
<td>(1,317,739)</td>
<td>(623)</td>
<td>(2,358,529)</td>
</tr>
</tbody>
</table>
The Group’s customer financing portfolio is principally denominated in riyal. The Group believes that there is only limited structural cross-currency exposure as the majority of its assets and liabilities are match-funded in currency terms. In addition, the Group hedges a part of its currency exposure through the use of derivative contracts.

The majority of the loans within the Group’s customer financing portfolio contain terms permitting it to adjust the special commission rate payable by the customer upon any change in the relevant interbank benchmark rate.

Distribution of customer financing portfolio by maturity

The table below shows the distribution of the Group’s customer financing portfolio by maturity (based on when they are expected to be recovered or settled) as at 31 December in each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th>within 3 months</th>
<th>3-12 months</th>
<th>1-5 years</th>
<th>over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(SAR thousand)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As at 31 December 2020 ..........</td>
<td>55,798,483</td>
<td>38,421,700</td>
<td>45,201,742</td>
<td>51,924,710</td>
</tr>
<tr>
<td>As at 31 December 2019 ..........</td>
<td>50,970,560</td>
<td>30,184,094</td>
<td>43,660,866</td>
<td>49,166,479</td>
</tr>
<tr>
<td>As at 31 December 2018 ..........</td>
<td>50,246,419</td>
<td>26,432,328</td>
<td>37,924,610</td>
<td>36,421,473</td>
</tr>
</tbody>
</table>

Sectoral breakdown of customer financing portfolio

The table below shows the sectoral breakdown of the Group’s total customer financing portfolio as at 31 December 2020. A similar table showing data as at 31 December 2019 and 2018 appears in note 30.4 to the 2019 Financial Statements.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Performing (SAR thousand)</th>
<th>Non-performing</th>
<th>Allowance for impairment (SAR thousand)</th>
<th>Loans and advances, net (SAR thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government and quasi-Government</td>
<td>474,379</td>
<td>—</td>
<td>(882)</td>
<td>473,497</td>
</tr>
<tr>
<td>Banks and other financial institutions</td>
<td>8,811,870</td>
<td>—</td>
<td>(35,808)</td>
<td>8,776,062</td>
</tr>
<tr>
<td>Agriculture and fishing</td>
<td>2,399,974</td>
<td>—</td>
<td>(4,238)</td>
<td>2,395,736</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>23,147,533</td>
<td>444,542</td>
<td>(751,484)</td>
<td>22,840,591</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>10,630,575</td>
<td>—</td>
<td>(9,479)</td>
<td>10,621,096</td>
</tr>
<tr>
<td>Electricity, water, gas and health services</td>
<td>5,078,019</td>
<td>7,842</td>
<td>(11,710)</td>
<td>5,074,151</td>
</tr>
<tr>
<td>Building and construction</td>
<td>15,868,270</td>
<td>546,974</td>
<td>(305,553)</td>
<td>16,109,691</td>
</tr>
<tr>
<td>Commerce</td>
<td>47,413,639</td>
<td>1,388,779</td>
<td>(2,302,426)</td>
<td>46,449,992</td>
</tr>
<tr>
<td>Transportation and communication</td>
<td>5,045,075</td>
<td>581</td>
<td>(6,960)</td>
<td>5,038,696</td>
</tr>
<tr>
<td>Services</td>
<td>9,236,766</td>
<td>176,987</td>
<td>(75,126)</td>
<td>9,338,627</td>
</tr>
<tr>
<td>Consumer loans and credit cards</td>
<td>64,106,481</td>
<td>1,136,231</td>
<td>(1,028,398)</td>
<td>64,214,314</td>
</tr>
<tr>
<td>Others</td>
<td>16,131</td>
<td>—</td>
<td>(1,949)</td>
<td>14,182</td>
</tr>
<tr>
<td>Total</td>
<td>192,228,712</td>
<td>3,651,936</td>
<td>(4,534,013)</td>
<td>191,346,635</td>
</tr>
</tbody>
</table>

The Group’s customer financing portfolio is concentrated on the commerce, manufacturing and building and construction sectors, which together comprised 44.6 per cent. of the customer financing portfolio as at 31 December 2020, 47.1 per cent. as at 31 December 2019 and 50.0 per cent. as at 31 December 2018. In addition,
consumer loans and credit cards accounted for 33.6 per cent. of the customer financing portfolio as at 31 December 2020, 32.3 per cent. as at 31 December 2019 and 29.8 per cent. as at 31 December 2018.

These four sectors together accounted for 94.9 per cent. of the Group’s NPLs as at 31 December 2020.

Geographical breakdown of customer financing portfolio

The table below shows the geographical breakdown of the Group’s total customer financing portfolio as at 31 December in each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th>Geographical Area</th>
<th>As at 31 December 2020</th>
<th>As at 31 December 2019</th>
<th>As at 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>186,541,097</td>
<td>169,354,108</td>
<td>148,104,829</td>
</tr>
<tr>
<td>Other GCC and Middle East</td>
<td>4,319,187</td>
<td>4,289,854</td>
<td>2,312,590</td>
</tr>
<tr>
<td>Europe</td>
<td>486,351</td>
<td>68,841</td>
<td>61,789</td>
</tr>
<tr>
<td>North America</td>
<td>—</td>
<td>175,430</td>
<td>208,005</td>
</tr>
<tr>
<td>South East Asia</td>
<td>—</td>
<td>93,766</td>
<td>337,617</td>
</tr>
<tr>
<td><strong>Total loans and advances, net</strong></td>
<td><strong>191,346,635</strong></td>
<td><strong>173,981,999</strong></td>
<td><strong>151,024,830</strong></td>
</tr>
</tbody>
</table>

The Group’s customer financing portfolio is geographically concentrated on Saudi Arabia, which comprised 97.5 per cent. of the customer financing portfolio as at 31 December 2020, 97.3 per cent. as at 31 December 2019 and 98.1 per cent. as at 31 December 2018. See “Risk factors—Risks relating to the Group—The Group’s customer financing portfolio, deposit base and investment securities portfolio are concentrated in Saudi Arabia” and “Risk factors—Risks relating to the Group—The Group has significant customer and sector concentrations”.

See also “Risk management—Credit risk management” for a discussion of the Group’s credit approval process, credit risk mitigation strategy, credit monitoring procedures, loan classification system, collateral policy and a discussion of its non-performing loans and impairment policies.

INVESTMENT SECURITIES PORTFOLIO

The Group’s investment securities portfolio, which is reflected in its statement of financial position as investments, net, comprises fixed rate securities, floating rate securities, equity and other securities which are held either at FVIS, FVOCI or amortised cost. The securities are issued by both domestic and international issuers. The Group invests in these securities both to generate returns (as interest, dividend and capital gains) and to provide an additional source of liquidity when needed.

Structure of the investment securities portfolio

The table below summarises the Group’s investment securities portfolio as at 30 September 2021 and as at 31 December in each of 2020 and 2019. A similar analysis is not available as at 31 December 2018.

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>As at 30 September 2021</th>
<th>As at 31 December 2020</th>
<th>As at 31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investments at amortised cost:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate securities</td>
<td>27,680,744</td>
<td>25,860,935</td>
<td>23,981,001</td>
</tr>
<tr>
<td>Floating rate securities</td>
<td>6,484,755</td>
<td>7,429,140</td>
<td>8,160,543</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34,165,499</strong></td>
<td><strong>32,290,075</strong></td>
<td><strong>32,141,544</strong></td>
</tr>
<tr>
<td><strong>Investments at FVOCI, net:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate securities</td>
<td>18,269,230</td>
<td>18,539,730</td>
<td>17,131,969</td>
</tr>
</tbody>
</table>
Equity securities ........................................... 4,138,853  3,518,868  3,048,984
Total......................................................... 22,408,083  22,058,598  20,180,953
Investments at FVIS - mutual funds ............ 877,259  1,101,133  1,038,918
Total investments, net .............................. 57,450,841  56,449,806  53,361,415

Fixed rate securities made up 80.0 per cent. of the Group’s investment portfolio as at 30 September 2021 compared to 78.7 per cent. as at 31 December 2020 and 77.0 per cent. as at 31 December 2019. Floating rate securities made up 11.3 per cent. of the Group’s investment portfolio as at 30 September 2021 compared to 13.2 per cent. as at 31 December 2020 and 15.3 per cent. as at 31 December 2019. Equity securities made up 7.2 per cent. of the Group’s investment portfolio as at 30 September 2021 compared to 6.2 per cent. as at 31 December 2020 and 5.7 per cent. as at 31 December 2019.

Certain of the Group’s investments have been pledged under repurchase agreements with customers. The amount of such investments was SAR 13,125 million as at 31 December 2020, SAR 11,664 million as at 31 December 2019 and SAR 683.6 million as at 31 December 2018.

Credit quality of the investment securities portfolio

The table below shows the credit quality of the Group’s debt investment securities as at 31 December in each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>(SAR thousand)</td>
</tr>
<tr>
<td>Low – fair risk</td>
<td>51,771,392</td>
</tr>
<tr>
<td>Watch list</td>
<td>73,625</td>
</tr>
<tr>
<td>Substandard</td>
<td>861</td>
</tr>
<tr>
<td>Total</td>
<td>51,845,878</td>
</tr>
</tbody>
</table>

The classifications used in the table above have the following meanings:

- Low - fair risk: performing assets of high / good quality;
- Watch list: assets that have shown some initial signs of deterioration in credit quality in the recent past and are likely subject to increasing levels of credit risk.
- Substandard: assets which exhibit substantially higher level of credit risk

The table above excludes mutual funds and equity securities.

Counterparties

The table below shows the Group’s investment securities portfolio as at 31 December in each of 2020, 2019 and 2018 by type of counterparty.

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td></td>
<td>(SAR thousand)</td>
</tr>
<tr>
<td>Government and quasi-Government</td>
<td>31,277,846</td>
</tr>
<tr>
<td>Corporate</td>
<td>15,604,427</td>
</tr>
<tr>
<td>Banks and other financial institutions</td>
<td>9,567,533</td>
</tr>
<tr>
<td>Total</td>
<td>56,449,806</td>
</tr>
</tbody>
</table>
As at 31 December 2020, Government and quasi-Government issuers accounted for 55.4 per cent. of the Group’s investment securities portfolio compared to 55.0 per cent. as at 31 December 2019 and 59.2 per cent. as at 31 December 2018.

Geographic concentration

The table below shows the geographical breakdown of the Group’s investment securities portfolio as at 31 December in each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th>Geography</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>36,051,493</td>
<td>34,109,319</td>
<td>32,472,574</td>
</tr>
<tr>
<td>Other GCC and Middle East</td>
<td>1,609,163</td>
<td>2,088,402</td>
<td>2,336,183</td>
</tr>
<tr>
<td>Europe</td>
<td>3,813,444</td>
<td>4,543,109</td>
<td>2,995,033</td>
</tr>
<tr>
<td>North America</td>
<td>9,738,278</td>
<td>8,893,244</td>
<td>8,222,419</td>
</tr>
<tr>
<td>Latin America</td>
<td>436,307</td>
<td>384,582</td>
<td>104,526</td>
</tr>
<tr>
<td>South East Asia</td>
<td>1,616,555</td>
<td>1,040,100</td>
<td>417,458</td>
</tr>
<tr>
<td>Other countries</td>
<td>3,184,566</td>
<td>2,302,659</td>
<td>1,444,579</td>
</tr>
<tr>
<td><strong>Total investments, net</strong></td>
<td>56,449,806</td>
<td>53,361,415</td>
<td>47,992,772</td>
</tr>
</tbody>
</table>

The Group’s investment securities portfolio is geographically concentrated in Saudi Arabia, which comprised 63.9 per cent. of the Group’s investment securities portfolio as at 31 December in each of 2020 and 2019 and 67.7 per cent. as at 31 December 2018.

See “Risk factors—Risks relating to the Group—The Group’s customer financing portfolio, deposit base and investment securities portfolio are concentrated in Saudi Arabia” and “Risk factors—Risks relating to the Group—The Group has significant customer and sector concentrations”.

CAPITAL ADEQUACY

Capital adequacy, financial leverage and the use of various levels of regulatory capital are monitored regularly by the Group’s management and are also governed by guidelines of the Basel Committee on Banking Supervision (the Basel Committee) as adopted by SAMA.

The SAMA Basel III framework consists of three Pillars:

- **Pillar 1** provides a framework for measuring capital requirements for credit, operational and market risks;

- **Pillar 2** relates to the supervisory review process and emphasises the importance of the Internal Capital Adequacy Assessment Process (ICAAP) performed by banks; and

- **Pillar 3** aims to complement the above capital adequacy requirements under Pillar 1 and Pillar 2 by requiring banks to provide a consistent and understandable disclosure framework which facilitates comparison, thus enhancing the safety and soundness of the banking industry in Saudi Arabia.

The Basel III minimum requirements for capital are underpinned by a leverage ratio that serves as a backstop to the risk-based capital measures. There are also buffer requirements in the form of a capital conservation buffer, a counter-cyclical capital buffer and an additional surcharge for banks designated as D-SIBs.

A key objective for the Group is to maximise shareholders’ value with optimal levels of risk, whilst maintaining a strong capital base to support the development of its business and comply with externally imposed capital requirements. The Group aims to ensure adherence to SAMA’s requirements by monitoring its capital adequacy
and adopting both a capital forecasting process that ensures that pro-active action is taken where necessary and a strategy that ensures that a sufficient capital buffer above minimum required levels is maintained at all times.

As at 30 September 2021, the Group’s tier 1 capital adequacy ratio (calculated according to Basel III standards for Pillar 1) was 16.0 per cent. and its total capital adequacy ratio was 19.3 per cent. The Group has been designated as a D-SIB with an additional Common Equity Tier 1 D-SIB surcharge of 0.5 per cent. Accordingly, the Group’s total minimum Pillar 1-based capital requirement as at 31 September 2021 is 13 per cent., which also includes a capital conservation buffer of 2.5 per cent. and a countercyclical capital buffer of 0.0349 per cent..

The table below shows the composition of the Group’s regulatory capital and its capital ratios as at 30 September 2021 and as at 31 December in each of 2020, 2019 and 2018 (determined in accordance with Basel III as implemented in Saudi Arabia).

<table>
<thead>
<tr>
<th>Risk weighted assets</th>
<th>As at 30 September</th>
<th>As at 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>Credit</td>
<td>264,331</td>
<td>245,887</td>
</tr>
<tr>
<td>Operational</td>
<td>19,420</td>
<td>18,367</td>
</tr>
<tr>
<td>Market</td>
<td>3,465</td>
<td>3,880</td>
</tr>
<tr>
<td>Total Pillar 1 risk-weighted assets</td>
<td>287,216</td>
<td>268,134</td>
</tr>
<tr>
<td>Eligible capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier I capital</td>
<td>46,045</td>
<td>44,352</td>
</tr>
<tr>
<td>Tier II capital</td>
<td>9,430</td>
<td>6,779</td>
</tr>
<tr>
<td>Total Tier I and Tier II capital</td>
<td>55,475</td>
<td>51,131</td>
</tr>
<tr>
<td>Tier I capital adequacy ratio (per cent.)</td>
<td>16.0</td>
<td>16.5</td>
</tr>
<tr>
<td>Total capital adequacy ratio (per cent.)</td>
<td>19.3</td>
<td>19.1</td>
</tr>
</tbody>
</table>

The Bank is also subject to a SAMA Basel III leverage ratio requirement of 3.0 per cent. The Bank’s leverage ratio was 11.9 per cent. as at 30 September 2021, 11.8 per cent. as at 31 December 2020, 12.2 per cent. as at 31 December 2019 and 12.4 per cent. as at 31 December 2018. The Bank’s leverage ratio for these periods has been calculated in accordance with the Basel III leverage ratio and disclosure requirements.

COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group had capital commitments of SAR 317.6 million. These include computer hardware, software, automation projects, construction and equipment purchases.

The Group has contingent liabilities in respect of irrevocable commitments to extend credit that it has made, as well as in relation to guarantees, letters of credit and acceptances issued by it.

The table below shows the Group’s commitments and contingent liabilities as at 31 December in each of 2020, 2019 and 2018.
The primary purpose of the Group’s commitments and contingent liabilities is to ensure that funds are available to customers as required.

Guarantees and standby letters of credit, which represent irrevocable 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 loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Group on behalf of customers authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate, and therefore have significantly less 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 the customers.

Commitments to extend credit represent the unused portion of authorisations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. 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.

**RELATED PARTY TRANSACTIONS**

The Group’s principal related party transactions are with its directors and other major shareholders (being shareholders holding more than 5 per cent. of the Bank’s issued and paid up share capital), their close family members and companies controlled by them or their close family members, as well as with associates of the Group. Certain related parties are customers of the Group in the ordinary course of business. Transactions with related parties are made on substantially the same terms, including special commission rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve an amount of risk that is higher than the amount of risk taken in comparable transactions with unrelated parties.

Further information on the Group’s related party transactions in each of 2020, 2019 and 2018 is set out in note 34 to each of the Annual Financial Statements.
RISK MANAGEMENT

INTRODUCTION

The role of risk management is to understand, measure and manage risk in all aspects of the Group’s business. Management aims to embed a risk management culture in all of the Group’s business processes and to ensure that a risk management culture is adopted throughout the organisation. Accordingly, management seeks to continually improve the Group’s risk management in line with industry standards and SAMA guidelines and by investing in the right people and systems.

The Group’s enterprise risk management framework is focused on fully integrating enterprise-wide risk management into its operations and culture. The risk management structure broadly covers credit risk, market risk, liquidity risk, legal risk, operational risk, compliance and remedial management. Management seeks to ensure that risks are proactively identified and managed and it aims to achieve an appropriate balance between risk and return and to minimise potential adverse effects on the Group’s financial performance.

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Group’s risk management policies and systems are reviewed regularly to reflect changes in market conditions, emerging best practices and the products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

RISK GOVERNANCE STRUCTURE

The Board is responsible for ensuring that the Group is organised effectively and efficiently and is run in accordance with all appropriate regulatory and corporate governance requirements. Relevant corporate governance and risk-related Board committees include the Executive Committee, the Audit Committee, the Risk Management Committee, the Nominations and Compensations Committee and the Strategic Planning Group and each of these is described further in “Management and employees—Management—Board of Directors—Board committees”.

