



SIB TIER 1 SUKUK COMPANY

(incorporated with limited liability under the laws of the Cayman Islands)

U.S.\$500,000,000 Additional Tier 1 Capital Certificates

The U.S.\$500,000,000 Additional Tier 1 Capital Certificates (the **Certificates**) of SIB Tier 1 Sukuk Company (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 2 July 2019 (the **Issue Date**) entered into between the Trustee, Sharjah Islamic Bank PJSC (**SIB**) and Citibank N.A., London Branch as the delegate of the Trustee (the **Delegate**). Pursuant to the Declaration of Trust, the Trustee will declare that it will hold the Trust Assets (as defined herein) 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, 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. In such circumstances, the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets (as defined herein)) shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount (as defined herein) and in the case of the relevant Write-down Amount corresponding to the full proportion of the Prevailing Face Amount (as defined herein) of each Certificate then outstanding, the Certificates shall be cancelled. 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 written-down upon the occurrence of a Non-Viability Event*".

The payment obligations of SIB under the Mudaraba Agreement (as defined herein) (including all payments which are the equivalent of principal (being capital amounts, including the Mudaraba Capital (as defined herein), payable in accordance with the provisions of the Mudaraba Agreement) and profit) (the **Relevant Obligations**) will, subject to the Solvency Conditions (as defined herein) being satisfied at the relevant time and no bankruptcy order having been issued in respect of SIB by a court in the United Arab Emirates (the **UAE**), rank in priority only to all Junior Obligations (as defined herein). Payments in respect of the Relevant Obligations by SIB are conditional upon (i) SIB being Solvent (as defined herein) at all times from (and including) the first day of the relevant Periodic Distribution Period (as defined herein) (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable; (ii) SIB being capable of making payment of the Relevant Obligations and any other payment that is due to be made on the relevant date to a creditor in respect of all Senior Obligations and all Pari Passu Obligations (each, as defined herein) and still be Solvent immediately thereafter; and (iii) the total share capital (including, without limitation, retained earnings) of SIB being greater than zero at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable (together, the **Solvency Conditions**). **In addition, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of SIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by SIB in respect of the Relevant Obligations.**

Periodic Distribution Amounts (as defined herein) shall be payable subject to and in accordance with the Conditions on the Prevailing Face Amount of the Certificates then outstanding from (and including) the Issue Date to (but excluding) 2 July 2025 (the **First Call Date**) at a rate of 5.000 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 Call Date, Periodic Distribution Amounts shall be payable from (and including) the First Call Date subject to and in accordance with the Conditions at a fixed rate, to be reset on the First Call Date and every six years thereafter, equal to the Relevant Six Year Reset Rate (as defined in the Conditions) plus a margin of 3.213 per cent. per annum. Periodic Distribution Amounts will, if payable pursuant to the Conditions, be payable semi-annually in arrear on 2 January and 2 July in each year, commencing 2 January 2020. Payments on the Certificates will be made free and clear of and without withholding or deduction for, or on account of, taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction (as defined herein) (the **Taxes**) to the extent described under Condition 13. Each payment of a Periodic Distribution Amount will be made by the Trustee provided that SIB (in its capacity as Mudareb (as defined herein)) shall have paid Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit (as applicable) (each as defined herein) equal to such Periodic Distribution Amount pursuant to the terms of the Mudaraba Agreement (as defined in the Conditions). 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 SIB (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 but, for the avoidance of doubt, any corresponding unpaid profit amounts under the Mudaraba Agreement shall continue to constitute part of the Mudaraba Assets.

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, SIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem all but not some only of the Certificates on the First Call Date or on any Periodic Distribution Date falling after the First Call Date in accordance with Condition 10.1(b). In addition, upon the occurrence of a Tax Event or a Capital Event (each as defined herein), SIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall redeem all, but not some only, of the Certificates or vary the terms thereof, in each case at any time after the Issue Date in accordance with Conditions 10.1(c) or 10.1(d), respectively. Any redemption or variation is subject to the conditions described in Condition 10.1.

If an SIB Event (as defined in the Conditions) occurs, the Delegate shall (subject to Condition 12.1) give notice of the occurrence of such event to the Certificateholders in accordance with Condition 17 with a request to the Certificateholders to indicate to the Trustee and the Delegate in writing if they wish the Certificates to be redeemed and the Trust to be dissolved (a **Dissolution Request**). If so requested in writing by the Certificateholders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of Certificateholders, the Delegate shall (but in each case subject to Condition 12.3(e)(i)), give notice (a **Dissolution Notice**) to the Trustee that the Certificates are immediately due and payable at the Prevailing Face Amount of the Certificates then outstanding together with any Outstanding Payments (as defined in the Conditions), whereupon the aggregate face amount of the Certificates then outstanding together with any Outstanding Payments shall become immediately due and payable and, upon receipt of such Dissolution Notice, the Trustee and/or the Delegate shall subject to Condition 12.3 take the actions referred to therein.

The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. For a discussion of these risks, see "Risk Factors".

This Prospectus has been approved by the Central Bank of Ireland (the **Irish Central Bank**) as competent authority under Directive 2003/71/EC, as amended or superseded (the **Prospectus Directive**). The Irish Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and European Union (**EU**) law pursuant to the Prospectus Directive. Such approval relates only to the Certificates which are to be admitted to trading on a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, **MIFID II**) (each such market being a **MIFID Regulated Market**) and/or which are to be offered to the public in any Member State of the European Economic Area (the **EEA**). Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the Certificates to be admitted to the official list (the **Official List**) and trading on the regulated market of Euronext Dublin. The regulated market of Euronext Dublin is a MiFID Regulated Market. This Prospectus has been approved by the Dubai Financial Services Authority (the **DFSA**) under Rule 2.6 of the DFSA's Markets Rules (the **Markets Rules**) and is therefore an approved prospectus for the purposes of Article 14 of the DIFC Law No. 1 of 2012 (the

Markets Law. Application has also been made to the DFSA for the Certificates to be admitted to the official list of securities maintained by the DFSA (the **DFSA Official List**) and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai. References in this Prospectus to Certificates being **listed** (and all related references) shall mean that such Certificates have been (a) admitted to listing on the Official List and the DFSA Official List and (b) admitted to trading on the regulated market of Euronext Dublin (or, as the case may be, another MiFID Regulated Market) and on Nasdaq Dubai.

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 depository (the **Common Depository**) for, Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

This Prospectus relates to an Exempt Offer in accordance with the Markets Rules of the DFSA. This Prospectus is intended for distribution only to persons of a type specified in the Markets Rules. It must not be delivered to, or relied on by, any other person. The DFSA does not accept any responsibility for the content of the information included in this Prospectus, including the accuracy or completeness of such information, nor has it determined whether the Certificates are Shari'a compliant. The liability for the content of this Prospectus lies with the Trustee and SIB. The DFSA has also not assessed the suitability of the Certificates to which this Prospectus relates to any particular investor or type of investor. If you do not understand the contents of this Prospectus or are unsure whether the Certificates to which this Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.

The transaction structure relating to the Certificates (as described in this Prospectus) and the Transaction Documents (as defined herein) have been approved by each of the Internal Sharia Control Committee of SIB, the Shariah Advisory Board of Citi Islamic Investment Bank E.C., the Central Shariah Committee of HSBC Bank Middle East Limited and the Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Shari'a principles.

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.

Amounts payable on the Certificates following the 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 at the date of this Prospectus, the U.S. Federal Reserve System is not included in the register of administrators of the European Securities and Markets Authority (**ESMA**) under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As far as the Trustee is aware, such rates for U.S. Treasury securities do not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of that regulation.

JOINT GLOBAL CO-ORDINATORS AND STRUCTURING AGENTS

HSBC

Citigroup

Standard Chartered Bank

JOINT LEAD MANAGERS

Abu Dhabi Islamic Bank PJSC

Bank ABC

Citigroup

Deutsche Bank

Dubai Islamic Bank

Emirates NBD Capital

First Abu Dhabi Bank

HSBC

KFH Capital

Standard Chartered Bank

The date of this Prospectus is 1 July 2019

This Prospectus complies with the requirements in Part 2 of the Markets Law and Chapter 2 of the Market Rules and comprises a prospectus for the purposes of Article 5.3 of the Prospectus Directive and for the purpose of giving information with regard to the Trustee, SIB and its subsidiaries and affiliates taken as a whole and the Certificates which, according to the particular nature of the Trustee, SIB and of the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and SIB and of the Certificates. The opinions, assumptions, intentions, projections and forecasts expressed in this Prospectus with regard to the Trustee and SIB are honestly held by the Trustee and SIB, have been reached after considering all relevant circumstances and are based on reasonable assumptions and are not misleading in any material respect.

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

Certain information under the headings "*Risk Factors*", "*Description of Sharjah Islamic Bank PJSC*" and "*The United Arab Emirates Banking Sector and Prudential Regulations*" has been extracted from information provided by or obtained from independent third party sources and, in each case, the relevant source of such information is specified where it appears under those headings. Each of the Trustee and SIB confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

None of the Joint Lead Managers, nor any of their directors, affiliates, advisers, agents, the Delegate nor the Agents (as defined in the Agency Agreement) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of them as to the accuracy, adequacy, reasonableness or completeness of the information contained in this Prospectus or any other information provided by the Trustee or SIB in connection with the Certificates or for any acts or omissions of the Trustee, SIB or any other person in connection with this Prospectus or the issue and offering of the Certificates.

To the fullest extent permitted by law, the Joint Lead Managers, the Delegate and the Agents each accepts no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by a Joint Lead Manager, the Delegate or an Agent or on its behalf in connection with the Trustee, SIB or the issue and offering of the Certificates. Each of the Joint Lead Managers, the Delegate and the Agents 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 Prospectus or any such statement.

No person is or has been authorised by the Trustee, SIB, the Joint Lead Managers, the Delegate or the Agents to give any information or to make any representation not contained in or not consistent with this Prospectus 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, SIB, the Joint Lead Managers, the Delegate or any of the Agents.

Neither the delivery of this Prospectus 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 Prospectus is correct subsequent to the date hereof or the date upon which this Prospectus 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 SIB since the date hereof or, if later, the date upon which this Prospectus 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 advice is given by the Trustee, SIB, the Joint Lead Managers, the Delegate or the Agents or, any of their 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.

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 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 under the Securities Act (**Regulation S**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act 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.

SIB has been assigned ratings of "BBB+" (stable outlook) by Fitch Ratings Ltd. (**Fitch**), "A3" (negative outlook) and "Prime-2" (stable outlook) by Moody's Investors Service Cyprus Ltd. (**Moody's**) and "A-" (stable outlook) by S&P Global Ratings Europe Limited (**S&P**).

Each of Fitch, Moody's and S&P is established in the EU and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Fitch, Moody's and S&P is included in the list of credit rating agencies published by ESMA on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

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 organisations.

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

This Prospectus 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 Trustee, SIB, the Joint Lead Managers, the Delegate or the Agents 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 Prospectus and the offering, sale and delivery of the Certificates in certain jurisdictions may be restricted by law. None of the Trustee, SIB, the Joint Lead Managers, nor any of their directors, affiliates, advisers, agents, the Delegate or the Agents represents that this Prospectus 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, SIB, the Joint Lead Managers, nor any of their directors, affiliates, advisers, agents, the Delegate or the Agents which is intended to permit a public offering of the Certificates or distribution of this Prospectus 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 Prospectus 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.

Persons into whose possession this Prospectus comes are required by the Trustee, SIB 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 Prospectus and the offer or sale of the Certificates in the United States, the United Kingdom, the UAE (excluding the Dubai International Financial Centre), the Dubai International Financial

Centre, the Cayman Islands, the EEA (including the United Kingdom), the Kingdom of Saudi Arabia, State of Kuwait, the Kingdom of Bahrain, Hong Kong, Singapore, Malaysia and Switzerland. For a description of the restrictions on offers, sales and deliveries of Certificates and on the distribution of this Prospectus and other offering material relating to the Certificates, see "*Subscription and Sale*".

This Prospectus 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, SIB, the Joint Lead Managers, the Delegate, the Agents or any of their directors, affiliates, advisers, agents or any of them that any recipient of this Prospectus should subscribe for, or purchase, the Certificates. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Trustee and SIB. None of the Joint Lead Managers, the Delegate or the Agents undertakes to review the financial condition or affairs of the Trustee or SIB during the life of the arrangements contemplated by this Prospectus 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 Certificates are of high risk and may not be a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Certificates to investors (including retail investors). There are risks inherent in the holding of the Certificates, including the risks relating to subordination of claims in connection therewith and the circumstances in which a potential investor may suffer loss as a result of holding the Certificates. For a discussion of these risks, see "*Risk Factors*".

Each potential investor in the Certificates must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor should:

- (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 Prospectus;**
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;**
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;**
- (iv) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and**
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.**

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (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.

The Certificates are complex financial instruments. 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.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Some statements in this Prospectus may be deemed to be forward looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "seeks", "estimate", "project", "will", "would", "may", "could", "continue", "should" and similar expressions are intended to identify forward looking statements. All statements other than statements of historical fact included in this Prospectus, including, without limitation, those regarding the financial position of SIB, or the business strategy, management plans and objectives for future operations of SIB, are forward looking statements. These forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause SIB's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward looking statements. These forward looking statements are based on numerous assumptions regarding SIB's present, and future, business strategies and the environment in which SIB expects to operate in the future. Important factors that could cause SIB's actual results, performance or achievements to differ materially from those in the forward looking statements are discussed in this Prospectus (see "*Risk Factors*").

Forward looking statements speak only as at the date of this Prospectus and, without prejudice to any requirements under applicable laws and regulations, the Trustee and SIB expressly disclaim any obligation or undertaking to publicly update or revise any forward looking statements in this Prospectus to reflect any change in the expectations of the Trustee or SIB or any change in events, conditions or circumstances on which these forward looking statements are based. Given the uncertainties of forward looking statements, the Trustee and SIB cannot assure potential investors that projected results or events will be achieved and the Trustee and SIB caution potential investors not to place undue reliance on these statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

PRESENTATION OF FINANCIAL INFORMATION

This Prospectus incorporates by reference the following financial statements of SIB:

- unaudited condensed consolidated interim financial statements as at and for the three months ended 31 March 2019 (which include comparative financial information as at and for the three months ended 31 March 2018) (the **Q1 2019 Financial Statements**);
- audited consolidated financial statements as at and for the financial year ended 31 December 2018 (the **2018 Financial Statements**); and
- audited consolidated financial statements as at and for the financial year ended 31 December 2017 (the **2017 Financial Statements** and, together with the 2018 Financial Statements and the Q1 2019 Financial Statements, the **Financial Statements**).

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (the **IASB**), guidance of the UAE Central Bank and Islamic Shari'a principles and applicable requirements of the Federal laws relating to Islamic banks. The 2018 Financial Statements have been audited in accordance with International Standards on Auditing (**IAS**) by PricewaterhouseCoopers (Dubai Branch) (**PwC**) without qualification. The 2017 Financial Statements have been audited in accordance with IAS by KPMG Lower Gulf Limited (**KPMG**) without

qualification. PwC has reviewed, without qualification, the Q1 2019 Financial Statements in accordance with the International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as stated in PwC's review report appearing in the Q1 2019 Financial Statements. See note 3 ("Summary of Significant Accounting Policies") to the 2018 Financial Statements for information regarding the significant accounting policies adopted by SIB, including certain updates between the 2017 Financial Statements and the 2018 Financial Statements (such as the adoption of IFRS 9 with effect from 1 January 2018).

From 1 January 2019, SIB has adopted a new lease standard IFRS 16 Leases (which supersedes IAS 17 Leases) and which has resulted in changes in accounting policies. IFRS 16 provides a single accounting model for the lessee, requiring tenants to recognise the assets and liabilities of all leases, which represents a significant change from IAS 17. For further information, see note 3 ("Summary of significant accounting policies") to the Q1 2019 Financial Statements. SIB has adopted IFRS 16 on a modified retrospective basis and has not restated comparative figures for 2018. Accordingly, the comparative figures for 2018 have not been adjusted and may not be directly comparable to the 2019 figures. Financial information in this Prospectus as at and for the three months ended 31 March 2019 and 31 March 2018 has been extracted from the Q1 2019 Financial Statements (which include comparative financial information for the three months ended 31 March 2018).

SIB presents its financial statements in UAE dirham.

ALTERNATIVE PERFORMANCE MEASURES

A number of the financial metrics in the analysis of SIB's business and financial position presented by SIB in this Prospectus are not defined in accordance with IFRS and SIB considers such metrics to constitute Alternative Performance Measures (APMs), as defined in the European Securities and Markets Authority Guidelines on APMs dated 5 October 2015 (the **ESMA Guidelines**).

Although not defined in accordance with IFRS, SIB believes such metrics provide useful supplementary information to both investors and SIB's management, as they facilitate the evaluation of company performance. It is to be noted that, since not all companies calculate financial measurements in the same manner, these are not always comparable to measurements used by other companies. Accordingly, these financial measures should not be seen as a substitute for measures defined according to IFRS. Certain of these APMs are presented below, along with their reconciliation to the extent that such information is not defined according to IFRS and not included in SIB's Financial Statements incorporated by reference into this Prospectus:

| APM | Calculation | Rationale for inclusion | 2018 Financial Statements page number(s) for items referred to in calculation |
|----------------------|---|--|--|
| Cost to income ratio | General and administrative expenses divided by the sum of income from investments in Islamic financing, investment, fees, commission and other income – net and income from subsidiaries. | It is used to measure SIB's cost efficiencies, comparing cost to income. | 10 |

**2018 Financial
Statements page
number(s) for items
referred to in
calculation**

| APM | Calculation | Rationale for inclusion | |
|---|---|---|----------|
| Net profit margin | The sum of income from investments in Islamic financing, distributions to sukuk holders and distributions to depositors divided by average earning assets (being the two year average of murabaha and wakalah with financial institutions plus investments in Islamic financing). | This is a profitability ratio and is a relevant comparable to the net interest margin in conventional terms, measuring the income/spread SIB makes on its financing investments. | 9 and 10 |
| Annualised return on average asset | Profit for the year divided by the average of total assets for two years. | This is a profitability ratio and efficiency measure, indicating how effectively SIB's assets are being used to generate profits. | 9 and 10 |
| Annualised return on average equity | Profit for the year divided by the average of total shareholders' equity for two years. | This is a profitability ratio, measuring the average return to shareholders for their investment in SIB. It indicates how effectively SIB's shareholders' equity is being used to generate profits. | 9 and 10 |
| Non-performing financing assets/net financing | Investments in Islamic financing (Stage 3) divided by the total carrying amount under investments in Islamic financing. | This indicates non-performing loans as a percentage of total loans, and is used to assess SIB's asset quality. | 9 and 36 |
| Financing/total deposits | Investments in Islamic financing divided by the sum of customers' deposits and due to banks. | This is used to assess the liquidity of SIB, as it indicates how much of SIB's deposits are being used for lending. | 9 |
| Earnings per share | Profit for the year divided by share capital. | This is a measure of management performance and | 9 and 10 |

| <u>APM</u> | <u>Calculation</u> | <u>Rationale for inclusion</u> | <u>2018 Financial Statements page number(s) for items referred to in calculation</u> |
|-------------------------------------|--|--|--|
| | | profitability, and shows the portion of SIB's distributable profit allocated to each outstanding share. | |
| Equity/total assets | Total shareholders' equity divided by total assets. | This shows the proportion of shareholders equity in SIB's total assets. | 9 |
| Liquid assets/total assets | The sum of cash and balances with banks and financial institutions and murabaha and wakalah with financial institutions divided by total assets. | This liquidity ratio indicates SIB's current assets as a proportion of total assets, and is used to assess the liquidity of SIB. | 9 |
| Depositors' accounts/total deposits | Customers' deposits divided by total deposits (which is the sum of customers' deposits and due to banks). | This indicates the proportion/reliance on customer deposits in SIB's deposit base. | 9 |
| Financing/Depositors' account | Investments in Islamic financing divided by customers' deposits. | This is a measure of SIB's ability to fund its loan book through its deposit base. | 9 |

These APMs are not defined by, or presented in accordance with, IFRS. The APMs are not measurements of SIB's operating performance under IFRS and should not be considered as alternatives to any measures of performance under IFRS or as measures of SIB's liquidity.

PRESENTATION OF UAE STATISTICAL INFORMATION

The statistical information in the section entitled "*The United Arab Emirates Banking Sector and Prudential Regulations*" has been accurately reproduced from a number of different identified sources. All statistical information provided in that section may differ from that produced by other sources for a variety of reasons, including the use of different definitions and cut-off times. GDP data is not final and may be subject to revision in future periods and certain other historical GDP data set out in that section may also be subject to future adjustment.

PRESENTATION OF OTHER INFORMATION

In this Prospectus, references to:

- **Abu Dhabi, Dubai and Sharjah** are to the Emirate of Abu Dhabi, the Emirate of Dubai and the Emirate of Sharjah, respectively;

- **dirham, AED** and **UAE dirham** are to the lawful currency of the UAE and references to fil are to the sub-unit of the dirham;
- **euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union;
- the **GCC** are to the Gulf Co-operation Council;
- the **Group** are to SIB and its consolidated subsidiaries;
- the **MENA** region are to the Middle East and North Africa region; and
- **U.S.\$, USD** or **U.S. dollars** are to the lawful currency of the United States.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00. All U.S.\$ translations of dirham amounts appearing in this Prospectus have been translated at this fixed exchange rate. Such translations should not be construed as representations that dirham amounts have been or could be converted into U.S. dollars at this or any other rate of exchange.

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments; accordingly figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

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

Information contained on any website referred to herein does not form part of this Prospectus.

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

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in 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 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 MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation 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 (as amended, 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.

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

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

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, SIB, the Joint Lead Managers, the Delegate or the Agents, or any of their respective affiliates makes any representation regarding (a) the status of the Trustee under the Volcker Rule (including whether it is a "covered fund" for their purposes) or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

NOTICE TO U.K. RESIDENTS

The Certificates represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (**FSMA**)) which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. Accordingly, this Prospectus is not being distributed to and must not be passed on to the general public in the United Kingdom.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the Certificates: (A) if effected by a person who is not an authorised person under the FSMA, is being addressed to, or directed at, 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 effected by a person who is an authorised person under the FSMA, is being addressed to, or directed at, 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 CIS Order**); (ii) persons falling within any of the categories of person described in Article 22(2)(a)-(d) (High net worth companies, unincorporated associations, etc.) of the Promotion of CIS Order; and (iii) any other person to whom it may otherwise lawfully be made. Persons of any other description in the United Kingdom may not receive and should not act or rely on this document.

Prospective investors in the United Kingdom in the Certificates are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in the

Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any prospective investor 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 Prospectus shall not be construed as an invitation to any member of the public in the Cayman Islands to subscribe for the Certificates.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This Prospectus 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 Saudi Arabian Capital Market Authority (the **Capital Market Authority**).

The Capital Market Authority does not make any representation as to the accuracy or completeness of this Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. 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 Prospectus you 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 Prospectus 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 the equivalent amount in any other currency or such other amount as the CBB may determine.

This Prospectus 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 Prospectus and any related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, 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 Prospectus 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 document and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this document. No offer of securities will be made to the public in the Kingdom of Bahrain and this Prospectus 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 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 Prospectus 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 Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and 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 SIB and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

STABILISATION

In connection with the issue of the Certificates, HSBC Bank plc (the **Stabilisation Manager**) (or persons acting on behalf of the Stabilisation Manager) may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager shall act as principal and not as agent of the Trustee or SIB. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the Issue Date and, if begun, may cease 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 must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

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RISK FACTORS

The purchase of the Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of the Certificates should consider carefully, in light of their own financial circumstances and investment objectives, all of the information in this Prospectus.

Each of the Trustee and SIB believes that the following factors may affect the Trustee's 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 SIB is in a position to express a view on the likelihood of any such contingency occurring. Factors which the Trustee and SIB 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 SIB believes that the factors described below represent the principal risks inherent in investing in the Certificates but the inability of the Trustee to pay any amounts on or in connection with any Certificate may occur for other reasons and neither the Trustee nor SIB represents that the statements below regarding the risks of holding any Certificate are exhaustive.

Although the Trustee and SIB believe that the various structural elements described in this Prospectus lessen some of these risks for Certificateholders, there can be no assurance that these measures will be sufficient to ensure payment to Certificateholders of any Periodic Distribution Amount or the Dissolution Distribution Amount or any other amounts payable in respect of the Certificates on a timely basis or at all. There may also be other considerations, including some which may not be presently known to the Trustee or SIB or which the Trustee or SIB currently deems immaterial, that may impact any investment in the Certificates.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in the Conditions and "Global Certificate" shall have the same meanings in this section.

Risks relating to the Trustee

The Trustee has a limited operating history and no material assets and is dependent upon the performance by SIB of its obligations under the Transaction Documents

The Trustee is a newly formed entity and has no operating history. The Trustee will not engage in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in its capacity as a trustee and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets, which it will hold on trust for the Certificateholders, will be the Trust Assets, including its right to receive payments under the Mudaraba Agreement.

The Trustee's ability to pay amounts due on the Certificates will depend on its receipt from SIB (in its capacity as Mudareb), of all amounts due under the Mudaraba Agreement, which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents. Therefore, the Trustee is subject to all the risks to which SIB is subject to the extent that such risks could limit SIB's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents. See "*Risks relating to SIB and its business*" for a further description of these risks.

Risks relating to SIB and its business

In the course of its business activities, SIB is exposed to a variety of risks, the most significant of which are liquidity risks, credit risks, operational risks and market risks. Whilst SIB believes it has implemented

appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to adequately control these risks, or predict unexpected market events that are beyond the control of SIB, could be greater than anticipated and could result in a material adverse effect on SIB's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents. In particular, difficult macro-economic conditions and volatility in interest rates, commodity prices and currency rates have affected and could continue to materially adversely affect SIB's business.