The Board carries out the core responsibilities of setting the Group’s risk statement, approving the Group-wide risk frameworks and relevant policies, monitoring compliance with Board approved risk limits and monitoring progress on implementation of strategic risk-related projects as well as compliance with all regulatory matters. These high level frameworks and policies provide the fundamental corporate governance principles and guidance for risk taking, managing and monitoring activities throughout the Group.

Risk management is an independent function from the business, headed by the Chief Risk Officer (CRO) and comprises the credit division, the internal control and market risk (ICMR) division and the enterprise risk management function. Risk management’s responsibilities in the Bank cover all aspects of credit, market and operational risks as well as liquidity and interest rate risks in the banking book. The credit division screens credit applications, monitors the credit approval process, reviews and manages the credit portfolio and problem accounts. The ICMR division assists the business areas in managing their risks by providing advice on procedural evaluation and design, risk assessment services, operational risk monitoring and investigation, the building of effective historical records, loss management capture methodology, exceptions reporting and market and fiduciary risk review and monitoring. The enterprise risk management function has primary responsibility for managing the enterprise risk management framework, risk appetite and ICAAP on the basis of a comprehensive risk profile of the Bank.

Risk management supports the Group’s capital markets businesses and the ALCO by conducting regular analysis of the Group’s interest rate, foreign exchange and liquidity risks using simulation models and also monitors the risks and profitability of the treasury and investment and investment banking and brokerage businesses. The Group’s fundamental risk management goal is to build a culture of risk understanding so that better decisions can
be made at every level. Risk culture is an integral part of the Group’s overall corporate culture. The risk profile is embedded in the risk culture by means of internal communications and training and is monitored through periodic performance assessment.

The CRO is responsible for the actual risk profile and risk processes in the Group for all risk types (including credit, market, operational and liquidity risk) across all products and business segments.

The independent internal control department (the ICD) reports to the ICMR and its objective is to further strengthen the risk governance framework within the Group through development and implementation of an integrated internal control governance and reporting framework. This framework covers all business divisions and control functions within the Group and provides the Board and executive management with effective oversight of internal control across the Group.

**ENTERPRISE RISK MANAGEMENT FRAMEWORK (ERMF)**

Enterprise risk management enables the Bank to identify, measure, manage and control its risks. The fully embedded ERMF covers the Bank’s risk universe. In addition, the Bank’s capital management framework is designed and implemented with a focus to maintain the adequacy of Bank’s capital in relation to its risk profile.

**RISK APPETITE FRAMEWORK**

The Bank’s risk appetite framework (RAF) is an integral component of the Bank’s ERMF and is embedded in the Bank’s strategy and annual operating plan. The RAF establishes the overall approach through which the Bank ensures prudent risk-taking. It is established on the basis of best practices and outlines the process of developing the risk appetite statement, governance, monitoring and reporting. The risk appetite statement is integrated with the Bank’s strategic planning process and is approved by the Board on an annual basis. Strategic risk objectives containing a full suite of risk appetite metrics and qualitative statements are defined in the risk appetite statement for different risk types and monitored regularly by relevant oversight bodies. The Bank also expresses its risk appetite qualitatively in terms of policies, processes, procedures and controls to manage risks that may or may not be quantifiable. Specific policies have been developed for all types of risks which, taken together, create a holistic system of risk management.

**CREDIT RISK MANAGEMENT**

**Introduction**

Credit risk is the risk of losses arising as a result of a counterparty of the Group not fulfilling its contractual obligations or the quality of a counterparty deteriorating. Credit risk principally arises from the Group’s financing, trade finance and treasury activities. The Group’s overall credit exposure is evaluated on an ongoing basis to ensure a broad diversification of credit risk. Potential concentrations by country, product, industry and risk grade are regularly reviewed to avoid excessive exposure and ensure a broad diversification.

**Credit approval process**

The Bank has separate credit approval processes for its retail and commercial loans.

**Retail loans**

The Bank uses sophisticated risk management techniques for consumer loan acquisition and for managing its consumer loan and credit card portfolios. The ‘Origination Manager Decision Module’ is used to host and automate the Bank’s risk acceptance criteria for each retail product, which is updated on a periodic basis and supported by origination and behavioural scorecard models in the approval and line management process.
Detailed risk acceptance criteria and limits for approving new loans, renewals, limits increases, rescheduling, deletions and other cases are set out for consumer loan and credit card products to streamline the processing of large volumes of transactions. These criteria are established based on discussions of portfolio performance among the departmental management teams responsible for each line of business and senior management committees. Provisions are calculated based on IFRS 9 guidelines using an integrated modular approach in an automated environment for business and regulatory reporting. This calculation methodology uses the ECL impairment model for all performing and non-performing loans.

The Retail Risk Management Committee, which is a management committee, is tasked with oversight responsibilities for ensuring effective implementation of the Board-approved credit strategy and credit risk management framework specifically designed for credit risk arising from the Bank’s retail banking business.

**Commercial loans**

All applications for commercial and corporate credit facilities are subject to the Bank’s credit policies, including economic sector limits, underwriting standards and regulatory requirements. The credit applications generation function is handled by the relevant relationship manager. An analysis of the client’s financial statements and business operations is carried out by the relationship manager and the analytics unit to confirm the client’s ability to repay the proposed credit facilities and any other debt obligations. This analysis along with the Bank’s understanding of the client’s business environment are presented to the relevant approving committees.

The Bank uses Moody’s to evaluate the credit risk of all corporate and commercial customers. The financial analysis process includes assessment of revenues and profitability, operations, liquidity, cash flow, work progress (for contractor finance), capital structure and business analysis covering industry risk, management quality and company standing.

Country limits have been defined to manage cross-border risk. The Bank uses international credit risk ratings issued by international credit rating agencies to evaluate the credit risk of sovereign, international corporate and financial institutions, as well as to assign the risk rating for each country and obligor. The country and obligor credit limits are regularly reviewed by the Credit department.

Commercial credit requests must be in line with the underwriting criteria specified in the Bank’s credit risk policies and product policies. Initial credit risks are analysed by the originating business segments, analytics and the line manager before being independently assessed by the credit review function.

The Bank continues to introduce new initiatives such as risk-based pricing and updating provision methodology, to address newly introduced risk assessment, control and reporting requirements. The effective implementation of these initiatives in the past has enhanced the risk management and decision making processes at the Bank. In addition, it has also improved the infrastructure for reporting key risk-related information, particularly that used by the Board and senior management to identify, monitor and manage risks, as well as enhanced the communication of information to outside stakeholders.

**General**

Every extension of credit or material change to a credit facility (such as its tenor, collateral structure or major covenants) to any counterparty (whether business or personal) requires a credit approval at the appropriate authority level.

**Credit rating and measurement**

The Bank’s risk rating system is the basis for determining the credit risk of its asset portfolio and, therefore, appropriate asset pricing, the portfolio management strategy and loss provisions and reserves. The risk rating system is also the basis for credit approval authority delegation.
The Bank uses a standard numeric credit risk-grading system which is based on its internal estimate of probability of default (PD), with customers or portfolios assessed against a range of quantitative and qualitative factors, including taking into account the counterparty’s financial position, past experience and other factors.

Performing clients are rated on a 20 point scale of 1 to 20, each grade being associated with a defined level of PD. Non-performing clients are rated 21, 22 and 23. Each individual borrower is rated based on an internally developed debt rating model that evaluates risk based on financial as well as qualitative inputs. The risk rating categories drive the due diligence and approval process, and these ratings are reviewed at least annually or sooner if any adverse signs are visible.

The Bank uses Moody’s credit risk system to grade customer exposures and uses historical data to calculate the PD for each obligor. The Bank also considers factors influencing the internal risk rating process such as the provision of accurate and timely financial information, timeliness of payments, the nature of the industry, the level of experience of the borrower’s management, facility usage patterns and comparisons with externally available data and economic trends for the industry concerned. Upgrades and downgrades in risk ratings may take place at any time based on assessment of the above factors. Retail lending is carried out using Fair Isaac automated risk scoring tools.

Credit monitoring

The Bank monitors its credit exposures on a regular basis as well as any external trends which may impact risk management outcomes. Internal risk management reports, containing information on key variables, portfolio delinquency and impairment performance, are presented to the CRO and the Board Risk Management Committee. All corporate exposures are monitored carefully for performance and reviewed formally on an annual basis or earlier. The Bank’s policies mandate client visits and monitoring of accounts to make sure that any concerns on the quality of the accounts are addressed proactively.

All non-performing accounts are monitored closely by the Bank. Loans with watch list or special mention ratings are monitored and managed by a dedicated unit. The CRO takes responsibility for managing and monitoring loans rated as substandard and doubtful with a view to improving the chances of collection and/or the status of the loans. All loans rated as loss are dealt with by a separate collection and recovery function. Remedial actions include, but are not limited to, exposure reduction, security enhancement and exit of the account.

The asset quality of the Bank’s retail finance portfolio is monitored closely and all 30-, 60- and 90-day past due accounts and delinquency trends are monitored continuously for each product. Individual customer behaviour is also tracked and this forms an input for future financing decisions. Accounts which are past due are subject to a collection process, which is managed independently by the Bank’s operations with oversight by the Retail Risk Management Department. Write-offs and provisioning for the retail finance portfolio are carried out in accordance with SAMA guidelines.

Credit risk mitigation

The Bank seeks to mitigate potential credit losses from any given account, customer or portfolio using a range of tools, including taking collateral or guarantees in particular. The reliance that can be placed on these credit mitigation resources is carefully assessed taking into account their legal enforceability, the market value of any collateral and the counterparty risk of any guarantor.

The Bank accepts a range of collateral types, including cash deposits; residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; individual, corporate and bank guarantees; and LCs. The amount and type of collateral collected mainly depends on the nature of transaction and the Bank’s risk mitigation policies control the approval of different collateral types.
The Bank’s credit risk policy acknowledges the role played by credit risk mitigation in the management of credit risk but emphasises that collateral on its own is not necessarily a justification for financing. The primary consideration for any financing opportunity must be the borrower’s financial position and ability to repay the facility from its own resources and cash flow.

The Bank’s credit risk policy and procedures ensure that credit risk mitigation techniques are acceptable, used consistently, valued appropriately and with the frequency required by the policy and meet the risk requirements of operational management for legal, practical and timely enforceability.

Security valuations are made at the time of financing and the security is revalued appropriately if there are indications that the value may have fallen over time. Guarantees and related legal contracts are often required, particularly in support of credit extended to groups of companies and weaker counterparties. Guarantor counterparties include banks, parent companies, shareholders and associated counterparties. Creditworthiness is established for the guarantor as for other counterparty credit approvals.

The Bank repossesses collateral where appropriate and this collateral is realised in accordance with its approved credit policy and credit manual pertaining to collateral management.

**Performing and non-performing loans and provisioning**

See “Financial review—Lending—Total customer financing portfolio” for tables showing the Group’s performing and non-performing loans and advances by type as well as the provisions made against those loans in each case as at 31 December in each of 2020, 2019 and 2018.

See also notes 30.4(a) to each of the Annual Financial Statements for an ageing analysis of loans and advances as at 31 December in each of 2020, 2019 and 2018.

The Group makes its provisions for impairment in accordance with IFRS 9. Its impairment methodology is described in note 30.3 to each of the Annual Financial Statements.

The table below shows movements in the Bank’s loss allowance for total loans and advances by ECL stage as at 31 December in each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(SAR thousand)</td>
<td>(SAR thousand)</td>
<td>(SAR thousand)</td>
<td>(SAR thousand)</td>
</tr>
<tr>
<td>Balance as at 1 January 2018 ..........</td>
<td>367,358</td>
<td>662,765</td>
<td>2,480,865</td>
</tr>
<tr>
<td>Transfer to 12-month ECL ..........</td>
<td>99,420</td>
<td>(6,470)</td>
<td>(92,950)</td>
</tr>
<tr>
<td>Transfer to lifetime ECL – not credit impaired</td>
<td>(32,700)</td>
<td>45,320</td>
<td>(12,620)</td>
</tr>
<tr>
<td>Transfer to lifetime ECL – credit impaired .......</td>
<td>(5,527)</td>
<td>(67,392)</td>
<td>72,919</td>
</tr>
<tr>
<td>Net re-measurement of loss allowance(1) ........</td>
<td>(127,090)</td>
<td>33,318</td>
<td>(1,058,687)</td>
</tr>
<tr>
<td>Balance as at 31 December 2018 ..........</td>
<td>301,461</td>
<td>667,541</td>
<td>1,389,527</td>
</tr>
</tbody>
</table>

| Balance as at 1 January 2019 .......... | 301,461 | 667,541 | 1,389,527 | 2,358,529 |
| Transfer to 12-month ECL .......... | 153,611 | (70,327) | (83,284) | — |
| Transfer to lifetime ECL – not credit impaired | (10,480) | 60,611 | (50,131) | — |
| Transfer to lifetime ECL – credit impaired ....... | (4,096) | (141,785) | 145,881 | — |
| Net re-measurement of loss allowance(1) ........ | 9,261 | (6,832) | 394,908 | 397,337 |
| Balance as at 31 December 2019 .......... | 449,757 | 509,208 | 1,796,901 | 2,755,866 |

| Balance as at 1 January 2020 .......... | 449,757 | 509,208 | 1,796,901 | 2,755,866 |
Transfer to 12-month ECL ........................................ 122,508 (38,824) (83,684) —
Transfer to lifetime ECL – not credit impaired ......... (14,478) 74,053 (59,575) —
Transfer to lifetime ECL – credit impaired ......... (6,530) (287,976) 294,506 —
Net re-measurement of loss allowance(1) ............ 475,124 688,991 614,032 1,778,147
Balance as at 31 December 2020 .......................... 1,026,381 945,452 2,562,180 4,534,013

Note:
(1) Includes charge-offs (consumer loans and credit cards) and write-offs (commercial loans, overdrafts and others).

The table below shows movements in the bank’s allowance for impairment of credit losses as at 31 December in each of 2020, 2019 and 2018.

<table>
<thead>
<tr>
<th>Loss allowance as at 1 January</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provided during the year, net</td>
<td>2,319,696</td>
<td>1,173,853</td>
<td>981,558</td>
</tr>
<tr>
<td>Bad debts written-off against provision</td>
<td>(541,549)</td>
<td>(776,516)</td>
<td>(2,134,017)</td>
</tr>
<tr>
<td>Loss allowance as at 31 December</td>
<td>4,534,013</td>
<td>2,755,866</td>
<td>2,358,529</td>
</tr>
</tbody>
</table>

MARKET RISK MANAGEMENT

Introduction

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as special commission rates, foreign exchange rates and commodity and equity prices. The Group classifies exposures to market risk into trading and non-trading (referred to as the banking book). The market risk for the trading book is managed and monitored using VaR methodology. Market risk for the banking book is managed and monitored using a combination of VaR, stress testing and sensitivity analysis.

Risk reporting

Risks and control effectiveness are reported to the Bank’s management to ensure that managers within the business lines, and at senior levels, are able to engage in an informed decision making process. As the first line of defence against risks, it is the responsibility of line managers, and senior managers, to be able to manage risks in accordance with the Board’s approved risk appetite.

Risk reports are provided to managers and senior management on a regular basis to ensure that management has the opportunity to assure themselves that the Bank’s risk positions are within limits and in line with its current strategy. Typically, these are provided to senior management on a monthly or weekly basis for the purposes of holding the various risk committee meetings and reviews. Line managers, supervisors and staff directly responsible for managing risk on a day to day basis, receive full positions reports on a more frequent basis.

The general policy within the Bank is for risk issues to be raised with the line manager first, then to escalate such issues to the senior manager responsible for that area. Risk matters are also escalated to the relevant risk committee, either immediately, if critical, or as part of the normal reporting process, if less urgent. If insufficient action is taken as a result of this reporting and escalation process, staff and risk managers have the authority to take matters further, such as to the CRO, to the CEO, to the Bank’s internal audit department, or in very extreme cases, to the Board or to the external auditors.
Independent risk reporting is also a key component of the risk reporting controls. Separation between the group creating the risk (the risk taking business unit) and the unit reporting the risk level (the risk monitoring unit) is common throughout the Bank. The internal audit department continuously monitors this segregation of duties within the Bank. The Risk Management division also takes this into account when assessing the risk within business units. Much of the Bank’s risk reporting is prepared and delivered by various units within the Risk Management division as an independent check.

For enterprise-wide risk reporting purposes, a tabular risk weight has been developed to provide a comprehensive description of the risk coverage in the Bank. It is based on all risk types relevant to the Bank and how each respective risk weight is governed, evaluated, managed, monitored and reported within the Bank as well as the frequency of such reporting.

The Bank deploys risk management systems for effective measurement, monitoring and reporting. For market risk, Kamakura Risk Manager is used by the Bank, which is widely acknowledged and used for VaR and other liquidity risk measures such as net interest income at risk and economic VaR. The systems are regularly assessed and upgraded for improvement in risk measurement and adherence to regulatory changes.

See note 31 to each of the Annual Financial Statements for further information on the Group’s determination of VaR and discussions of, and sensitivity analyses relating to, special commission rate risk, currency risk and banking book equity price risk.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may reduce the availability of certain sources of funding. To mitigate this risk, the Group has diversified funding sources and its assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

Management monitors the maturity profile of the balance sheet to ensure that adequate liquidity is maintained. The daily liquidity position is monitored by and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Group. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

In accordance with Banking Control Law and the regulations issued by SAMA, the Bank maintains a statutory deposit with SAMA equal to 7 per cent. of its total demand deposits and 4 per cent. of its savings and time 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, gold, Saudi Government bonds, treasury bills or assets which can be converted into cash within a period not exceeding 30 days. The Bank has the ability to raise additional funds through repo facilities with SAMA, from 85 per cent. to 100 per cent. of the nominal value of bonds and treasury bills held by the Bank.

See note 32 to each of the Annual Financial Statements for tables showing the maturity profile of the Group’s assets and liabilities.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of direct or indirect loss arising from inadequate or failed people, processes, technology and infrastructure within the Group, and also from external events (other than credit, market and liquidity risks), such as those arising from disruptive business events, natural disasters, non-compliance with legal and regulatory requirements and failure to apply generally accepted standards of corporate behaviour. The Group’s objective is
to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation, assets and personnel with overall cost effectiveness.

The Group uses a comprehensive approach towards operational risk management. Its operational risk management department (ORMD) is an independent second line function within the ICMR, and is responsible for operational risk identification, assessment, treatment, monitoring, insurance and reporting. The primary responsibility of the ORMD is to ensure all the associated risks are adequately addressed and mitigated to address operational risks. The key responsibility is to have an appropriate oversight on the risk owners to ensure the existence of overall standards for the management of operational risk in the following areas:

- segregation of duties, including the independent authorisation of transactions;
- reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- reporting of operational losses and proposed remedial action;
- training of professional development of employees for operational risk awareness;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

The ORMD provides regular risk reports to senior executives, including a monthly integrated risk report to the Risk Management and Compliance Committee and a semi-annual report to the Board Risk Management Committee.
MANAGEMENT AND EMPLOYEES

MANAGEMENT

Board of Directors

In accordance with the Companies Law (as defined under “Saudi Arabia’s banking sector and regulations—Management of liquidity and credit risk” below) and the Bank’s by-laws, the Bank’s executive management comprises the Board and a Management Executive Committee (the MEC).

The Board is made up of 10 members, including the Chairman. The Chairman is required to be a Saudi national. Each member of the Board is appointed by the Bank’s shareholders and is elected every three years. The current members of the Board were all elected in October 2019. There were seven meetings of the Board in each of 2021, 2020 and 2019. The Board is required to meet at least four times a year and no less than once every three months.

The business address of each of the directors is Granada Oasis – A1 Tower, Riyadh - Al Shuhada District, P.O. Box 22622, Riyadh 11416, Saudi Arabia. There are no potential conflicts of interest between the duties owed to the Bank by the persons listed below and their private interests or other duties.

The current members of the Board are:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eng. Abdullah Mohammed Al-Issa(1)</td>
<td>Chairman</td>
</tr>
<tr>
<td>Eng. Mutaz Kusai Al-Azzawi(2)(3)</td>
<td>Vice Chairman</td>
</tr>
<tr>
<td>Mr. Ibrahim Hassan Sharbatly(4)</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Jamal Abdul-Karim Al-Rammah(5)(6)</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Talal Ibrahim Al-Qudaibi(4)(7)(8)</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Abdul-Rahman Amin Jawa(3)(4)</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Mohammed Talal Al-Nahas(4)</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Mohammed Abdulaziz Al-Afaleq(3)(9)</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Mohammad Omair Al-Otaibi(6)(10)</td>
<td>Member</td>
</tr>
<tr>
<td>Mr. Nader Ibrahim Al-Wehibi(3)(8)</td>
<td>Member</td>
</tr>
</tbody>
</table>

Notes:
(1) Chairman of the Strategic Planning Group.
(2) Chairman of the Nomination and Compensation Committee.
(3) Member of the Executive Committee.
(4) Member of the Strategic Planning Group.
(5) Chairman of the Audit Committee.
(6) Member of the Risk Management Committee
(7) Chairman of the Executive Committee.
(8) Member of the Nomination and Compensation Committee.
(9) Chairman of the Risk Management Committee.
(10) Member of the Audit Committee.

Set out below is brief biographical information about each member of the Board.
Eng. Abdullah Mohammed Al-Issa (Chairman)

Mr. Al-Issa has been a member of the Board since 2007 and the Chairman of the Board since October 2016. He holds a Bachelor’s degree in Industrial Engineering and a Master’s degree in Engineering Project Management from Southern Methodist University, USA and has extensive experience in management, investment and banking.

Mr. Al-Issa is currently the Chairman of the Board of Directors of Dur Hospitality Co. and Assila Investments, the Vice Chairman of Etihad Etisalat Co. (Mobily), and the Chairman of the Board of Directors of Abdullah Mohammed Al-Issa Office (Consultant Engineers).

He is also a member of the Board of Directors of various companies, including SABIC.

Eng. Mutaz Kusai Al-Azzawi (Vice Chairman)

Mr. Al-Azzawi has been a member of the Board since 2016 and the Vice Chairman of the Board since October 2019. He holds a Bachelor’s degree in Computer Engineering from King Saud University and has more than 22 years of experience in business, commerce and investment in the financial markets.

Mr. Al-Azzawi is currently the Chairman of Herfy Food Services Co. and the chief executive officer and a member of the Board of Directors of Saudi Industrial Construction & Engineering Project Co Ltd., Saudi Trading & Technology Co. Ltd., and AlWusataa Development Co.

He is a member of the Board of Directors of various companies, including Savola Group, Arabian Cement Co., Etihad Etisalat Co. (Mobily), Savola Foods, United Sugar Co., and Afia Int'l Co. KSA.

Mr. Ibrahim Hassan Sharbatly

Mr. Sharbatly has been a member of the Board since 2016. He holds a Bachelor’s degree in Business Administration from College of Commerce, Bristol UK and has extensive experience in business, investment and real estate development.

Mr. Sharbatly is currently the Chairman of the Board of Directors of the First Group International Company, and the Vice Chairman of Al-Nahla Group and the Saudi Arabian Marketing & Agencies Company Ltd (SAMACO), The Saudi Arabian Marketing Agencies and Contracting Company, Al-Ameen Distinctive Real Estate Investment Company, Fast Auto Technic (Fast) and Jeddah Holding Company. He holds various other executive and board membership positions in several companies.

Mr. Jamal Abdul-Karim Al-Rammah

Mr. Al-Rammah has been a member of the Board since 2016. He holds a Bachelor degree in Business and Economics, Harvard Executive Program from Harvard University, USA, in addition to several financial and administrative programmes inside and outside Saudi Arabia.

Mr. Al-Rammah is a member of the Association for Financial Professionals, served as the Treasurer of the world’s largest oil company, Saudi Aramco, and retired with more than 34 years of experience. He was in charge of various financial risk departments at Saudi Aramco. He also managed the local and global pension fund’s investments, insurance programmes, financing programmes, joint ventures, subsidiaries and affiliates.

Furthermore, Mr. Al-Rammah held several senior positions in logistics and finance management, including the General Auditor of the Internal Audit Department, the General Controller of Accounts and the General Manager of the Financing and Development. Under his leadership, more than U.S.$25 billion were financed and U.S.$3 billion worth of Sukuk were issued. Mr. Al-Rammah previously served as the Chairman of the Saudi Aramco Insurance (Stellar) and held several Board memberships in other Saudi Aramco affiliates and subsidiaries. He is also a member of many advisory and executive committees.
Mr. Talal Ibrahim Al-Qudaibi

Mr. Al-Qudaibi has been a member of the Board since 2016. He holds a Bachelor degree in Business Administration from Portland State University and a Master degree in Economics from University of Southern California, USA.

Mr. Al-Qudaibi has more than 30 years of experience in international banking and investment, having previously served as the CEO of Riyad Bank from 2002 to 2016 (in addition to other executive roles). He is a member of the Board of Directors of Riyad Capital and board member of several financial institutions abroad. He is also a member of the Shura Council.

Mr. Abdul-Rahman Amin Jawa

Mr. Jawa has been a member of the Board since 2016, representing the Public Investment Fund. He holds a Bachelor degree in International Business Administration from Ohio University and the Advanced Management Programme, Harvard University, Harvard Business School, USA and has extensive experience in banking and investment.

Mr. Jawa is currently the Chairman of the Board of Directors of the Saudi Company for Hardware (SACO).

Mr. Mohammed Talal Al-Nahas

Mr. Al-Nahas has been a member of the Board since 2016, representing the GOSI. He holds a Bachelor’s degree in Accounting from King Saud University and the Executive Management Programme from University of Michigan, USA and has more than 32 years of experience in banking and business development.

Mr. Al-Nahas is currently the Governor of the GOSI, and the Chairman of the Board of Directors of Raza Company, Al Taawuniyah Real Estate Investment Co., ASMA Capital and Dammam Pharma, Saudi Pharmaceutical Industries and Medical Appliances Corp.

He is a member of the Board of Directors of various companies, including Saudi Telecom Co. (STC), SABIC, Medical Appliances, ACWA Power and the GOSI.

Mr. Mohammed Abdulaziz Al-Afaleq

Mr. Al-Afaleq has been a member of the Board since 2004. He holds a Bachelor’s degree in Industrial Management from King Fahd University of Petroleum and Minerals and a Master’s degree in Business Administration from St. Edward’s University, Austin, USA and has extensive experience in management and investment.

Mr. Al-Afaleq is currently the Chairman of the Executive Committee of Al-Hussein & Al-Afaleq Group of Companies, the chief executive officer of a number of Abdahf Holding subsidiaries, the Chairman of AlNajah Company and a board member of Health Cluster Company in Al Ahsa, in addition to various companies, NGOs and social committees.

Mr. Mohammad Omair Al-Otaibi

Mr. Al-Otaibi has been a member of the Board since 2016, representing the Public Investment Fund. He holds a Master’s degree in Business Administration from Western Michigan University, Advanced Management Programme from Harvard University, Executive Management Programme from University of Michigan, USA, and Strategic Management in Banking Programme from International Development, Ireland, and has more than 30 years of experience in the transportation and banking sectors. Mr. Al-Otaibi is a member of the Board of Directors of Saudi Re for Cooperative Reinsurance Co. and a member of the Audit Committee of Al-Mojel Co. for Trading & Contracting.
Mr. Nader Ibrahim Al-Wehibi

Mr. Al-Wehibi has been a member of the Board since 2011, representing Hassana Investment Company. He holds a Bachelor’s degree with honours in Insurance and risk management from Indiana State University, USA, and a Master’s degree in Social Protection Policies from Maastricht University, The Netherlands, and has extensive experience in corporate planning and development.

Mr. Al-Wehibi is currently the Governor Assistant for Insurance Affairs at GOSI and a member of the Board of Directors at various companies, including SABIC, Mudad Company and Clariant Co. (Switzerland).

External members of the Board Audit Committee

In addition to the two Board members identified above, the Audit Committee also has three external members named below:

Dr. Abdul Raouf Sulaiman Banaja

Dr. Banaja has been a member of the Audit Committee of Riyad Bank since 2016. He holds a PhD degree and a Master’s degree in Economics from University of California, USA, and a Bachelor’s degree in Mathematics and Physics from University of Riyadh, and has more than 30 years of experience in financial and administrative consultations in the corporate and banking sectors.

Dr. Banaja is currently the Chairman of the Board of Directors of the Built to Suite Real Estate Fund Co., SEDCO Capital Flexi Saudi Equities Fund, SEDCO Capital REIT, SEDCO Capital Real Estate Fund 1 and SEDCO Capital Real Estate Fund 2. He is a member of the Audit Committee of Savola Group, Panda Retail Company, Herfy Food Services Co., and Kinan International Real Estate Development Co. He is also an independent financial and administrative consultant.

Mr. Tareq Abdullah Al-Qaraawy

Mr. Al-Qaraawy has been a member of the Audit committee of Riyad Bank since 2019. He holds a Master’s degree in Accounting from George Washington University, USA, and a Bachelor’s degree in Accounting from King Saud University, and has more than 23 years of experience in the banking sector.

Mr. Al-Qaraawy is currently the Vice President, Compliance & Quality Assurance of Tatweer Buildings Co., member of the Audit Committee of Savola Foods, and a member of Board of Directors of Digital Innovation for Information Technology Co. and Osool & Bakheet Investment Company’s Funds.

Mr. Abdulaziz Khalid Alfalih

Mr. Alfalih holds a Bachelor’s degree in Chemical Engineering from the Massachusetts Institute of Technology (MIT) and an MBA from the Stanford University Graduate School of Business. With extensive experience in financial, asset management, and investment topics. Mr. Alfalih is a Partner and Board Member at Badwa Capital based in Dubai, UAE.

External members of the Nominations and Compensations Committee

In addition to the three Board members identified above, the Nominations and Compensations Committee also has the two external members named below:
Eng. Ahmad Mohammed Al-Faleh

Mr. Al-Faleh has been a member of the Nominations and Compensations Committee of Riyad Bank since 2019. He holds a Bachelor’s degree in Civil Engineering from King Fahad University of Petroleum & Minerals, and has more than 25 years in the corporate and construction sectors.

Mr. Al-Faleh is currently the Chairman of the Nominations and Compensations Committee for Herfy Food Services Co., and an independent technical, contractual and arbitration consultant. He is a member of the board of directors of various companies including Herfy Food Services Co., Technical United Works Company, Mosa Bin Abdulaziz Almosa and Sons Co., and Leading Agent Trading Co.

Eng. Khalid Saleh Al-Turairi

Mr. Al-Turairi has been a member of the Nominations and Compensations Committee of Riyad Bank since 2019. He holds a Bachelor’s degree in Computer Sciences and Engineering from King Fahad University of Petroleum & Minerals, and has more than 32 years of experience in the corporate sector. He is currently the General Manager for Global Special Projects within SABIC’s corporate human resources department.

Board committees

There are currently five Board committees, as described below:

Executive Committee

The Executive Committee deals with matters referred to it by the Board or its chairman within the powers determined for it by the Board. This committee comprises five directors, namely: Talal Ibrahim Al-Qudaibi (Chairman), Abdul-Rahman Amin Jawa, Mohammed Abdulaziz Al-Afaleq, Mutaz Kusai Al-Azzawi and Nader Ibrahim Al-Wehibi. The committee held 10 meetings in 2019, 12 meetings in 2020 and 14 meetings in 2021.

Audit Committee

The Audit Committee exercises supervisory oversight of the financial reporting processes, the processes related to compliance and compliance with the relevant laws and regulations, monitors the effectiveness and efficiency of the internal control system, recommends the selection of auditors, studies and reviews the interim and annual financial statements, and recommends them to the Board.

The Audit Committee comprises two directors, namely: Jamal Abdul-Karim Al-Rammah (Chairman) and Mohammad Omair Al-Otaibi and three external non-Board members, namely: Abdul Raouf Sulaiman Banaja, Tareq Abdullah Al-Qaraawy and Mr. Abdulaziz Khalid Alfalih. The committee held eight meetings in 2019, nine meetings in 2020 and 12 meetings in 2021.

Risk Management Committee

The Risk Management Committee assists the Board in carrying out its responsibilities by fully supervising the Bank’s risk strategy, reviewing acceptable risk levels, making recommendations to the Board, and monitoring the executive management’s commitment to the risk limits approved by the Board and their implementation. In this regard, it may review all aspects and types of risks that the Bank is exposed to, review the extent of the executive management’s commitment to the controls for managing these risks, and verify the adequacy of the measures taken to hedge the risks.

The committee comprises three directors, namely: Mohammed Abdulaziz Al-Afaleq (Chairman), Jamal Abdul-Karim Al-Rammah and Mohammad Omair Al-Otaibi. The committee held four meetings in 2019, six meetings in 2020 and six meetings in 2021.
Nominations and Compensations Committee

The Nominations and Compensations Committee supports the Board with regard to the Board’s governance, proposes a remuneration policy for members of the Board, its committees, and senior management officials. It reviews and evaluates the adequacy and effectiveness of the remuneration, compensation and incentives policy on a regular basis to ensure that the set goals are achieved, assesses the methods of remuneration payment, and reviews the rewards policy according to the rules of SAMA.

The Nominations and Compensations Committee also sets the nomination and selection policy for Board membership, and ensures that all members meet the statutory requirements for Board membership in accordance with the relevant regulations.

The committee comprises three independent directors, namely: Mutaz Kusai Al-Azzawi (Chairman), Talal Ibrahim Al-Qudaibi and Nader Ibrahim Al-Wehibi, and two external non-Board members, namely: Ahmad Mohammed Al-Faleh and Khalid Saleh Al-Turaiiri. The committee held six meetings in each of 2019 and 2020 and three meetings in 2021.

Strategic Planning Group

The Strategic Planning Group supervises the preparation of the Bank’s strategic direction and follows up and evaluates the steps taken to achieve its objectives. It provides the necessary support to the Board on strategic planning processes and matters of strategic importance, including business development and expansion. The Strategic Planning Group is also responsible for monitoring the Bank’s progress in achieving its long-term financial and strategic objectives.

The Strategic Planning Group comprises five directors, namely: Abdullah Mohammed Al-Issa (Chairman), Ibrahim Hassan Sharbatly, Talal Ibrahim Al-Qudaibi, Abdul-Rahman Amin Jawa and Mohammed Talal Al-Nahas. The Strategic Planning Group held one meeting in each of 2018 and 2019 and two meetings in 2020.

Senior management

The current members of the Bank’s senior management team are:

<table>
<thead>
<tr>
<th>Name and position</th>
<th>Brief CV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tareq A Al-Sadhan</td>
<td>Tareq has been CEO since 2019. He was appointed Senior Executive Vice President, CFO in 2018 when he joined the Bank.</td>
</tr>
<tr>
<td>Chief Executive Officer</td>
<td>His prior external experience includes acting as Advisor to the Chairman of the Board of Directors of the Saudi Fund for Development, the General Director in charge of the General Authority for Zakat and Income (GAZT) and the Deputy Governor for Supervision at SAMA.</td>
</tr>
<tr>
<td></td>
<td>Tareq holds a Master’s degree in Business Management from Ecole Nationale des Ponts et Chaussés, France and a Bachelor’s degree in Accounting from King Saud University.</td>
</tr>
</tbody>
</table>
Abdullah A Al-Oraini

*Chief Financial Officer*

Abdullah joined Riyad Bank as its CFO in 2019. His prior external experience includes Chief Financial Officer at Alawwal Bank; Head of Accounting, Asset and Liability Management and Investor Relations at Saudi British Bank and Head of Capital and Liquidity Management as well as Senior Financial Analyst at National Commercial Bank.

He holds a Bachelor’s degree in Electrical Engineering from the King Fahd University of Petroleum and Minerals and a Master’s degree in Management Science from the University of Waterloo.