Liquidity risk

Liquidity risk is the risk that SIB may be unable to meet its payment obligations when they fall due under normal and stressed circumstances. Liquidity risks could arise from the inability of SIB to fund an increase in assets and meet obligations as they become due (structural funding risk) or the inability to convert assets into cash at reasonable prices (market liquidity risk). The risk arises from mismatches in the amount and timings of cash flows.

In the second half of 2008, a liquidity crisis arose in the global credit markets due to a large number of borrower defaults in the sub-prime mortgage loan market in the United States of America. In part reflecting the effects of the global economic crisis, the UAE financial markets experienced comparatively reduced levels of liquidity from the third quarter of 2008 and through 2009. Liquidity is essential to the business of SIB and, during this period, a number of measures were taken by the Federal Government (through the UAE Ministry of Finance and the UAE Central Bank) in an attempt to improve the liquidity levels in the UAE. These measures included regular contact and intervention with respect to UAE banks to provide liquidity to the market (UAE Ministry of Finance deposits and UAE Central Bank funding support). For instance, participants in the banking system were allowed to categorise medium term deposits as Tier II capital. SIB was also a recipient of funds from the UAE Ministry of Finance and classified these funds as deposits. These deposits have since matured and have been repaid to the UAE Ministry of Finance.

While the UAE banking system liquidity situation improved from 2010 to 2014 and 2016 to 2018, it did deteriorate marginally in 2015 as the system experienced a decrease in the level of government deposits largely on account of the decreasing oil price, which resulted in an increase in the loan to deposit ratio across the UAE banking system. Whilst most UAE banks do not materially rely on government deposits and generally enjoy healthy levels of liquidity, there is no guarantee that this trend will persist or that any improvement in liquidity will continue in the future.

A dislocated credit environment creates the risk that SIB will not be able to access funds on favourable terms. For instance, although SIB has access to a diverse liquidity pool, including in the form of deposits, interbank borrowings, syndicated financing and capital market instruments, the movement of global interest rates can cause a negative effect on liquidity (see "*Credit risk*" in relation to current instability of interest rates across global markets). These and other factors could also lead creditors to form a negative view of SIB's liquidity, which could result in less favourable credit ratings, higher funding costs and less accessible funds. Furthermore, in circumstances where financial institutions generally have ongoing limitations on their access to other sources of funding such as wholesale market derived funding, SIB's access to funds and its cost of funding (profit paid or expected to be paid) may be adversely affected. All of these factors related to liquidity risk could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

Liability mismatch risk

As at 31 December 2018, 74.89 per cent. of SIB's customers' deposits, including short-term profit-sharing investment accounts, carried a maturity of less than three months. There may therefore be a potential mismatch in the asset and liability profile of SIB. The existence of maturity profile mismatches may increase SIB's vulnerability to price competition as SIB may face increased liquidity risks to the extent that SIB becomes unable to offer an adequate rate of return to customers. This could have a material adverse effect on

SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risks arise from adverse changes in the credit quality and recoverability of financings, advances and amounts due from counterparties are inherent in the business of SIB. In particular, SIB is exposed to credit risk through financing receivables, ijarah receivables, balances with banks and financial institutions, international murabaha and wakalah with financial institutions, other assets and debt securities.

Credit risks could arise from a deterioration in the credit quality of specific counterparties of SIB, from a general deterioration in local or global economic conditions or from systemic risks within the financial systems, all of which could affect the recoverability and value of the assets of SIB which would require an increase in the provisions for the impairment of its assets and other credit exposures. As at the date of this Prospectus, the prevailing unstable macro-economic climate has prompted reduced fiscal budgets and public spending plans in recent years in the UAE and across the GCC economies, with particular concerns around the ongoing impact of the volatility of global crude oil prices (see further "*The UAE's economy is highly dependent upon its oil revenues*"), the effects of the economic slowdown in emerging markets generally, and volatility in the Chinese economy in particular, and the broader impact thereof on global debt and equity markets. Although the oil prices have risen and remained relatively stable during 2018, the prices still remain low compared to historic figures.

As a result of these recent adverse market conditions (see "*Market risk*"), certain customers to which SIB directly extends credit and counterparties of SIB may experience decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs and some of these companies have been unable to meet their service obligations or other expenses as they become due, including amounts payable to SIB. Although SIB maintains a credit risk management strategy (see further "*Description of Sharjah Islamic Bank PJSC – Risk Management*"), there can be no assurance that such measures eliminate or reduce, or will continue to eliminate or reduce, credit risks. Accordingly, SIB may experience a higher level of credit defaults (including non-performing financings and consequential increases in impairment allowances for doubtful financings and advances) in the immediate future, which could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

A substantial increase in new impairment allowances or losses greater than the level of previously recorded impairment allowances for doubtful loans and advances to customers would adversely affect SIB's results of operations and financial condition

In connection with lending activities, SIB periodically establishes impairment allowances for loan losses, which are recorded in its income statement. SIB's overall level of impairment allowances is based upon its assessment of prior loss experience, the volume and type of lending being conducted, collateral held, industry standards, past due loans, economic conditions and other factors related to the recoverability of various loans. Although SIB endeavours to establish an appropriate level of impairment allowances based on its best estimate of the amount of incurred loss, it may have to significantly increase its impairment allowances for loan losses in the future as a result of increases in non-performing assets, deteriorating economic conditions leading to increases in defaults and bankruptcies, or for other reasons. Any significant increase in impairment allowances for loan losses or a significant change in SIB's estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the impairment allowances allocated with respect thereto, would have an adverse effect on its business, results of operations and financial condition.

Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations in the financing and deposit portfolio of SIB subject it to further credit risks in the form of default by its larger borrowers, exposure to particular sectors of the UAE economy and/or withdrawal of large deposits. Concentration of credit risk by (a) industrial sector for income from Islamic financing and (b) geographical distribution for (i) cash and balances with banks and financial institutions and (ii) international murabaha and wakalah arrangements with financial institutions, are set out in the 2018 Financial Statements (which are incorporated by reference in this Prospectus).

In addition, SIB's 10 largest private sector borrowers represented 15.61 per cent. of SIB's total gross financings and receivables as at 31 December 2018. As at 31 December 2018, SIB's largest funded exposure to a private sector borrower was AED 772 million, which constituted 3.02 per cent. of SIB's total gross financings and receivables (as at 31 December 2018) and 14.6 per cent. of its total regulatory capital (total regulatory capital being AED 5.3 billion as at 31 December 2018).

In terms of the industry concentration of SIB's loan portfolio, as at 31 December 2018, financing to individuals (including high net worth individuals) accounted for 43 per cent. of SIB's gross loans (compared to 41 per cent. as at 31 December 2017), the Government of Sharjah, other local governments and their respective dependencies accounted for 29 per cent. (compared to 32 per cent. as at 31 December 2017), trade and manufacturing accounted for 7 per cent. (compared to 7 per cent. as at 31 December 2017), construction and real estate combined accounted for 16 per cent. (compared to 15 per cent. as at 31 December 2017) and other sectors accounted for 5 per cent. (compared to 5 per cent. as at 31 December 2017).

As at 31 December 2018, SIB's wholesale banking customers represented 82 per cent. of its combined total deposits (compared to 81 per cent. as at 31 December 2017). Although SIB considers that it has adequate access to sources of funding, the withdrawal of a significant portion of these large deposits may have an adverse effect on the financial condition and results of operations of SIB as well as its ability to meet the UAE Central Bank target stable resources ratio of 100 per cent. (see further "*Liquidity risk*").

A downturn in the fortunes of any of SIB's depositors, or in the sectors in which they operate, could have an adverse effect on the business, results of operations, financial condition and prospects of SIB.

Further, investors should note that SIB is incorporated in, and has all of its material operations and assets located in, the UAE. SIB has no material operations or assets outside of the UAE. Accordingly, SIB may have insufficient assets located outside the UAE to satisfy in whole or in part any judgment obtained from an English court relating to amounts owing in connection with the Certificates. If investors were to seek enforcement of an English judgment in the UAE or to bring proceedings in relation to the Certificates in the UAE, then certain limitations would apply (see further "*Risk factors relating to enforcement*").

Additionally, as all of SIB's material operations and assets are located in the UAE, its business may be affected by the financial, political and general economic conditions prevailing from time to time in the UAE and/or the Middle East (see further "*Political, economic and related risks*"). Investors are advised to make, and will be deemed by the Joint Lead Managers, the Delegate, the Agents and SIB to have made, their own investigations in relation to such factors before making any investment decisions in relation to the Certificates. The UAE and Middle East markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Operational and compliance risk

Operational risk is the risk of a direct or indirect loss arising from a wide variety of causes associated with SIB's processes, personnel, technology and infrastructure and from external factors, other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, lapses in any operational controls, the failure of internal systems, equipment and external systems (e.g., those of SIB's counterparties or vendors) and occurrence of natural disasters.

In 2014, SIB embarked on the task of selecting and migrating to a new core banking platform which was completed in the 4th quarter of 2016. As part of its responsibilities, SIB is investigating all possible contingencies which may lead to a potential risk related to the migration, including implementing plans to mitigate the downtime expected with a migration of this size and scope. Although SIB has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, it is not possible to eliminate all risks related to the migration as well as any of the operational risks entirely, which could have an adverse effect on the business, results of operations, financial condition and prospects of SIB.

Compliance risks include the monitoring of and compliance with codes of conduct, fraud investigations and adherence to anti money laundering (**AML**) and know your customer (**KYC**) policies, as well as SIB's internal policies and procedures and other regulatory requirements (see further "*Description of Sharjah Islamic Bank PJSC – Risk Management*"). Although SIB's policies are designed to mitigate these risks, it is not possible to eliminate compliance risks entirely.

Should any of the foregoing risks materialise, this could have a material adverse effect on SIB's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

Market risk

Market risk refers to the risk that SIB's income and/or value of a financial instrument will fluctuate because of changes in market rates such as profit rates, foreign exchange rates and market prices of equity. SIB is exposed to market risk through its diverse financial instruments including sukuk, equities, investment funds and foreign currencies.

SIB, in common with other financial institutions, is susceptible to changes in the macro-economic environment and the performance of financial markets generally. The 2008 global financial crisis had a significant adverse effect on the economies of the GCC, including the UAE, and resulted in a slowdown of growth rates, particularly in the real estate, construction and financial institutions sectors. As at the date of this Prospectus, global debt and equity markets have again been adversely impacted by the ongoing volatility in the macro-economic climate. For instance, the prevailing macro-economic climate has prompted reduced fiscal budgets and public spending plans in recent years in the UAE and across the GCC economies, with particular concerns around the ongoing impact of the volatility of global crude oil prices, the effects of the economic slowdown in emerging markets generally, and volatility in the Chinese economy in particular, and the broader impact thereof on global debt and equity markets, as well as the current uncertainty of interest rates across global markets. Contributing factors to such uncertainty include (a) the decision of the U.S. Federal Reserve in December 2015 to raise interest rates for the first time since 2006, and again in December 2016, March 2017, June 2017, December 2017, March 2018, June 2018, September 2018 and December 2018, and (b) the decision of the Bank of Japan to introduce negative interest rates in January 2016. Additionally, the pressures faced by regional oil producing countries in response to the ongoing oil crisis to remove the foreign exchange "peg" of their domestic currencies to the U.S. dollar poses systemic risks to the

banking systems in the GCC (see further "*Foreign exchange movements may adversely affect the profitability of SIB*").

The performance of global financial markets has also been affected by the hostile economic environment, with international equity markets being particularly impacted by the economic slowdown in emerging markets generally and volatility in the Chinese economy in particular, where economic growth slowed during 2016 to 6.7 per cent. of GDP, representing a 26-year low (source: World Bank). During 2018, the Shanghai composite index lost 25 per cent. of its value (source: Bloomberg), with European and U.S. equity markets also affected. The impact has also been felt in the UAE with the Dubai Financial Market (**DFM**) index falling by 25 per cent. in 2018 (source: Bloomberg), although the Abu Dhabi Securities Exchange (**ADX**) gained by 12 per cent. (source: ADX Performance Report – December 2018). These volatile market conditions have resulted in reduced liquidity, widening of credit spreads and lack of price transparency in credit and capital markets.

These adverse market conditions have impacted investment markets both globally and in the UAE, with increased volatility in interest rates and exchange rates. The business, results of operations, financial condition and prospects of SIB may be materially adversely affected by these trends and may be further materially adversely affected by a continuation of the general unfavourable economic conditions in the other countries of the GCC and emerging markets generally as well as by United States, European and international trading market conditions and/or related factors.

Although SIB has implemented market risk limits and regularly monitors its exposure, it is not possible to eliminate market risks entirely, and major fluctuations in profit rates, foreign exchange rates or market prices of equity could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

Foreign exchange movements may adversely affect the profitability of SIB

SIB maintains its financial statements and reports its results in UAE dirham. The UAE dirham has been pegged at a fixed exchange rate to the U.S. dollar since 22 November 1980 and remains pegged as at the date of this Prospectus.

In response to the continuing oil price crisis, certain regional oil producing countries that have traditionally "pegged" their domestic currencies to the U.S. dollar have faced pressure to remove these foreign exchange "pegs". As at the date of this Prospectus, each of Kazakhstan and Azerbaijan have chosen to unwind the U.S. dollar peg of their domestic currencies. While the likelihood of the GCC states pursuing a similar course of action is unclear (the UAE Central Bank has publically stated its intention to retain the UAE dirham peg against the U.S. dollar), there remains a risk that any such future de-pegging by the GCC states (in the event that the current challenging market conditions persist for a prolonged period) would pose a systemic risk to the regional banking systems by virtue of the inevitable de-valuation of any such de-pegged currency against the U.S. dollar and the impact this would have on the open cross-currency positions held by regional banks, including SIB. Further, any de-pegging could adversely impact SIB's net profit margins and borrowing costs. As at 31 December 2018, 88 per cent. of SIB's total borrowings were denominated in U.S. dollars (81.3 per cent. as at 31 December 2017 and 80 per cent. as at 31 December 2016).

Should any of the foregoing materialise, this could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

Limited profitability

SIB maintains a conservative outlook towards its growth plans which are based on a prudent risk management approach of increasing the size of its financing portfolio and investment securities (predominantly sukuk investments) by focusing only on medium to long term financing with a limited

number of counterparties. Whilst this is a prudent approach that is consistent with SIB's cautious attitude to risk, the maintenance of a small financing portfolio may restrict SIB's potential to maximise profit, which could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

Impact of regulatory changes and legal risk

Legal risk is the risk of losses occurring due to legal or regulatory action that invalidates or otherwise precludes performance by SIB or any of its counterparties under the terms of its contractual agreements. Additionally, SIB may face certain legal risks from private actions brought against it.

SIB is subject to the laws, regulations, administrative actions and policies in the UAE. These regulations may limit SIB's activities and changes in supervision and regulation could materially adversely affect SIB's business, the products or services offered, the value of its assets, and its financial condition. Future changes in regulatory, fiscal, taxation or other policies which have a material adverse effect on the businesses, results of operations, financial condition and prospects of SIB cannot be predicted and are beyond the control of SIB. For example, Federal Law No. (14) of 2018 Regarding the Central Bank & Organization of Financial Institutions and Activities (the **2018 Federal Law**) (Article 116) indicates that the UAE Central Bank shall establish a resolution framework for financial institutions, pursuant to which, in the case of a deficiency in an institution's financial position, the UAE Central Bank may take certain actions for the protection of the concerned institution and its depositors. These may include (without limitation) requesting a court to liquidate or declare bankrupt such institution, or prepare a plan for transfer of its assets and liabilities, in accordance with established laws. The timing and content for any such framework are uncertain. The exercise (or perceived likelihood of exercise) of any such action by the UAE Central Bank or any suggestion of such exercise could materially adversely affect the value of the Certificates and could lead to holders losing some or all of their investment in Certificates.

As a participant in the regulated financial services industry, it is likely that SIB may experience, from time to time, a level of litigation and regulatory scrutiny related to its businesses and operations which may, if adversely determined, have a material adverse effect on SIB's business, reputation, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

If the Trustee or SIB fails to comply with applicable anti-money laundering, anti-terrorism financing, sanctions and other related regulations, it could face fines and damage to its reputation

The Trustee and SIB are required to comply with applicable anti-money laundering, anti-terrorism financing laws, sanctions and other regulations. These laws and regulations require the Trustee and SIB, among other things, to adopt and enforce KYC policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. The Trustee and SIB have adopted KYC/AML policies and procedures and reviews them regularly in light of any relevant regulatory and market developments. To the extent the Trustee or SIB may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on the Trustee or SIB, as applicable. In addition, the Trustee and SIB's business and reputation could suffer if customers use the Trustee or SIB for money laundering or other illegal purposes.

Political, economic and related risks

The UAE is seen as a relatively stable political environment. Although the UAE enjoys domestic political stability and generally healthy international relations, because it is located in the MENA region, there is a risk that it could be impacted by regional geopolitical instability. The effects of such risk and geopolitical uncertainty can be varied, and 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 the UAE would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur.

In particular, since early 2011 there has been political unrest (leading in certain circumstances to a change in political regime) in a range of countries in the MENA region, including Algeria, the Arab Republic of Egypt, the Hashemite Kingdom of Jordan, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, Libya, the Republic of Iraq (Kurdistan), the Republic of Yemen, the Sultanate of Oman, Syria, Tunisia and Turkey. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the multinational conflict with Islamic State (also known as Daesh, ISIS or ISIL)) and the overthrow of existing leadership, and has given rise to increased political uncertainty across the region. Further, the UAE, along with other Arab states, is currently participating in the Saudi Arabian led military intervention in the Republic of Yemen which began in 2015 in response to requests for assistance from the Yemeni government. The UAE is also a member of another Saudi Arabian led military coalition formed in December 2015 to combat Islamic extremism and, in particular, Islamic State. Additionally, in June 2017 a number of MENA countries including the UAE, the Kingdom of Saudi Arabia, the Kingdom of Bahrain and the Arab Republic of Egypt severed diplomatic relations with the State of Qatar, citing Qatar's alleged support for terrorism and accusing Qatar of creating instability in the region. The termination of diplomatic relations included the withdrawal of ambassadors and imposing trade and travel bans. Furthermore, since the United States withdrawal from its nuclear deal with Iran in 2018, there has been increased tension between these two countries.

These situations have caused significant disruption to the economies of affected countries and have had a destabilising effect on international oil and gas prices. Continued instability affecting the countries in the MENA region could adversely impact the UAE although to date there has been no significant impact on the UAE.

Challenging economic conditions and the sharp decline in oil prices since mid-2014 (which prices were approximately 35 per cent. lower in May 2019, as compared to June 2014, according to the monthly OPEC basket price of oil) have resulted in larger budget deficits across the GCC economies coupled with reduced fiscal budgets and public spending (see further "*Market risk*"). While the UAE Government's policies (such as adjusting public spending to a weaker medium-term outlook for oil prices, upgrading the prudential framework and diversifying revenues) have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained or that the UAE Government will not implement regulations, fiscal or monetary policies (including regulations, policies or new legal interpretations of existing regulations) relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

There can be no assurance that either the economic performance of, or political stability in, the countries in which SIB currently operates or may in the future operate can or will be sustained. Whilst SIB believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks (see further "*Description of Sharjah Islamic Bank PJSC – Risk Management*"), investors should note that a worsening of current financial market conditions, instability in certain sectors of the UAE or regional economy or major political upheaval therein could lead to further decreases in investor and consumer confidence, further market volatility and decline, further economic disruption, further decline in real estate markets and, as a result, could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

The UAE's economy is highly dependent upon its oil revenues

Although the UAE has a more diversified economy than most of the other countries in the GCC, the UAE's economy is highly dependent upon its oil and affiliated sectors' revenues. Since June 2014, international crude oil prices have declined dramatically (falling by approximately 35 per cent. from a high monthly average OPEC Reference Basket price per barrel of U.S.\$108 in June 2014, to a monthly average price of U.S.\$70 in May 2019). While a recovery in oil prices has been witnessed over the course of 2017 and 2018,

having touched U.S.\$26.50 in January 2016, if there is a downward trend in international prices for hydrocarbon to previously seen lows into the future, this could therefore have a material adverse effect on SIB's clients, customers and depositors and therefore on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

Oil prices have fluctuated in response to changes in many factors over which SIB has no control. These factors 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 dynamics, and expectations regarding future supply and demand, for oil products;
- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil producing or consuming countries;
- prices and availability of alternative fuels;
- global economic and political conditions;
- prices and availability of new technologies using alternative fuels; and
- global weather and environmental conditions.

Principal shareholders and Governmental interests

As at the date of this Prospectus, the Government of Sharjah holds, directly and indirectly, 37.55 per cent. and Kuwait Finance House holds 18.18 per cent. of the share capital of SIB. By virtue of such shareholding in SIB, the Government of Sharjah has the ability to influence the business of SIB through its ability to control actions that require shareholder approval. If circumstances were to arise where the interests of the Government of Sharjah conflict with the interests of the Certificateholders, the latter could be disadvantaged. The Government of Sharjah could, for example, cause SIB to pursue transactions, make dividend payments or other distributions or payments to shareholders or undertake other actions to implement governmental policy rather than to foster the commercial interests of SIB. The Government of Sharjah has publicly declared that it is exploring ways to rationalise and consolidate entities in the financial services sector based in the Emirate, which may result in the consolidation of one or more such entities.

The Government of Sharjah may, whether directly or through government-owned entities, at any time and for any reason, dispose of its investments in, withdraw its deposits from, cease to do business with or otherwise cease to support SIB, which could have a material adverse effect on SIB's business, results of operations, financial condition and prospects.

The Government of Sharjah does not explicitly or implicitly guarantee the financial obligations of SIB (including in respect of the Certificates to be issued) nor does it, like any other shareholder, have any legal obligation to provide any support or additional funding for SIB's future operations.

Competition

SIB faces competition in all of its business areas from domestic and foreign banks operating in the UAE. SIB faces competition from both Islamic banks and conventional banks.

The UAE could be viewed as an over-banked market, even by regional standards, with 22 locally incorporated banks and 27 foreign banks licensed to operate inside the UAE as at 31 December 2018 (source: Central Bank, preliminary data), serving a population estimated to be in the region of 9.5 million people in mid-2018 (source: Statistical Yearbook 2018 edition, United Nations Department of Economic and Social Affairs, Statistics Division). There has traditionally been little impetus for consolidation. However, the mergers between National Bank of Abu Dhabi and First Gulf Bank, which was consummated on 30 March 2017, and Abu Dhabi Commercial Bank, Union National Bank and Al Hilal Bank, which was consummated on 1 May 2019, are anticipated to stimulate further moves towards greater consolidation amongst UAE banks. Such mergers are likely lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital costs, such as information technology system development.

Generally, the banking market in the UAE has been a relatively protected market with high regulatory and other barriers to entry for foreign financial institutions. However, should some of these barriers be removed or eased in the future, either voluntarily or as a result of the UAE's obligations to the World Trade Organisation (the **WTO**), the GCC or any other similar entities, it is likely to lead to a more competitive environment for SIB and other domestic financial institutions. Such increase in competition could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents (see further "*Description of Sharjah Islamic Bank PJSC – SIB's Competition*").

Importance of key personnel

SIB's ability to maintain and grow its businesses will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. SIB may face challenges in recruiting and retaining qualified personnel to manage its respective businesses from time to time and, if it is to continue to grow, will need to continue to increase its employee numbers.

While SIB currently meets (and exceeds) the UAE Federal Government's "Emiratisation" requirements (see further "*Management of Sharjah Islamic Bank PJSC – Emiratisation*") and believes that it has effective staff recruitment, training and incentive programmes in place (see further "*Description of Sharjah Islamic Bank PJSC – Competitive Strengths*"), if it were unable to retain key members of its senior management and/or remove under-performing staff and/or hire new qualified personnel in a timely manner, this could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

SIB's business is dependent on its information and technology systems which are subject to potential cyber-attack

In common with other financial institutions based in the GCC and elsewhere in the world, the threat to the security of SIB's information and customer data from cyber-attacks is real and continues to grow at pace. Activists, rogue states and cyber criminals are among those targeting computer systems around the world. Risks to technology and cyber-security change rapidly and require continued focus and investment. Given the increasing sophistication and scope of potential cyber-attacks, it is possible that future attacks may lead to significant breaches of security. Failure to adequately manage cyber-security risk and continually review and update current processes in response to new threats could disrupt SIB's business, result in the disclosure of confidential information, create significant financial and/or legal exposure and damage SIB's reputation and/or brands, which could have a material adverse effect on SIB's business, results of operations and financial condition.

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 written-down upon the occurrence of a Non-Viability Event

If a Non-Viability Event (as defined below) occurs at any time, the Prevailing Face Amount of the Certificates then outstanding will be written-down in whole or, in exceptional cases, in part on a *pro rata* basis, in each case, as solely determined by the Financial Regulator. See "*The circumstances triggering a Write-down are unpredictable*". Pursuant to a Write-down, the rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an SIB 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 Event or notice in relation thereto and, in the case of a Write-down in whole, the Certificates shall be cancelled.

In exceptional cases in which a Write-down in part is required by the Financial Regulator, a Write-down may occur on one or more occasions as solely determined by the Financial Regulator provided, however, that the face amount of a Certificate shall never be reduced to below nil.