Mohammed A Al Yahya

*Chief Operating Officer*

Mohammed was appointed Chief Operating Officer in 2018. He has over 16 years of experience in banking and financial services, including his experience at SAMA and as a Board member of Saudi British Bank.

Mohammed holds a Bachelor’s degree in Computer Science from Eastern Michigan University, USA.

Mohammed Abdulaziz Abo Al-Naja

*Chief Corporate Banking Officer*

Mohammed was appointed Chief Corporate Banking Officer of the Bank in 2018. He has previously served as EVP – Corporate Services, Head of Multi-National Corporate Banking and Corporate Banking Regional Manager – Central Region at the Bank.

He holds a Bachelor’s degree in Administration Science from King Saud University.

Riyadh O Al-Zahrani

*Chief Retail Banking Officer*

Riyadh has been Chief Retail Banking Officer since 2016. He has previously served in several positions, including Executive Vice President – Operations and Business Technology, Executive Vice President – Operations, Head of Retail Banking and Head of Electronic Banking at the Bank.

Riyadh holds a Bachelor’s degree in Accounting from King Saud University.

Nadir S Al-Koraya

*Chief Treasury and Investments Officer*

Nadir has been Chief Treasury and Investments Officer since 2019. He has previously served as Head of Treasury. His prior external experience includes the role of Assistant Director General of the Treasury Group at Samba Financial Group.

Nadir holds a Bachelor’s degree in Civil Engineering and a Master’s degree in Business Administration from California State University, USA.
Mazen M Khalifah  
*Chief Human Capital Officer*

Mazen was appointed Chief Human Capital Officer in 2018. His prior external experience includes acting as General Manager Human Resources at SAMA, Head of Learning and Talent and Senior Talent Acquisition at the Saudi British Bank and Head of Talent Acquisition and People at Bank Albilad.

Mazen holds a Bachelor’s degree in Industrial Engineering from King Abdulaziz University.

Khalid W Al-Khudair  
*Chief Customer Officer*

Khalid was appointed Chief Customer Officer in 2019. He was previously the Acting Head of Marketing and Communication.

Khalid holds a Bachelor’s degree in Commerce from Saint Mary’s University in Canada.

Grant Eric Lowen  
*Chief Risk Officer*

Grant was appointed CRO in 2020.

He holds a Bachelor’s degree in Accounting from Christchurch Technical College and is a member of the Association of Chartered Accountants in New Zealand.

Mazen Ghassan Pharaoh  
*Chief Digital Officer*

Mazen was appointed Chief Digital Officer in 2020.

He is a Partner and Director of the Deloitte Digital Center for the Middle East and Director of the CTO Technology Group.

He holds a degree in BSC in Computer Engineering from King Saud University.

The business address of each member of the Bank’s senior management is Granada Oasis – A1 Tower, Riyadh - Al Shuhada District, P.O. Box 22622, Riyadh 11416, Saudi Arabia. There are no potential conflicts of interest between the duties owed to the Bank by the persons listed above and their private interests or other duties.

**Management committees**

The Bank has the following management committees responsible for overseeing various day to day business activities, risk management and the operations of the Group in general:

**Management executive committee**

The MEC is accountable to the CEO and the Board for the management and day to day running of the Bank. The primary responsibility of the MEC is the implementation of the annual budget and objectives within the strategy framework approved by the Board.

**ALCO**

The ALCO is an executive level management committee responsible for monitoring the asset and liability management of the Group, monitoring current economic and business conditions and setting strategic and tactical targets for instruments and portfolios that make up the Group’s balance sheet risk, within the limits approved by the Board. The ALCO does not have primary responsibility for managing the allocation of retail and corporate
credit portfolios which are managed through the credit process, but must assess the impact of these portfolios on the balance sheet from a liquidity perspective. The ALCO is also responsible for ensuring wholesale trading and banking book positions are maintained within the limits approved by the Board, reviewing and approving the Group’s funds transfer pricing system, tactical review of wholesale funding and investment activities, and overseeing the regulatory capital allocation and regulatory capital limits management processes.

The ALCO meets once each month and is chaired by the CEO.

Main credit committee (the MCC)

The MCC is an executive management committee that is primarily responsible for reviewing and approving the Group’s large exposures in accordance with the credit authorities delegated by the Board. The MCC’s principal responsibility is to act as the approving authority for credit limits that are higher than the Bank’s existing co-signature credit authorities.

The MCC reviews individual exposures, related party exposures and portfolios of exposures of a similar nature or type. The MCC also has an important role in monitoring the performance of loan portfolios and other credit instruments. The MCC makes strategic decisions on pricing credit exposures, maintenance of credit exposures, recovery of non-performing credit exposures and recommendations of write-offs on large credit exposures that cannot reasonably be recovered.

Credit risk policy committee (the CRPC)

In line with the Board approved credit risk management framework and credit risk strategy statement, the CRPC is an executive committee that oversees the Group’s credit risk functions and undertakes the necessary measures to ensure the development and adoption of credit policies that are compliant with applicable regulatory guidelines and best international banking practices. The main objectives of the CRPC include ensuring that the Group’s credit risk management organisation structure is adequate and reflects best international banking practices, reviewing all credit risk-related policies covering new initiatives, credit programmes, IFRS 9 policies and other credit risk-related issues, reviewing the corporate portfolio credit quality and monitoring the performance of corporate analytical models and methodologies.

Retail risk management committee (the RRMC)

The RRMC is a management committee tasked with oversight responsibilities for ensuring proper implementation of the Board’s approved credit strategy and credit risk management framework specifically for credit risk arising from the Bank’s retail banking business. The RRMC reviews and approves the retail credit risk acceptance criteria and business acceptance criteria to ensure that they are compatible with the overall lending and credit strategies and policies approved by the Board as well as associated guidelines issued by the competent authorities within the Bank.

Risk management and compliance committee (RMCC)

The RMCC is an executive committee responsible for implementing, reviewing and monitoring compliance with the policies and procedures covering risk management and regulatory compliance throughout the Bank. The RMCC, as needed or as requested, will provide guidance to other management committees which are responsible for governance of other risk types that fall under their responsibilities and authorities.

The RMCC is chaired by the CRO.

Investment committee (the IC)

The Group maintains a substantial domestic and international investment portfolio to provide an alternative income source for the Group through investment in countercyclical investments which are expected to perform
People committee

The People committee is chaired by the CEO and comprises the management committee members of the Bank’s main business functions. The People committee considers any major employee-related issues that are either within the delegation of the executive management team or such matters as will subsequently be presented to the Bank’s Board committees.

Shariah committee

The Bank’s internal Shariah committee consists of three Saudi Arabian scholars who specialise in Islamic jurisprudence and economics. The committee is responsible for reviewing and supervising all proposed Islamic banking policies and business practices, to ensure that the Bank complies with all relevant Shariah principles. The committee also provides advice and explanations relating to Shariah matters and fatwas related to the Group’s Islamic products. The Shariah committee provides final authorisation for the Bank to proceed with an Islamic banking product.

EMPLOYEES

The Bank had 5,338 full time employees as at 31 December 2021, 5,213 as at 31 December 2020, 5,135 as at 31 December 2019 and 5,311 as at 31 December 2018. Companies in Saudi Arabia are required by the Ministry of Labour to ensure that a certain percentage of their staff are Saudi nationals. This requirement is known as Saudization. The Bank’s Saudization ratio, that is the ratio of Saudi nationals to non-Saudi nationals, was 95 per cent. as at 30 September 2021.

The Bank has meritocratic remuneration and reward systems which both encourage the Bank’s employees to perform to the maximum of their capabilities and also provide the Bank with access to external talent.

In addition to a base salary and incentive and longevity-of-employment bonuses, the Bank offers its employees a housing and holiday allowance, as well as in-kind benefits such as medical insurance, life insurance, a savings incentive scheme and voluntary pension plans.

The Bank has a structured approach to the acquisition and development of talent to meet the needs of the business. Critical positions are systematically identified and comprehensive succession plans and individual development plans are aligned to ensuring that a capable and high-performing talent pipeline is maintained.

Development activities are focussed upon the continuous improvement of employees’ behavioural as well as technical capability with clarity provided through well-defined career plans leading from entry-level positions through to senior executive roles.

In order to achieve this, the Bank partners with recognised international learning and leadership institutions to provide employees with a clear understanding of best global practice, tailored to the local operating environment.

Training is an important component of the Bank’s strategic aim of attracting and retaining highly qualified and motivated personnel. To that end, the Bank has an extensive training programme for its new and existing employees designed to equip them with the skills and know-how necessary to perform their functions with efficiency and to enhance their internal promotion opportunities. As part of its efforts to build and test its recruitment pool, the Bank also offers training programmes to high school and university graduates. The Bank has its own training centre in Riyadh.
SAUDI ARABIA’S BANKING SECTOR AND REGULATIONS

GENERAL

According to SAMA’s website, there are 26 commercial banks operating in Saudi Arabia, of which 11 are incorporated in Saudi Arabia. The recent reduction in the number of commercial banks incorporated in Saudi Arabia is due to the merger of SABB and Alawwal Bank which was completed on 14 March 2021 and the merger of The National Commercial Bank and Samba Financial Group which was completed on 1 April 2021, which is now known as The Saudi National Bank. Of the remaining 15 operating banks, six are branches of banks based in countries of the GCC other than Saudi Arabia (namely Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, First Abu Dhabi Bank, Bank Muscat and Qatar National Bank) and nine are international banks (namely J.P.Morgan Chase, N.A., BNP Paribas, Deutsche Bank, T.C. Ziraat Bankası, MUFG Bank Ltd A.Ş., National Bank of Pakistan, Industrial and Commercial Bank of China, Credit Suisse Bank and Standard Chartered Bank). Six other banks have been licensed but are yet to commence operations under their licences. In addition, two digital banks, STC Bank and Saudi Digital Bank, have been licensed to operate but have not yet commenced operations.

All 11 Saudi banks provide a broad range of retail and wholesale banking products and services. Al Rajhi Bank, Bank Albilad, Bank AlJazira and Alinma Bank provide Shariah-compliant products and services only. The remaining banks provide a combination of Shariah-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 and the 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 2021, the Council of Ministers issued a decision approving the merger of the GOSI and the Public Pension Agency and such merger is expected to boost investment returns and catapults the combined entity into the big league among pension funds and social welfare institutions. SAMA does not regulate any of these entities.

As at 31 October 2021, there were 1,954 bank branches, 16,529 ATMs and 936,038 points of sale terminals in Saudi Arabia (source: SAMA October 2021 Monthly Statistics).

Key highlights of the trends and outlook for the banking industry in Saudi Arabia 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 Saudi Arabia;
- fee-based services and products for retail markets are proliferating, the focus being turned to non-funded business volumes and cross-selling opportunities; and
- Islamic banking continues to be an area of growth.

History

Prior to 1976, a number of wholly foreign-owned banks operated branches and subsidiaries in Saudi Arabia.

In 1976, the Government issued a directive requiring all banks operating within Saudi Arabia to convert to entities incorporated locally with at least 60 per cent. of the shares held by Saudi nationals.

In 2000, the first branch of a foreign bank was authorised to open in Saudi Arabia in over 40 years, in connection with changes in GCC countries’ policies concerning cross-border banking. The new entrant was Gulf Investment
Bank (GIB), an offshore bank based in Bahrain and owned by the six GCC states. GIB had been active in Saudi Arabia for many years, but having a branch in Saudi Arabia allowed it to compete at close hand. SAMA has since granted a number of banking licences to branches of foreign banks. In May 2020, GIB converted its branch into a locally incorporated bank jointly owned by the PIF and GIB.

There are also non-bank competitors in brokerage and personal finance. Saudi Arabia’s banking sector has seen an accelerating competitive convergence focused on Islamic banking, private and affluent segments and brokerage and investment banking, as well as significant investment in new distribution, marketing and technology.

Following the licence granted to GIB in 2000, SAMA granted licences to operate branches in Saudi Arabia to Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Muscat Bank, J.P. Morgan Chase, N.A., BNP Paribas, Deutsche Bank, National Bank of Pakistan, T.C. Ziraat Bankası A.Ş, Industrial and Commercial Bank of China, Qatar National Bank, First Abu Dhabi Bank, MUFG Bank Ltd., Credit Suisse Bank and Standard Chartered Bank. The Government also developed the capital markets sector in Saudi Arabia with the enactment of the Capital Market Law (issued by Royal Decree No. M/30 dated 31 July 2003 as amended by Royal Decree No. M/16 dated 18 September 2019) (CML) which also established the CMA. In line with the Government’s overall desire to develop and boost the capital markets in Saudi Arabia, the CMA has encouraged the participation of foreign investment banks. According to its website in September 2021, the CMA has licensed at least 116 entities to conduct various types of securities business in Saudi Arabia, although a number of those licensed entities have not yet commenced business.

Corporate banking segment

The majority of commercial banking assets in Saudi Arabia are loans to businesses and, as at 31 October 2021, banks’ claims on the private sector constituted SAR 2,010 billion equal to 62.9 per cent. of total commercial banks’ assets (source: SAMA, October 2021 Monthly Statistics). This has been driven by the strong economic growth and increased investment within Saudi Arabia in various sectors such as electricity, water and health services, building and construction, commercial and Government projects in oil and gas, infrastructure and education. Government stimulus to the economy has contributed to the growth in corporate assets.

Though commercial mortgages are a lucrative business in developed countries, banks in Saudi Arabia have not been very active in this product due to legal and operational hurdles. However, financing is provided for real estate development purposes, which does not fall under commercial mortgages.

Investment banking activities have been growing rapidly in Saudi Arabia. Project finance has also been a strong growth area with several projects being financed in recent years. While the prevailing level of oil prices pose challenges to the Saudi economy, leading to both Government spending growth and weaker GDP growth, project finance is nonetheless expected to continue to be a strong area for banking business as a result of planned investments in infrastructure and industry in line with the reform and stabilisation programmes being implemented to reduce the economy’s dependency on oil-related revenues.

Personal banking segment

Consumer lending increased from SAR 333 billion at the end of 2019 to SAR 365 billion at the end of 2020 and was SAR 412 billion as at 30 September 2021 (source: SAMA, October 2021 Monthly Statistics). Historically, growth in consumer finance has been driven by several factors, including:

- economic growth coupled with favourable consumer demographics;
- growth of the credit card market;
- product innovation and a rapidly expanding range of product and service offerings; and
- the creation of SIMAH (as defined below).
The value of the credit card loans market was SAR 19.2 billion as at 30 September 2021 (source: SAMA, October 2021 Monthly Statistics) compared to SAR 18.4 billion as at 31 December 2020 and SAR 19.1 billion as at 31 December 2019. The decline in the credit card loan market in 2020 is likely due to the COVID-19 pandemic and the related quarantine measures taken by the Government. The majority of personal lending is tied to electronic salary assignment, thereby enhancing asset quality and effectively reducing the risk associated with personal lending which, coupled with higher margins than in corporate lending, has made personal finance a particularly attractive segment for banks in Saudi Arabia.

The Saudi Credit Bureau

The Saudi Credit Bureau (SIMAH) was established in 2002 and began operating in 2004. In 2008, the Council of Ministers issued a decision approving the Credit Information Law (issued pursuant to Royal Decree No. 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 Saudi Arabia and offers consumer credit information services to its members in Saudi Arabia. SIMAH aggregates credit-related information among participating members to provide credit providers with credit risk information. In 2015, SIMAH introduced a number of initiatives and projects to further its strategies to provide an effective information infrastructure to enhance the ability of assessing and managing risks. For example, SIMAH established an information centre developed to international specifications (Tier IV) and published a procedural manual as part of a “Know Your Rights” campaign to increase credit awareness among all segments of society. A number of SIMAH’s projects were acknowledged by the G-20 based on an initiative of the Financial Stability Board (of which SAMA is a member), aimed at helping financial institutions to evaluate risks in a systematic and effective manner and put regulatory and operational requirements in place, and develop products and services, to ensure stability and efficiency of the financial sector.

Islamic finance

Islamic finance has been a growth area for the Saudi financial economy and has been one of the most significant developments in financial markets in recent years. Saudi Arabia is one of the largest and fastest growing markets for Islamic banking in the world.

The Islamic banking industry in Saudi Arabia encompasses a blend of institutions ranging from dedicated Islamic banks to conventional banks offering Islamic banking products services through separate divisions or windows. Many banks in Saudi Arabia have Shariah committees which provide independent opinions on the extent of compliance with Shariah principles. Currently, a wide range of Shariah-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, Shariah-compliant home financing is expected to be a major driver of Islamic personal banking asset growth in the future.

Credit demand from the corporate banking segment is rapidly growing following the launch of infrastructure projects and increasing interest in manufacturing. The main 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 Shariah-compliant solutions. In recent years, there have been several large size Islamic project finance transactions attracting participation from a large number of banks.

The Islamic banking segment is expected to continue to grow with credit demand anticipated from corporate and consumer segments. It is also expected to be accompanied by an increase in innovative Islamic product offerings and growing awareness and demand within the general public for sophisticated Shariah-compliant solutions.
**Treasury**

The treasury activities of banks in Saudi Arabia have increased over the past few years as the financial markets have become more sophisticated with the increased use of financial instruments. Capable banks in Saudi Arabia are able to offer their customers structured products that make use of derivatives and that are also Shariah-compliant.

**Investment banking and asset management**

Brokerage services activity flourished between 2003 and 2006, when Tadawul peaked to all-time highs. The level of the Tadawul All Share Index was 7,827 at 31 December 2018, 8,389 at 31 December 2019, 8,689 at 31 December 2020 and 11,496 as at 30 September 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 IPOs have been effected, several of which were Government initiatives.

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 banks in Saudi Arabia 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.

**SAUDI CENTRAL BANK (PREVIOUSLY SAUDI ARABIAN MONETARY AUTHORITY)**

**Overview and functions**

SAMA is the regulator and supervisor of licensed financial institutions, including banks, finance companies, leasing and real estate companies, insurance companies, money exchange companies and credit information companies in Saudi Arabia.

SAMA was established pursuant to Royal Decree No. 30/4/1/1046 dated 20 April 1952, which was replaced by Royal Decree No. M/36 dated 26 November 2020, which changed the name to Saudi Central Bank while maintaining the acronym SAMA. SAMA’s principal functions include:

- issuing the national currency;
- dealing with the banking affairs of the Government;
- supervising commercial banks and exchange dealers;
- managing Saudi Arabia’s foreign exchange reserves;
- carrying out the role of the Government’s bank and advisor in monetary, banking, and financial matters;
- managing monetary policy for maintaining price and exchange rate stability;
- promoting the growth of the financial system and ensuring its soundness;
- supervising co-operative insurance companies and the self-employment professions relating to the insurance industry;
- supervising finance companies; and
supervising credit information companies.

### Banking control law

The Banking Control Law issued pursuant to Royal Decree No. M/5 dated 12 June 1966, as amended by Royal Decree No. M/2 dated 3 March 1971, (the **BCL**) aims to protect banks, customers’ deposits and shareholders and secure adequate liquidity levels. The law prohibits banks from undertaking certain activities that might cause damage to their shareholders and customers. In addition, the law prohibits individuals and companies from using the word “bank” or its synonyms in their names or conducting any banking activities without obtaining a licence from SAMA. The BCL sets out the framework within which banks must operate in Saudi Arabia and is supplemented by circulars, directives and guidelines issued by SAMA from time to time. These circulars and directives are generally not made publicly available outside the banking sector.

### Consumer protection

SAMA has been a strong advocate of consumer protection since obtaining its charter in 1952 and the issuance of the BCL in 1966. Consequently, SAMA has played an important role in ensuring that the financial institutions under its supervision deal with consumers fairly and honestly.

As Saudi Arabia’s financial sector evolves and grows, SAMA continues to review these developments and decides on appropriate legislative, regulatory and organisational changes to provide the level of consumer protection expected from a country that is a member of the world’s main economic and financial organisations. SAMA’s current objective is to ensure that all consumers who have dealings with licensed financial institutions in Saudi Arabia receive the expected level of consumer protection, including fair treatment, honesty and ease of access to financial products and services.

SAMA has set out the conduct expected from such financial institutions through various regulations, policies and issued instructions, including the “Banking Consumer Protection Principles” (the **Principles**) issued in June 2013, which are based on the General Principles for Financial Consumer Protection developed by the Organisation for Economic Co-operation and Development (the **OECD**) in 2011.

The Principles set out key guidelines to enable licensed banking institutions to deliver the required level of fair treatment, honesty and financial inclusion, thereby meeting SAMA’s strategic objective for financial consumer protection in Saudi Arabia. The Principles apply to the activities of banks operating by way of a licence, which are under the supervision of SAMA and which are dealing with persons who are, or may become, consumers. They also apply to the activities of any third party engaged by licensed banking institutions to undertake any outsourced activities. The Principles are binding on all licensed banking institutions, complementary to the instructions and internal regulations issued by any licensed banking institution 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:

(i) Charter of the Saudi Arabian Monetary Authority – Article (3d), issued by Royal Decree No. 23 dated 15 December 1957, as replaced by the Law of the Saudi Central Bank – Article (4.3), issued by Royal Decree No. M/36 dated 26 November 2020;

(ii) Banking Control Law issued by Royal Decree No. M/5. dated 12 June 1966;

(iii) Ministerial Decree No.3/2149 dated 22 June 1986; and

(iv) The “G20 High-Level Principles on Financial Consumer Protection” provide the background for the “General Principles for Financial Consumer protection” which are now being adopted as part of the Principles.
The Principles are further underpinned by the Responsible Lending Principles for Individual Consumers (issued by SAMA under Circular No. 46538/99 dated 17 May 2018, as amended by SAMA’s Circular No. 40694/1 dated 24 May 2018) which aim to:

(i) encourage responsible lending that meets the actual needs of consumers, especially those related to owning housing and assets rather than consumer purposes;

(ii) enhance financial inclusion by providing adequate financing for all segments of society, taking into account reasonable deductible ratios that the consumer can afford; and

(iii) focus on ensuring fairness and competitiveness among creditors to make sure that their procedures and mechanisms are effective and efficient.

The Responsible Lending Principles for Individual Consumers apply to all creditors and finance activities directed at consumers, encompassing all credit products and programmes designed for individuals, including, among others, personal finance, vehicle finance, credit cards and real estate finance.

In April 2018, SAMA issued the Debt Collection Regulations and Procedures for Individual Consumers applying to banks and finance companies under SAMA’s supervision which set out debt collection procedures in relation to consumers, procedures for dealing with defaulting retail consumers as well as controls governing the communication with retail consumers and their guarantors in order to enable creditors to follow clear and specific procedures while protecting the rights of all relevant parties.

Further consumer protection legislation which supplements the Principles issued by SAMA (the Regulations for Issuance and Operations of Credit and Charge Cards) relates to the issuance and operation of credit and charge cards issued by banks, finance companies and other card issuers supervised by SAMA.

The consumer protection legislation has also been extended to cover finance companies pursuant to the Regulations for Consumer Finance (the RCF). The RCF contain a number of provisions relating to the protection of consumer rights, including:

- allowing customers to partially or fully repay their remaining finance facilities at any time during the relevant financing period;
- unifying management fees across all banks in Saudi Arabia;
- providing customers with summaries of their financings, which include basic details of the financing and also reference key provisions of the financing;
- prescribing rules and standards in relation to how banks deal with customers; and
- emphasising the principles of transparency and disclosure in consumer finance contracts.

The RCF aim to ensure that consumer finance contracts have enhanced levels of disclosure and transparency and to enable customers to be better informed of their rights and obligations under their financings. Pursuant to the RCF, consumer finance contracts should set out, among other things:

- details of the financing, including the total cost of the financing;
- the calculation method for determining profit;
- all charges, commission and administration fees;
• the consequences of delays in payment of instalments; and
• the procedure for exercising a customer’s right of withdrawal, early settlement or termination.

Additionally, SAMA has published consumer protection regulations applying to insurance (the Insurance Consumer Protection Principles) as well as numerous circulars supplementing and detailing the various consumer protection regulations described above.

In order to deal with consumer complaints and monitor the performance and adherence of financial institutions to the Principles, SAMA has also established a dedicated Consumer Protection Department.

REAL ESTATE FINANCING AND FINANCE LEASING

In August 2012, the Saudi Council of Ministers issued a package of legislation approved by Royal Decrees in relation to the finance industry, including real estate financing (the Real Estate Finance Law), leasing (the Finance Lease Law) and supervision of financial companies (the Financial Companies Control Law), in each case, as further described below. In February 2013, SAMA issued the implementing regulations of these laws.

Real estate finance law

This law provides the regulatory architecture for the authorisation and licensing of banks and finance companies to enter the real estate market. In particular:

• banks may own real estate for the purposes of real estate finance – a key feature of Islamic financing products;
• the Government publicises real estate market activity and financiers are granted access to courts and notary registers; and
• a credit check must be conducted against borrowers through one of the authorised credit bureaus.

The Implementing Regulations of the Real Estate Finance Law define the role of finance companies, set out the requirements for entering into and registering a real estate finance lease, set out the SAMA’s requirements for licensing re-finance companies and set out the rules governing the activities of re-finance companies. In June 2020, SAMA issued guidelines on the provision of real-estate financing products to individuals. These guidelines set out the minimum requirements on financiers providing real-estate financing products to individuals.

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 Shariah-compliant manner (placing asset risk on the lessor during the lease term but making the lessee responsible for the relevant use);
• the transfer of leased assets is permitted to the lessee upon maturity of the lease term; and
• the lessor is permitted to request payments of future rentals if the lessee is in payment default, provided the number of such payments is not greater than the number of late payments.

The Implementing Regulations of the Financial Lease Law set out the rights and obligations of the lessor and lessee in a finance lease, outline rules relating to assignment of rights, instalment payments and ownership rights of the relevant parties and specify the requirements for establishing a company that registers finance leases and the requirements for such companies to register finance leases.

FINANCIAL COMPANIES CONTROL LAW
This law provides a regulatory and supervisory framework for Shariah-compliant finance companies to provide SAMA approved forms of financing, including real estate financing.

The Implementing Regulations of the Financial Companies Control Law set out SAMA’s rules and requirements for licensing finance companies and contain corporate governance requirements, internal auditing requirements and other rules which the finance companies must comply with in order to maintain their licence.

**CAPITAL MARKETS AUTHORITY**

The CMA was established by the CML. The CMA is a governmental organisation with financial, legal and administrative independence.

The CMA regulates Saudi Arabia’s capital markets. It issues the required rules and regulations for the implementation of the provisions of the CML aimed at creating an appropriate investment environment. Some of the CMA’s major objectives are to:

- regulate and develop the capital market;
- protect investors and the general public from unfair and unsound practices involving fraud, deceit, cheating, manipulation and insider trading;
- achieve fairness, efficiency and transparency in securities transactions;
- develop measures to reduce the risks pertaining to securities transactions;
- develop, regulate and monitor the issuance of, and trading in, securities;
- regulate and monitor the activities of entities subject to the control of the CMA;
- regulate and monitor full disclosure of information related to securities and their issuers; and
- regulate proxy and purchase requests and public share offerings.

In addition, pursuant to the CML, the CMA has formed the Committee for the Resolution of Securities Disputes and the Council of Ministers has, also pursuant to the CML, formed the Appeal Committee for the Resolution of Securities Disputes. Both of these committees are quasi-judicial bodies authorised to adjudicate disputes and violations in respect of the CML and the rules and regulations of the CMA, including the Tadawul.

In 2016, the Financial Leadership Programme 2020 (the **Programme**) was launched, under which a set of initiatives on the Financial Sector Development Programme (i.e. one of Saudi Arabia’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 Programme, the CMA seeks to position Saudi Arabia’s 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 both 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 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 Programme also has a focus on developing a regulatory environment for Saudi Arabia’s 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 through managed channels to reach SAR 650 billion of assets under management.

In accordance with the CMA’s objective of developing market-leading international best practices and with a view to collaborating with other similar institutions internationally, the CMA is an active participant in the International Organisation of Securities Commissions which is recognised as the leader in setting the standards for securities and capital markets sectors globally. In addition, the CMA is also a participant in the Ministerial Committee of the Chairpersons of GCC Capital Markets Regulators as well as the Union of Arab Securities Authorities.

FORMATION OF THE SAUDI EXCHANGE (TADAWUL)

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.

On 19 March 2007, the Saudi Council of Ministers approved the formation of The Saudi Exchange (Tadawul) Company in accordance with Article 20 of the CML.

MANAGEMENT OF LIQUIDITY AND CREDIT RISK

Under the BCL, a bank’s deposit liabilities must not exceed 15 times its reserves and paid-up share capital or invested capital. The current percentage specified by SAMA for a statutory deposit is 7 per cent. of total customers’ demand deposits and 4 per cent. of balances due to banks and other financial institutions (excluding balances due to SAMA and non-resident foreign currency deposits), savings, time deposits and margins of letters of credit and guarantee (excluding all types of repo deposits).

In addition to the statutory deposit, each bank in Saudi Arabia is also required to maintain a liquid reserve of at least 20 per cent. of its total deposit liabilities. The liquid reserve must comprise cash, gold or assets which can be converted into cash within a period not exceeding 30 days in order to comply with the requirements of the BCL.

Previously, the BCL set a maximum limit on the amount of financial liability that a bank may incur in respect of any one person. This was replaced by the SAMA Rules on Large Exposures of Banks on 1 July 2015. Under the new rules, a bank may not grant a loan, extend a credit facility, give a guarantee or incur any other financial liability in respect of any one person in an aggregate amount exceeding:

- in the case of banks, 25 per cent. of its total eligible capital;
- in the case of companies, 15 per cent. of its total eligible capital; and
- in the case of individuals, 5 per cent. of its total eligible capital.

SAMA also has the power to regulate the liquidity and credit risk of a bank by restricting, among other things, the maximum amount of money which may be loaned by a bank, the level of a bank’s exposure to a single customer and the categories of loans which a bank can make. These restrictions may vary from bank to bank depending on
the relevant circumstances and are in addition to the statutory deposit and liquid reserve requirements provided for in the BCL.

SAMA carries out a full review of the operations of each bank every three years and more regular assessments of specific functions within each institution. SAMA has also intervened to support banks that have found themselves in difficulties. Similarly, it allowed distressed banks to benefit from low cost funding in the 1980s.

Over the years, SAMA has developed a reputation as a strict regulator. In 1989, SAMA introduced accounting and disclosure standards for commercial banks in Saudi Arabia, which essentially comply with IFRS. All banks in Saudi Arabia are now in compliance with IFRS and the Accounting Standards for Commercial Banks issued by SAMA. The banks also prepare their financial statements to comply with the BCL and the companies law promulgated under Royal Decree No. M/3 dated 10 November 2015 (the Companies Law) in Saudi Arabia.

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 banks in Saudi Arabia 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 Law. Listed joint stock companies have to publish quarterly financial statements as their stocks are listed on Tadawul. However, quarterly financial statements are reviewed by the auditors in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” 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 banks in Saudi Arabia, which now publish a breakdown of loans by sector and geography, in addition to loans to the Government and related parties. Banks also report doubtful loans, loan loss reserves and write-offs.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING

Saudi Arabia is a signatory to, and has implemented measures required by, the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the International Convention for the Suppression of the Financing of Terrorism and various other international conventions and agreements relating to money laundering and terrorist financing. In June 2019, Saudi Arabia was the first Arab country to join the Financial Action Task Force (the FATF). On a regional level, Saudi Arabia is a founding member of the Middle East and North Africa Financial Action Task Force (the MENA-FATF) which was created in 2004.

Money laundering is considered an offence under Shariah law and Saudi Arabia has put into place a comprehensive legislative and regulatory framework that deals with money laundering and terrorist financing, with the first regulations on customer identification procedure dating back to 1975.
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). These rules contain comprehensive requirements governing customer identification, the opening and maintenance of bank accounts, the transmission of funds and the deposit of cash and also contain detailed rules controlling the operation of bank accounts for charitable and welfare organisations. In 2008, SAMA revised the rules by adding additional requirements and providing guidelines on dealing with non-resident individuals, entities and multi-lateral organisations. A fifth update of these rules was issued during 2020 in which, among other changes, SAMA made certain additions to the list of specified legal entities subject to KYC requirements and account operating controls.

Saudi Arabia’s existing AML regime was overhauled by SAMA in May 2003 with its issue of Rules Governing Anti-Money Laundering and Combating Terrorist Financing (SAMA No. BCI/122: dated 27 May 2003) (the AML/CTF Rules). The AML/CTF Rules govern, among other things, the reporting of suspicious transactions, transaction monitoring, customer and transaction profiling, risk assessment, control systems, compliance programmes, reviews and audits, KYC policies and standards and record retention. The AML/CTF Rules have subsequently been updated in line with SAMA’s continued efforts to further improve and refine the AML/CTF Rules and cope with the local, regional and global developments.

In August 2003, Saudi Arabia updated its existing AML statutes with the enactment of the Anti-Money Laundering Law (pursuant to Royal Decree No. M/39 dated 24 August 2003) and its implementing regulations (the AML Law), providing an up-to-date statutory basis for money laundering and terrorist financing offences. A Financial Intelligence Unit was also established, enabling a greater international exchange of financial information in cases of suspected money laundering and terrorist financing amongst law enforcement agencies and regulators.

In November 2005, SAMA issued a circular (SAMA No. 35185/MAT/539: dated 22 November 2005) requiring all banks and financial institutions operating in Saudi Arabia to strictly comply with the provisions of the AML Law. The Capital Market Institutions Regulations issued by the Board of the CMA pursuant to its Resolution number 1-83-2005, dated 28 June 2005, as amended require entities undertaking securities business to comply with the AML Law.

In December 2008, the Board of the CMA issued the Anti-Money Laundering and Counter-Terrorist Financing Rules pursuant to its Resolution Number 1-39-2008, dated 1 December 2008, as amended. The first update of the Anti-Money Laundering and Counter-Terrorist Financing Rules was issued in February 2012.

In April 2012, Saudi Arabia updated its existing AML Law and Implementing Rules (pursuant to Royal Decree No. M/31 dated 3 April 2012, SAMA issued a circular (SAMA No. 34100074807MAT dated 25 April 2013) requiring all banks and financial institutions operating in Saudi Arabia to strictly comply with the updated AML Law and Implementing Rules.

In October 2017, the existing AML Law and Implementing Rules were replaced by the new AML Law and Implementing Rules issued pursuant to Royal Decree No. M/20 dated 25 October 2017.

In September 2018, the FATF and the MENA-FATF jointly conducted an assessment of Saudi Arabia’s anti-money laundering and counter-terrorism financing system. The key findings, priority actions and recommendations for Saudi Arabia’s AML/CFT regime of this assessment were discussed in June 2018 in the joint plenary meeting of the MENA-FATF in Paris. The assessment report of Saudi Arabia can be found on the websites of MENA-FATF and FATF. In January 2020, a follow-on report was published analysing Saudi Arabia’s progress in addressing the technical compliance deficiencies that were identified in the 2018 mutual evaluation report issued by the FATF and the MENA-FATF. The report found that Saudi Arabia has made some progress in addressing the technical compliance deficiencies previously identified but will remain in enhanced follow-up and continue to report back to the FATF on the progress made to strengthen its implementation of AML and CTF measures.
In August 2020, SAMA issued guidelines to combat financial fraud in banks operating in Saudi Arabia, aiming to institutionally tackle fraud, bribery and corruption by mandating all banks operating in Saudi Arabia to implement and comply with specified controls as minimum standards.

INDEPENDENT AUDITORS

As a measure of prudence, SAMA requires all banks in Saudi Arabia to be audited jointly by two independent auditors.