Furthermore, upon the occurrence of any Write-down in part pursuant to Condition 11, Periodic Distribution Amounts will accrue on the reduced face amount of the Certificates and its payment is subject to a Non-Payment Event (including, without limitation, SIB having insufficient Distributable Items and, if applicable, any payment restrictions due to breach of any capital buffers imposed on SIB by the Financial Regulator) or a Non-Payment Election having occurred. See "*Payments of Periodic Distribution Amounts are conditional upon certain events and may be cancelled and are non-cumulative*". Also, any amounts arising as a result of, or due and payable upon the occurrence of, an SIB Event or any redemption at the option of the Trustee (upon the instructions of SIB (acting in its sole discretion)) (a) on the First Call Date or any Periodic Distribution Date thereafter or (b) upon the occurrence of a Tax Event or a Capital Event will be by reference to such reduced face amount of the Certificates.

The Conditions do not in any way impose restrictions on SIB following a Write-down, including restrictions on making any distribution or equivalent payment in connection with any Junior Obligations (including, without limitation, any common shares of SIB) or any Pari Passu Obligations.

Certificateholders will lose all or some of their investment in the Certificates as a result of a Write-down and moreover, in such event, it is likely that Certificateholders will suffer losses in respect of their investment in the Certificates ahead of SIB's shareholders. Investors should also be aware that the application of a non-viability loss absorption feature as contained in Condition 11 has not been tested in the UAE.

A **Non-Viability Event** means that the Financial Regulator has notified SIB in writing that it has determined that SIB is, or will become, Non-Viable without: (a) a Write-down; or (b) a public sector injection of capital (or equivalent support).

SIB shall be **Non-Viable** if (a) it is 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 occurs, which is specified as constituting non-viability by the Financial Regulator, or in applicable banking regulations.

Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be fully and permanently written-down upon any of the Solvency Conditions not being satisfied at any time or a bankruptcy order in respect of SIB being issued

If any of the Solvency Conditions (as defined below) is not satisfied on any date on which any payment obligation under the Mudaraba Agreement is due or a bankruptcy order in respect of SIB has been issued by

a court in the UAE, all rights of the Certificateholders for payment of any amounts under or in respect of the Certificates (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an SIB Event) shall be extinguished and not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to such date. As a result, Certificateholders will lose the entire amount of their investment in the Certificates.

Furthermore, any indication or perceived indication that any of the Solvency Conditions may not be satisfied or that such a bankruptcy order may be issued may have a material adverse effect on the market price of the Certificates.

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 SIB's control. The occurrence of a Non-Viability Event is subject to, *inter alia*, a subjective determination by the Financial Regulator. As a result, the Financial Regulator may require a Write-down in circumstances that are beyond the control of SIB and with which SIB may not agree. Furthermore, although the Conditions provide that the Financial Regulator may require a Write-down in whole or in part upon the occurrence of a Non-Viability Event, the current stated position of the Financial Regulator is that a Write-down in whole will apply in all such cases save only in exceptional cases as determined by the Financial Regulator in its sole discretion. See "*–Certificateholders' right to receive payment of the face amount of the Certificates and the Certificateholders' right to any profit will be permanently written-down 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 SIB will also depend in part on decisions made by SIB in relation to its business and operations, including the management of its capital position. In making such decisions, SIB 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 SIB, its shareholders and the Financial Regulator will be aligned with those of the Certificateholders.

The payment obligations of SIB under the Mudaraba Agreement are subordinated and unsecured obligations

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount will be made by the Trustee provided that SIB (as Mudareb) shall have paid to the Trustee amounts equal to such Periodic Distribution Amount and Dissolution Distribution Amount, respectively, pursuant to the terms of the Mudaraba Agreement. In this regard, prospective investors should note that the payment obligations of SIB under the Mudaraba Agreement are subordinated to the claims of the Senior Creditors and rank *pari passu* to the Pari Passu Obligations, as more particularly described in Condition 4.2. Potential investors should note that payment of all amounts by SIB under the Mudaraba Agreement (and consequently, the corresponding payments by the Trustee under the Conditions) are conditional upon:

- (i) SIB (in its capacity as Mudareb or otherwise) being Solvent at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable;
- (ii) SIB (in its capacity as Mudareb or otherwise) being capable of making payment of the Relevant Obligations and any other payment that is due to be made on the relevant date to a creditor in respect of all Senior Obligations and all Pari Passu Obligations and still be Solvent immediately thereafter; and

- (iii) the total share capital (including, without limitation, retained earnings) of SIB being greater than zero at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable,

(together, the **Solvency Conditions**).

Further, the payment obligations of SIB under the Mudaraba Agreement are unsecured and no collateral is or will be given by SIB in relation thereto.

The Trustee may exercise its enforcement rights in relation to the Mudaraba Agreement only in the manner provided in Condition 12.3. If an SIB Event occurs and SIB has failed to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of SIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by SIB in respect of the Relevant Obligations.

No limitation on issuing senior securities; subordination

Other than the limitations in relation to the issue of further Tier 1 Capital by SIB as set out in Condition 4.3 which limits the circumstances in which Tier 1 Capital of SIB 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 SIB (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 SIB under the Mudaraba Agreement (**SIB Senior Obligations**). The issue of or the creation of any such SIB Senior Obligations may reduce the likelihood of the Solvency Conditions being met and/or the amount recoverable by Certificateholders on a winding-up of SIB. See also "*The payment obligations of SIB under the Mudaraba Agreement are subordinated and unsecured obligations*".

Payments of Periodic Distribution Amounts are conditional upon certain events and may be cancelled and are non-cumulative

SIB may elect, in its sole discretion and by instructing the Trustee to such effect, not to make payment of a Periodic Distribution Amount to Certificateholders on the corresponding Periodic Distribution Date on account of SIB making a net loss during the relevant financial period or for any other reason as it may deem necessary, except that no such election may be made in respect of the Periodic Distribution Amount payable on the date on which the Certificates are at SIB's discretion to be redeemed.

In addition, if a Non-Payment Event (detailed below) occurs, SIB (in its capacity as Mudareb) shall be prohibited from paying Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit 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.

A **Non-Payment Event** is any of the following events:

- (i) the amount equal to the then applicable Periodic Distribution Amount (which for the purposes of the Conditions includes Additional Amounts as referred to in Condition 13) to be paid by SIB 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 SIB (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, exceeds, on the relevant date for payment of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, Distributable Items; or

- (ii) SIB (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 the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of any capital buffers imposed on SIB by the Financial Regulator) or payment of the Relevant Rab-al-Maal Mudaraba Profit Amount (as applicable) to the Trustee would cause it to be in breach thereof; or
- (iii) the Financial Regulator requires (a) SIB not to pay the Relevant Rab-al-Maal Mudaraba Profit Amount to the Trustee on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) or (b) the Trustee not to pay the relevant Periodic Distribution Amount on that Periodic Distribution Date, in each case, for any reason as it may deem necessary; or
- (iv) the Solvency Conditions are not satisfied (or would no longer be met if the Relevant Rab-al-Maal Mudaraba Profit Amount was paid),

as more particularly provided in Condition 8.1.

In relation to limb (i) above, as at the Issue Date, **Distributable Items** means the amount of SIB'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 set out in its latest audited or (as the case may be) auditor reviewed consolidated financial statements, or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital that do not constitute Common Equity Tier 1 Capital. As at 31 March 2019, SIB's Distributable Items amounted to AED 5,271,995,000.

However, current guidance issued by the Financial Regulator has indicated that the definition of "Distributable Items" may in the future be calculated by reference to the latest audited or (as the case may be) auditor reviewed non-consolidated financial statements. To the extent that this change comes into effect in the future, SIB may be required to prepare audited and auditor reviewed non-consolidated financial statements given that it currently only prepares audited and auditor reviewed consolidated financial statements and, in such circumstances the level of Distributable Items as so calculated might be lower than otherwise would be the case if the change does not take effect.

In relation to limb (ii) above, payment restrictions will also apply in circumstances where SIB does not meet certain capital buffer requirements, namely, payment restrictions in an amount equal to the Maximum Distributable Amount (as defined below) if the combined capital buffer requirement is not satisfied pursuant to the Capital Regulations. In the event of a breach of the combined buffer requirement, under the Capital Regulations, the restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of SIB's profits for the most recent relevant period. Such calculation will result in a maximum distributable amount (the **Maximum Distributable Amount**) in each relevant period. As an example, the scaling is such that in the lowest quartile of the combined buffer requirement, no discretionary distributions will be permitted to be paid. As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce payments that would, but for the breach of the combined buffer requirement, be discretionary, including Periodic Distribution Amounts in respect of the Certificates. In such circumstances, the aggregate amount of distributions which SIB can make on account of dividends, Periodic Distribution Amounts and redemption amounts on its Additional Tier 1 instruments (including the Certificates) and certain variable remuneration (such as bonuses) or discretionary pension benefits will be limited. Furthermore, there can be no assurance that the combined buffer requirement applicable to SIB will not be increased in the future, which may exacerbate the risk that discretionary distributions, including payments of Periodic Distribution Amounts in respect of the Certificates, are cancelled.

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, the fact of non-payment of the relevant Periodic Distribution Amount 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) and the consequential non-payment of any Periodic Distribution Amount in such a circumstance shall not constitute a Dissolution Event. SIB 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) (which shall be credited by SIB to the Mudaraba Reserve) and the Trustee will not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts.

If such a situation occurs, the Certificateholders shall not receive Periodic Distribution Amounts on their investment in the Certificates and neither the Trustee nor the Certificateholders shall have any claim in respect thereof. 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

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 an SIB Event occurs.

The SIB Events and Certificateholders' rights following an SIB Event are set out in Condition 12. See also "*The Conditions contain limited Dissolution Events and remedies*".

In certain circumstances SIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, redeem the Certificates, including on the First Call Date or any Periodic Distribution Date thereafter and if a Tax Event or a Capital Event occurs, as more particularly described in Condition 10, although there is no assurance that SIB will require it to do so.

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

- (i) the Trustee (upon the instructions of SIB (acting in its sole discretion)) redeems the Certificates in accordance with Condition 10;
- (ii) the Trustee is required by the Delegate (including as requested in writing by the Certificateholders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding or as directed by an Extraordinary Resolution of the Certificateholders), following an SIB Event to redeem the Certificates; or
- (iii) 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.

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

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

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 Condition 10.1(b), Condition 10.1(c), Condition 10.1(d) or following the occurrence of an SIB Event in accordance with Condition 12.1. In addition, the Trustee may be prohibited from making, or instructed by SIB not to make, payments of Periodic Distribution Amounts on the Certificates in accordance with Condition 8 and Periodic Distribution Amounts will not therefore be due other than in the limited circumstances described in the Conditions.

The Dissolution Events in the Conditions are limited to: (a) SIB Events (being (i) SIB failing to pay an amount which is equivalent to principal (being capital amounts, including the Mudaraba Capital, payable in accordance with the provisions of the Mudaraba Agreement) or profit (including Additional Amounts) due and payable by it pursuant to the Mudaraba Agreement and the failure continuing for a period (in the case of principal) of seven days or (in the case of profit) fourteen days (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Election or a Non-Payment Event); (ii) a final determination being made by a court or other official body that SIB is insolvent or bankrupt or unable to pay its debts including any financing arrangement issued (or intended to be issued) in compliance with the principles of Shari'a and which is treated as debt for the purposes of applicable law, in each case whether entered into directly or indirectly by SIB; (iii) an administrator being appointed, an order being made or an effective resolution being passed for the winding-up or dissolution or administration of SIB or if SIB applies or petitions for a winding-up or administration order in respect of itself or ceases, or through an official action of its Directors threatens to cease, to carry on all or substantially all of its business or operations, except, in each case (a) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Certificateholders or (b) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or (iv) any event occurring which, under the laws of the UAE, has an analogous effect to any of the events referred to in (ii) or (iii) above; and (b) Trustee Events (being similar in nature to SIB Events in respect of the Trustee), all as more fully described in the Conditions.

Moreover, pursuant to Condition 12, upon the occurrence of any SIB Event and the delivery of a Dissolution Notice, 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 SIB that the Certificates are, and shall immediately become, due and payable at the applicable Prevailing Face Amount together with any Outstanding Payments and thereafter: (i) instituting any steps, actions or proceedings for the winding-up of SIB and/or (ii) proving in the winding-up of SIB and/or (iii) instituting any steps, actions or proceedings for the bankruptcy of SIB and/or (iv) claiming in the liquidation of SIB and/or (v) taking such other steps, actions or proceedings which, under the laws of the UAE, have an analogous effect to the actions referred to in (i) to (iv) above, in each case, for 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. 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 SIB 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.

In addition, if an SIB Event occurs and SIB has failed to satisfy any of the Solvency Conditions or if a bankruptcy order in respect of SIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by SIB in respect of the Relevant Obligations.

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 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 Call Date (with a reset of the initial profit rate on the First Call Date as set out in the Conditions and every six 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.

Variation upon the occurrence of a Capital Event or a Tax Event

Upon the occurrence and continuation of a Capital Event or a Tax Event, SIB may (acting in its sole discretion), instruct the Trustee to, whereupon the Trustee shall, subject as provided in Condition 10.1(c) or 10.1(d) (as the case may be) and without any requirement for consent or approval of the Certificateholders, vary the terms of the Mudaraba Agreement (subject to the approval of the Internal Sharia Control Committee of SIB) and the Certificates such that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments.

A **Capital Event** is deemed to have occurred if SIB is notified in writing by the Financial Regulator to the effect that the face amount (or the amount that qualifies as regulatory capital, if some amount of the Certificates are held by SIB or whose purchase is funded by SIB) of the Certificates outstanding is excluded (in full or in part) from the consolidated Tier 1 Capital of SIB (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that SIB satisfies the Financial Regulator that such non-qualification was not reasonably foreseeable at the time of the issuance of the Certificates. A **Tax Event** will arise if SIB 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 or on the Certificates (as the case may be) on the next due date for such payment, be required to pay Additional Amounts (and such requirement cannot be avoided by SIB or the Trustee (as the case may be) taking reasonable measures available to it), and provided that SIB satisfies the Financial Regulator that such Tax Law Change was not reasonably foreseeable at the time of the issuance of the Certificates. The consequences following the occurrence of each of a Tax Event and a Capital Event are more particularly described in Condition 10.1.

The tax and stamp duty consequences of holding the Certificates following variation as contemplated in Condition 10.1 could be different for certain Certificateholders from the tax and stamp duty consequences for them of holding the Certificates prior to such variation and none of the Trustee, the Delegate or SIB shall be responsible to any Certificateholder for any such consequences in connection therewith. Further, while the Conditions stipulate that the variation (as contemplated by the Conditions) must not be materially less

favourable to the Certificateholders, no assurance can be given as to whether any of these changes will negatively affect any particular Certificateholder.

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 of 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, 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) against SIB 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) 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. SIB is obliged to make certain payments under the Transaction Documents directly to the Trustee, and the Trustee and/or the Delegate will have direct recourse against SIB 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 obligations of the Trustee and/or the Delegate in respect of the Certificates shall be satisfied and neither the Trustee nor the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and SIB shall be (in accordance with Condition 12.3), 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, may 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*"), are subordinated (see "*The payment obligations of SIB under the Mudaraba Agreement are subordinated and unsecured obligations*"), will be 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 written-down 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 are conditional upon certain events and may be cancelled and are non-cumulative*").

Application has been made for the Certificates to be admitted to the Official List and the DFSA Official List and for such Certificates to be admitted to trading on the regulated market of Euronext Dublin and Nasdaq Dubai. However, 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.

The Certificates may be subject to early redemption; redemption is conditional

At its option in connection with the First Call Date or any Periodic Distribution Date thereafter or otherwise at any time upon the occurrence of a Tax Event or a Capital Event and subject to a Non-Viability Event not having occurred (or if a Non-Viability Event has occurred, a Write-down in part having taken place in accordance with the instructions of the Financial Regulator), SIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall give not less than 10 nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 and the Delegate in accordance with the Declaration of Trust and, provided that, any such notice has not been revoked by the Trustee (upon the instructions of SIB (acting in its sole discretion)) by giving notice of such revocation to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust and a Non-Viability Event has not occurred after the giving of such notice and, in each case prior to the redemption date specified in the initial notice, redeem in accordance with the Conditions, all, but not some only, of the Certificates at the applicable Prevailing Face Amount together with any accrued but unpaid Periodic Distribution Amounts (as more particularly described in Conditions 10.1(b), 10.1(c) and 10.1(d), respectively).

Any redemption of the Certificates is subject to the requirements in Condition 10.1(a), including obtaining the prior written consent of the Financial Regulator. There can be no guarantee that the consent of the Financial Regulator will be received on time or at all.

There is no assurance that the Certificateholders will be able to reinvest the amount received upon redemption at a rate that will provide the same rate of return as their investment in the Certificates. During any period when SIB may instruct the Trustee to redeem the Certificates, the market value of the Certificates generally will not rise substantially above the Trustee Call Amount, the Tax Redemption Amount or the Capital Event Amount (as applicable) payable. Potential investors should consider re-investment risk in light of other investments available at that time.

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

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 invested by SIB (as Mudareb) on an unrestricted co-mingling basis in its general 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**), on a basis proportionate to the rights and obligations of holders of equity of SIB with a view to earning profit therefrom, which will in turn be applied towards payments due to Certificateholders in respect of the Certificates.

No 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 SIB, and the Certificateholders shall have no ability to influence such activities. SIB shall be granted the express entitlement to co-mingle any of its own assets with the Mudaraba Assets on a basis proportionate to the rights and obligations of holders of equity of SIB and as a result it will not be possible to identify the Mudaraba Assets separately from the assets of SIB.

If any of the risks relating to the business of SIB mentioned above (see "*Risks relating to SIB and its business*") materialise or otherwise impact SIB'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 SIB'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 or arbitral tribunal with jurisdiction will take in such circumstances.

Limitation on gross-up obligation under the Certificates

The Trustee's obligation to pay Additional Amounts in respect of any withholding or deduction in respect of Taxes under Condition 13 applies only to payments of Periodic Distribution Amounts and not to payments of Dissolution Distribution Amounts (other than any Outstanding Payments) due and payable under the Certificates. As such, the Trustee will not be required to pay any Additional Amounts under the terms of the Certificates to the extent any withholding or deduction applied to payments of Dissolution Distribution Amounts (other than any Outstanding Payments). Accordingly, if any such withholding or deduction were to apply to any payments of Dissolution Distribution Amounts (other than any Outstanding Payments) under the Certificates, holders may receive less than the full amount due under the Certificates, and the market value of the Certificates may be adversely affected.

To the extent that SIB is required to pay Additional Amounts in respect of amounts corresponding to Periodic Distribution Amounts under the Mudaraba Agreement, SIB shall be entitled to recover amounts equal to such Additional Amounts from any amounts (if any) standing to the credit of the Mudaraba Reserve and if, following such recovery a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such Additional Amounts paid by SIB (such shortfall, the **Additional Amounts Shortfall**), SIB shall be entitled to recover amounts equal to such Additional Amounts Shortfall from any Excess Liquidation Proceeds.

Risks relating to enforcement

Compliance with the UAE bankruptcy law may affect SIB's ability to perform its obligations under the Transaction Documents

In the event of SIB's insolvency, UAE bankruptcy laws may adversely affect SIB's ability to perform its obligations under the Mudaraba Agreement and, consequently, the Trustee's ability to make payments to Certificateholders. There is little precedent to predict how a claim on behalf of Certificateholders, the Trustee and/or the Delegate against SIB would be resolved, and therefore there can be no assurance that Certificateholders will receive payment of their claims in full or at all in these circumstances.

Investors may experience difficulties in enforcing arbitration awards and foreign judgments in Sharjah

Ultimately the payments under the Certificates are dependent upon SIB making payments to the Trustee in the manner contemplated under the Transaction Documents. If SIB fails to do so, it may be necessary to bring an action against SIB to enforce its obligations (subject to the provisions of the Conditions), which could be both time consuming and costly.

Furthermore, to the extent that the enforcement of remedies must be pursued in the UAE, it should be borne in mind that there is limited scope for self-help remedies under UAE law and that generally enforcement of remedies in the UAE must be pursued through the courts.

SIB has irrevocably agreed that the Transaction Documents will be governed by English law and that any dispute arising from such Transaction Documents will, unless the option to litigate is exercised, be referred to arbitration in London under the Arbitration Rules of the London Court of International Arbitration (the **Rules**). Under the Conditions, any dispute arising from the Conditions will, unless the option to litigate is exercised, be referred to arbitration in London under the Rules.

The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the **New York Convention**) entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, any arbitration award rendered in London should therefore be enforceable in the UAE in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the UAE courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE.

How the New York Convention provisions would be interpreted and applied by the UAE courts in practice and whether the UAE courts will enforce a foreign arbitration award in accordance with the New York Convention (or any other multilateral or bilateral enforcement convention), remains largely untested. The uncertainty regarding the interpretation and application of the New York Convention provisions by the UAE courts is further reinforced by the lack of a system of binding judicial precedent in the UAE and because of the independent existence of different Emirates within the UAE, some with their own court systems, whose rulings may have no more than persuasive force within other Emirates. Although there are examples of foreign arbitral awards being enforced in the UAE under the New York Convention, there are other cases where the enforcement of foreign arbitral awards have been refused, with, for example, the relevant judge confusing the requirements for the enforcement of domestic awards with the requirements for the enforcement of foreign awards under the UAE Federal Law No. 1 of 1992 as amended, or ignoring the provisions of Article 238 of Federal Law No. 11 of 1992 (as amended by Federal Law No. 30 of 2005) (the **Law of Civil Procedure**). Federal Cabinet Resolution No. 57 of 2018 (the **Resolution**) governs the enforcement of foreign arbitral awards. The Resolution confirms that arbitral awards issued in a foreign state may be enforced in the UAE and that the conditions for enforcement of foreign arbitral awards set out in the New York Convention take precedence over the Resolution. There remains a risk that notwithstanding the Resolution or the terms of an applicable multilateral or bilateral enforcement convention, the UAE courts may in practice still consider and apply the grounds set out in Federal Law No. 6 of 2018 (the **UAE Arbitration Law**) related to the enforcement of domestic arbitral awards (as provided in Articles 52 to 57 of the UAE Arbitration Law) to the enforcement of any non-UAE arbitral award. The UAE Arbitration Law and the Resolution are both new and it is unclear how they will be applied by the UAE courts in practice. Accordingly, there is a risk that a non-UAE arbitral award will be refused enforcement by the UAE courts.

Under the Conditions and the Transaction Documents, at the option of the Trustee or the Delegate, any dispute may also be referred to the courts in England, who shall have exclusive jurisdiction to settle any dispute arising from the Conditions or such Transaction Documents.

Where an English judgment has been obtained, there is no assurance that SIB has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced. SIB is incorporated in and has its operations and the majority of its assets located in the UAE. Under current UAE federal law, the courts in the UAE are unlikely to enforce an English judgment without re-examining the merits of the claim, to which they may simply apply UAE law; thus ignoring the choice by the parties of English law as the governing law of the Transaction Documents or the Certificates. In the unlikely event that the parties' choice was respected, it is important to note that, in the UAE, foreign law is required to be established as a question of fact and the interpretation of English law by a UAE court in the UAE may not

accord with the interpretation of an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that any appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. They will not, however, honour any provision of foreign law which is contrary to public policy, order or morals in the UAE, or which is contrary to any mandatory law of, or applicable in, the UAE.

As the UAE judicial system is based on a civil code, judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty. The enforcement of a foreign judgment or arbitral award may be a lengthy process in the UAE.

Considerations relating to the non-recognition of trusts under the laws of the UAE

UAE law does not recognise the concept of trust or beneficial interests. Accordingly, if a UAE court were to consider the merits of a claim in respect of the Declaration of Trust and apply UAE law principles in doing so, there is no certainty that all of the terms of the Declaration of Trust (which is governed by English law) would be enforced by the UAE courts and the trust arrangements set out therein may be re-characterised as an agency arrangement by the UAE courts.

Claims for specific enforcement

If SIB fails to perform its obligations under any Transaction Document, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of SIB's obligations or a claim for damages. There is no assurance that a court will provide an order for specific enforcement which is a discretionary matter.

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 as to the level of damages which a court may award if SIB fails to perform its obligations set out in the Transaction Documents.

SIB's waiver of immunity may not be effective under UAE law

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

Change of law

The structure of the issue of the Certificates is based on English law as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law, or administrative practices after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of the Trustee or SIB to comply with their respective obligations under the Transaction Documents.

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 depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate.

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

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

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

No assurance can be given as to Shari'a rules

The transaction structure relating to the Certificates (as described in this Prospectus) and the Transaction Documents have been approved by each of the Internal Sharia Control Committee of SIB, the Shariah Advisory Board of Citi Islamic Investment Bank E.C., the Central Shariah Committee of HSBC Bank Middle East Limited and the Shariah Supervisory Committee of Standard Chartered Bank. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be Shari'a compliant by any other Shari'a board or Shari'a scholars. None of the Trustee, SIB, the Joint Lead Managers, the Delegate or the Agents makes any representation as to the Shari'a compliance of the Certificates and/or any trading thereof and potential investors are reminded that, as with any Shari'a views, differences in opinion are possible. Prospective investors should obtain their own independent Shari'a advice as to whether the Transaction Documents and the Certificates will meet their individual standards of compliance and should also make their own determination as to the future tradability of the Certificates on any secondary market. Questions as to the Shari'a permissibility of the Transaction Documents or 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, the subject of arbitration in London under the Rules. SIB has also agreed under the Transaction Documents to submit to the exclusive jurisdiction of the courts of England, at the option of the Trustee or the Delegate, as the case may be. In such circumstances, the arbitrator or judge, as the case may be, will apply English law rather than Shari'a principles in determining the obligation of the parties.