FINANCIAL REQUIREMENTS

SAMA has introduced regulations to ensure that banks do not have disproportionate concentrations of risk in any one sector or client and that sufficient liquidity and capitalisation is maintained to support bank activities. The most significant regulations are summarised below:

DOUBTFUL AND PAST DUE LOANS/LOAN LOSS RESERVES

In 2004, SAMA issued regulations regarding the classification of assets, as well as provisioning norms. The table below shows the classifications and the reserves required for prudential regulation purposes:

<table>
<thead>
<tr>
<th>Classification</th>
<th>Defined as</th>
<th>Reserve requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current</td>
<td>No problems</td>
<td>1 per cent. of outstanding</td>
</tr>
<tr>
<td>IA (special mention)</td>
<td>Potential weakness</td>
<td>1 per cent. of outstanding</td>
</tr>
<tr>
<td>II (sub-standard)</td>
<td>Inadequate capacity to pay and/or profit or principal overdue by more than 90 days</td>
<td>25 per cent. of outstanding</td>
</tr>
<tr>
<td>III (doubtful)</td>
<td>Full collection questionable and/or overdue by more than 180 days</td>
<td>50 per cent. of outstanding</td>
</tr>
<tr>
<td>IV (loss)</td>
<td>Uncollectible and/or overdue by more than 360 days</td>
<td>100 per cent. of outstanding</td>
</tr>
</tbody>
</table>

With effect from 1 January 2018, all Saudi banks have adopted IFRS 9 “Financial Instruments”. Among other things, IFRS 9 provides a new model for the calculation of impairment provisions which are recognised based on a forward-looking “Expected Credit Loss” model. The impairment assessment is based on forward-looking elements, including an economic forecast covering key macroeconomic factors such as unemployment, GDP growth, inflation, special commission rates and other market related variables, obtained through internal and external sources.

LIQUIDITY

Banks in Saudi Arabia are required to maintain liquid assets of at least 20 per cent. of deposit liabilities. For the purposes of this calculation, cash, gold, treasury bills, government bonds, up to one month placements and any asset that can be liquidated within 30 days are included. The breakdown of call deposits, savings accounts and time deposits must also be shown on the balance sheet. The maturity of assets and liabilities has to be disclosed to determine the sensitivity to commission rate risk.

CAPITAL ADEQUACY

The GCC has introduced a common standard for capital adequacy based on BIS capital adequacy standards. The GCC standard applicable in Saudi Arabia recommends a minimum 8 per cent. ratio of capital to risk weighted assets, including off-balance sheet risk. Assets are categorised into four risk groups carrying varying risk weights according to the risk assessment of the counterparty. There are also two levels of country risk, one for the GCC and member countries of the OECD and others that have special lending arrangements with the IMF under its general agreement to borrow, considered a preferred risk. All other countries are considered full risk. In contrast,
BIS only counts Saudi Arabia risk and not all of the GCC at par with the 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 capital and reserves. In cases where this ratio is exceeded, banks have to place interest-free deposits of half the excess amount with SAMA. Furthermore, 25 per cent. of net profits (after deduction of Zakat liabilities) have to be transferred to statutory reserves until the reserve balance equals paid-up capital.

SAMA has successfully implemented the Basel Committee on Banking Supervision rules and standards in their entirety, on a timely basis and in a prudent and conservative manner. As a result of such implementation, Saudi Arabia’s banking sector has reported among the strongest capital adequacy ratios, leverage ratios and liquidity ratios in the GCC and the MENA region.

**Basel III Framework**

In response to the global financial crisis which commenced in 2007, the Basel Committee enhanced its capital measurement and capital standards by issuing 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. On 7 December 2017, the Basel Committee published its recommendations named Basel III: Finalising post-crisis reforms (informally referred to as **Basel IV**). The reforms contain new requirements for credit risk, operational risk, CVA risk and a so called output floor which sets new minimum standards for capital requirements in financial institutions using advanced models for calculating capital requirements. On 27 March 2020, as a result of the COVID-19 outbreak, the Basel Committee released a statement deferring the implementation timeline of Basel IV by one year.

SAMA has introduced the main elements of the Basel III Framework, including the leverage ratio, the liquidity coverage ratio, the net stable funding ratio and the capital adequacy framework as well as the sound management and operational risk guidelines, the standardized approach for measuring counterparty credit risk exposures and capital requirements for bank 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 Saudi Arabia are:

- common equity Tier 1 must be at least 4.5 per cent. of risk-weighted assets at all times;
- Tier 1 Capital must be at least 6.0 per cent. of risk-weighted assets at all times; and
- Total Capital (Tier 1 Capital plus Tier 2 Capital) must be at least 8.0 per cent. of risk-weighted assets at all times.

**TREATMENT OF SYSTEMICALLY IMPORTANT FINANCIAL INSTITUTIONS LAW**

The SIFI Law relates to the treatment of systemically important financial institutions. As at the date of this Offering Circular, the implementing regulations to the SIFI Law which will contain detailed provisions have not yet been issued. Therefore, there is a current uncertainty as to the exact scope and effect of the SIFI Law and whether and to what extent it will apply to the Bank in the future. The SIFI Law gives the relevant regulator the authority to determine, from time to time, whether a financial institution should be deemed to be systemically important. As at the date of this Offering Circular, the Bank has not been deemed to be a systemically important financial institution by the relevant regulatory.

Among other things, the SIFI Law provides that:

- the management of the relevant financial institution shall be required to notify SAMA when the financial institution is distressed or likely to become distressed;
- within 180 days of being requested by SAMA, the relevant financial institutions shall submit, for review by SAMA, a recovery plan detailing the steps and procedures to be taken for the restoration of the financial institution’s financial position;
- any application for bankruptcy procedures in respect of the relevant financial institution is subject to approval by SAMA, such that SAMA may instead, commence a Treatment Plan (as defined below);
- subject to the Treatment Conditions (as defined below) being met, SAMA may prepare a treatment plan (a Treatment Plan) for the relevant financial institution group which, subject to review and input from the financial institution, and subject to approval by the Council of Economic and Development Affairs, may provide for:
  - the sale of all or part of the shares, stocks, assets and/or liabilities of the financial institution to a third party;
  - incorporation of a bridge institution, to which all or part of the shares, stocks, assets and/or liabilities of the financial institution or bridge institution are transferred;
  - establishment of an asset management institution to whom the assets or liabilities of the financial institution are transferred; and/or
  - an amendment of the rights of creditors and/or holders of capital instruments of the financial institution, including, without limitation, the reduction, cancellation or conversion thereof.

The SIFI Law also provides that in implementing the relevant Treatment Plan, shareholders and creditors shall not receive less, or shall not incur greater losses, than what is estimated would have been received or lost, had the relevant financial institution been wound up at the time of the Treatment Plan.

The **Treatment Conditions** are:
• The financial institution is in distress (as further explained below), or is likely to become in distressed in a way that affects its continuity and ability to fulfill its obligations.

• The financial institution is unable to fulfill its obligations, affecting its ability to continue in due course, if a treatment plan is not undertaken.

• The treatment plan achieves any of the objectives of the SIFI Law.

• Implementing a treatment plan for the financial institution is better than it being wound up.

Pursuant to the SIFI Law, in this context, **distress** includes:

• a lack of financial and administrative resources necessary to achieve the requirements of financial adequacy, liquidity, risk management or institution management in general, and to meet the continuing obligations of licensing which, if not met, justify licensing revocation;

• where the value of the financial institution’s assets fall below, or is expected to fall below the value of its liabilities in near future;

• where the financial institution is unable, or is expected to become unable to pay its debts when due; and

• a need for exceptional government support.

**SAMA SUPPORT PROGRAMME AND INITIATIVES**

As part of SAMA’s role in activating monetary policy tools and preserving financial stability, as well as in support of the Government’s efforts to mitigate the expected financial and economic effects on the private sector as a result of the COVID-19 pandemic, SAMA has injected SAR 50 billion as at June 2021 into the banking sector to enhance banking liquidity and enable banks to continue providing credit facilities to the private sector. Through this support measure, SAMA intends to help banks revise or restructure their private sector loans with no additional charges, support plans to maintain employment levels in the private sector and provide certain e-banking services for free.

SAMA’s programme aims at supporting and enabling the private sector to promote economic growth through a package of measures as set out below.

**Supporting 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 SME sector to grow, contributing to supporting economic growth and maintaining employment. The programme consists of three basic elements as follows:

1. **Deferred Payments Programme**

   Depositing approximately SAR 50 billion for banks and financing companies to delay the payment of the dues of the financial sector (banks and finance companies) from SMEs for a period of six months as of the relevant due dates. Since its launch, this programme assisted over 107,000 contracts with a total value of SAR 174 billion and the injection was increased from the original allocation of SAR 30 billion due to demand. This programme has been extended until 31 December 2021.

2. **Guaranteed Facility Programme**

   Providing concessional finance of approximately SAR 1.1 billion for SMEs by granting loans 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 SMEs. Since its launch, the number of relevant financing contracts totalled more than 1,100. The programme has been extended until 14 March 2022.

3. Loan Guarantee Programme

Depositing an amount of SAR 22.8 million (as at June 2020) to enable banks and insurance companies to relieve SMEs from the finance costs of the Kafala Programme for the purpose of minimising finance costs for eligible entities during 2020 and to support finance expansion. Since its launch, the number of relevant financing contracts totalled more than 2,000.

On 7 March 2021, SAMA announced the extension of the loan guarantee financing programme for an additional year until 14 March 2022. The aim of the extension is to strengthen SAMA’s contribution to support MSMEs and ease the effects of the pandemic.

Supporting fees of POS and e-commerce

From March 2020, this was accomplished by supporting payment fees of all stores and entities in the private sector for a period of six months. SAMA paid these fees to payment service providers participating in the national system. SAMA stated that, since its launch in mid-March to the end of June 2020, the number of stores which benefitted from this programme amounted to 130,000 merchants with POS and 3,600 e-commerce stores. The number of transactions exempted from fees reached 248 million for POS and 25 million for e-commerce. The values of these transactions exceeded SAR 36 billion for POS and SAR 5 billion for e-commerce. The amount of fees supported by SAMA totalled SAR 327 million.

Supporting institutions affected by the precautionary measures

As regards institutions affected by the precautionary measures implemented in the cities of Makah and Medina, SAMA is now co-ordinating with banks and finance companies to facilitate finance repayments of such institutions.
The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions). Words and expressions defined elsewhere in this Offering Circular shall have the same meanings in this section.

Declaration of Trust

The Declaration of Trust will be entered into on the Issue Date between the Bank, the Trustee and the Delegate and will be governed by English law.

Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets will comprise (i) the cash proceeds of the issuance of the Certificates pending application thereof in accordance with the terms of the Transaction Documents; (ii) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the assets from time to time constituting the Mudaraba Assets; (iii) all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by the Bank (acting in any capacity) pursuant to any of the Transaction Documents and the covenant to indemnify the Trustee given by the Bank pursuant to the Declaration of Trust); and (iv) all amounts standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

The Declaration of Trust shall provide that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available therefor from the Trust Assets, subject to the priority of payments set out in Condition 5.3 (The Trust). After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) or any other person to recover any further sums in respect of the Certificates and the right to receive any such sums from the Trustee remaining unpaid shall be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, inter alia:

(a) hold the Trust Assets on trust absolutely for and on behalf of the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust and the Conditions; and

(b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust and the Conditions.

In the Declaration of Trust, the Trustee shall irrevocably and unconditionally appoint the Delegate to be its delegate and attorney and in its name, on its behalf and as its act and deed, to execute, deliver and perfect all documents, and to exercise all of the present and future powers (including the power to sub-delegate), rights, authorities (including but not limited to the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, (i) exercise all of the rights and have all the protections of the Trustee under the Mudaraba Agreement and any of the other Transaction Documents, (ii) take such other steps as the Delegate may consider necessary to recover amounts due to Certificateholders and (iii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust (together, the Delegation of the Relevant Powers), provided that: (a) no obligations, duties,
liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation of the Relevant Powers; (b) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the Trust Assets; and (c) such Delegation of the Relevant Powers shall not include any duty, power, trust, right, authority or discretion to dissolve the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or a Potential Dissolution Event or to determine the remuneration of the Delegate. The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and, subject to certain provisions of the Declaration of Trust, shall not affect the Trustee’s continuing role and obligations as trustee. Pursuant to the Declaration of Trust:

(a) upon the occurrence of a Bank Event and the delivery of a Dissolution Notice by the Delegate to the Trustee, to the extent that the amounts payable in respect of the Certificates have not been paid in full pursuant to Condition 12.1 (Bank Events), the Delegate may at its discretion or shall, if so directed by an Extraordinary Resolution of the Certificateholders or if so requested in writing by the Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding, and subject to its being indemnified and/or secured and/or prefunded to its satisfaction take one or more of the following steps: (i) institute any steps, actions or proceedings for the winding-up of the Bank and/or (ii) prove in the winding-up of the Bank and/or (iii) institute any steps, actions or proceedings for the bankruptcy of the Bank; and/or (iv) claim in the liquidation of the Bank and/or (v) take such other steps, actions or proceedings which, under the laws of the Kingdom, have an analogous effect to the actions referred to in (i) to (iv) above, in each case for (subject to the provisos contained in Condition 12.3(a) (Proceedings for Winding-up)) all amounts of Mudaraba Capital, Rab-al-Maal Mudaraba Profit, Rab-al-Maal Final Mudaraba Profit and/or other amounts due to the Trustee on termination of the Mudaraba Agreement in accordance with its terms and the terms of the other Transaction Documents; and

(b) without prejudice to Conditions 12.1 (Bank Events) and 12.3 (Winding-up, dissolution or liquidation) and the provisions of clause 17 (Enforcement of Rights) of the Declaration of Trust, the Trustee (or the Delegate) may at its discretion and the Delegate shall, if so directed by an Extraordinary Resolution of the Certificateholders or if so requested in writing by Certificateholders holding at least one-fifth of the then aggregate face amount of the Certificates outstanding and without further notice (subject in each case to Condition 12.3(e)(i) (Realisation of Trust Assets)) institute such steps, actions or proceedings against the Bank and/or the Trustee, as it may think fit to enforce any term or condition binding on the Bank or the Trustee (as the case may be) under the Certificates and the Transaction Documents (other than any payment obligation of the Bank under or arising from the Transaction Documents, including, without limitation, payment of any principal or premium or satisfaction of any payments in respect of the Transaction Documents, including any damages awarded for breach of any obligations) including, without limitation, any failure by the Bank to procure the substitution of the Trustee in the circumstances described in Condition 12.2 (Trustee Events). However, in no event shall the Bank, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it in accordance with the Transaction Documents.

A Transaction Account will be established in London in the name of the Trustee. Monies received in the Transaction Account will, inter alia, comprise payments of amounts payable under the Mudaraba Agreement immediately prior to each Periodic Distribution Date (see “—Mudaraba Agreement” below). The Declaration of Trust shall provide that all monies credited to the Transaction Account from time to time will be applied in the order of priority set out in Condition 5.3 (The Trust).

Mudaraba Agreement

The Mudaraba Agreement will be entered into on or before the Issue Date between the Bank (as the Mudareb) and Riyadh Tier 1 Sukuk Limited (as Trustee and Rab-al-Maal) and will be governed by English law.
The Mudaraba will commence on the date of payment of the Mudaraba Capital to the Mudareb and will end on (i) the date on which the Certificates are redeemed in whole but not in part in accordance with the Conditions following the constructive liquidation of the Mudaraba in accordance with the terms of the Mudaraba Agreement (the Mudaraba End Date) or (ii) if earlier, and in the case of a Write-down in whole only, on the Non-Viability Event Write-down Date.

Pursuant to the Mudaraba Agreement, the proceeds of the issue of the Certificates will be contributed by the Rab-al-Maal to the Mudareb and shall form the Mudaraba Capital. The Mudaraba Capital shall be invested by the Bank (as Mudareb), on an unrestricted co-mingling basis, in the Business Portfolio carried out through the General Mudaraba Pool in accordance with the investment plan prepared by the Mudareb and scheduled to the Mudaraba Agreement (the Investment Plan). The Mudareb will acknowledge and agree in the Mudaraba Agreement that the Investment Plan was prepared by it with due skill, care and attention, and acknowledge that the Trustee has entered into the Mudaraba in reliance on the Investment Plan. The General Mudaraba Pool does not include any other investment pool maintained by the Bank.

The Mudareb is expressly authorised to co-mingle any of its own Shariah-compliant assets from time to time with the Mudaraba Assets during the Mudaraba Term (as defined in the Mudaraba Agreement), provided that prior to the calculation of any Mudaraba Profit or Final Mudaraba Profit the Mudareb shall deduct a proportion of any profit earned for its own account.

The Mudaraba Agreement provides that the profit (if any) generated by the Mudaraba will be distributed by the Mudareb on each Mudaraba Profit Distribution Date on the basis of a constructive liquidation of the Mudaraba by the Mudareb in accordance with the following profit sharing ratio:

(a) the Trustee, 99 per cent.; and

(b) the Mudareb, 1 per cent..

If the Mudareb elects to make a payment of Mudaraba Profit, or Final Mudaraba Profit is otherwise payable pursuant to the Mudaraba Agreement, and if the Trustee’s share of the Mudaraba Profit (the Rab-al-Maal Mudaraba Profit) or the Trustee’s share of the Final Mudaraba Profit (the Rab-al-Maal Final Mudaraba Profit) (as applicable) payable to the Trustee is (i) greater than the then applicable Periodic Distribution Amount, the amount of any excess shall be credited to a reserve account (the Mudaraba Reserve) and the Rab-al-Maal Mudaraba Profit or the Rab-al-Maal Final Mudaraba Profit (as applicable) payable to the Trustee will be reduced accordingly; or (ii) is less than the then applicable Periodic Distribution Amount, the Mudareb shall first utilise any amount available in the Mudaraba Reserve (after re-crediting amounts to it in accordance with the terms of the Mudaraba Agreement if there is any such shortfall) to make payments to the Rab-al-Maal to cover such shortfall and second, may (at its sole discretion) elect (but shall not be obliged) to make one or more payments from its own cash resources as a donation in order to cover such shortfall.

The Mudareb shall be entitled to deduct amounts standing to the credit of the Mudaraba Reserve (at its sole discretion) at any time prior to the Mudaraba End Date and to use such amounts for its own purposes, provided that such amounts shall be repaid by it to the Mudaraba Reserve if so required to fund a shortfall.

If the Mudareb makes a Non-Payment Election or a Non-Payment Event occurs, then the Mudareb shall give notice to the Trustee, the Principal Paying Agent, the Delegate and the Certificateholders, in each case providing details of such Non-Payment Election or Non-Payment Event in accordance with the notice periods set out in the Mudaraba Agreement. The Trustee shall have no claim in respect of any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit not paid as a result of either a Non-Payment Event or (in the case of any Rab-al-Maal Mudaraba Profit only) a Non-Payment Election and such non-payment in whole or in part, as applicable, in such circumstance will not constitute a Dissolution Event. If any amount of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit is not paid as a consequence of a Non-Payment Election or a Non-Payment Event, then from the date of such Non-Payment Election or Non-Payment Event (the Dividend Stopper Date), the Mudareb shall be prohibited from declaring or paying certain distributions or dividends, declaring or paying profit
or other distributions on certain of its securities, or redeeming, purchasing, cancelling, reducing or otherwise acquiring certain of its share capital and securities, in each case unless or until (i) the next following payment of Rab-al-Maal Mudaraba Profit or, (ii) as the case may be, Rab-al-Maal Final Mudaraba Profit, in each case following a Dividend Stopper Date, has been made in full to the Trustee following such Non-Payment Election or Non-Payment Event (or an amount equal to that amount has been duly set aside or provided for in full for the benefit of the Trustee).

Subject to certain conditions as set out in the Mudaraba Agreement, the Bank (as Mudareb) may (in its sole discretion) liquidate the Mudaraba in whole, but not in part, on the basis of a final constructive liquidation of the Mudaraba in the following circumstances:

(a) on the First Call Date and on any date thereafter up to and including the First Reset Date, or any Periodic Distribution Date thereafter, by giving not less than 20 nor more than 35 days’ prior notice to the Trustee; or

(b) on any date, on or after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 20 nor more than 35 days’ prior notice to the Trustee:

(i) upon the occurrence of a Tax Event; or

(ii) upon the occurrence of a Capital Event.

If the Mudareb were to exercise its option to liquidate in accordance with paragraph (a) or (b) above and the proceeds to be returned to the Trustee which would be generated upon such liquidation are less than the Required Liquidation Amount, the Mudareb shall either continue investing the Mudaraba Capital in the Mudaraba, and accordingly no distribution of the liquidation proceeds shall occur, or shall, if it were to proceed with such final constructive liquidation, indemnify the Trustee in respect of such shortfall and transfer the Liquidation Proceeds (as defined in the Mudaraba Agreement) into the Transaction Account, subject to certain conditions not being breached. The Required Liquidation Amount means: (a) the Mudaraba Capital; (b) subject to a Non-Payment Event not having occurred and being continuing and provided that a Non-Payment Event will not occur as a result of such payments, the Rab-al-Maal Final Mudaraba Profit (being an amount equal to the Periodic Distribution Amount payable on the redemption of the Certificates in full); and (c) the Shortfall Cover Amount.

Under the terms of the Mudaraba Agreement, the Mudaraba will mandatorily be liquidated in whole but not in part if a Bank Event occurs and a Dissolution Notice is delivered pursuant to Condition 12.1 (Bank Events). The Mudareb acknowledges under the Mudaraba Agreement that the Trustee shall in such case be entitled to claim for all amounts due in accordance with the terms of the Mudaraba Agreement in such winding-up, bankruptcy, dissolution or liquidation (or analogous event) subject to certain conditions being satisfied.

The Mudaraba Agreement also provides that if a Non-Viability Event occurs at any time on or after the Issue Date and prior to the Effective Date, a Write-down (in whole or in part, as applicable) will take place. In such circumstances, in the case of a Write-down in whole only, the Mudaraba Agreement will be automatically terminated (and none of the Trustee, the Certificateholders nor the Delegate shall be entitled to any claim for any amounts in connection with the Mudaraba Assets) and in the case of a Write-down in part only, the Mudaraba Capital shall be reduced in proportion to the face amount of the Certificates that are to be Written-down and none of the Trustee, the Certificateholders nor the Delegate shall be entitled to any claim for any amounts in connection with the Mudaraba Assets that relate to the proportion of the Mudaraba Capital that has been reduced.

The Mudareb shall not be responsible for any losses to the Mudaraba Capital suffered by the Trustee unless such losses are caused by the Mudareb’s (i) breach of the Mudaraba Agreement or (ii) gross negligence, wilful misconduct or fraud.
The Mudareb shall exercise its rights, powers and discretions under the Mudaraba Agreement and shall take such action as it deems appropriate, in each case, in accordance with material applicable laws, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that is not repugnant to Shariah.

The Mudaraba Agreement also provides that, following the investment of the Mudaraba Capital, the Mudareb shall ensure, in conjunction with the Shariah Supervisory Board of the Bank that the Mudaraba Capital remains, at all times, compliant with the principles of Shariah.

Other than its share of profit from the Mudaraba and any incentive fee payable in accordance with the Mudaraba Agreement, the Mudareb shall not be entitled to receive any remuneration from the Mudaraba.

The Mudareb will agree in the Mudaraba Agreement that all payments by it under the Mudaraba Agreement will be made free and clear of, and without any withholding or deduction for, or on account of, any Taxes, unless such withholding or deduction is required by law, in which case, the Mudaraba Agreement provides for the payment of Additional Amounts so that the net amounts received by the Certificateholders shall equal the respective amounts that would have been received in the absence of such withholding or deduction. Any taxes incurred in connection with the operation of the Mudaraba (including in connection with any transfer, sale or disposal of any Mudaraba Asset during the Mudaraba Term), but excluding the Mudareb’s obligations (if any) to pay any Taxes and/or Additional Amounts, will be borne by the Mudaraba itself.

**Agency Agreement**

The Agency Agreement will be entered into on the Issue Date between the Trustee, the Bank, the Delegate, the Principal Paying Agent, the Calculation Agent, the Registrar and the Transfer Agent.

Pursuant to the Agency Agreement, the Registrar has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to authenticate (or procure the authentication of) and deliver the Global Certificate and, if any, each Definitive Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to pay amounts due in respect of the Certificates on behalf of the Trustee; the Calculation Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to calculate the Profit Rate in respect of each Reset Period commencing on the relevant Reset Date, subject to and in accordance with the Conditions; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to effect requests to transfer and issue Definitive Certificates.

On the Issue Date, the Registrar will (i) authenticate (or procure the authentication of) the Global Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

The Trustee shall cause to be deposited into the Transaction Account opened by the Trustee with the Principal Paying Agent, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Transaction Documents.

The Principal Paying Agent agrees that it shall, on each Periodic Distribution Date and on the date fixed for payment of the Dissolution Distribution Amount, or any earlier date specified for the liquidation of the Mudaraba, apply the monies standing to the credit of the Transaction Account in accordance with the order of priority set out in Condition 5.3 (*The Trust*).
Shariah Compliance

Each Transaction Document will provide that each of Riyad Tier 1 Sukuk Limited and Riyad Bank agrees that it has accepted the Shariah-compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

(a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) are *ultra vires* or not compliant with the principles of Shariah;

(b) it shall not take any steps or bring any proceedings in any forum to challenge the Shariah 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 Shariah.
TAXATION AND ZAKAT

The following is a general description of certain Cayman Islands, Kingdom of Saudi Arabia, European Union and United States tax and zakat considerations relating to the Certificates as in effect on the date of this Offering Circular and is subject to any change in law or relevant rules and practice that may take effect after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all tax/zakat considerations relating to the Certificates and does not constitute legal or tax/zakat advice nor does it address the considerations that are dependent individual circumstances, whether in those jurisdictions or elsewhere. Prospective purchasers of Certificates are advised to consult their own tax/zakat advisers as to the consequences of their respective citizenship, residence or domicile or applicable tax/zakat laws in respect of acquiring, holding and/or disposing of Certificates and/or receiving any payments thereunder. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that might take effect after such date.

Prospective purchasers should note that neither the Trustee nor the Bank is obliged to update this section for any subsequent changes or modification to the applicable tax/zakat regulations. Also, investors should note that the appointment by an investor in any Certificates, or any person through which an investor holds any Certificates, of a custodian, collection agent or similar person in relation to such Certificates in any jurisdiction may have tax/zakat implications. Investors should consult their own tax/zakat advisers in relation to the tax consequences for them of any such appointment.

Cayman Islands

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor’s particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has received an undertaking from the Governor in Cabinet of the Cayman Islands, pursuant to the Tax Concessions Act (As Revised) of the Cayman Islands, that for a period of 20 years from 17 January 2022 no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Act (As Revised).

No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. However, an instrument transferring title to any Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

Kingdom of Saudi Arabia

Unless otherwise stated, capitalised terms in this sub-section shall have the meanings given to them in “Definitions” below.
Overview of Saudi Tax and Zakat

Corporate Income Tax

According to the Income Tax Law issued under Royal Decree No. M/1 dated 15/1/1425H (corresponding to 6 March 2004) and its By-Laws issued under Ministerial Resolution No. 1535 dated 11/6/1425H (corresponding to 28 July 2004), as amended from time to time (collectively the Income Tax Law), a resident company in the Kingdom with foreign (i.e., non-GCC) ownership (on its foreign partner or shareholder’s share, as the case may be) and a non-resident who carries on business in the Kingdom through a Permanent Establishment (as defined below), other than a Permanent Establishment owned by GCC Persons that meets the conditions set out under Article 2(4) of the Zakat Regulations (as defined below) is subject to corporate income tax in the Kingdom at the rate of 20 per cent. (if it is not engaged in oil and hydrocarbon production activities).

Resident companies wholly owned by GCC Persons (in addition to persons subject to Zakat listed below under the sub-section entitled “Zakat”) are subject to Zakat instead of corporate income tax.

Resident companies jointly owned by GCC and non-GCC Persons are subject to corporate income tax in respect of the share of their taxable profit attributable to the ownership (legal or beneficial) percentage held by non-GCC Persons and Zakat on the ownership (legal or beneficial) percentage held by GCC Persons.

Shares held by GCC Persons in a resident company are subject to Zakat and not income tax. In determining the tax/Zakat profile of a Saudi tax/Zakat resident company, the ZATCA applies a “look-through” approach to determine whether the up-stream shareholding structure at any point exists outside of the GCC (i.e., at the ultimate shareholder level).

Non-GCC natural persons resident in the Kingdom who are not performing commercial activities in the Kingdom (as defined in Chapter 1—Article 1 of the Income Tax Law, and Chapter 1—Article 1 of the Zakat Regulations) are not currently subject to income tax or Zakat in the Kingdom according to existing practices of ZATCA (as compliance/administration of Income Tax Law is not currently enforced by ZATCA on individuals).

Zakat

Zakat is a religious obligation imposed on Muslims by the Shariah law to pay a fixed percentage of their wealth for the relief of poverty. The Zakat implementing regulations of the Kingdom were issued by Ministerial Resolution No. 2082, dated 28 February 2017 (the Old Zakat Regulations). The Old Zakat Regulations are effective from the date of their issuance and supersede all prior directives, resolutions, instructions and circulars issued by ZATCA. Furthermore, the Ministry of Finance has issued new Zakat implementing regulations under Ministerial Resolution No. 2216 dated 7/7/1440 in the Hijri calendar (corresponding to 14 March 2019) (Zakat Regulations). The Zakat Regulations became effective (and replaced the Old Zakat Regulations) for financial years starting 1 January 2019.

Zakat is a religious levy subject to varying interpretations and complex computation rules. Separate rules are applicable for the calculation of Zakat by Zakat payers who are engaged in the Kingdom in financing activities (licensed by the Saudi Arabian Monetary Authority) and Zakat payers who are engaged in the Kingdom in non-financing activities.

According to the Zakat Regulations, Zakat is assessed on and applicable to:

- GCC natural persons resident in the Kingdom;
- resident companies wholly owned by GCC Persons and for companies jointly owned by GCC and non-GCC Persons, on the ownership (legal or beneficial) percentage held by such GCC Persons;
• GCC Persons carrying on activities in the Kingdom through a Permanent Establishment for Zakat purposes, as defined in Chapter 1—Article 2(4) of the Zakat Regulations (except for non-resident GCC Persons who do not meet certain conditions, as set out in below, in which case they would be subject to corporate income tax); and

• resident companies listed on a financial market in the Kingdom on the shares held by GCC persons and non-GCC Persons (except for ownership by founder shareholders and those considered to be founder shareholders based on the relevant articles of association or other legal documents), and on the shares held by government entities.

Notwithstanding the above, Zakat is not assessed/applicable to:

(a) resident companies operating in the oil and hydrocarbon production sector; and

(b) any entity (or Zakat payer) which is exempted by a decision of ZATCA or the Ministry of Finance.

For completeness, a Permanent Establishment owned by GCC Persons in the Kingdom is also subject to Zakat provided at least two of the following three conditions are met in respect of the central management of such Permanent Establishment (as set out under Chapter 1—Article 2(4) of the Zakat Regulations):

(a) its Board of Directors’ ordinary meetings which are held regularly in and where main policies and decisions relating to management and running of the Permanent Establishment’s business are made from the Kingdom;

(b) its senior executive decisions relating to the Permanent Establishment’s functions such as executive directors / deputies’ decisions are made in the Kingdom; and

(c) Entity’s business generating more than 50% of the revenue is mainly carried out in the Kingdom of Saudi Arabia.

This section broadly covers the Zakat consequences of investment in the Certificates by investors who are engaged in non-financing activities in the Kingdom. In general, Zakat on Zakat payers engaged in non-financing activities is currently levied on the higher of the adjusted Zakatable profits and the Zakat base (following a Hijri year) which, in general, comprises equity, provisions, loans and credit balances (subject to certain conditions) and (for Zakat purposes) adjusted net profit or loss, reduced by among other items, certain deductible long-term investments and fixed assets (excluding the Certificates)

The Zakat rate on the Zakat base is approximately 2.578 per cent. if a Zakat payer is following the Gregorian financial year and 2.5 per cent. if a Zakat payer is following the Hijri financial year. The Zakat rate on adjusted net profit is 2.5 per cent. regardless of the financial year (Gregorian or Hijri) followed by the Zakat payer.

GCC natural persons resident in the Kingdom (for tax/Zakat purposes) should in principle be subject to Zakat in the Kingdom if they carry out activities in the Kingdom. However, Zakat compliance/administration is not currently enforced by ZATCA for such individuals (unless they carry out such activities through Permanent Establishments).

Under Article 5(4) of the Zakat Regulations which are in effect as of the date of this Offering Circular in the Kingdom, receivable loans, subordinated/additional financing and equivalents provided to the investee are not considered as valid deductible investments for Zakat purposes. Therefore, investments in Certificates (whether short term or long term) are not deductible from the Zakat base of the Certificateholders for Zakat purposes.
**Withholding Tax**

Saudi Arabian residents of the Kingdom and the Permanent Establishments of non-residents registered in the Kingdom are required to withhold taxes on certain payments to non-residents, including to residents of the other GCC countries if such payment is from a source in the Kingdom. Saudi Arabian withholding tax (WHT) rate varies from 5 per cent. to 20 per cent. depending on the nature of the underlying payment.

A Loan Charge paid to non-residents attracts 5 percent WHT unless such WHT is reduced or eliminated pursuant to the terms of an applicable double tax treaty between Saudi Arabia and the country of such non-resident beneficiary. As at the date of this Offering Circular, no effective tax treaty between Saudi Arabia and the Cayman Islands is in place.

In view of the above, payment of periodic distributions by the Bank to the Trustee (being a non-resident) will be subject to a 5 per cent. WHT as a Loan Charge. Further, repayments of principal amounts by the Bank to the Trustee will not be subject to Saudi WHT.

The Mudaraba Agreement provides that payments thereunder by the Bank (in its relevant capacity) shall be made without withholding or deduction for, or on account of, any present or future Taxes (as defined in the Conditions), unless the withholding or deduction of the Taxes is required by law and, in such case, provide for the payment by the Bank of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee. In addition, Condition 13 (Taxation) provides that all payments by the Trustee in respect of the Certificates shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee shall pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates is received by the parties entitled thereto, subject to certain exceptions described in Condition 13 (Taxation). The Declaration of Trust provides that, in the event that the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 13 (Taxation), the Bank will pay to the Delegate (for the benefit of the Certificateholders) an amount equal to the liability of the Trustee in respect of any and all additional amounts required to be paid by it in respect of the Certificates pursuant to those provisions.

**Capital Gains Tax**

According to Article 2 of the Income Tax Law, Persons Subject to Taxation (as defined in “Corporate Income Tax”) include non-residents in the Kingdom with taxable income generated from sources in the Kingdom and without a Permanent Establishment for tax purposes in the Kingdom (other than a Permanent Establishment of a GCC person as defined under Article 2 of the Zakat Regulations, the treatment of which is discussed in “Zakat” above).

Further, Article 1(2) of the By-Laws to the Income Tax Law defined the applicable tax on such a person as to being subject to the following:

- WHT, if the income generated is stipulated under Article 68 of the Income Tax Law (as discussed in “Withholding Tax” and “Certain tax and Zakat implications for Certificateholders—Certificateholders who are not Resident in the Kingdom”); and

- capital gains tax, if the income is derived from disposal of fixed and traded assets, or from disposal of shares in a resident company under the general provisions of the Income Tax Law.

Based on the above, if the sale of the Certificates by the Certificateholders is considered a source of income in the Kingdom, then the related income (or capital gain) will be subject to 20 per cent. tax according to the rules for computation of capital gain tax provided in the Income Tax Law for non-residents.

Capital gains realised from disposal of securities (such as the Certificates) traded inside or outside the Kingdom are exempt from tax in the Kingdom if the following conditions are met:
• The disposal is carried out in accordance with the regulations of Tadawul or the disposal is carried out outside of the Kingdom, but such securities are also traded on Tadawul; and

• The investor did not hold the securities before the effective date of the Income Tax Law (i.e., 30 July 2004).

The above exemption provided in the Income Tax Law is not applicable to the Certificates, as the Certificates will not be listed on Tadawul in the Kingdom.