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

In accordance with applicable Shari'a principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by any court in connection with any dispute under the Mudaraba Agreement. Should there be any delay in the enforcement of a judgment given against SIB, 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 a face 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 U.S.\$200,000 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, SIB and the Delegate will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Trustee, SIB 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
- (ii) where electronic consent is not being sought, consent or instructions given in writing directly to the Trustee, SIB and/or the Delegate by accountholders in the clearing systems with entitlements to the Global Certificate or, where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held (directly or via one or more intermediaries), provided that the Trustee has obtained commercially reasonable evidence to ascertain the validity of such holding and taken reasonable steps to ensure such holding does not alter following the giving of such consent/instruction and prior to effecting such resolution.

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 of Certificateholders, agree to the substitution of another company as trustee under the Certificates in place of the Trustee, in the circumstances described in Condition 12.2.

The Conditions also provide that the Delegate may, without the consent or approval of the Certificateholders, agree to the variation of the terms of the Certificates and (subject to the approval of the Internal Sharia

Control Committee of SIB) the Mudaraba Agreement so that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments, as provided in Condition 10.1(c) and Condition 10.1(d).

The Declaration of Trust also contains provisions permitting the Delegate from time to time and at any time without the consent or sanction of the Certificateholders to make any modification to the Declaration of Trust if, in the 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) or any provision of the Declaration of Trust referred to in the definition of Reserved Matter. Unless the Delegate otherwise agrees, 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

The Trustee will pay amounts due on the Certificates in U.S. dollars and SIB will make payments pursuant to the Transaction Documents to which it is a party in U.S. dollars. If the Certificateholders measure their investment returns by reference to a currency other than U.S. dollars (the **Investor's Currency**), an investment in the Certificates will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of the U.S. dollar, as applicable, relative to the Investor's Currency because of economic, political and other factors over which the Trustee has no control and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. Depreciation of the U.S. dollar, as applicable, against the Investor's Currency could cause a decrease in the effective yield of the Certificates below their stated Periodic Distribution Amount and could result in a loss to the Certificateholders when the return on the Certificates is translated into the Investor's Currency. Investment in the Certificates may also have important tax consequences as a result of any foreign currency exchange gains or losses.

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 less amounts under the Certificates than expected, or no such amounts.

Emerging markets

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

Taxation risks on payments

Payments made by SIB to the Trustee under the Transaction Documents or by the Trustee in respect of the Certificates could become subject to taxation. The Mudaraba Agreement requires SIB (acting in its relevant capacity thereunder), to pay Additional Amounts in the event that any withholding or deduction, for or on account of, any Taxes is required to be made in respect of payments made by it to the Trustee under such document. Condition 13 provides that the Trustee is required to pay Additional Amounts in respect of any withholding or deduction for, or on account of, any Taxes in certain circumstances. In the event that the Trustee fails to comply with any obligation to pay any such Additional Amounts pursuant to Condition 13, SIB has, pursuant to the Declaration of Trust, unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to or to the order of 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 Condition 13.

The circumstances described above may entitle SIB to be able to instruct the Trustee to redeem or vary the Certificates pursuant to Condition 10.1(c). See "*– The Certificates may be subject to early redemption; redemption is conditional*" and "*– Variation upon the occurrence of a Capital Event or a Tax Event*" for a description of the consequences thereof.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Irish Central Bank and the DFSA shall be incorporated in, and form part of, this Prospectus:

- (a) the auditors' review report and unaudited condensed consolidated interim financial statements of SIB as at and for the three months ended 31 March 2019 (available at: <https://www.sib.ae/uploads/media/default/0001/05/95dab83165d8f49d5aa29d6d225b90c4a4a8774d.pdf>);
- (b) the auditors' report and audited consolidated financial statements of SIB as at and for the financial year ended 31 December 2018 (available at: <https://www.sib.ae/uploads/media/default/0001/05/b443395c490c359961e69c051e017f71e6a88a8b.pdf>); and
- (c) the auditors' report and audited consolidated financial statements of SIB as at and for the financial year ended 31 December 2017 (available at: <https://www.sib.ae/uploads/media/default/0001/05/866bd1450c7b37caf5ea258f3b3e61907e19882a.pdf>).

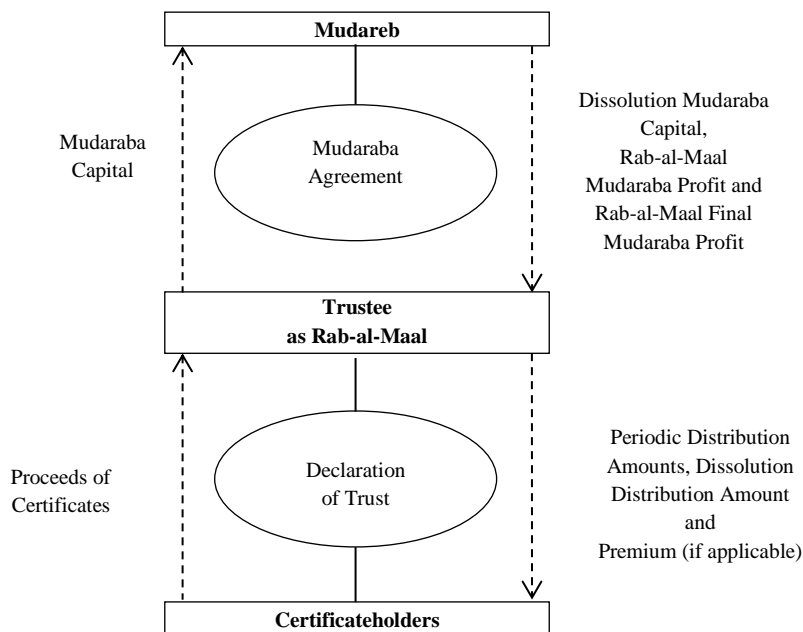
Copies of documents incorporated by reference in this Prospectus can be obtained from the specified office for the time being of the Principal Paying Agent.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

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 Prospectus. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus 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 Prospectus 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 SIB (acting in any capacity) pursuant to any of the Transaction Documents and the covenant given to the Trustee by SIB 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 SIB (as Mudareb) and shall form the initial capital of the Mudaraba (the **Mudaraba Capital**) pursuant to the Mudaraba Agreement. The Mudareb will invest the Mudaraba Capital on an unrestricted co-mingling Mudaraba basis in its general 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**), on a basis proportionate to the rights and obligations of holders of equity of SIB and in accordance with the Mudaraba Agreement.

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 (90 per cent. to the Trustee (as Rab-al-Maal) and 10 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 and Rab-al-Maal Final Mudaraba Profit (each as defined in the Mudaraba Agreement) by the Mudareb may only be made in circumstances where a Non-Payment Event has not occurred and, in the case of Rab-al-Maal Mudaraba Profit only, are at the sole discretion of the Mudareb. 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 or otherwise) (which shall be credited by the Mudareb to the Mudaraba Reserve). Under the terms of the Mudaraba Agreement, the Mudareb shall be expressly entitled to co-mingle any of its own assets with the Mudaraba Assets.

Dissolution payments, redemption and variation 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 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 or any Periodic Distribution Date after the First Call Date, by giving not less than 15 nor more than 20 days' prior notice to the Trustee and the Delegate; or
- (ii) on any date after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 15 nor more than 20 days' prior notice to the Trustee and the Delegate:
 - (a) upon the occurrence of a Tax Event; or
 - (b) upon the occurrence of a Capital Event.

The Trustee (but only upon the instructions of SIB (acting in its sole discretion)) shall, upon receipt of notice in accordance with paragraph (i) above redeem all, but not only some, of the Certificates, and upon receipt of notice in accordance with paragraph (ii) above redeem all, but not only some, of the Certificates or vary the terms thereof, in each case by giving not less than 10 nor more than 15 days' prior notice to the Certificateholders, all as more particularly described in the Conditions, and in each case following actual liquidation of the Mudaraba, as described above.

The Mudareb and the Trustee undertake in the Mudaraba Agreement, in circumstances where the Certificates are required by SIB to be varied upon the occurrence of a Tax Event or a Capital Event, to make such variations as are necessary to ensure that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments.

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 Prospectus. 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 Prospectus 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.\$500,000,000 Additional Tier 1 Capital Certificates. |
| Trustee: | SIB Tier 1 Sukuk Company, an exempted company with limited liability incorporated on 23 April 2019 under the laws of the Cayman Islands and formed and registered in the Cayman Islands with registered number 350545 with its registered office at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands. |
| Trustee Legal Entity Identifier (LEI): | 549300ZK67JZJXTH2F28. |
| 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 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. |
| 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 13 June 2019 between the Trustee and the Trustee Administrator (the Corporate Services Agreement). The Trustee Administrator's registered office is P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands. |
| Mudareb: | Sharjah Islamic Bank PJSC. |
| Rab-al-Maal: | SIB Tier 1 Sukuk Company. |
| Risk Factors: | Certain factors may affect the Trustee's ability to fulfil its obligations under the Certificates and SIB's ability to fulfil its obligations under the Transaction Documents to which it is a party. 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 Global Co-ordinators and Structuring Agents: | Citigroup Global Markets Limited, HSBC Bank plc and Standard Chartered Bank. |
| Joint Lead Managers: | Abu Dhabi Islamic Bank PJSC, Arab Banking Corporation (B.S.C.), Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Dubai Islamic Bank PJSC, Emirates NBD Bank |

PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc, KFH Capital Investment Company K.S.C.C. and Standard Chartered Bank.

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, 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 directed 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 SIB following an SIB Event.

Principal Paying Agent, Calculation Agent and Transfer Agent: Citibank N.A., London Branch.

Registrar: Citigroup Global Markets Europe AG.

Summary of the transaction structure and Transaction Documents: An overview of the structure of the transaction and the principal cashflows 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: 2 July 2019.

Issue Price: 100 per cent.

Periodic Distribution Dates: 2 January and 2 July in each year, commencing on 2 January 2020.

Periodic Distributions: Subject to Condition 8, Periodic Distribution Amounts shall be payable on each Periodic Distribution Date up to and including the First Call Date at a rate of 5.000 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 Call Date, Periodic Distribution Amounts shall be payable on each Periodic Distribution Date after the First Call Date (subject as aforesaid) at a fixed rate, to be reset on the First Call Date and every six years thereafter, equal to the Relevant Six Year Reset Rate plus a margin of 3.213 per cent. per annum.

If SIB makes a Non-Payment Election (as defined herein) or a Non-Payment Event occurs (as defined herein), the Trustee shall not pay the corresponding Periodic Distribution Amounts and neither SIB 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. In such circumstances, 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 claim in respect of any such Periodic Distribution

Amount at any time, even if Periodic Distribution Amounts 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.

The Relevant Obligations will: (a) constitute Additional Tier 1 Capital of SIB; (b) constitute direct, unsecured, conditional and subordinated obligations of SIB; (c) rank subordinate and junior to all Senior Obligations but not further or otherwise; (d) rank *pari passu* with all other Pari Passu Obligations; and (e) subject to the Solvency Conditions being satisfied at the relevant time and no bankruptcy order having been issued in respect of SIB by a court in the UAE rank in priority to all Junior Obligations. See Condition 4.2.

Payments in respect of the Relevant Obligations by SIB are conditional upon: (i) SIB (in its capacity as Mudareb or otherwise) being Solvent at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable; (ii) SIB (in its capacity as Mudareb or otherwise) being capable of making payment of the Relevant Obligations and any other payment that is due to be made on the relevant date to a creditor in respect of all Senior Obligations and all Pari Passu Obligations and still be Solvent immediately thereafter; and (iii) the total share capital (including, without limitation, retained earnings) of SIB being greater than zero at all times from (and including) the first day of the relevant Periodic Distribution

Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant obligations that are due and payable (together, the **Solvency Conditions**).

To the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of SIB has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by SIB in respect of the Relevant Obligations.

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 SIB (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 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 holder in accordance with the Declaration of Trust and the Conditions.

Redemption of Certificates and variation of their terms:

The Certificates are perpetual securities and accordingly do not have a fixed or final redemption date. All, but not some only, of the Certificates may be redeemed or the terms of the Certificates may be varied by the Trustee (but only upon the instructions of SIB (acting in its sole discretion)) only in accordance with the provisions of Condition 10.

Pursuant to Condition 10.1(b), SIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, on the First Call 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 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 or the terms of the Certificates may be varied, in

each case in accordance with Conditions 10.1(c) and 10.1(d). Any redemption of the Certificates is subject to the conditions described in Condition 10.1.

Write-down at the Point of Non-Viability (as prescribed by the Financial Regulator):

If a Non-Viability Event occurs, a Write-down (as defined herein) shall occur on the relevant Non-Viability Event Write-down Date, as more particularly described in Condition 11. In such circumstances, the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) shall automatically be deemed to be irrevocably, unconditionally and permanently written-down in a proportion corresponding to the relevant Write-down Amount and in the case of the relevant Write-down Amount corresponding to the full proportion of the Prevailing Face Amount of each Certificate then outstanding, the Certificates shall be cancelled. See Condition 11.

Dissolution Events:

Subject to Condition 12, if an SIB Event occurs, and, if so requested in writing by the Certificateholders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding or if so directed by an Extraordinary Resolution of the Certificateholders in accordance with Condition 12.1, the Trustee and/or the Delegate shall, subject to Condition 12.3, take the actions referred to therein.

Withholding Tax:

Subject to Condition 9.2 and Condition 13, all payments in respect of the Certificates shall be made free and clear of and without withholding or deduction for, or on account of, any Taxes (as defined in Condition 13), unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay, in respect of Periodic Distribution Amounts (but not, for the avoidance of doubt, in respect of Dissolution Distribution Amounts (other than any Outstanding Payments)), Additional Amounts as shall be necessary in order that the net amounts of Periodic Distribution Amounts received by the Certificateholders after such withholding or deduction shall equal the respective amounts of Periodic Distribution Amounts due and payable to any Certificateholder which would otherwise have been receivable in the absence of such withholding or deduction.

In addition, the Mudaraba Agreement provides that all payments thereunder by SIB (in its capacity as the Mudareb) shall be made without withholding or deduction for, or on account of, any Taxes, unless such withholding or deduction of the Taxes is required by law. In the event there is any such withholding or deduction in relation to any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, SIB shall pay such Additional Amounts as shall result in the receipt by the Trustee of such net amounts of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, as would have been receivable by it if no such withholding or deduction had been required. To the extent that any such Additional Amounts are paid by SIB pursuant to the Mudaraba Agreement, SIB shall be entitled to recover amounts equal to such Additional Amounts from the amounts (if any) standing to the credit of the

Mudaraba Reserve and if, following such recovery a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such Additional Amounts paid by SIB (such shortfall the **Additional Amounts Shortfall**), SIB shall be entitled to recover amounts equal to such Additional Amounts Shortfall from any Excess Liquidation Proceeds.

Notwithstanding any other provision of the Conditions, in no event will the Trustee be required to pay any additional amounts in respect of the Certificates for, or on account of, 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 to 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

Trustee Covenants:

The Trustee has agreed to certain restrictive covenants as set out in Condition 6.

Ratings:

SIB has been assigned ratings of "BBB+" (stable outlook) by Fitch, "A3" (negative outlook) and "Prime-2" (stable outlook) by Moody's and "A-" (stable outlook) by S&P. The Certificates will not be rated by any rating organisation upon their issue.

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.

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.

Tax Considerations:

See "*Taxation*" for a description of certain tax considerations applicable to the Certificates.

Listing and Admission to Trading:

Application has been made to Euronext Dublin for the Certificates to be admitted to listing on the Official List and for such Certificates to be admitted to trading on the regulated market of Euronext Dublin.

Application has been made to the DFSA for the Certificates to be admitted to listing on the DFSA Official List and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai.

Transaction Documents:

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

Governing Law:

The Certificates, the Declaration of Trust, the Mudaraba Agreement, the Agency 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 are governed by the laws of the Cayman Islands.

Waiver of Immunity:

To the extent that SIB may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, SIB will agree in the Transaction Documents not to claim and will irrevocably and unconditionally waive such immunity in relation to any legal proceedings. Further, SIB will irrevocably and unconditionally consent to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any legal proceedings. See Condition 20.7.

Limited Recourse:

Proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as otherwise provided in Condition 4.4, the Certificates do not represent an interest in any of the Trustee, SIB, the Delegate, any of their Agents, or any of their respective affiliates.

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 any 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.

See Condition 4.4 for further details.

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

Selling Restrictions:

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

and Sale".

Use of Proceeds:

The net proceeds of the issue of the Certificates will be contributed by the Trustee (as Rab-al-Maal) to SIB (as Mudareb) as Mudaraba Capital pursuant to the terms of the Mudaraba Agreement and will be used by SIB to enhance its tier 1 capital as well as for general corporate purposes, all in accordance with the investment plan set out in the Mudaraba Agreement, as described in "*Use of Proceeds*".

TERMS AND CONDITIONS OF THE ADDITIONAL TIER 1 CAPITAL CERTIFICATES

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

SIB Tier 1 Sukuk Company (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.\$500,000,000. The Certificates are constituted by a declaration of trust (the **Declaration of Trust**) dated 2 July 2019 (the **Issue Date**) made between the Trustee, Sharjah Islamic Bank PJSC (**SIB**) and Citibank N.A., London Branch (the **Delegate**, which expression shall include all persons for the time being appointed as the delegate or delegates under the Declaration of Trust) and will represent an undivided ownership interest in the Trust Assets (as defined in Condition 5).

Payments relating to the Certificates will be made pursuant to an agency agreement dated the Issue Date (the **Agency Agreement**) made between the Trustee, SIB, 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 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 Citigroup Global Markets Europe AG 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). 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 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) in accordance with the Mudaraba Agreement (as defined in Condition 12.2);
- (b) to act as Rab-al-Maal (as defined in Condition 5) 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 in Condition 12.2); and
- (c) to enter into each Transaction Document, subject to the provisions of the Declaration of Trust and these Conditions.

1. DEFINITIONS AND 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;

Additional Tier 1 Capital means capital qualifying as, and approved by the Financial Regulator as, additional tier 1 capital in accordance with the Capital Regulations;

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

Assets means the consolidated gross assets of SIB as shown (if required by any relevant party) in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of SIB, but adjusted for subsequent events in such manner as the Directors, the Auditors or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of SIB) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

Auditors means, at any time, the statutory independent auditors to SIB at the relevant time or such other auditor as may be appointed for the purpose of the Transaction Documents or, failing such appointment, as may be nominated by the Delegate (subject to the Delegate being indemnified and/or secured and/or pre-funded to its satisfaction);

Authorised Denomination has the meaning given to that term in Condition 2.1;

Basel III Documents means the Basel Committee on Banking Supervision document "A global regulatory framework for more resilient banks and banking systems" released by the Basel Committee on Banking Supervision 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;

Business Day means a day, other than a Friday, Saturday, Sunday or public holiday, on which registered banks settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Sharjah, New York City and London;

Capital Event is deemed to have occurred if SIB is notified in writing by the Financial Regulator to the effect that the face amount (or the amount that qualifies as regulatory capital, if some amount of the Certificates are held by SIB or whose purchase is funded by SIB) of the Certificates outstanding is excluded (in full or in part) from the consolidated Tier 1 Capital of SIB (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital), and provided that SIB satisfies the Financial Regulator that such non-qualification was not reasonably foreseeable at the time of the issuance of the Certificates;

Capital Event Amount means, in relation to a Certificate, its Prevailing Face Amount together with any Outstanding Payments;

Capital Regulations means, at any time, the regulations, requirements, standards, guidelines, guidance and policies relating to the maintenance of capital and/or capital adequacy then in effect in the UAE, including those of the Financial Regulator;

Central Bank means the Central Bank of the UAE or any successor thereto;

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;

Common Equity Tier 1 Capital means capital qualifying as, and approved by the Financial Regulator as, common equity tier 1 in accordance with the Capital Regulations;

Corporate Services Agreement means the corporate services agreement dated 13 June 2019 made between the Trustee and the Trustee Administrator;

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));

Determination Date means, in respect of a Reset Period, the third Business Day prior to the commencement of such Reset Period;

Directors means the executive and non-executive directors of SIB who make up its board of directors;

Dispute has the meaning given to it in Condition 20.2;

Dissolution Distribution Amount means the Trustee Call Amount, the Capital Event Amount or the Tax 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 an SIB Event and/or a Trustee Event;

Dissolution Notice has the meaning given to it in Condition 12.1;

Dissolution Request has the meaning given to it in Condition 12.1;

Distributable Items means the amount of SIB'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 set out in its latest audited or (as the case may be) auditor reviewed consolidated financial statements, or any equivalent or successor term from time to time as prescribed by the Capital Regulations, including the applicable criteria for Tier 1 Capital that do not constitute Common Equity Tier 1 Capital;

Excess Liquidation Proceeds has the meaning given to it in the Mudaraba Agreement;

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 the Central Bank or any successor entity having primary bank supervisory authority with respect to SIB in the UAE;

First Call Date means 2 July 2025;

First Mudaraba Profit Distribution Date means 2 January 2020;

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 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. Government Securities Determination Date. H.15 (519) may be currently obtained at the following website: <https://www.federalreserve.gov/releases/h15/>;

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

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

Junior Obligations means all claims of the holders of Ordinary Shares and all payment obligations of SIB in respect of its Other Common Equity Tier 1 Instruments and any other payment obligations that rank or are expressed to rank junior to the Certificates;

LCIA means the London Court of International Arbitration;

Liabilities means the consolidated gross liabilities of SIB as shown (if required by any relevant party) in the latest audited or (as the case may be) auditor reviewed consolidated balance sheet of SIB, but adjusted for contingent liabilities and for subsequent events in such manner as the Directors, the Auditors or (if a bankruptcy trustee (or any equivalent insolvency practitioner) has been appointed in respect of SIB) a bankruptcy trustee (or such equivalent insolvency practitioner) may determine;

Margin means 3.213 per cent. per annum;

Mudaraba has the meaning given to it in Condition 5;

Mudaraba Agreement has the meaning given to it in Condition 5;

Mudaraba Assets has the meaning given to it in Condition 5;

Mudaraba Capital has the meaning given to it in Condition 5;

Mudaraba End Date means the date on which the Mudaraba ends, being the date on which all, but not some only, of the Certificates are redeemed in accordance with these Conditions;

Mudaraba Profit has the meaning given to it the Mudaraba Agreement;

Mudaraba Profit Distribution Date means 2 January and 2 July in each year, starting on 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;

Non-Payment Election has the meaning given to it in Condition 8.2;

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

Non-Viability Event means that the Financial Regulator has notified SIB in writing that it has determined that SIB is, or will become, Non-Viable without (a) a Write-down; or (b) a public sector injection of capital (or equivalent support);

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 as determined by the Financial Regulator;

Non-Viability Notice has the meaning given to it in Condition 11.2;

Non-Viable means (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 banking regulations;

Ordinary Shares means issued ordinary shares of SIB, having on the Issue Date a par value of AED1.00 each;

Other Common Equity Tier 1 Instruments means securities issued by SIB that qualify as Common Equity Tier 1 Capital of SIB 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 SIB which rank, or are expressed to rank, *pari passu* with the Relevant Obligations;

Payment Business Day has the meaning given to it in Condition 9.3;

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

Periodic Distribution Date means 2 January and 2 July in each year, starting on (and including) 2 January 2020;

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;

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;

Premium means, on the date of final constructive liquidation of the Mudaraba pursuant to clause 7.5(c) of the Mudaraba Agreement, an amount equal to one per cent of the Mudaraba Capital on such date;

Prevailing Face Amount means, in respect of a Certificate, the initial face amount of such Certificate as reduced by a Write-down of such Certificate (on one or more occasions) at or prior to such time pursuant to Condition 11;

Proceedings has the meaning given to it in Condition 20.5;

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);

Qualifying Tier 1 Instruments means instruments (whether securities, trust certificates, interests in limited partnerships or otherwise) other than Ordinary Shares or Other Common Equity Tier 1 Instruments, issued directly or indirectly by SIB that:

- (a) will be eligible to constitute (or would, but for any applicable limitation on the amount of such capital, constitute) Additional Tier 1 Capital;

- (b) have terms and conditions not materially less favourable to a holder of the Certificates than the terms and conditions of the Certificates (as reasonably determined by SIB (*provided that* in making this determination SIB is not required to take into account the tax treatment of the new instrument in the hands of all or any Certificateholders, or any transfer or similar taxes that may apply on the acquisition of the new instrument) *provided that* a certification to such effect of two Directors shall have been delivered to the Trustee and the Delegate prior to the variation of the terms of the Certificates in accordance with Condition 10.1(c) or Condition 10.1(d) (as the case may be));
- (c) continue to be obligations of SIB, directly or indirectly or by a guarantee or equivalent support undertaking by SIB;
- (d) rank on a winding-up at least *pari passu* with the Relevant Obligations;
- (e) have the same face value amount, profit distribution dates and profit or distribution rate or rate of return as the Certificates;
- (f) (where the Certificates are varied prior to the First Call Date) have a first call date no earlier than the First Call Date and otherwise have the same optional redemption dates as the Certificates; and
- (g) if, immediately prior to the variation of the terms of the Certificates in accordance with Condition 10.1(c) or Condition 10.1(d) (A) the Certificates were listed or admitted to trading on a Regulated Market, have been listed or admitted to trading on a Regulated Market; or (B) the Certificates were listed or admitted to trading on a recognised stock exchange other than a Regulated Market, have been listed or admitted to trading on any recognised stock exchange (including, without limitation, a Regulated Market), in each case as selected by the Trustee and approved by the Delegate,

and which may include such technical changes as necessary to reflect the requirements of Additional Tier 1 Capital under the Capital Regulations then applicable to SIB (including, without limitation, such technical changes as may be required in the adoption and implementation of the Basel III Documents);

Rab-al-Maal has the meaning given to it in Condition 5;

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

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

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

Register has the meaning given to it in Condition 2.1;

Registered Account has the meaning given to it in Condition 9.1;

Regulated Market means a regulated market for the purposes of Directive 2014/65/EU, as amended;

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;

Relevant Six Year Reset Rate means, in respect of each Reset Period: (i) 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 six years and trading in the public securities markets; or (ii) if there is no such published U.S. Treasury security with a maturity of six 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 market: (A) one maturing as close as possible to, but earlier than, the immediately following Reset Date; and (B) the other maturity as close as possible to, but later than the immediately following Reset Date, in each case as published in the most recent H.15 (519). If the Trustee cannot procure the determination of the Relevant Six Year Reset Rate on the relevant Determination Date pursuant to the methods described in (i) and (ii) above, then the Relevant Six Year Reset Rate will be: (i) equal to the rate applicable to the immediately preceding Reset Period; or (ii) in the case of the Reset Period commencing on the First Call Date, 1.787 per cent.;

Relevant Jurisdiction means the Cayman Islands (in the case of any payment made by the Trustee) and the UAE and/or the Emirate of Sharjah (in the case of any payment made by SIB) or, in each case, any political sub-division or authority thereof or therein having the power to tax;

Relevant Obligations has the meaning given to it Condition 4.2(a);

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

Reset Date means the First Call Date and every sixth 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 (i) the Mudaraba End Date and (ii) the next succeeding Reset Date;

Rules has the meaning given to it in Condition 20.2;

Senior Creditors means creditors of SIB (including depositors (in respect of their due claims) and, for this purpose, holders of any instrument issued by, or other obligation of, SIB 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 SIB (including payment obligations to SIB's depositors (in respect of their due claims)) and all subordinated payment obligations (if any) of SIB except *Pari Passu* Obligations and Junior Obligations;

SIB Event means:

- (a) **Non-payment:** SIB (acting in its capacity as Mudareb) fails to pay an amount which is equivalent to principal (being capital amounts, including the Mudaraba Capital, payable in accordance with the provisions of the Mudaraba Agreement) or profit (including Additional Amounts) due and payable by it pursuant to any Transaction Document and the failure continues for a period of (in the case of principal) seven days or (in the case of profit) 14 days (save in each case where such failure occurs solely as a result of the occurrence of a Non-Payment Election or a Non-Payment Event); or

- (b) **Insolvency:** a final determination is made by a court or other official body that SIB is insolvent or bankrupt or unable to pay its debts including any financing arrangement issued (or intended to be issued) in compliance with the principles of Shari'a and which is treated as debt for the purposes of applicable law, in each case whether entered into directly or indirectly by SIB; or
- (c) **Winding-up:** an administrator is appointed, an order is made or an effective resolution is passed for the winding-up or dissolution or administration of SIB or SIB applies or petitions, for a winding-up or administration order in respect of itself or ceases, or through an official action of its Directors threatens to cease, to carry on all or substantially all of its business or operations, except, in each case (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Certificateholders; or (ii) for any step or procedure which is part of a solvent reconstruction or amalgamation approved by any court of competent jurisdiction or other competent authority; or
- (d) **Analogous Event:** any event occurs which under the laws of the UAE has an analogous effect to any of the events referred to in paragraphs (b) or (c) above;

Solvency Conditions has the meaning given to it in Condition 4.2(b);

Solvent means that: (a) SIB is able to pay its debts as they fall due and (b) its Assets exceed its Liabilities;

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

Substituted Territory has the meaning given to it in Condition 12.2;

Substituted Trustee has the meaning given to it in Condition 12.2;

Tax Event means SIB 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 SIB (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 (and such requirement cannot be avoided by SIB or the Trustee (as the case may be) taking reasonable measures available to it), and provided that SIB satisfies the Financial Regulator that such Tax Law Change was not reasonably foreseeable at the time of the issuance of the Certificates;

Tax Law Change means any change in, or amendment to, the laws, regulations or rulings affecting taxation of any Relevant Jurisdiction, or any change in the official application of such laws, regulations or rulings;

Tax Redemption Amount means, in relation to a Certificate, its Prevailing Face Amount together with any Outstanding Payments;

Taxes has the meaning given to it in Condition 13;

Tier 1 Capital means capital qualifying as, and approved by the Financial Regulator as, tier 1 capital in accordance with the Capital Regulations;

Transaction Account has the meaning given to it in Condition 5;

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;

Trustee Administrator means MaplesFS Limited;

Trustee Call Amount means, in relation to a Certificate, its Prevailing 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 on the due date for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of any Periodic Distribution Amount only, such default continues for a period of seven days; or
- (b) **Insolvency:** the Trustee is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or
- (c) **Winding-up:** an administrator is appointed, an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the Trustee, or the Trustee applies or petitions for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Certificateholders; or
- (d) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (b) or (c) 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) notwithstanding that the Trustee has at the relevant time insufficient funds or relevant Trust Assets to pay such amounts including, without limitation, as a result of any failure by the Mudareb to comply with the matters described in Condition 4.4(c) (save in each case where such insufficient funds arise solely as a result of SIB making a Non-Payment Election or the occurrence of a Non-Payment Event);

Trustee's Territory has the meaning given to it in Condition 12.2;

UAE means United Arab Emirates;

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;

Write-down means:

- (a) the Certificateholders' rights to the Trust Assets (including the Mudaraba Assets) shall automatically be deemed to be irrevocably, unconditionally and permanently written down in a proportion corresponding to the relevant Write-down Amount;
- (b) in the case of the relevant Write-down Amount corresponding to the full proportion of the Prevailing Face Amount of each Certificate then outstanding, the Certificates shall be cancelled; and
- (c) the rights of any Certificateholder for payment of any amounts under or in respect of the Certificates (including, without limitation, 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, on any Non-Viability Event Write-down Date, the amount as determined by the Financial Regulator by which the aggregate Prevailing Face Amount of the Certificates then outstanding is to be Written-down on a *pro rata* basis and shall be calculated per Certificate by reference to the Prevailing Face Amount of each Certificate then outstanding which is to be Written-down.

All references in these Conditions to **U.S. dollars** and **U.S.\$** 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 holder of any Certificate 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 the holder of any Certificate. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set-off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

3. TRANSFERS OF CERTIFICATES

3.1 Transfers

Subject to Conditions 3.4 and 3.5 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 holder 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 but upon payment (or the giving of such indemnity as the Trustee or any Transfer Agent may reasonably require) by the transferee in respect of 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 and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

The holder of Certificates shall be entitled to receive, in accordance with Condition 3.2, 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.

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 SIB in respect of the Relevant Obligations are subordinated as described in Condition 4.2.

4.2 Subordination

- (a) The payment obligations of SIB under the Mudaraba Agreement (including all payments which are the equivalent of principal (being capital amounts, including the Mudaraba Capital, payable in accordance with the provisions of the Mudaraba Agreement) and profit) (the **Relevant Obligations**) will (i) constitute Additional Tier 1 Capital of SIB, (ii) constitute direct, unsecured, conditional and subordinated obligations of SIB, (iii) rank subordinate and junior to all Senior Obligations but not further or otherwise, (iv) rank *pari passu* with all other *Pari Passu* Obligations, and (v) subject to the Solvency Conditions being satisfied at the relevant time and no bankruptcy order having been issued in respect of SIB by a court in the UAE, rank in priority only to all Junior Obligations.
- (b) The rights and claims of the Trustee against SIB in respect of the Relevant Obligations are subordinated in right of payment to the claims of all Senior Creditors and accordingly payments in respect of the Relevant Obligations by SIB are conditional upon the following (together, the **Solvency Conditions**):
 - (i) SIB (in its capacity as Mudareb or otherwise) being Solvent at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable;
 - (ii) SIB (in its capacity as Mudareb or otherwise) being capable of making payment of the Relevant Obligations and any other payment that is due to be made on the relevant date to a creditor in respect of all Senior Obligations and all *Pari Passu* Obligations and still be Solvent immediately thereafter; and
 - (iii) the total share capital (including, without limitation, retained earnings) of SIB being greater than zero at all times from (and including) the first day of the relevant Periodic Distribution Period (or the Issue Date in the case of the first such period) to (and including) the time of payment of the Relevant Obligations that are due and payable.
- (c) The Trustee has agreed in the Mudaraba Agreement that SIB shall be entitled (in its capacity as Mudareb or otherwise) to utilise the Mudaraba Assets (or any part thereof) or utilise the Mudaraba Profit (or any part thereof) to make payments in respect of the claims of Senior Creditors and, for the avoidance of doubt, such entitlement shall apply both in circumstances (i) where SIB (in its capacity as Mudareb or otherwise) is Solvent and/or (ii) where an order has been made, or an effective

resolution has been passed, for the winding-up, bankruptcy, dissolution or liquidation (or other analogous event) of SIB (in its capacity as Mudareb or otherwise).

- (d) Notwithstanding any other provision in these Conditions, to the extent that any of the Solvency Conditions are not satisfied at the relevant time or if a bankruptcy order in respect of the Mudareb has been issued by a court in the UAE, all claims of the Trustee in respect of the Relevant Obligations will be extinguished and the Certificates will be cancelled without any further payment to be made by the Mudareb in respect of the Relevant Obligations.
- (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.
- (f) The Trustee will, in each relevant Transaction Document, unconditionally and irrevocably waive 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 the Relevant Obligations. No collateral is or will be given by SIB for the Relevant Obligations and any collateral that may have been or may in the future be given in connection with other obligations of SIB shall not secure the Relevant Obligations.

4.3 Other Issues

So long as any of the Certificates remain outstanding, SIB (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 a consolidated basis) issued Tier 1 Capital of SIB 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 and SIB's obligations under the Relevant Obligations have, 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, the Certificates do not represent an interest in any of the Trustee, SIB, the Delegate, 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 shareholders, 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. The Mudaraba Agreement provides that there is no guarantee of any return from the Mudaraba Assets and SIB's obligation to pay amounts thereunder are subject to the more detailed provisions set out therein, and references in these Conditions to "Periodic Distribution Amount", "profit" and "Profit Rate" should be construed accordingly;
- (d) if the net proceeds of the realisation of, or enforcement with respect to, the Trust Assets 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 such shortfall, and no recourse shall be had, and no holder 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, employees, 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, member, officer, agent, director or corporate services provider of the Trustee in their capacity as such. The obligations of the Trustee under these Conditions and the Transaction Documents are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate services provider of the Trustee (in each of their respective capacities as such), save in the case of their wilful default or actual fraud. References in these Conditions to wilful default or actual fraud means 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 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.

SIB is obliged to make certain payments under the Transaction Documents directly to or to the order of the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and/or the Delegate will, subject to Condition 4.2 and Condition 12.3, have direct recourse against SIB to recover payments due to the Trustee from SIB pursuant to such Transaction Documents

notwithstanding any other provision of this Condition 4.4. Such right of the Trustee and the Delegate shall constitute an unsecured claim against SIB. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of SIB in connection with the enforcement of any such claim.

5. THE TRUST

5.1 SIB Tier 1 Sukuk Company (in its capacity as Trustee and in its capacity as rab-al-maal (in such capacity, the **Rab-al-Maal**)) will enter into a mudaraba agreement (the **Mudaraba Agreement**) to be dated the Issue Date with SIB (in its capacity as mudareb (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 (the **Mudaraba Capital**). The Mudareb will invest the Mudaraba Capital on an unrestricted co-mingling basis in its general business activities carried out through the General Mudaraba Pool and following investment of the Mudaraba Capital in the General Mudaraba Pool, it shall constitute *pro rata* undivided assets in the General Mudaraba Pool (the **Mudaraba Assets**), on a basis proportionate to the rights and obligations of holders of equity of SIB and in accordance with the Mudaraba Agreement, which shall include an investment plan prepared by the Mudareb and shall constitute a mudaraba (the **Mudaraba**).

The Trustee has opened a non-interest bearing transaction account in London (the **Transaction Account**) in its own name which shall be operated by the Principal Paying Agent on behalf of the Trustee and for the benefit of the Certificateholders, and 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, the Substituted Trustee will be required to open and maintain a transaction account in London in its name which shall be operated by the Principal Paying Agent on behalf of the Trustee and for the benefit of the Certificateholders and 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 its 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 its rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given by SIB (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 holder 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 the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate in accordance with the Declaration of Trust;
 - (b) *second*, 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; (ii) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents, the Corporate Services Agreement in its capacity as Trustee Administrator; and (iii) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any Liability (as defined in the Declaration of Trust) incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;
 - (c) *third*, only if such payment is due on a Periodic Distribution Date, and subject to Condition 8, in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts (including Additional Amounts) due but unpaid;
 - (d) *fourth*, 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
 - (e) *fifth*, 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 SIB.

Any such residual amount shall be credited to the Mudaraba Reserve and the balance of amounts standing to the credit of the Mudaraba Reserve, after paying all amounts due to the Trustee pursuant to the Mudaraba Agreement, shall be paid to SIB as an incentive fee.

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):

- (a) incur any indebtedness in respect of financed, borrowed or raised money whatsoever (whether structured (or intended to be structured) in accordance with the principles of Shari'a or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
- (b) secure any of its present or future indebtedness (whether structured in accordance with the principles of Shari'a or otherwise) by granting or permitting to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) or 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) without the prior approval of the Certificateholders by way of Extraordinary Resolution;
- (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) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up (except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution of the Certificateholders) or any resolution for the commencement of any other bankruptcy or insolvency proceedings with respect to it; and
- (j) 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 SIB shall be entitled (in its capacity as Mudareb or otherwise) to utilise the Mudaraba Assets (and the proceeds thereof) in respect of the Certificates 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 SIB (in its capacity as Mudareb or otherwise).

7.2 Periodic Distribution Amounts

Subject to Conditions 4.2(d), 4.4, 7.3, 8, 9 and 11, 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 (a) falling prior to and including the first Reset Date shall be equal to the product of: (A) the Initial Periodic Distribution Rate; and (B) the Prevailing Face Amount of the Certificates then

outstanding and (b) falling after the first Reset Date shall be the relevant amount calculated pursuant to Condition 7.4.

7.3 Cessation of Accrual

Subject to Conditions 4.2(d), 8 and 11, 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, 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 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 claim in respect of any such Periodic Distribution Amount at any time, even if Periodic Distribution Amounts are paid in the future.

If SIB makes a Non-Payment Election or a Non-Payment Event occurs, any Periodic Distribution Amount which is not paid to the Certificateholders shall be credited by SIB to the Mudaraba Reserve.

Subject to Condition 8, Periodic Distribution Amounts shall be payable on the Certificates semi-annually in arrear on each Periodic Distribution Date, in respect of the Periodic Distribution Period ending on such date, in each case as provided in this Condition 7.

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Periodic Distribution Period and other than the first 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 Prevailing Face Amount of the relevant Certificate then outstanding; 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 5.000 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 Six Year Reset Rate procured by the Trustee on the relevant Determination Date, and notified to the Calculation Agent on such Determination Date.

The Trustee 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 Irish Stock Exchange plc trading as Euronext Dublin or any other stock exchange on which the Certificates are for the time being listed (if then required by such stock exchange) and to be notified to Certificateholders in accordance with Condition 17.

(b) Calculation Agent

With effect from the First Call Date, and so long as any Certificates remain outstanding thereafter, the Trustee will maintain a Calculation Agent.

The Trustee may, with the prior written approval of the Delegate, 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)) fails duly to determine the Profit Rate in respect of any Reset Period as provided in Condition 7.4(a), the Trustee shall forthwith appoint another leading investment, merchant or commercial bank or financial institution in London approved in writing by the Delegate 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, whether by the Calculation Agent or the Trustee (or its agent), shall (in the absence of manifest error) be binding on the Trustee, SIB, the Calculation Agent, the Paying Agents, the Delegate and all Certificateholders and (in the absence of wilful default, gross negligence or fraud) no liability to the Certificateholders, the Trustee, any Agent or the Delegate shall attach to the Calculation Agent, 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, if any of the following events occurs (each, a **Non-Payment Event**), SIB (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 (which for the purposes of these Conditions includes Additional Amounts as referred to in Condition 13) to be paid by SIB 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 SIB (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, exceeds, on the relevant date for payment of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, Distributable Items; or
- (b) SIB (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 the Applicable Regulatory Capital Requirements (including any payment restrictions due to a breach of any capital buffers imposed on SIB by the Financial Regulator) or payment of the Relevant Rab-al-Maal Mudaraba Profit Amount (as applicable) to the Trustee would cause it to be in breach thereof; or
- (c) the Financial Regulator requires (i) SIB not to pay the Relevant Rab-al-Maal Mudaraba Profit Amount to the Trustee on that Mudaraba Profit Distribution Date or Mudaraba End Date (as the case may be) or (ii) the Trustee not to pay the relevant Periodic Distribution Amount on that Periodic Distribution Date, in each case, for any reason as it may deem necessary; or

- (d) the Solvency Conditions are not satisfied (or would no longer be met if the Relevant Rab-al-Maal Mudaraba Profit Amount was paid).

8.2 Non-Payment Election

Notwithstanding Condition 7.4, SIB may in its sole discretion elect that Rab-al-Maal Mudaraba Profit will not be paid to the Trustee (in its capacity as Rab-al-Maal) on any Mudaraba Profit Distribution Date on account of SIB making a net loss during the relevant financial period or for any other reason as it may deem necessary, and SIB shall, in such case, instruct the Trustee not to make payment of a Periodic Distribution Amount to Certificateholders on such Periodic Distribution Date provided that the foregoing in this Condition 8.2 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**).

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

If a Non-Payment Election or a Non-Payment Event occurs, then SIB shall (a) in the case of a Non-Payment Election, no later than seven 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, which notice shall be revocable, in each case providing details of the Non-Payment Election 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, the fact of non-payment of the relevant Periodic Distribution Amount on the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, as the case may be, shall be evidence of the occurrence of a Non-Payment Election or a Non-Payment Event, as the case may be. Certificateholders shall have no claim in respect of any Periodic Distribution Amount due but not paid as a result of either a Non-Payment Election or a Non-Payment Event (in each case, irrespective of whether notice of such Non-Payment Election or Non-Payment Event, as the case may be, has been given in accordance with this Condition 8.3) and any non-payment 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. SIB 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) (which shall be credited by SIB to the Mudaraba Reserve). The Trustee shall not have any obligation to make any subsequent payment in respect of any such Periodic Distribution Amounts but, for the avoidance of doubt, any such unpaid profit shall continue to constitute part of the Mudaraba Assets.

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 or 8.2 (as the case may be), then, from the date of such Non-Payment Election or Non-Payment Event (the **Dividend Stopper Date**), SIB 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, any class of shares issued by SIB (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 SIB 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 Additional Tier 1 Capital applicable from time to time; or
- (c) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire any class of shares issued by SIB; or
- (d) directly or indirectly redeem, purchase, cancel, reduce or otherwise acquire Other Common Equity Tier 1 Instruments or any securities issued by SIB 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 a mandatory redemption or conversion into equity), only to the extent such restriction on redemption, purchase, cancellation, reduction or acquisition is permitted under the relevant regulatory criteria for Additional 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 (as the case may be) 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).

9. PAYMENTS

9.1 Payments in respect of the Certificates

Subject to Condition 9.2, 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 holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition 9, 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 Certificates are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 13.

9.3 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 and 8.2, 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 this Condition 9.3, **Payment Business Day** means a day on which commercial banks and foreign exchange markets in Sharjah, London and New York City 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.

9.4 Agents

The names of the initial Agents are set out above. 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, 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.

10. REDEMPTION AND VARIATION

10.1 Redemption and variation

(a) No Fixed Redemption Date and Conditions for Redemption and Variation

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, Condition 11) and without prejudice to the provisions of Condition 14) only have the right to redeem the Certificates or vary the terms thereof in accordance with the following provisions of this Condition 10.

The redemption of the Certificates or variation of these Conditions, in each case pursuant to this Condition 10, is subject to the following conditions (in addition to those set out elsewhere in this Condition 10.1):

- (i) (except to the extent that the Financial Regulator and/or the Capital Regulations no longer so requires) SIB 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 or variation is given, SIB is 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 or variation (as applicable), SIB will be in compliance with the Applicable Regulatory Capital Requirements;

- (iv) the Solvency Conditions are satisfied; and
- (v) (in the case of a redemption or variation pursuant to Conditions 10.1(c) or 10.1(d) only) the Tax Law Change or Capital Event, as the case may be, becomes, or would become, effective on or after the Issue Date.

If the Trustee (upon the instructions of SIB (acting in its sole discretion)) gives a notice of redemption in accordance with this Condition 10 and, after giving such notice but prior to the relevant redemption date specified in such notice, a Non-Viability Event occurs, the relevant notice of redemption shall be automatically rescinded and shall be of no force and effect, the Certificates will not be redeemed on the scheduled date of redemption and instead a Write-down shall occur in accordance with Condition 11.

Following the occurrence of a Non-Viability Event, the Trustee (upon the instructions of SIB (acting in its sole discretion)) shall not be entitled to give a notice of redemption in accordance with Condition 10 prior to the Non-Viability Event Write-down Date.

(b) Trustee's Call Option

Subject to Condition 10.1(a), SIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall give not less than 10 nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust, and, provided that any such notice has not been revoked by the Trustee (upon the instructions of SIB (acting in its sole discretion)) by giving notice of such revocation to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust prior to the redemption date specified in the initial notice, 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) may only occur on the First Call Date or any Periodic Distribution Date thereafter.

(c) Redemption or Variation due to Taxation

- (i) Subject to Condition 10.1(a) and the provisions of this Condition 10.1(c), if a Tax Event occurs, SIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than ten nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust, and, provided that any such notice has not been revoked by the Trustee (upon the instructions of SIB (acting in its sole discretion)) by giving notice of such revocation to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust prior to the redemption date specified in the initial notice (A) redeem all, but not some only, of the Certificates at the Tax Redemption Amount; or (B) vary the terms of the Mudaraba Agreement (subject to the approval of the Internal Sharia Control Committee of the Mudareb) and the Certificates provided that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments, in each case without any requirement for consent or approval of the Certificateholders, and in the case of (B) only provided that such modifications or any document giving effect to such modifications do not impose, in the Delegate's sole opinion, more onerous obligations or duties upon it or expose it to liabilities or reduce its protections, and that such modifications or any document giving effect to such modifications are approved by the Trustee and the Delegate. If SIB does not instruct the Trustee to so redeem or vary in accordance with this Condition 10.1(c)(i) 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, Condition 11 and Condition 12.3 and without prejudice to

the provisions of Condition 14) redeem the Certificates or vary the terms thereof in accordance with the provisions of this Condition 10.

- (ii) Redemption of the Certificates, or variation of these Conditions, pursuant to this Condition 10.1(c) may occur on any date after the Issue Date (whether or not a Periodic Distribution Date).
- (iii) At the same time as the delivery of any notice of redemption or variation, as the case may be, pursuant to this Condition 10.1(c), SIB shall give to the Trustee and the Delegate a certificate signed by two Directors (upon which the Delegate may rely without liability to any person) stating that (A) the conditions set out in Condition 10.1(a) have been satisfied; (B) a Tax Event has occurred; and (C) in the case of a variation only, the Certificates, as so varied, are Qualifying Tier 1 Instruments and that the Financial Regulator has confirmed that they satisfy limb (a) of the definition of Qualifying Tier 1 Instruments. Such certificate shall be conclusive and binding evidence of the satisfaction of the conditions precedent set out above in this Condition 10.1(c)(iii) and the Delegate shall be entitled to accept and rely on such certificate as sufficient evidence of the satisfaction of such conditions precedent without liability to any person. Upon expiry of such notice and provided that it has not been revoked, the Trustee shall redeem or vary the terms of the Certificates, as the case may be.

(d) **Redemption or Variation for Capital Event**

- (i) Subject to Condition 10.1(a) and the provisions of this Condition 10.1(d), if a Capital Event occurs, SIB may (acting in its sole discretion) instruct the Trustee to, whereupon the Trustee shall, by giving not less than ten nor more than 15 days' prior notice to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust, and, provided that any such notice has not been revoked by the Trustee (upon the instructions of SIB (acting in its sole discretion)) by giving notice of such revocation to the Certificateholders in accordance with Condition 17 and to the Delegate in accordance with the Declaration of Trust prior to the redemption date specified in the initial notice, (A) redeem all, but not some only, of the Certificates at the Capital Event Amount together with the Premium; or (B) solely for the purpose of ensuring compliance with the Applicable Regulatory Capital Requirements vary the terms of the Mudaraba Agreement (subject to the approval of the Internal Sharia Control Committee of the Mudareb) and the Certificates such that the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments without any requirement for consent or approval of the Certificateholders, and in the case of (B) only provided that such modifications or any document giving effect to such modifications do not impose, in the Delegate's sole opinion, more onerous obligations or duties upon it or expose it to liabilities or reduce its protections, and that such modifications or any document giving effect to such modifications are approved by the Trustee and the Delegate. If SIB does not instruct the Trustee to so redeem or vary in accordance with this Condition 10.1(d)(i) 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, Condition 11 and Condition 12.3 and without prejudice to the provisions of Condition 14) redeem the Certificates or vary the terms thereof in accordance with the provisions of this Condition 10.
- (ii) Redemption of the Certificates, or variation of these Conditions, pursuant to this Condition 10.1(d) may occur on any date after the Issue Date (whether or not a Periodic Distribution Date).
- (iii) At the same time as the delivery of any notice of redemption or variation, as the case may be, pursuant to this Condition 10.1(d), SIB shall give to the Trustee and the Delegate a certificate signed by two Directors (upon which the Delegate may rely without liability to

any person) stating that (A) the conditions set out in Condition 10.1(a) have been satisfied; (B) a Capital Event has occurred; and (C) in the case of a variation only, the Certificates, as so varied, are Qualifying Tier 1 Instruments and the Financial Regulator has confirmed that they satisfy limb (a) of the definition of Qualifying Tier 1 Instruments. 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) and the Delegate shall be entitled to accept and rely on such certificate as sufficient evidence of the satisfaction of such conditions precedent without liability to any person. Upon expiry of such notice and provided that it has not been revoked, the Trustee shall redeem or vary the terms of the Certificates, as the case may be.