**Certain tax and Zakat implications for Certificateholders**

**(A) GCC Certificateholders who are resident in the Kingdom**

Certificateholders who are GCC legal entities and resident in Saudi Arabia for tax purposes (as defined in Chapter 2 – Article 3 of the Income Tax Law) are not subject to any Saudi Arabian income tax, whether by way of WHT or direct assessment, in respect of any profit payment received or gain realised in respect of the Certificates. However, such Certificateholders will be subject to Zakat in respect of any profit payment received or gain realised in respect of the Certificates (to the extent they are legal entities registered for Zakat purposes in the Kingdom and not natural persons) including any capital gain on sale/transfer of the Certificates. Additionally, deduction of investment in the Certificates from the Zakat base of such Certificateholders is not permitted, as stipulated under Chapter 2 – Article 5 of the Zakat Regulations and based on the current practices of ZATCA (other than for financing companies in the Kingdom licensed by the Saudi Arabian Monetary Authority, for which different Zakat rules apply).

For Saudi Arabian companies jointly owned by GCC and non-GCC Persons, profits attributable to the ownership (legal or beneficial) of GCC Persons should be subject to Zakat as described above.

GCC natural persons resident in the Kingdom for tax purposes should in principle be subject to Zakat in the Kingdom if they carry out activities in the Kingdom; however, Zakat compliance/administration is not currently enforced by ZATCA for such individuals (unless they carry out such activities through Permanent Establishments).

**(B) Non-GCC Certificateholders who are resident in the Kingdom**

Certificateholders who are non-GCC legal entities and resident in Saudi Arabia for tax purposes (as defined in Chapter 2 – Article 3 of the Income Tax Law) should be subject to Saudi Arabian corporate income tax at the rate of 20 per cent. (assuming they are owned by non-GCC persons and not listed on a financial market in the Kingdom) on any profit payment received or gain realised in respect of the Certificates, but they will not be subject to any Zakat.

The same principle described above also applies to Saudi Arabian companies wholly-owned by non-GCC Persons (which should be subject to Saudi Arabian corporate income tax).

For Saudi Arabian companies jointly owned by GCC and non-GCC Persons, profits attributable to the ownership (legal or beneficial) of non-GCC Persons should be subject to Saudi Arabian corporate income tax.

Certificateholders, who are non-GCC natural persons and resident in Saudi Arabia and not performing commercial activities in Saudi Arabia (as defined in Chapter 2 – Article 2 of the Income Tax Law) are not currently subject to Saudi Arabian income tax or Zakat on any profit received or gain realised in respect of the Certificates, according to existing practices of ZATCA (as compliance/administration of Income Tax Law is not currently enforced by ZATCA on such individuals).
(C) Certificateholders who are not resident in the Kingdom

Certificateholders, either natural persons or legal entities, that are not resident in the Kingdom, (whether such Certificateholders are GCC nationals or non-GCC nationals (including Certificateholders resident in GCC countries other than the Kingdom)), and do not have a Permanent Establishment in the Kingdom for tax and Zakat purposes, should not be subject to Saudi Arabian WHT on any payment received by them from the Trustee in respect of the Certificates, on the basis that the Trustee is not a resident in Saudi Arabia for tax purposes.

However, direct payments by the Bank (if any) that are in the nature of a Loan Charge (other than capital gain realised from disposal of the Certificates) in respect of the Certificates (as provided by the Terms and Conditions of the Certificates) to Certificateholders that are residents outside the Kingdom are subject to WHT at a rate of 5 per cent. in the Kingdom. In a few limited instances, Certificateholders may claim a refund of the WHT where a double tax treaty is in place between the Kingdom and the country in which the Certificateholder is resident for tax purposes and where such treaty provides for an exemption, lower tax rate or refund subject to meeting certain conditions and submission of prescribed documents). See above for further details regarding double tax treaty.

The Mudaraba Agreement and the Declaration of Trust require the Bank to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Trustee, or by the Trustee to Certificateholders, which are intended to fund Periodic Distribution Amounts and Dissolution Distribution Amounts.

Non-resident entities having a Permanent Establishment in Saudi Arabia are subject to Saudi Arabian corporate income tax at the rate of 20 per cent. in respect of any profit payments received or gain realised in respect of the Certificates and attributable to such Permanent Establishment, but will not be subject to Zakat (unless they are GCC Persons with a Permanent Establishment in the Kingdom that meet the conditions set out under Chapter 1—Article 2(4) of the Zakat Regulations).

Transfer Tax and Value Added Tax

There are no transfer taxes currently applicable in Saudi Arabia (other than the newly introduced rules for real estate transaction/transfer taxes which are not applicable on the Certificateholders).

The Kingdom introduced value added tax (VAT) with effect from 1 January 2018 pursuant to the GCC VAT Agreement between the GCC member states, the Kingdom’s approval of the agreement was issued by Royal Decree No, m/51 dated 3/5/1438H (corresponding to 31 January 2017) . The VAT legislation in the Kingdom exempts certain financial services (including interest for financing which would include financing in the form of the Certificates) from VAT.

Definitions

For the purposes of this summary:

a) GCC means the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom and the UAE.

b) A GCC Person means: (i) a natural person having the nationality of any of the GCC and (ii) shares of GCC nationals in any legal entity established under the laws of a GCC country.

c) Subject to the exceptions stipulated in the Income Tax Law, a Permanent Establishment of a non-resident in the Kingdom represents a permanent place for the non-resident’s activity where such person conducts the activity either fully or partly, which also includes any activity conducted by the non-resident through an agent. A non-resident carrying out an activity in the Kingdom through a licensed branch is considered to have a Permanent Establishment in the Kingdom.
d) A person is “resident” in Saudi Arabia for tax purposes (as defined in Chapter 2—Article 3 of the Income Tax Law), if it meets the following conditions:

(i) a natural person is considered a tax resident in Saudi Arabia for a taxable year if such person meets either of the two following conditions:

1) such person has a permanent place of abode in Saudi Arabia and is physically present in Saudi Arabia for a total of not less than 30 days in the taxable year; or

2) such person is physically present in Saudi Arabia for a period of not less than 183 days in the taxable year; and

(ii) a company is considered a tax resident in Saudi Arabia during a taxable year if it meets either of the following conditions:

1) it is formed in accordance with the Saudi Companies Law; or

2) its place of central control and management is located in Saudi Arabia.

Certificateholders should not be deemed to be resident in Saudi Arabia solely by reason of holding any Certificates.

The Proposed Financial Transactions Tax (the FTT)

On 14 February 2013, the European Commission published a proposal (the Commission’s Proposal) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a foreign financial institution may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (IGAs), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as
currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Certificates, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date.

Certificateholders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.
SUBSCRIPTION AND SALE

The Joint Lead Managers, the Trustee and the Bank have, in a subscription agreement (the Subscription Agreement) dated 14 February 2022, agreed that the Trustee will sell to the Joint Lead Managers US$750,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Joint Lead Managers have jointly and severally agreed to subscribe for the Certificates.

In accordance with the terms of the Subscription Agreement, each of the Trustee and the Bank has agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the Certificates and to indemnify the Joint Lead Managers against certain liabilities incurred by them in connection therewith.

General

Each Joint Lead Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it offers or sells any Certificates or possesses or distributes this Offering Circular and neither the Trustee, the Bank nor any of the other Joint Lead Managers shall have any responsibility therefor.

Neither the Trustee, the Bank nor any of the Joint Lead Managers represents that (i) Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale or (ii) any action has been, or will be, taken in any jurisdiction that would permit a public offering of any Certificates, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required.

United States

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Certificates (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering of the Certificates and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Certificates during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Certificates are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Certificates, an offer or sale of Certificates within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Prohibition of Sales to EEA Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates to any retail investor in the EEA. For the purposes of this provision, the expression retail investor means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

**Prohibition of Sales to UK Retail Investors**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates to any retail investor in the UK. For the purposes of this provision, the expression *retail investor* means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA.

**United Kingdom**

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or the Bank; and

(b) 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.

**Cayman Islands**

Each Joint Lead Manager has represented and agreed that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made to the public in the Cayman Islands.

**Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom or who is a Saudi person (a *Saudi Investor*) who acquires any Certificates pursuant to the offering should note that the offer of Certificates is a private placement under Article 8 of the Rules on the Offer of Securities and Continuing Obligations as issued by the Board of the Capital Market Authority resolution number 3-123-2017 dated 27 December 2017 as amended by Resolution numbered 1-7-2021 dated 01/06/1442H (corresponding to 14 January 2021G) (the *Rules on the Offer of Securities and Continuing Obligations*), made through a capital market institution licensed by the CMA, and following a notification to the CMA in accordance with Article 10 of the Rules on the Offer of Securities and Continuing Obligations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to institutional and qualified clients under Article 8(a)(1) of the Rules on the Offer of Securities and Continuing Obligations. Each Joint Lead Manager has represented and agreed that any offer of Certificates by it to a Saudi Investor will be made in compliance with Article 8(a)(1) and Article 10 of the Rules on the Offer of Securities and Continuing Obligations.

Each offer of Certificates shall not therefore constitute a “public offer”, an “exempt offer” or a “parallel market offer” pursuant to the Rules on the Offer of Securities and Continuing Obligations, but is subject to the restrictions on secondary market activity under Article 14 of the Rules on the Offer of Securities and Continuing Obligations.
United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

(a) an “Exempt Offer” in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority rulebook (the DFSA Rulebook); and

(b) made only to persons who meet the “Professional Client” criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

State of Kuwait

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, marketed and/or sold by it in the State of Kuwait, except through a licensed person duly authorised to undertake such activity pursuant to Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and Regulating of Securities Activities and its executive bylaws (each as amended) (the CML Rules) and unless all necessary approvals from the Kuwait CMA pursuant to the CML Rules, together with the various resolutions, regulations, directives and instructions issued pursuant thereto or in connection therewith (regardless of nomenclature or type), or any other applicable law or regulation in the State of Kuwait, have been given in respect of the offering, marketing and/or sale of the Certificates.

Kingdom of Bahrain

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates, except on a private placement basis, to persons in Bahrain who are “accredited investors”.

For this purpose, an accredited investor means:

(a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.$1,000,000 or more excluding that person’s principal place of residence;

(b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.$1,000,000; 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).

State of Qatar (including the Qatar Financial Centre)

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Certificates in Qatar (including the Qatar Financial Centre), except:

(a) in compliance with all applicable laws and regulations of Qatar (including the Qatar Financial Centre); and
through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar (including the Qatar Financial Centre).

Japan

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the FIEA). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold, and will not offer or sell any Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), 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 laws and regulations of Japan.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates, except for Certificates which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the SFO) other than (a) to “professional investors” as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the Companies Ordinance) or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Malaysia

Each Joint Lead Manager has represented and agreed that:

(a) this Offering Circular has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the CMSA); and

(b) accordingly, the Certificates have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b) and Part I of Schedule 7 or Section 230(1)(b), read together with Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.
Singapore

This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Each Joint Lead Manager has represented and agreed 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 Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (as modified or amended from time to time, the SFA)) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA or to 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 provision 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 (as defined in Section 239(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; or

(v) as specified in Regulation 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Switzerland

The offering of the Certificates in Switzerland is exempt from the requirement to prepare and publish a prospectus under the Swiss Financial Services Act (FinSA) because the Certificates (i) have a minimum denomination of CHF 100,000 (or equivalent in another currency) or more and (ii) will not be admitted to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. This Offering Circular does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Certificates.
GENERAL INFORMATION

Listing

Application has been made to the London Stock Exchange for the Certificates to be admitted to trading on the ISM and the Sustainable Bond Market of the London Stock Exchange. The ISM is not a regulated market within the meaning of the UK MiFIR. The ISM is a market designated for professional investors. Certificates admitted to trading on the ISM are not admitted to the Official List of the Financial Conduct Authority. Certificates admitted to trading on the Sustainable Bond Market of the London Stock Exchange are not automatically admitted to the Official List of the Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular. It is expected that the admission of the Certificates to trading on the ISM and the Sustainable Bond Market will be granted on or around the Issue Date.

Legal Entity Identifier

The legal entity identifier (LEI) of the Trustee is 5493000887R2TI3PUB86.

The LEI of the Bank is 54930037RJ782ISGGM71.

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 31 January 2022. The Trustee has obtained all necessary consents, approvals and authorisations in connection with the issue of the Certificates and the entry into the Transaction Documents.

The entry by the Bank into the Transaction Documents was authorised by the directors of the Bank on 27 December 2021.

Clearing Systems

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under common code 243194652 and ISIN XS2431946529.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial performance or financial position of the Bank or the Group since 30 September 2021, and there has been no material adverse change in the financial position or prospects of the Bank or the Group since 31 December 2020.

There has been no significant change in the financial performance or financial position of the Trustee and there has been no material adverse change in the financial position or prospects of the Trustee, in each case, since the date of its incorporation.

Litigation

Neither the Trustee nor the Bank nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee or the Bank is aware) in the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of the Trustee, the Bank or the Group.
Auditors

The current joint auditors of the Bank are Ernst & Young Professional Services (EY) and PricewaterhouseCoopers Certified Public Accountants (PwC) (together, the Auditors). The business address of EY is 3rd & 14th Floor, Al Faisaliah Office Tower, King Fahd Road, P.O.Box 2732, Riyadh 11461, Kingdom of Saudi Arabia and the business address of PwC is Kingdom Tower, P.O. Box 8282, Riyadh 11482, Kingdom of Saudi Arabia. EY and PwC are independent auditors and registered with SOCPA, the professional body that oversees audit firms in the Kingdom of Saudi Arabia.

The Annual Financial Statements have been jointly audited by EY and PwC, as stated in the audit reports for the 2019 Financial Statements and the 2020 Financial Statements which are incorporated by reference herein.

With respect to the Interim Financial Statements incorporated by reference herein, the Auditors have jointly reported that they have applied limited procedures in accordance with the International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” that is endorsed in the Kingdom. However, their separate review report dated 1 November 2021 incorporated by reference herein, states that they did not audit and do not express an opinion on that unaudited 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 procedure 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 or appoint any auditors.

Documents Available

For as long as the Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available for inspection and/or collection from the specified office of the Principal Paying Agent:

(a) the Transaction Documents;
(b) the constitutional documents of the Trustee and the Bank;
(c) the Financial Statements; and
(d) this Offering Circular together with any supplement to this Offering Circular.


Cayman Islands Data Protection

The Cayman Islands Government enacted the Data Protection Act (As Revised) of the Cayman Islands (the DPA) on 18 May 2017 which was brought into force on 30 September 2019. The DPA introduces legal requirements for the Trustee based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Certificates and the associated interactions with the Trustee and its affiliates and/or delegates, or by virtue of providing the Trustee with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Trustee and its affiliates and/or delegates (including, without limitation, the Trustee Administrator) with certain personal information which constitutes personal data within the meaning of the DPA. The Trustee shall
act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Trustee Administrator, may act as data processors (or data controllers in their own right in some circumstances).

For further information on the application of the DPA to the Trustee, please refer to the Privacy Notice (a copy of which may be requested from the Trustee Administrator by email at dubai@maples.com), which provides an outline of investors’ data protection rights and obligations as they relate to the investment in the Certificates.

Oversight of the DPA is the responsibility of the Ombudsman’s office of the Cayman Islands. Breach of the DPA by the Trustee could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

**Joint Lead Managers Transacting with the Bank**

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Bank and its affiliates in the ordinary course of business for which they have received, and for which they may receive customary fees and commission for these transactions.

In the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank financings) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Trustee, the Bank and their affiliates, including, without limitation, the Certificates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Bank and its affiliates may routinely hedge their credit exposure to the Bank and its affiliates consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Certificates. Any such short positions could adversely affect future trading prices of the Certificates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. The Joint Lead Managers and/or their affiliates may receive allocations of Certificates (subject to customary closing conditions), which could affect future trading of the Certificates.
THE TRUSTEE
Riyad Tier 1 Sukuk Limited
c/o MaplesFS Limited
P.O. Box 1093
Queensgate House
Grand Cayman, KY1-1102
Cayman Islands

THE BANK
Riyad Bank
P.O. Box 22622
Riyadh 11416
Kingdom of Saudi Arabia

THE DELEGATE
Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR
Citibank Europe Plc, Germany Branch
Reuterweg 16
B-60323 Frankfurt am Main
Germany

PRINCIPAL PAYING AGENT, CALCULATON AGENT AND TRANSFER AGENT
Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

LEGAL ADVISERS
To the Trustee as to Cayman Islands law
Maples and Calder (Dubai) LLP
14th Floor
Burj Daman Building
Al Mustaqaal Street
Dubai International Financial Centre
P.O. Box 119980
Dubai
United Arab Emirates

To the Bank as to English law
Allen & Overy LLP
11th Floor, Burj Daman Building
Al Mustaqaal Street
Dubai International Financial Centre
P.O. Box 506678
Dubai
United Arab Emirates

To the Bank as to English law
Simmons & Simmons Middle East LLP
Office 17-04, Level 17
ICD Brookfield Place
Mustaqaal Street
Dubai International Finance Centre
P.O. Box 506688
Dubai
United Arab Emirates

To the Joint Lead Managers and Bookrunners as to English law
The Law Office of Mohamed Al-Sharif
Al-Mousa Centre, #259
Tower 2, Fifth Floor
Main Olaya Street
P.O. Box 9170
Riyadh 11423
Kingdom of Saudi Arabia
To the Delegate as to English law

Simmons & Simmons LLP
CityPoint
One Ropemaker Street
London EC2Y 9SS
United Kingdom

AUDITORS TO THE BANK

Ernst & Young Professional Services
3rd & 14th Floor
Al Faisaliah Office Tower
King Fahd Road, P.O.Box 2732
Riyadh 11461
Kingdom of Saudi Arabia

PricewaterhouseCoopers Certified Public Accountants
21st Floor, Kingdom Tower
P.O. Box 8282
Riyadh 11482
Kingdom of Saudi Arabia

JOINT LEAD MANAGERS AND BOOKRUNNERS

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Riyad Capital
Head Office, Granada Business Park
2414 Al-Shohda District, Unit No. 69
Riyadh 13241-7279
Kingdom of Saudi Arabia

Standard Chartered Bank
7th Floor, Building One
Gate Precinct
Dubai International Financial Centre
P.O. Box 999
Dubai
United Arab Emirates