(e) **Taxes upon Variation**

In the event of a variation in accordance with Conditions 10.1(c) or 10.1(d), none of the Trustee, the Delegate and SIB will be obliged to pay and will not pay any liability of any Certificateholder to corporation tax, corporate income tax or tax on profits or gains or any similar tax arising in respect of the variation of the terms of the Certificates provided that (in the case of a Tax Event) or so that (in the case of a Capital Event) the Certificates remain or become, as the case may be, Qualifying Tier 1 Instruments, including in respect of any stamp duty or similar other taxes arising on any subsequent transfer, disposal or deemed disposal of the Qualifying Tier 1 Instruments by such Certificateholder.

10.2 Purchase

Subject to SIB (a) obtaining the prior written consent of the Financial Regulator, (b) being in compliance with the Applicable Regulatory Capital Requirements, and (c) satisfying the Solvency Conditions at the time of purchase, SIB or any of its Subsidiaries, may after the First Call Date purchase the Certificates in the open market or otherwise at such price(s) and upon such other conditions as may be agreed upon between SIB or the relevant Subsidiary (as the case may be) and the relevant Certificateholder(s). Upon any purchase, SIB shall deliver such Certificates to any Paying Agent for cancellation and upon such cancellation, the Mudaraba Capital shall be reduced by the Prevailing 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 and which SIB delivers for cancellation in accordance with Condition 10.2 will forthwith be cancelled and accordingly may not be held, reissued or resold.

11. WRITE-DOWN AT THE POINT OF NON-VIABILITY (AS PRESCRIBED BY THE FINANCIAL REGULATOR)

11.1 Non-Viability Event

If a Non-Viability Event occurs, a Write-down will take place in accordance with Condition 11.2.

11.2 Non-Viability Notice

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), the Mudareb will notify the Trustee in writing thereof in accordance with the Mudaraba Agreement and the Trustee will then notify the Delegate, the Certificateholders and the Principal Paying Agent in writing thereof in accordance with Condition 17 (a **Non-Viability Notice**). A Write-down will occur on the Non-Viability Event Write-down Date. In the case of a Write-down resulting in the reduction of the Prevailing Face Amount of each Certificate then outstanding to nil, the Mudaraba Agreement will be automatically terminated with effect from the Non-Viability Event Write-down Date and the Trustee shall not be

entitled to any claim for any amounts in connection with the Mudaraba Assets.

12. DISSOLUTION EVENTS AND WINDING-UP

The Declaration of Trust contains provisions entitling the Delegate to claim from the Trustee and SIB, *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 SIB Events

If an SIB Event occurs, the Delegate (provided it shall have been given notice in writing thereof by the Trustee or SIB or otherwise upon becoming aware of such SIB Event through actual knowledge or express notice) shall as soon as practicable give notice of the occurrence of such SIB Event to the Certificateholders in accordance with Condition 17 with a request to such Certificateholders to indicate to the Trustee and the Delegate in writing if they wish the Certificates to be redeemed and the Trust to be dissolved (a **Dissolution Request**). The Delegate may, and if so requested in writing by the Certificateholders of at least 20 per cent. of the aggregate face amount of the Certificates then outstanding, or if so directed by an Extraordinary Resolution of Certificateholders, the Delegate shall (but in each case subject to Condition 12.3(e)(i)), give notice (a **Dissolution Notice**) to the Trustee that the Certificates are immediately due and payable at the Prevailing 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. A Dissolution Notice may be given whether or not a Dissolution Request has been given to Certificateholders.

12.2 Trustee Events

- (a) SIB has undertaken in the Declaration of Trust that, as soon as practicable following the occurrence of a Trustee Event, it will procure, subject to such amendment of the Declaration of Trust and such other conditions as the Delegate may require and 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, 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 (unless the Delegate otherwise agrees) give to the Delegate an undertaking satisfactory to the Delegate in terms corresponding to Condition 13 with the substitution for or the addition to the references in that Condition and the definition of Relevant Jurisdiction to the Trustee's Territory of references to the Substituted Territory whereupon the Declaration of Trust and the Certificates shall be read accordingly (and SIB 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, extending its obligations thereunder to the Substituted Territory);

- (iii) if any 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 SIB comply with such other requirements as the Delegate may direct in the interests of the Certificateholders; and
 - (v) such substitution is not, in the sole opinion of the Delegate, materially prejudicial to the interests of the Certificateholders.
- (b) Subject to this Condition 12.2, the Delegate may agree to the substitution of the Substituted Trustee without obtaining the consent 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 SIB fails to comply with the foregoing provisions of this Condition 12.2 within 60 days of the occurrence of the relevant Trustee Event, Conditions 12.1 and 12.3 shall apply to the relevant Trustee Event as if it was an SIB Event.

12.3 Winding-up, dissolution or liquidation

(a) Proceedings for Winding-up

If an SIB Event occurs and a Dissolution Notice is delivered pursuant to Condition 12.1, 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 if so requested in writing by the Certificateholders holding at least 20 per cent of the aggregate face amount of the Certificates then outstanding (subject in each case to Condition 12.3(e)(i)), (i) institute any steps, actions or proceedings for the winding-up of SIB and/or (ii) prove in the winding-up of SIB and/or (iii) institute any steps, actions or proceedings for the bankruptcy of SIB and/or (iv) claim in the liquidation of SIB and/or (v) take such other steps, actions or proceedings which, under the laws of the UAE, 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 such steps, actions or proceedings as described in this Condition 12.3(a), 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 SIB with respect to any sum that SIB 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 SIB as a result of any steps, actions or proceedings taken pursuant to Condition 12.1, nor will the Trustee or the Delegate accept the same, otherwise than during or after a winding-up (or analogous event) of SIB, unless SIB has given prior written notice (with a copy to the Trustee and the Delegate) to, and received no objection from, the Financial Regulator (which SIB shall confirm in writing to the Trustee and the Delegate).

(b) Enforcement

Without prejudice to Condition 12.1 and the remaining provisions of this Condition 12.3, the Trustee (or the Delegate) may at its discretion and the Delegate shall if so requested in writing by the Certificateholders holding at least 20 per cent. of the aggregate face amount of the Certificates then outstanding and without further notice (subject in each case to Condition 12.3(e)(i)) institute such

steps, actions or proceedings against SIB, and the Delegate may at its discretion and without further notice institute such steps, actions or proceedings against the Trustee, as it may think fit to enforce any term or condition binding on SIB or the Trustee (as the case may be) under the Transaction Documents (other than any payment obligation of SIB under or arising from the Transaction Documents, including, without limitation, payment of any principal 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 SIB to procure the substitution of the Trustee in the circumstances described in Condition 12.2. However, in no event shall SIB, 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 shall, however, prevent the Trustee (or the Delegate) from taking such steps, actions or proceedings as described in Condition 12.3(a) in respect of any payment obligations of SIB arising from the Mudaraba Agreement or any other Transaction Document (including any damages awarded for breach of any obligations).

(c) **Non-Viability and Solvency Conditions**

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 SIB under the Transaction Documents (including, without limitation, any claim in relation to any unsatisfied payment obligation of the Trustee and/or SIB under the Certificates or the Transaction Documents, as the case may be) shall be subject to, and shall be superseded by: (i) the provisions of Condition 11, irrespective of whether the relevant Non-Viability Event occurs prior to or after the event which is the subject matter of the claim and (ii) the provisions of Condition 4.2(d), irrespective of whether the breach of a Solvency Condition at the relevant time or the issue of a bankruptcy order in respect of SIB occurs prior to or after the event which is the subject matter of the claim, in each case provided that nothing in these Conditions or the Transaction Documents shall affect or prejudice the payment of the actual costs, charges, expenses, liabilities or remuneration of the Delegate or the rights and remedies of the Delegate in respect thereof, all of which shall accordingly remain unsubordinated.

(d) **Extent of Certificateholder remedy**

No remedy against SIB, other than as referred to in this Condition 12, 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 SIB 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 steps, actions or proceedings referred to in these Conditions in respect of SIB or, in the case of the Delegate only, the Trustee to enforce the terms of the Transaction Documents or give a Dissolution Notice (including, without limitation, pursuant to this Condition 12), unless (A) it shall have been so requested by an Extraordinary Resolution of the Certificateholders or in writing by Certificateholders holding at least 20 per cent. 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 provided that the Delegate shall not be liable for the consequences of exercising its discretion or taking such steps, actions or proceedings and may do so without having regard to the effect of such action on individual Certificateholders.

(ii) No Certificateholder shall be entitled to proceed directly against the Trustee or SIB or to take the steps, actions or proceedings referred to in Conditions 12.3(a) and 12.3(b) above, unless the Delegate, having become bound so to proceed, (A) fails to do so within a

reasonable period, or (B) is unable by reason of an order of a court having competent jurisdiction to do so, and such failure or inability shall be continuing, in which case the Certificateholders shall have only such rights against SIB as those which the Trustee or the Delegate is entitled to exercise as set out in this Condition 12.3.

- (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 SIB shall be to enforce their respective obligations under the Transaction Documents.
- (iv) The foregoing paragraphs in this Condition 12.3(e) are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the net proceeds thereof in accordance with these Conditions and 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 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 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, in respect of Periodic Distribution Amounts (but not, for the avoidance of doubt, in respect of Dissolution Distribution Amounts (other than any Outstanding Payments)), additional amounts (**Additional Amounts**) as shall be necessary in order that the net amounts of Periodic Distribution Amounts received by the Certificateholders after such withholding or deduction shall equal the respective amounts of Periodic Distribution Amounts due and payable to any Certificateholder which would otherwise been receivable in the absence of such withholding or deduction, 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 any 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 the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day.

In these Conditions, references to any **Periodic Distribution Amounts** (and related expressions including, without limitation, **Rab-al-Maal Mudaraba Profit**, **Rab-al-Maal Final Mudaraba Profit** and **Outstanding Payments**) shall be deemed to include any Additional Amounts payable under this Condition 13 or any undertaking given in addition to or in substitution for it under the Declaration of Trust.

Notwithstanding any other provision in these Conditions, in no event will the Trustee be required to pay any additional amounts in respect of the Certificates for, or on account of, 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, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

The Mudaraba Agreement provides that all payments made thereunder by SIB (in its capacity as the Mudareb) to the Trustee shall be made without any withholding or deduction for, or on account of, any present or future Taxes, unless such withholding or deduction is required by law. In the event there is any such withholding or deduction in relation to any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, SIB shall pay such Additional Amounts as shall result in the receipt by the Trustee of such net amounts of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, as would have been receivable by it if no such withholding or deduction had been required. To the extent that any such Additional Amounts are paid by SIB pursuant to the Mudaraba Agreement, SIB shall be entitled to recover amounts equal to such Additional Amounts from any amounts (if any) standing to the credit of the Mudaraba Reserve and if, following such recovery a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such Additional Amounts paid by SIB (such shortfall, the **Additional Amounts Shortfall**), SIB shall be entitled to recover amounts equal to such Additional Amounts Shortfall from any Excess Liquidation Proceeds.

14. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within periods of ten years (in the case of the Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts or Outstanding Payments) from the Relevant Date in respect thereof. Any amounts in respect of which claims have been prescribed under this Condition 14 shall be promptly donated by the Trustee to a registered or otherwise officially recognised charitable organisation.

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 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, and then only if it shall also have been indemnified and/or secured and/or pre-funded to its satisfaction.

15.3 No Liability

- (a) The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of SIB 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 SIB 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; (ii) any obligation to insure the Trust Assets or any cash; and (iii) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depository or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of actual fraud, wilful default or gross negligence by the Trustee or the Delegate, as the case may be.

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 SIB 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 entered into by the Delegate or any other person in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee or SIB 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 as donee and delegate, in the case of the 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 actual fraud of which either of them may be guilty in relation to their duties under the Declaration of Trust.

15.6 Notice of Events

The Delegate shall not be responsible for monitoring or ascertaining whether or not a Non-Payment Event, Capital Event, Tax Event, Non-Viability Event, Dissolution Event or Potential Dissolution Event has occurred or exists or is continuing or will occur or exist and, unless and until it shall have 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 in any particular place, the Paying Agent or Transfer Agent having its specified office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee, SIB, the Registrar, the Paying Agent or the Transfer Agent may reasonably 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 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.

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 Transaction Documents. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in face amount of the Certificates then outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more Certificateholders, proxies or representatives holding or representing in aggregate more than 50 per cent. in face amount of the Certificates then outstanding, or at any adjourned such meeting one or more Certificateholders, proxies or representatives present whatever the face amount of the Certificates held or represented, except that any meeting the business of which includes consideration of proposals, *inter alia*, (a) to modify any date for payment in respect of the Certificates, (b) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates, (c) to amend any of the

Trustee's and/or SIB's covenants set out in the Transaction Documents, (d) to amend the covenant given by the Trustee and the Delegate in clause 14 of the Declaration of Trust, (e) to alter the currency of payment or the denomination of the Certificates, (f) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution, (g) to sanction any such substitution as is described in paragraph 5.9(i) of Schedule 4 to the Declaration of Trust, 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 Certificateholders, proxies or representatives holding or representing in aggregate not less than two-thirds, or at any adjourned such meeting not less than one-third, 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 Written Resolution (as defined in the Declaration of Trust) or (iii) Electronic Consent (as defined in the Declaration of Trust). 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 of the Certificateholders: (a) agree to any modification to these Conditions or any provisions of the Transaction Documents which, in the sole opinion of the Delegate, is of a formal, minor or technical nature or is made to correct a manifest error; (b) agree to any modification (other than in respect of a Reserved Matter) of these Conditions, the Declaration of Trust or any other Transaction Document, 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 (c) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided in the case of limbs (b) and (c) 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 20 per cent. 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, 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.
- 18.5** Any modification, waiver, authorisation or determination shall be binding on all of the Certificateholders and shall be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 17.

19. **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.

20. **GOVERNING LAW AND DISPUTE RESOLUTION**

20.1 **Governing Law**

The Declaration of Trust (including these Conditions) 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.

20.2 **Arbitration**

Subject to Condition 20.3, any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Declaration of Trust (including these Conditions) and the Certificates (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their 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 LCIA (the **Rules**), which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 20.2. For these purposes:

- (a) the seat of arbitration shall be London;
- (b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration and shall be an attorney experienced in international securities transactions. The parties to the Dispute shall each nominate one arbitrator and both arbitrators in turn shall nominate a further arbitrator who shall be the presiding arbitrator of the tribunal. In cases where there are multiple claimants and/or multiple respondents, the class of claimants jointly, and the class of respondents jointly, shall each nominate one arbitrator. If the party nominated arbitrators fail to nominate the third arbitrator within 15 days of the nomination of the second arbitrator, such arbitrator shall be appointed by the LCIA; and
- (c) the language of the arbitration shall be English.

20.3 **Option to Litigate**

Notwithstanding Condition 20.2 above, the Delegate may in the alternative, and at its sole discretion, by notice in writing to the Trustee and SIB (as applicable):

- (a) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
- (b) if no arbitration has commenced,

require that a Dispute be heard by a court of law. If such notice is given, the Dispute to which such notice refers shall be determined in accordance with Condition 20.5 and any arbitration commenced under Condition 20.2 in respect of that Dispute will be terminated. With the exception of the Delegate (whose costs will be borne by the Trustee, failing which SIB), each of the parties to the terminated arbitration will bear its own costs in relation thereto.

20.4 Notice to Terminate

If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate must promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:

- (a) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
- (b) his entitlement to be paid his proper fees and disbursements; and
- (c) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

20.5 Submission to Jurisdiction

If a notice is issued pursuant to Condition 20.3, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and SIB submits to the exclusive jurisdiction of such courts;
- (b) each of the Trustee and SIB agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and
- (c) this Condition 20.5 is for the benefit of the Delegate only. As a result, and notwithstanding paragraphs (a) and (b) above, the Delegate may take proceedings relating to a Dispute (the **Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.

20.6 Appointment of Process Agent

Each of the Trustee and SIB has, in the Declaration of Trust, appointed TMF Global Services (UK) Limited at its registered office at 6 St Andrew Street, London EC4A 3AE as its agent for service of process in England and has undertaken that, in the event of TMF Global Services (UK) Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings or Disputes and notify the Delegate and the Certificateholders of such appointment in accordance with this Condition 20.6. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

20.7 Waiver of Immunity

Under the Declaration of Trust, SIB has agreed that, to the extent that it may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment, proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, it will not claim and has irrevocably and unconditionally waived such immunity in relation to any Proceedings or Disputes. Further, SIB has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment, proceedings and injunctions in connection with any Proceedings or Disputes.

20.8 Waiver of Interest

- (a) Each of the Trustee, SIB and the Delegate has irrevocably agreed in the Declaration of Trust that no interest will be payable or receivable under or in connection therewith and in the event that it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.

- (b) For the avoidance of doubt, nothing in this Condition 20.8 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, Indemnity Payment, Premium, Periodic Distribution Amounts, Outstanding Payments or profit of any kind howsoever described payable by SIB (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

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 beneficial 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 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 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 such payment obligations of the Trustee will be discharged by payment to the Registered Holder in respect of each amount so paid), and the expressions **Certificateholder** and **holder of Certificates** and related expressions shall be construed accordingly. In addition, holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. 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.

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 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 of 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 entitled Accountholders in substitution for notification 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 to the Certificateholders 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 Principal Paying Agent 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 to the holder), 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 if an Exchange Event occurs. For these purposes, **Exchange Event** means that: (i) an SIB Event (as defined in the Conditions) has occurred and a Dissolution Notice has been delivered pursuant to Condition 12.1; or (ii) 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 for completion and dispatch to the Certificateholders. Any exchange shall occur no later than ten days after the date of receipt of the first relevant notice by the Registrar. 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 Prospectus, **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, SIB 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, SIB and the Delegate shall be entitled to rely on consent or instructions given in writing directly to the Trustee, SIB and/or the Delegate, as the case may be, by Accountholders in the clearing system with entitlements to such Global Certificate or, where the Accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Trustee, SIB and/or the Delegate, as the case may be, have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting or implementation of such consent or instructions. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, **commercially reasonable evidence** includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Certificates. 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, SIB 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 Certificates will be contributed by the Trustee (as Rab-al-Maal) to SIB (as Mudareb) as Mudaraba Capital pursuant to the terms of the Mudaraba Agreement and will be used by SIB to enhance its tier 1 capital as well as for general corporate purposes, all in accordance with the investment plan set out in the Mudaraba Agreement.

DESCRIPTION OF THE TRUSTEE

General

SIB Tier 1 Sukuk Company, a Cayman Islands exempted company with limited liability, was incorporated on 23 April 2019 under the Companies Law (2018 Revision) of the Cayman Islands with company registration number 350545. The Trustee has been established as a special purpose vehicle for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands and its telephone number is +1 345 945 7099.

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 (the **Share Trustee**) under the terms of a share declaration of trust dated 13 June 2019 (the **Share Declaration of Trust**) under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has the power to benefit Qualified Charities (as defined in the Share Trust Deed). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from its holding of, the Shares.

Business of the Trustee

The Trustee has no prior operating history or prior business other than in connection with the Certificates to be issued and will not have any substantial liabilities other than in connection with the Certificates. The Certificates are the obligations of the Trustee alone and not the Share 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 April 2019.

Financial Statements

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.

Directors of the Trustee

The directors of the Trustee are as follows:

| <u>Name:</u> | <u>Principal Occupation:</u> |
|----------------------|---|
| Linval Stewart | Vice President, Fiduciary at MaplesFS Limited |
| John Curran | Vice President, Fiduciary at Maples Fund Services (Middle East) Limited |

The business address of Linval Stewart is c/o MaplesFS Limited, PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands. The business address of John Curran is c/o Maples Fund Services (Middle East) Limited, PO Box 506734, Burj Daman, Level 14, Office 1402, Happiness Street, Dubai International Financial Centre, Dubai, United Arab Emirates.

There are no potential conflicts of interest between the private interests or other duties of the directors listed above and their duties to the Trustee.

The Trustee Administrator

MaplesFS Limited 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 the Corporate Services Agreement, the Trustee Administrator has agreed to perform in the Cayman Islands or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and the provision of 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 as published at <http://www.maplesfiduciaryservices.com/terms> (the **Registered Office Terms**). In consideration of the foregoing, the Trustee Administrator receives 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 with a copy to any applicable rating agency.

The Trustee Administrator is 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 tables set out in summary form the financial position and statement of income information relating to SIB. Such information is extracted from the Financial Statements (which, together with the audit reports thereon, are incorporated by reference in this Prospectus). The financial information presented below should be read in conjunction with the Financial Statements and the other information included elsewhere in this Prospectus.

Sources of Funding

SIB's main source of funding has been customer and other banks' deposits, sukuks and shareholders' equity. The following table sets out certain details of such funding for SIB as at 31 December 2018, 31 December 2017 and 31 December 2016:

| Description | 31 December 2018 | 31 December 2017 <i>(AED million)</i> | 31 December 2016 |
|----------------------------|---------------------|---|---------------------|
| Customers' Deposits | 26,438 | 22,319 | 18,329 |
| Due to Banks | 6,549 | 4,076 | 3,851 |
| Sukuk Payable | 5,500 | 5,502 | 5,498 |
| Shareholders' Equity | 5,388 | 5,519 | 4,856 |

Assets and Investments

The following table summarises the position in relation to some of SIB's principal assets and investments as at 31 December 2018, 31 December 2017 and 31 December 2016:

| Description | 31 December 2018 | 31 December 2017 <i>(AED million)</i> | 31 December 2016 |
|--|---------------------|---|---------------------|
| Cash and Balances with Banks and Financial Institutions | 2,441 | 3,103 | 3,206 |
| International Murabaha and Wakalah with Financial Institutions | 7,217 | 3,925 | 4,641 |
| Investments in Islamic Financing: | 24,123 | 21,707 | 17,091 |
| Investment Securities | 6,220 | 5,034 | 4,107 |
| Investment Properties | 2,318 | 2,168 | 2,124 |
| Properties Held for Sale | 658 | 568 | 573 |
| Other Assets | 908 | 923 | 867 |
| Property and Equipment | 859 | 859 | 929 |
| Total assets | 44,745 | 38,289 | 33,539 |

Contingent Liabilities and Commitments

The following table summarises the position in relation to SIB's contingent liabilities and commitments as at 31 December 2018, 31 December 2017 and 31 December 2016:

| Description | 31 December 2018 | 31 December 2017 <i>(AED million)</i> | 31 December 2016 |
|----------------------------|---------------------|---|---------------------|
| Letters of Credit | 147 | 224 | 152 |
| Letters of Guarantee | 1,969 | 1,987 | 1,527 |

Capital Adequacy Ratio

The capital adequacy ratio was 16.96 per cent. for the year ended 31 December 2018, 19.77 per cent. for the year ended 31 December 2017 and 21.35 per cent. for the year ended 31 December 2016. This remains above the regulatory minimum 12.375 per cent. set by the UAE Central Bank. In the opinion of SIB it has adequate capital to meet its requirements.

Key Financial Information and Business Ratios¹

| | As at 31 December 2018 | As at 31 December 2017 | As at 31 December 2016 |
|--|------------------------------|------------------------------|------------------------------|
| Income Statement Data | | | |
| <i>(in AED million)</i> | | | |
| Total Income | 1,702 | 1,490 | 1,374 |
| General and Administrative Expenses | (614) | (556) | (484) |
| Provisions net of Recoveries | (37) | (149) | (228) |
| Distribution to Depositors..... | (541) | (307) | (200) |
| Profit for the period | 510 | 478 | 463 |
| Financial Position Data | | | |
| <i>(in AED million)</i> | | | |
| Total Assets | 44,745 | 38,289 | 33,539 |
| Investments in Islamic financing | 24,123 | 21,708 | 17,901 |
| Investments ² | 9,197 | 7,770 | 6,805 |
| Customers' Deposit | 26,438 | 22,319 | 18,329 |
| Due to Banks | 6,549 | 4,076 | 3,851 |
| Equity attributable to equity holders ³ | 5,388 | 5,519 | 4,856 |
| Income Statement Data | | | |
| <i>(in USD million)</i> | | | |
| Total Income | 463 | 406 | 374 |
| General and Administrative Expenses | (167) | (151) | (132) |
| Provisions net of recoveries | (10) | (41) | (62) |
| Distribution to Depositors..... | (147) | (84) | (54) |
| Profit for the period | 139 | 130 | 126 |
| Financial Position Data | | | |
| <i>(in USD million)</i> | | | |
| Total Assets | 12,184 | 10,426 | 9,132 |
| Investments in Islamic financing | 6,569 | 5,911 | 4,653 |
| Investments ² | 2,504 | 2,116 | 1,853 |
| Customers' Deposit | 7,198 | 6,077 | 4,991 |
| Due to Banks | 1,783 | 1,110 | 1,049 |
| Equity attributable to equity holders ³ | 1,467 | 1,503 | 1,322 |
| Profitability Ratios | | | |
| Net Profit Margin (%)..... | 2.10 | 2.69 | 2.27 |
| Annualized Return on Average Asset (%) ⁴ | 1.2 | 1.3 | 1.5 |
| Annualized Return on Average Equity (%) ⁵ | 9.4 | 9.2 | 9.7 |
| Earnings Per Share (AED)..... | 0.17 | 0.16 | 0.17 |
| Equity/Total Assets (%)..... | 12 | 14 | 14 |
| Total regulatory capital expressed as a percentage of total risk weighted assets (%) ⁶ | 17 | 20 | 21 |
| Liquidity & Business Ratios | | | |
| Cost to Income Ratio (%) | 32.58 | 33.33 | 31.62 |
| Liquid Assets ⁷ /Total Assets (%) | 22 | 18 | 23 |
| Financings/Total Deposits (%) ⁸ | 73 | 82 | 77 |
| Depositors' accounts/Total Deposits (%) ⁹ | 80 | 85 | 83 |
| Non-performing financing assets (NPA)/Net Financing (%) ¹⁰ | 5.8 | 5.4 | 6.4 |
| Financing/Depositors' accounts (%) | 91 | 97 | 93 |

Notes:

¹ This information has been subject to rounding adjustments.

² Investments include Investment Securities, Investment Properties and Properties Held-for-Sale in the Financial Statements.

³ Equity attributable to equity holders is the Total Shareholders' Equity in the Financial Statements.

⁴ Return on Average Asset has been calculated by dividing the Profit for the period by the average of Total Assets of two years.

- ⁵ Return on Average Equity has been calculated by dividing the Profit for the period by the average of Shareholders' Equity of two years.
⁶ This is computed by Total Capital Base/Risk Assets of SIB as reported per UAE Central Bank guidelines.
⁷ Includes Cash and Balances with Banks and Financial Institutions and International Murabaha and Wakalah with Financial Institutions.
⁸ Financings are determined by taking Investments in Islamic financing divided by Customers' Deposit and Due to Banks.
⁹ Total Deposits include Customers' Deposit and Due to Banks.
¹⁰ Computed by Net NPL after Profit in suspense and special provision divided by Net Islamic Financing and Ijara Financing.

DESCRIPTION OF SHARJAH ISLAMIC BANK PJSC

Overview

Sharjah Islamic Bank PJSC (**SIB**) was originally incorporated as a commercial bank in 1975 as National Bank of Sharjah, under an Emiri decree issued by H.H. Sheikh Dr. Sultan Bin Mohammed Al Qassimi, Member of the UAE Supreme Council and Ruler of Sharjah. SIB was registered as a Public Joint Stock Company on 3 April 1976 under registration number 12088.

On 18 March 2001, a decision was made by SIB's shareholders to change SIB's status from a conventional bank to an Islamic bank, thereby undertaking to perform all of its banking activities in compliance with *Shari'a* rules and regulations. The conversion process was completed on 30 June 2002, making SIB the first bank in the world to convert fully from a conventional banking system to an Islamic banking system. In 2005, SIB's name was changed from National Bank of Sharjah to Sharjah Islamic Bank.

During the conversion process, SIB formed a strategic alliance with Kuwait Finance House (**KFH**), under which KFH acquired a 20 per cent. shareholding in SIB from the Government of Sharjah (the **Government**). KFH is an Islamic financial institution based in Kuwait. Through this strategic alliance with KFH, SIB benefits from KFH's product expertise and an increase in SIB's funding base.

SIB is a publicly listed company whose shares are listed on the ADX. As at 31 December 2018, SIB had 2,934,855,000 shares outstanding held by 2,793 shareholders of record, with a total issued and paid-up capital (equal to that authorised) of AED 2,934,855,000, and a market capitalisation of AED 3,375,083,250 (assuming a share price of AED 1.15). As at 31 December 2018, the Government and KFH directly and indirectly owned 37.55 per cent. and 18.18 per cent. of SIB, respectively. In March 2017 SIB issued a 10 per cent. stock dividend bonus issuance and in December 2017 an additional 10 per cent. of capital was raised in the form of an issue of AED 266,805,000 convertible sukuk (**the 2017 Convertible Sukuk**). Sharjah Social Security Fund, an endowment fund established under an Emiri Decree by H.H. Sheikh Dr. Sultan Bin Mohammed Al Qassimi, subscribed to the 2017 Convertible Sukuk (in full) and subsequently converted the entire issue into the equity in SIB. By virtue of this, Sharjah Social Security Fund became the third largest shareholder of SIB holding 9.09 per cent. of the share capital. As a result of this acquisition, the Government's direct and indirect shareholding increased to 37.55 per cent. from 31.3 per cent. Other than the Government, KFH and Sharjah Social Security Fund, no shareholder held more than 3 per cent. of the shares of SIB as at 31 December 2018.

In 2008, SIB carried out a successful rights offering and bonus issue to its shareholders which increased the paid-up capital of SIB from AED 1.1 billion to AED 2.2 billion. Between 2009 and 2010, and then in 2017, bonus shares were given to SIB's shareholders, which led to the paid-up capital being increased to AED 2,668,050,000. Additionally, the 2017 Convertible Sukuk was issued in 2017. In the process of conversion, the 2017 Convertible Sukuk was redeemed in full, and the paid-up capital increased to the present level of AED 2,934,855,000.

As at 31 December 2018 SIB has total assets of AED 44.7 billion. By comparison, as at 31 December 2017 and 31 December 2016, total assets of SIB were AED 38.3 billion and AED 33.5 billion, respectively. SIB had shareholders' funds of AED 5.4 billion and AED 5.5 billion for the years ended 31 December 2018 and 2017, respectively. For the purposes of reporting its risk-weighted assets in accordance with Basel III, SIB had Tier 1 capital of AED 5.3 billion and AED 5.5 billion and a total capital base of AED 5.7 billion and AED 5.8 billion as at 31 December 2018 and 31 December 2017, respectively. SIB's net profit for the year ended 31 December 2018 was AED 510.4 million (6.8 per cent. higher as compared to the net profit of AED 477.7 million for the year ended 31 December 2017).

SIB is one of the leading Islamic banks in the UAE, providing a range of retail banking, corporate banking and investment banking services, in compliance with *Shari'a* rules and regulations. As at the date of this

Prospectus, SIB has 36 branches in five of the seven emirates, namely Sharjah, Dubai, Abu Dhabi, Fujairah and Ras Al Khaimah. SIB was awarded the Mohammed bin Rashid Al Maktoum Business Innovation Award in Financial Services category in 2015 and 2018, Best Customer Service Award in the Middle East Asian Retail Banker in 2014, Sheikh Khalifa Excellence Award – Gold in 2012 and the Dubai Human Development Award in 2016 and 2010.

General

As at the date of this Prospectus, SIB has ratings of "A3" (negative outlook) and "Prime-2" (stable outlook) from Moody's, "A-" (stable outlook) from S&P and "BBB+" (stable outlook) from Fitch.

SIB operates in the UAE under a banking licence issued by the UAE Central Bank. The registered address of SIB is P.O. Box 4, Sharjah, UAE and the telephone number of the registered office is +971 6 599 8888.

Strategy

SIB's vision is, "to be the bank of choice, delivering creative solutions based on Islamic principles of partnership, trust, and fairness for all". In order to achieve this vision, SIB's primary strategic objectives are to:

- maximise value for SIB's shareholders;
- maintain a conservative attitude to risk;
- provide exceptional customer service; and
- continue to build a strong brand.

The following strategic priorities have therefore been developed to accomplish these objectives.

Expand its Islamic banking activities

Islamic banking is one of the fastest growing sectors in the finance industry and has been defined in recent years not only by strong demand but also by increasing levels of sophistication and product diversification. SIB believes that this growth presents significant opportunities and intends to continue to develop effective and innovative *Shari'a*-compliant banking products and services to offer to retail and corporate clients.

Pursue expansion in the UAE and internationally

SIB plans to expand its share of the retail and corporate banking market in the UAE, both within and outside of Sharjah in the medium term. As part of its plan to fulfil this growth strategy, SIB expects to relocate a number of branches within its retail network as well as corporate business units, in strategic locations across the country based on customer demand. Such locations are expected to be opened in industrial and free zones and in commercial areas with a high visibility, including in Sharjah, Dubai and Al Ain. These are expected to cater to the growing needs of small and medium sized businesses as well as retail customers in the targeted locations.

SIB intends to expand its small and medium enterprise business as it considers this segment to be a valuable addition to its revenue streams. SIB expects to achieve this growth through the introduction of new products to appeal to both corporate and retail customers (see, in particular, "*Activities of SIB – Retail Banking Group – Retail Positioning*" below) as well as through its branch improvement plans.

SIB expects this growth to take place in the domestic market, focusing on the areas of Sharjah, Abu Dhabi, Al Ain, Dubai and industrial free zones including Jebel Ali Free Zone in Dubai and Hamriya Free Zone in Sharjah. SIB is targeting a number of trade sectors including manufacturing, pharmaceuticals, contracting,

aviation and shipping. SIB believes that it will continue to benefit from inward investment of capital from other areas of the GCC and the wider economy in the short to medium term as a result of the relative stability of the UAE economy and political environment as well as due to the anticipated commercial activity in the lead up to the Dubai Expo 2020.

Whilst SIB does not plan to establish an overseas branch network, its management monitors the market landscape closely looking for specific expansion opportunities. Any expansion overseas will likely occur through joint ventures and partnerships, with SIB seeking to capitalise on its Islamic credentials and expertise. Whilst organic growth is SIB's preferred method of expansion, it does look at opportunities for external alliances close to the UAE where SIB's management believes that cautious expansion could be feasible. SIB continues to take a cautious approach to growing economies through participation in syndicated transactions and investments in capital market instruments.

Maintain a conservative attitude to risk

As an Islamic institution, SIB maintains strict *Shari'a* controls over its business and processes. These rigorous controls have resulted in SIB applying a conservative attitude towards risk, emphasising the need to maintain high levels of liquidity and capital adequacy. The result of this attitude is reflected in the fact that SIB was one of only two banks in the UAE not to have its credit rating downgraded during the 2008 global financial crisis.

By aligning SIB's risk management function with SIB's credit division, SIB has created a risk management architecture that promotes the active management of risk. This risk management architecture combines policies and procedures that have been both developed internally and laid down by the UAE Central Bank as the local financial regulator. Reflecting SIB's conservative attitude towards risk and risk management, SIB's internal policies and procedures, including those relating to credit approval, are often more conservative than those of other similar institutions in the UAE banking sector.

Monitoring the risks of SIB's existing investment and financing portfolio is a priority while conservative credit and risk management procedures are applied to all new facilities. By maintaining liquidity levels at a level of approximately 20 per cent. or above, SIB believes that it has substantially mitigated many of the liquidity risks that it faces.

Maintain a strong capital adequacy ratio and low level of non-performing facilities

SIB had a capital adequacy ratio of 16.96 per cent. as at 31 December 2018 calculated in accordance with Basel III and SIB also benefits from relatively low levels of non-performing loans, with AED 1,432 million (or 5.6 per cent. of all loans) classified as non-performing as at 31 December 2018. Comparatively, SIB maintained a capital adequacy ratio of 19.77 per cent., with AED 1,178 million (or 5.2 per cent. of all loans) classified as non-performing as at 31 December 2017.

Diversify revenues through its subsidiaries

SIB continues to diversify its revenues through the incorporation of subsidiaries. As at the date of this Prospectus, SIB has three principal subsidiaries whose businesses include the provision of *Shari'a*-compliant financial services to clients through the DFM and the ADX, investment in the Sharjah hospitality industry and the management of real estate assets. Following its acquisition of the Sharjah National Hotel Corporation in 2006, SIB has sought to encourage and support the Sharjah hospitality and tourism industry whilst diversifying its investments and revenues (see also "*Subsidiaries of SIB – Sharjah National Hotel Corporation*").

Competitive Strengths

SIB enjoys a number of key competitive strengths, including the following:

Strong links to the Government of Sharjah and Government of Sharjah related entities

As at the date of this Prospectus, the Government is SIB's largest shareholder, directly and indirectly holding 37.55 per cent. of SIB's share capital. SIB has capitalised on its close ties between itself and its largest shareholder by becoming the Government's effective bank of choice in the UAE. This close relationship has resulted in the Government and its related entities becoming the largest customer group of SIB, being accountable for AED 7.5 billion, or 29.3 per cent. of SIB's financing as at 31 December 2018, as compared to AED 7.4 billion, or 32.4 per cent. of SIB's financing as at 31 December 2017. Through its strong relationship with the Government, SIB believes that it will benefit from the ongoing inward investment to Sharjah through the financing of infrastructure projects. In the current macro-economic environment, Sharjah is less affected than neighbouring emirates, having less exposure to oil revenues and volatile real estate assets. In addition, with Sharjah being a smaller emirate with correspondingly more conservative development plans than some of the other emirates, the Government is not burdened with high levels of debt. As such, SIB believes that its levels of exposure to the Government should be viewed as a strength, reflecting positively on SIB's reputation amongst Sharjah-based retail and corporate clients.

Extensive experience as a conventional bank prior to its conversion to an Islamic bank

Prior to its conversion to an Islamic bank in 2002, SIB had over 25 years' experience in the conventional banking market. Unlike other Islamic banks without prior conventional experience, SIB therefore has a deep knowledge and understanding of the needs of both conventional and Islamic banking customers. SIB believes that this knowledge has enabled it to develop its *Shari'a*-compliant banking services in a way that appeals to a broader client base than other Islamic banks.

SIB's conventional experience has contributed to the development of many innovative *Shari'a*-compliant banking products that seek to replicate the salient features of their conventional counterparts. SIB's innovations include prepaid Visa cards and Mastercards and zero per cent. profit finance, each of which was the first *Shari'a*-compliant example of these products in the UAE. Through innovations such as these, SIB has been able to bridge the divide between conventional banks and Islamic banks, enabling it to appeal to both Muslim and non-Muslim clients.

Stable funding base

SIB has a diversified deposit base that includes retail and corporate customers, Government bodies and public sector agencies which, taken together, are regarded by SIB as a relatively stable and a low cost source of funding. As at 31 December 2018, SIB had AED 19.8 billion of customer deposits maturing in less than three months and AED 6.6 billion of customer deposits maturing between three to 12 months, compared with AED 17.8 billion and AED 4.5 billion, respectively, as at 31 December 2017 (see also "– Risk Management – Liquidity Risk" below). The increase in deposits maturing in less than three months is due to a growing demand for shorter term deposits due to relatively low liquidity levels in the market, and depositors avoiding longer tenors to potentially benefit from a rising profit rate environment.

SIB also had total customer deposits of AED 26.4 billion as at 31 December 2018, representing an increase of AED 4.1 billion (18.4 per cent.) as compared to 31 December 2017 (AED 22.3 billion). A breakdown of SIB's deposit base by product as at 31 December 2018 and 31 December 2017 is set out below:

| Product | 31 December 2018 | 31 December 2017 |
|-----------------------|-----------------------------|-----------------------------|
| | <i>(AED million)</i> | |
| Current Accounts..... | 7,815 | 8,104 |
| Saving Accounts..... | 2,224 | 2,298 |

| Product | 31 December 2018 | 31 December 2017 |
|-------------------------------------|----------------------|---------------------|
| | <i>(AED million)</i> | |
| Watany / Call Accounts | 438 | 799 |
| Time Deposits..... | 15,435 | 10,661 |
| Margins..... | 526 | 456 |
| Total Customer Deposits..... | 26,438 | 22,319 |

A breakdown of SIB's deposit base by customer sector as at 31 December 2018 and 31 December 2017 is set out below:

| Sector | 31 December 2018 | 31 December 2017 |
|-------------------------------------|----------------------|---------------------|
| | <i>(AED million)</i> | |
| Government..... | 5,965 | 5,755 |
| Corporate..... | 15,695 | 12,206 |
| Retail..... | 4,778 | 4,358 |
| Total Customer Deposits..... | 26,438 | 22,319 |

Diversified distribution channels and accessibility to customers

SIB distributes its products through a variety of channels which include its branch network, automated teller machines (**ATMs**), a direct sales force, a call centre, SMS services and internet banking. As at the date of this Prospectus, SIB has 36 branches in its network.

As at the date of this Prospectus, SIB has a nationwide ATM network consisting of 155 ATMs and with 37 sites capable of handling cash and cheque deposit facilities, referred to as **CCDM**, SIB's call centre serves over 25,000 customers monthly. SIB launched its retail internet banking services in 2009 and its corporate internet banking services in 2010. The internet banking and mobile banking services were relaunched in 2016, and are currently being upgraded further to include additional features, with a view to enhancing the customer experience, without the need for interaction at the branch level. Customers registered on internet banking and mobile banking platforms can make a number of transactions in a time and cost effective manner. These include, but are not limited to, funds transfer (locally and internationally), bill payments and enquiries.

By offering a wide range of financial products to its customers, SIB has been able to develop a diverse client base, ranging from low income to high net worth individuals. In addition, SIB utilises its strong corporate banking relations to cross sell its retail banking products to individuals within the relevant corporates.

Quality of service

SIB considers quality of service as being key to maintaining client and customer satisfaction. To this end, in August 2004, SIB established a separate Service Quality and Business Process Engineering Division. This division is part of SIB's Strategic Development Division, which reports directly to the Deputy Chief Executive Officer.

The Service Quality and Business Process Engineering Division conducts service quality assessments in order to maintain compliance with established quality control systems. It carries out quality assurance visits, handles external customer complaints, conducts customer satisfaction surveys and oversees suggestion schemes. Furthermore, the unit regularly assesses SIB's competitive position in the marketplace, as well as recommending business practice improvements.

Strong Islamic banking presence and Shari'a credibility

Islamic banking is one of the fastest growing sectors in the finance industry and since its conversion to an Islamic bank in 2002, SIB has established a strong market presence in this sector. SIB offers customers a range of full service *Shari'a*-compliant banking products to retail and corporate clients. Through its retail branch network, SIB is able to maintain a high visibility, both within and outside of Sharjah, serving to develop SIB's brand for the benefit of its corporate and retail banking businesses.

SIB ensures that each of the products and services that it offers to customers are in conformity with the strict *Shari'a* supervision parameters approved by SIB's *Shari'a* Supervisory Board (**SSB**). Reflecting its commitment to the application of these principles, SIB has established its own *Shari'a* Control and Audit Division (**SCAD**). The SCAD's role is to ensure that *Shari'a* principles are properly applied to each of SIB's new products and services, thereby maintaining SIB's reputation as a premier Islamic bank.

Experienced management team

SIB's senior management team has extensive experience in the banking industry, both domestically and internationally. See further "*Management of Sharjah Islamic Bank PJSC*".

Skilled and knowledgeable workforce

Upon joining SIB, all new employees are required to attend a dedicated orientation programme which provides them with a comprehensive overview of each of SIB's products and services. In addition to employee initiation programmes, SIB also provides regular training to all of its staff, at each level of seniority. In order to provide more efficient training to its staff, SIB established a dedicated Training and Development Division (**T&D**), which reviews staff performance and identifies areas for improvement. Associates in SIB's branches have specific classrooms, e-learning and computer based learning modules designed to improve their knowledge and skills in SIB's products, services, Islamic banking and customer service. This commitment to staff training has enabled SIB to develop a skilled and knowledgeable workforce, which is able to better serve the needs of its customers.

As at the date of this Prospectus, T&D has integrated its services with SIB's performance management system. Associates performing below SIB's standards for core or managerial competencies are enrolled in specialised courses designed to address any development issues. More than 80 per cent. of SIB's courses are provided in-house using the services of professional trainers and industry experts.

Strong links with the community

SIB recognises that in order to achieve its vision and attain sustainable development, it must be an active participant in the community. SIB is committed to contributing to the community and actively promotes its development through various contributions to the UAE Red Crescent (including the establishment of a UAE Red Crescent Society medical center in Sharjah), Sharjah Charity Association and Sharjah Voluntary Work Award. SIB has also partnered with Al Theqa Club for People with Special Needs.

SIB also operates blood donation and health and awareness campaigns (including sponsoring the Pink Caravan that looks to create awareness about Breast Cancer in the UAE), and is involved with various community projects during Ramadan (the Islamic month of fasting). Through these initiatives, SIB has been able to increase the visibility and strength of its brand, thereby promoting growth.

Activities of SIB

Key products

SIB offers a number of *Shari'a*-compliant products across its business divisions, including but not limited to the following:

- *Murabaha* – a sale contract whereby SIB sells an item to a customer at a pre-agreed selling price which includes a pre-agreed mark up over its cost. This usually involves deferred payment terms;
- *Ijara* – a form of leasing contract which involves SIB buying and then leasing an item, such as a consumer durable, to a customer for a specified rental over a specific period. The duration of the lease, as well as the basis for rental, are set and agreed in advance. SIB retains ownership of the item throughout the arrangement and the client will pay periodic lease rentals to SIB;
- *Istisna'a* – a sale contract of specified items to be manufactured with an obligation on the part of the manufacturer to deliver them to the customer upon completion; and
- *Musharaka* – a partnership in which SIB participates in financing new or existing projects and shares in the capital and the returns.

SIB's principal business strategy is geared to the further development of its three core business groups, namely:

- Retail Banking Group (**RBG**);
- Corporate Banking Group (**CBG**); and
- Investment Group (**IG**).

The following table, which is based on SIB's audited financial statements for the year ended 31 December 2018 (which are incorporated by reference in this Prospectus), sets out the relative contribution (expressed as a percentage) made by each of SIB's three major divisions, together with its subsidiaries (see further "Subsidiaries of SIB"), to SIB's total revenue and total assets during the years ended 31 December 2018 and 31 December 2017.

| Division | Year ended 31 December 2018 | Year ended 31 December 2018 | Year ended 31 December 2017 | Year ended 31 December 2017 |
|---------------------------------|---|---|---|--|
| | Contribution (%) to SIB's total income* | Contribution (%) to SIB's total assets* | Contribution (%) to SIB's total income* | Contribution (%) to SIB's total assets |
| Retail | 18.56 | 9.98 | 19.26 | 7.71 |
| Corporate and Government..... | 51.43 | 45.82 | 57.29 | 51.27 |
| Investment and Treasury..... | 28.51 | 44.14 | 21.60 | 39.22 |
| Hospitality and Brokerage | 1.5 | 0.06 | 1.84 | 1.79 |

* Total revenue and total assets do not include the cost of funding for sukuk issued by SIB and unallocated income and unallocated assets.

Asset composition of SIB's loan portfolio

A breakdown of SIB's gross loan portfolio (that is, before taking into account provisions) by industry, as at 31 December 2018 and 31 December 2017, is set out below:

| Economic Activity | 31 December 2018 | | 31 December 2017 | |
|---|------------------|-----|------------------|-----|
| | (AED million) | (%) | (AED million) | (%) |
| Sovereign..... | 7,437 | 29 | 7,330 | 32 |
| Financial Institutions-Non Banking..... | 160 | 1 | 181 | 1 |
| Services..... | 598 | 2 | 566 | 2 |
| Personal | 4,703 | 18 | 3,449 | 15 |
| Manufacturing | 629 | 2 | 609 | 3 |
| Trade..... | 1,094 | 4 | 927 | 4 |
| Transport and Communications..... | 505 | 2 | 480 | 2 |

| Economic Activity | 31 December 2018 | | 31 December 2017 | |
|--------------------------------------|------------------|------------|------------------|------------|
| | (AED million) | (%) | (AED million) | (%) |
| Construction and Real Estate | 4,130 | 16 | 3,474 | 15 |
| Other Corporate | 20 | 0.1 | 14 | 0.1 |
| High Net Worth Individuals | 6,305 | 25 | 5,817 | 25 |
| Total Customer Advances | 25,581 | 100 | 22,847 | 100 |

Retail Banking Group (RBG)

RBG offers a comprehensive range of *Shari'a*-compliant (Islamic) financial products and services to individuals and corporations. RBG's services, which include Islamic Credit Cards, Personal Finance, Real Estate Finance, a full range of transactional accounts and financial advisory, are all based on firm Islamic principles.

As at the date of this Prospectus, SIB maintains a network of 36 full service and strategically located branches across the UAE with 24 branches in Sharjah, five branches in Dubai, three branches in Abu Dhabi, two branches in Al Ain, and one branch each in Fujairah and Ras Al Khaimah. SIB has plans to improve its branch network in 2019 and beyond. These plans involve introducing a new branch concept using high industry standard Interactive Teller Machines (ITMs) and self-service equipment with an increased focus on key shopping malls, where high levels of footfall merit this investment. The recent inauguration of two high-end branches in Mall of the Emirates in Dubai and Sahara Centre in Sharjah serve as examples of the implementation of this plan.

SIB has also established a Digital Banking division, demonstrating SIB's determination to be one of the leading banks of the future. Digital banking will not only elevate service levels and maximise acquisition of new customers, but will also improve customer satisfaction and loyalty through simplified banking processes.

As at the date of this Prospectus, one of the core strengths of SIB is its large network of ATMs (which includes cash deposit machines and smart deposit machines) in the UAE, with 155 ATMs and 37 CCDMs, spread across the UAE. SIB is planning to strengthen its current network by increasing the number of its CCDMs, as well as acquiring additional off-site ATMs, to complement the improvement of its branch network.

Furthermore, SIB has a dedicated "Priority Banking" division (**Al Awlawiya**), with lounges in key branches to cater to the needs of high net-worth customers. High net-worth customers are automatically enrolled into the Priority Banking division once certain financial criteria are met.

As at 31 December 2018, SIB maintained 284,800 accounts for approximately 213,112 customers.

Product development

RBG is supported by an experienced and fully dedicated Marketing and Product Development (**MPD**) team that consists of marketing, communications, branding and product development teams. Having the customer at the centre of focus, the MPD team focuses on product development intended to meet the needs of SIB's customers and attract a broader customer base. Some of SIB's core and recently launched products include:

- *Smiles card:*

The award winning "Smiles Credit Card" has gained a lot of popularity since its launch in mid-2017. The Smiles Card is a credit card which features a rewards programme tailored to the needs of SIB customers who are frequent travellers. The clients can earn 'Smiles' points which can then be redeemed in a variety of ways, including in airline tickets, hotel stays, retail purchases or cashback and gift vouchers.

A range of products connected to the Smiles Card have been launched to enhance its use:

- 0% EasyPay feature that enables cardholders to make any purchase and pay in equal installments;
- EasyCash that provides instant cash to a bank account (anywhere in the UAE); and
- Balance Transfer, where cardholders can pay less than other banks by transferring their other cards' balances to Smiles Cards.

- *Apple Pay*

The Apple Pay platform enables SIB cardholders (credit, debit and prepaid cards) to pay for almost everything without the need to carry a plastic card anymore, adding convenience to the SIB customer experience.

- *Samsung Pay*

SIB was the first Islamic bank in the region to launch Samsung Pay, an innovative payment system providing customers with ways to pay using Sharjah Islamic Bank Mastercard Credit, Debit and Prepaid Cards on their Samsung compatible devices.

- *Personal Finance:*

A number of growth initiatives was undertaken within Personal Finance products which have led to accelerating the sales of Personal Finance products and contributed to substantial growth of SIB's asset book. Such initiatives included a range of actions, from profit rates revision and improved timing of finance disbursement to creating special finance product packages for specific Government entities. These factors contributed to increased and sustained growth of Personal Finance during 2018.

- *Education Finance:*

SIB has partnered with American University in Sharjah and Sharjah University to finance student tuition fees. The scheme was launched with a more flexible credit policy compared to other schemes or products and features subsidised profit rates funded by American University in Sharjah and Sharjah University.

- *Medical Finance:*

SIB has also partnered with University Hospital and University Dental Hospital in Sharjah to offer medical services finance at subsidised profit rates funded by University Hospital and University Dental Hospital.

- *Zero per cent. Profit Finance*

SIB's zero per cent. profit finance is an innovative Islamic financing product that was first of its kind in the GCC region made available to corporate and retail customers. In delivering the product to customers, SIB has partnered with nearly a dozen major *Haj* and *Umrah* service providers. Pursuant to this scheme, customers can perform *Umrah* and pay the costs over a year, with no additional profit or fees. This category includes 0% Profit Medical Equipment Finance. Such arrangement will enable eligible customers to benefit from financing of customized medical instruments and equipment without bearing the cost of fees throughout the year.

- *Prepaid Cards*

SIB's Prepaid Cards were launched in 2008 under six themes targeted to different customer segments, and were the first Islamic prepaid cards in the GCC. These prepaid cards (originally Visa cards and, since 2011,

MasterCard) have been popular with customers who would not typically be able to afford a standard bank account. SIB's prepaid cards have also been popular with students who may rely on having an amount regularly credited to their card. Once an amount has been credited, prepaid cards can be used at ATMs to withdraw cash or for purchases directly at points of sale.

SIB has become the leading Prepaid Card issuer across the region with major and strategic cobranded products including:

1. COOP Card with Sharjah Cooperative Society (largest hypermarket chain in the Emirate of Sharjah);
2. Sanad Card with Sharjah Social Affairs;
3. Al Saada (happiness) Card with Sharjah Police; and
4. Tamkeen Prepaid Card with Sharjah Social Empowerment Foundation (SSEF).

- *Retail Real Estate Finance (RREF):*

RREF provides SIB's customers with financing for retail property in the UAE. The double digit acquisition and portfolio growth in 2018 was supported, amongst other things, by expansion of the RREF available product range which has seen the introduction of six new products. The RREF has also witnessed several new and key business partnerships with leading developers in the UAE which were entered into with a view to improving the affordability and availability of Real Estate assets to SIB's customers. Such partnerships including, for example, cooperation with respect to such developments as, Al Lilac Neighbourhood by Al Zahia, Maryam Island by Eagle Hills and Terhab Residence by Manazil. The partnerships with respect to these and other developers and projects demonstrate SIB's commitment to support the recent real estate developments in the UAE.

SIB has also collaborated with major real estate brokerage companies to refer real estate finance business to SIB (at an agreed commission payout on successful conversion of the relevant financing request) under a new platform called the "Aggregators". This is expected to result in improved customer acquisition as real estate brokers play a vital role in sourcing real estate finance business for banks.

Additionally, in coordination with ASAS Real Estate Development Company, SIB's financing of the unique Basateen Al Zubair land plots (a key project in the Emirate of Sharjah) is aimed at UAE nationals, GCC nationals and Arab expatriates looking for residential and non-residential property finance.

- *Car Finance:*

SIB has undertaken a few changes to its Car Finance offering, aimed at improving the product range and availability. Similarly, changes to pricing have been introduced in order to increase SIB's competitiveness in the current market.

Asset composition of retail financing portfolio

Retail loans are governed by strict internal policy parameters which are uniformly and consistently applied to the relevant customer segments and businesses based on the policy lending rules. A breakdown of the retail loan portfolio of SIB by product type, as at 31 December 2018 and 31 December 2017, is set out below.

| Product Type | 31 December 2018 | | 31 December 2017 | |
|-----------------------|-------------------------|------------|-------------------------|------------|
| | <i>(AED million)</i> | <i>(%)</i> | <i>(AED million)</i> | <i>(%)</i> |
| Personal Finance..... | 2,805 | 60 | 2,085 | 61 |
| Mortgages..... | 1,666 | 35 | 1,138 | 33 |
| Auto..... | 167 | 4 | 178 | 5 |

| Product Type | 31 December 2018 | | 31 December 2017 | |
|-------------------------------------|------------------|------------|------------------|------------|
| | (AED million) | (%) | (AED million) | (%) |
| Credit Cards..... | 66 | 1 | 49 | 1 |
| Total Customer Advances..... | 4,704 | 100 | 3,449 | 100 |

Retail distribution channels

In addition to its retail branch network, SIB's retail distribution channels include an e-Channel division, consisting of the following:

- Call Centre: a full-fledged, 24-hour call centre with and automated Phone Banking services (Interactive Voice Response system - **IVR**). SIB's Call Centre has a team of trained telephone bankers who provide customers with all (non-cash) services and transactions available in the branch.
- ATM Network: SIB has one of the largest ATM networks with 155 ATMs across the UAE, which includes ATMs placed as well as a number of remote machines.
- Online Banking (Internet & Mobile Banking): since its launch, the Online Banking channel is gaining popularity since it allows customer to effect their transactions on the go. The Internet and Mobile Banking channels are not only convenient, they are also secured with the highest industry standards.

Corporate Banking Group (CBG)

The Corporate Banking Group (**CBG**) offers a comprehensive suite of products and services tailored to meet the financial needs of SIB's corporate customers, commercial real-estate companies and Government-related entities. CBG caters to clients ranging from small and mid-size corporate entities to public sector organisations and government related entities. CBG provides a range of *Shari'a*-compliant products to its customers including:

| Corporate Solutions | Trade Services | Cash Management |
|---|---------------------|---|
| Short term financing facilities* (working capital lines) | Letter of Credit | <ul style="list-style-type: none"> • Account Operations • Liquidity Management • Escrow Account |
| <ul style="list-style-type: none"> • Murabaha • Wakala • Qard Hassan | | |
| Long term financing facilities* | Letter of Guarantee | Transaction Management |
| <ul style="list-style-type: none"> • Ijarah • Musharaka • Murabaha • Mudaraba | | <ul style="list-style-type: none"> • Payments • Collections Channel Management • Regular Reporting • Online Banking |

* Any acceptable Islamic financing structure could be used for providing customised solutions.

A breakdown of corporate customer advances (excluding Government advances) as at 31 December 2018 is set out below:

| Facility Type | 31 December 2018 | |
|--------------------------------------|------------------|------------|
| | (AED million) | (%) |
| Funded | 13,440 | 86 |
| Credit card receivables | 6 | - |
| Qard Hasan | 629 | 4 |
| Ijara | 7,648 | 49 |
| Murabaha..... | 4,342 | 28 |
| Istisna | 1,097 | 7 |
| Deferred profit (Murabaha) | (282) | (2) |
| Unfunded | 2,167 | 14 |
| Letters of Credit | 129 | 1 |
| Acceptance | 98 | 1 |
| Letters of Guarantee | 1,940 | 12 |
| Total Customer Advances | 15,607 | 100 |

SIB's corporate customers are served through teams of professional corporate bankers with in-depth industry knowledge. These corporate bankers are located in Sharjah, Dubai and Abu Dhabi in order to ensure the efficient delivery of corporate banking solutions to clients. SIB also has dedicated corporate offices located in free zones in Sharjah and Dubai, which helps SIB to target corporate clients operating in such free zones.

The CBG provides customised solutions to customers to meet their objectives in financing, risk management, cash management, investments, foreign exchange, working capital and international banking services. The CBG is supported by sophisticated IT infrastructure, trade finance and treasury expertise. The focus of the CBG is on bilateral financing transactions, whereas all syndicated and international financing transactions are handled by the Investment Banking Division of the Investment Group.

As at 31 December 2018, CBG held gross financing exposure of AED 20.9 billion, including AED 5.9 billion of direct Government exposure. As at 31 December 2018, SIB's top 20 depositors constituted AED 9 billion (33.9 per cent. of SIB's total deposits), compared to AED 8.5 billion (38.2 per cent. of SIB's total deposits) as at 31 December 2017. The Government of Sharjah and its dependencies accounted for 12 per cent. of total deposits as at 31 December 2018.

Investment Group

The Investment Group (IG) consolidates SIB's wholesale structuring, underwriting, corporate advisory, investment banking, funds, direct equity investments, treasury and financial institution relationship banking functions, to offer a comprehensive investment banking platform.

The IG's key responsibilities include the execution of SIB's corporate business strategy and cash management. The IG's strategy revolves around developing relationships with local and international financial institutions in sourcing financing and investment opportunities whereby SIB's capital can be deployed in the most efficient manner. The IG's strategy involves medium to long term opportunities and seeks to diversify SIB's portfolio across different geographic areas and sectors. Over the last few years, the IG has developed a strong network of financial institutions and investment sources across five continents.

The breakdown of SIB's investment assets is set out in the table below as at 31 December 2018.

| Instrument Type | Book value at | Percentage |
|-------------------------|---------------|------------|
| | 31 December | |
| | 2018 | |
| | (AED million) | (%) |
| Sukuk | 5,925 | 64 |
| Funds..... | 42 | 0.5 |
| Direct Investments..... | 253 | 3 |
| Real Estate..... | 2,977 | 32 |
| | 9,197 | 100 |

The IG has three business divisions:

Investment Banking Division

The Investment Banking Division (**IBD**) executes SIB's investment and asset diversification strategy. The IBD offers a range of services to its clients, including financial advisory, debt/equity capital markets and direct investment activities. SIB also participates in syndicated financing transactions through the IBD for a variety of clients (including Sharjah Electricity and Water Authority, Sharjah Airport Authority, DXB Entertainments, Dubai Silicon Oasis, TECOM, Meydan and Etihad Airways). SIB has also been appointed as joint lead manager and/or bookrunner in recent years with respect to a number of regional Sukuk (both public and privately placed) issuances, including issuances in recent years by, amongst others, the Government, the Kingdom of Bahrain, Dubai Islamic Bank, First Abu Dhabi Bank, Abu Dhabi Islamic Bank, Noor Bank and Meraas Holdings. In addition, the IBD runs SIB's proprietary investment portfolio that includes medium to long term investments in listed and private equity, investment funds and sukuk.

Treasury Division

The Treasury Division (**TD**) is responsible for handling SIB's liquidity position and cash flows, as well as managing the market risk for SIB. The prominent functions of TD are:

- liquidity management under money market operations across different currencies;
- reserve management in compliance with the regulatory requirements of the UAE Central Bank;
- foreign exchange cover operations to handle customer related foreign exchange requirements;
- arbitrage transactions;
- hedging transactions through Islamic derivatives for both banks and customers;
- mobilising low cost long-term funds through a wide variety of collateralised repo transactions; and
- offering select treasury products for customers under different asset classes, such as FX and fixed income.

Due to its consistent work in the development of Islamic treasury activities and being a regular market participant, the TD enjoys a strong reputation in the market.

This reputation benefits the TD in obtaining relatively large exposure limits from other peer GCC and global financial institutions, allowing the TD to easily meet the funding needs of SIB as and when required. This facilitates the availability of short term liquidity for SIB, which can be made available to SIB from a number of counterparties in the GCC on demand and at very low profit rates. The TD plans and manages SIB's liquidity to ensure that any liquidity risk is minimised and asset liability mismatches are avoided.

The TD actively trades in the following products with its counterparties:

- wakala deposits with/from banks;
- international murabaha (commodity based transactions);
- medium-term fund mobilisation through collateralised repo/murabaha transactions;
- short term placements/borrowings;
- foreign exchange activities;

- Islamic Certificate of Deposits with the UAE Central Bank; and
- investment sukuk as part of liquidity management and for customers.

For the year ended 31 December 2018, the TD managed an average daily surplus liquidity of approximately AED 2.2 billion, with revenue generated on these funds of approximately AED 41.6 million. During the same period, the TD's fee-based foreign exchange business generated approximate revenues of AED 10.1 million. The TD's investments in sukuk as part of a liability management exercise also earned an income of AED 2.5 million during the year 2018. The TD also offers the following Islamic products to its retail, corporate and high net worth customers:

- wakala deposits from customers;
- foreign exchange investments, i.e., trading of foreign currencies to take advantage of positive price movements;
- hedging solutions for both bank and customers; and
- sukuk investment for high net worth clients.

The TD also works on innovative new Islamic products to meet the requirements of trade finance and retail customers.

Financial Institutions Department

The Financial Institutions Department (**FID**) manages all aspects of SIB's relationships with financial institutions and provides support to SIB's operations through the establishment and maintenance of new relationships with leading financial institutions. The FID acts as a primary point of contact for all relationship matters between SIB and its banking counterparts. In addition, the FID ensures that SIB's Nostro accounts cover all geographical areas so as to support SIB's operational and customers' needs.

Relationships and Strategic Alliances

SIB enjoys close relationships with its two major shareholders, the Government and KFH. These shareholders have indicated their long term commitment to SIB and provide various forms of essential support, including by fully subscribing for shares in SIB during the 2008 rights issue. The Government is SIB's single largest customer, with many of the major Sharjah governmental departments being clients of SIB. In 2017, Sharjah Social Security Fund fully subscribed to a convertible sukuk and became the third largest shareholder of SIB.

Subsidiaries of SIB

As at the date of this Prospectus, SIB has three wholly owned and active subsidiaries:

- Sharjah National Hotel Corporation (**SNHC**);
- Sharjah Islamic Finance Services (**SIFS**); and
- ASAS Real Estate (**ASAS**).

Sharjah National Hotel Corporation (SNHC)

SIB acquired SNHC for AED 520 million from the Government in June 2006. SNHC owns four star hotels and resorts: the Marbella Resort; the Hotel Holiday International; and the Khorfakkan Oceanic Beach Hotel (all located in Sharjah). SIB's investment in SNHC is in line with SIB's general objective of diversifying its

investments. As at the date of this Prospectus, SNHC is undertaking a renovation of Hotel Holiday International and Marbella Resort and is working to modernise their facilities. The Khorfakkan Oceanic Beach Hotel (**KOBH**) has been renovated into a resort and spa and was re-opened for occupancy in the first quarter of 2014. For the year ended 31 December 2018, SNHC generated revenues of AED 47.8 million and a net loss of AED 0.388 million compared to AED 51 million of revenues and AED 2.05 million of net profit for the year ended 31 December 2017. Revenues decreased slightly mainly because of higher competition (reducing the rates charged), along with renovations of Hotel Holiday International and Marbella Resort. As at 31 December 2018, SNHC's total assets amounted to AED 272.5 million, compared to AED 272.9 million as at 31 December 2017. SIB's strategy is to diversify its revenues from the hospitality business especially in light of the increased focus on this sector from the Government and the incentivisation of the tourism industry in Sharjah. With increase in tourist arrivals and promotion of tourism in the emirate, SIB expects an increase in revenues of SHNC.

Sharjah Islamic Finance Services (SIFS)

In June 2006, SIB launched SIFS to offer its customers and investors a wide range of *Shari'a*-compliant trading tools to allocate, select and manage investments and wealth through the DFM and the ADX. SIFS is based in the Al-Ghanem Business Centre at Al-Khan Street, Sharjah, where its offices provide a modern business environment for the benefit of its customers. Like SIB, SIFS also applies strict *Shari'a* principles to all of its processes, practices and products.

For the year ended 31 December 2018, SIFS generated revenues of AED 3.1 million and net profit of AED 5.6 million compared to AED 3.7 million of revenues and a net profit of AED 2.9 million in 2017. The increase was in line with market expectations and sentiments prevailing in the DFM and the ADX. SIFS had total assets of AED 27.1 million as at 31 December 2018, compared to AED 21.6 million of total assets as at 31 December 2017.

ASAS Real Estate

ASAS formerly existed as a division of SIB, but was incorporated as a subsidiary in 2011. As at the date of this Prospectus, ASAS is responsible for the management of SIB's real estate assets, together with the real estate assets of some of SIB's clients, including the Government. ASAS provides property management services, a market which SIB believes is expanding. As such, ASAS has a mandate to expand its business operations to each of the emirates in the UAE. It is expected that ASAS will provide investment opportunities to SIB's customers who seek to achieve returns from investments in UAE real estate assets.

ASAS was incorporated with AED 500 million of capital and since 2011 ASAS has been steadily growing its business. ASAS has now expanded into other real-estate business areas such as sales and property and facilities development and management. ASAS launched the "ASAS Tower" project in 2012. This was a 50+ floor tower and features waterfront apartments and offices with state of the art amenities for modern living. The project, valued at AED 575 million, was completed at the end of 2015. Other projects include the Al Nouf villas development, the Industrial Area 18 land sale and other residential developments in Sharjah.

For the year ended 31 December 2018, ASAS generated revenues of AED 183.5 million compared to AED 151.7 million for the year ended 2017. The ASAS Tower was handed over to owners and revenue was recorded accordingly. 2018 revenues indicate standard revenues for the company.

SIB's Competition

SIB faces competition in all of its principal business areas. In its Retail Banking and Corporate Banking businesses, SIB's principal competitors include both banks that are locally incorporated (conventional and Islamic) as well as certain foreign banks operating in the UAE. As at 31 December 2018, there were 22 locally incorporated banks and 27 foreign banks licensed to operate inside the UAE (source: Central Bank, preliminary data). In the Islamic banking market, SIB's direct competitors include Emirates Islamic Bank,

Dubai Islamic Bank, Abu Dhabi Islamic Bank, Noor Bank, Al Hilal Bank and Ajman Bank, all of whom are also incorporated in the UAE.

Despite the relatively high level of competition in the banking sector in the UAE, SIB expects the demand for Islamic banking services will increase in the short to medium term. SIB's objective is to participate in this growth and to increase its market share, based on its selling skills, service quality standards, strong brand, personalised customer care and continuing product development.

Risk Management

The operations of SIB require continuous management of particular risks or combinations of risks. Risk management is the identification, analysis, evaluation and management of the factors that could adversely affect SIB's resources, operations and financial results. SIB's main risks include credit, operational, market, liquidity, legal, regulatory and currency risks. SIB aims to manage its exposure to these risks conservatively.

SIB continues to enhance its risk management and compliance framework and replaced its current internal risk rating system with the updated rating system from Moody's. This system provides a robust risk rating framework and toolset with qualitative and quantitative parameters and runs on an industry standard rating model covering all asset classes.

SIB's Enterprise Risk Management (**ERM**) is made up of the following divisions, all reporting to the Chief Risk Officer (**CRO**) who, in turn, reports to the Board of Directors through the Risk Management Committee:

- Risk Management Division (**RMD**) (Credit, Operational, Market & Liquidity Risk functions);
- Credit Division;
- Corporate Credit & Retail Credit Administration;
- Investment Administration;
- Centralised Recovery & Collections; and
- Information Security & Risk Assurance.

The ERM function at SIB is not just a process for risk governance, but also provides an opportunity for utilising risk as a viable advantage in the market place through the alignment of SIB's business strategy and risk appetite statement (approved by the Risk Management Committee). SIB's various levels of risk governance, in their respective oversight and functional roles, provide full support to the risk management programme to build and promote a powerful and strategically focused integrated enterprise-wide risk management architecture and culture in SIB.

Risk governance structure

Although the ultimate responsibility for SIB's risk management lies with the Board of Directors, SIB's risk governance structure has been designed to support the Board of Directors and its committees in their oversight of the risks that face SIB in the performance of its activities. A key feature of SIB's risk governance structure is the concept of "lines of defence", whereby each of SIB's business groups take responsibility for the risks to which they are exposed.

Risk management architecture

The ERM's basic role is to ensure that SIB's risk is mitigated effectively. SIB's risk architecture is based on a three-tier approach:

Strategic Level

Risk management functions are performed by the Executive Management and the Board of Directors through vision and strategy.

Tactical Level

Risk management functions are handled by middle management and various units across business lines through risk based decisions.

Operational Level

Risk management functions relating to operational risk are handled through performance measures, internal controls and risk awareness programs, as well as certain procedures and processes that cover all issues relating to other types of risk.

Risk Management Division

The RMD serves as an independent appraisal function within the ERM, monitoring the broad spectrum of risks faced by SIB, including credit, market/liquidity, compliance and operational risks, and examining and evaluating the effectiveness of and compliance with SIB's policies and procedures. The RMD reports to the Board of Directors through the CRO.

In particular, the RMD's responsibilities include:

- formulating appropriate risk management charters, policies and procedures regarding those activities and units which incur significant risk, including business continuity plans. All risk management policies and procedures are approved by the Board of Directors as more particularly described in "*Management of Sharjah Islamic Bank PJSC*";
- providing meaningful direction regarding SIB's overall risk philosophy and appetite, including consideration and acceptability of new or unusual risk, ensuring strict adherence to risk management policies and procedures;
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- examining and evaluating the quality of the advances portfolio and the credit management process (retail, corporate, real estate financing) in individual units throughout SIB;
- identifying and dealing with special risks associated with any sort of change (including economic, industry, regulatory and operating);
- overseeing the compliance function and regulatory requirements, including AML, KYC and combating the financing of terrorism; and
- managing and monitoring the implementation of the Basel III Compliance Project.

SIB has a full-time Compliance Officer, whose role is to establish standards of ethics, confidentiality, privacy, KYC policies and other hallmarks of good governance, such as avoidance of conflicts of interest. The Compliance Officer provides training to new and existing staff in respect of these issues.

SIB's Risk Management Policy Framework (**RMPF**) has been in place since 2004, when it was developed and formulated by the Risk Management team. The RMPF is reviewed annually and is subject to additional

amendments based on the dynamic conditions of the market as well as the strategies and policies of SIB. All of SIB's risk policies and processes are reviewed and approved by the Board of Directors.

Reflecting SIB's conservative attitude to risk, the RMPF is reviewed by SIB's auditors as well as by regulatory inspectors during their annual examination of SIB. SIB's management believes that SIB's policies and procedures exceed the standards set by Basel III accord directives and UAE Central Bank regulations.

SIB's risk management function broadly covers the diverse aspects of overall risk management activities, guided by well-structured and documented risk management policies, processes, internal controls and standard operating procedures. Risk management practices are embedded in all of SIB's processes and at every level, ensuring that risk management forms an integral part of SIB's day-to-day function, so as to further promote risk management as a part of business planning and decision making.

Furthermore, the RMD reviews and modifies risk management policies and procedures, as well as systems to reflect any operational changes either internally, or, in the markets in which SIB operates. Risk and controls for all functions across SIB are developed by the RMD and used by Internal Audit for assessment of compliance during an internal audit.

In relation to the introduction of the IFRS 9 accounting standards, the risk management function at SIB, along with other stakeholders such as SIB's financial control department, plays a critical role in their implementation as well as related model development. Governance structure and policy, including expected credit loss policy, is aimed at ensuring compliance with regulatory requirements such as Basel III and IFRS9 standards (through ongoing monitoring, and reporting of Basel III ratios and IFRS 9 expected credit loss methodology on a quarterly basis).

Regulatory Stress Testing

Besides having comprehensive procedures for assessing material risks, SIB ensures that due importance is given to stress and scenario testing, mindful of the particular stage of the business cycle in which it is operating, using relevant procedures to undertake, review and, where appropriate, react to the results of rigorous, forward-looking stress testing. This forward-looking stress testing identifies possible events or cyclical changes in market conditions that could adversely impact SIB's earnings, liquidity or asset values.

The UAE Central Bank has recently developed a common methodology framework for stress testing and requires all UAE local banks to conduct stress tests on their entire portfolio, on an annual basis, by developing their own internal models acceptable to the Financial Stability Unit (FSU) at the UAE Central Bank. SIB's 2018 stress test was submitted to the FSU and was duly accepted.

Stress Testing - Governance

As stress testing is a vital tool and critical element of risk management, the UAE Central Bank emphasises the involvement of the Board of Directors and senior management in the stress testing process and policy. Therefore, the governance and ownership of this critical exercise is influenced by the following factors:

- stress testing forms an integral part of the overall governance and risk management culture of SIB and therefore the RMD shall carry out regular stress tests, along with active participation by, and discussions with, the business units and other support functions;
- ultimate responsibility for the overall stress testing programme lies with the Board of Directors who shall, through the RMC, ensure that an efficient and effective stress testing process is in place;
- the stress testing report to the UAE Central Bank shall be approved and signed by the Board of Director's Chairman and the CEO of SIB (as per regulatory requirements);

- regular maintenance and updating of the stress testing process shall be handled by the RMD, with meaningful and effective suggestions from business units and other support functions; and
- senior management involvement is critical in ensuring appropriate use of stress testing in SIB's risk governance and capital planning process, including strategic planning and development.

Credit Division

SIB has a dedicated Credit Division which is responsible for the assessment and evaluation of all matters relating to credit risk. The Credit Division supports and challenges business proposals in accordance with SIB's cautious risk strategy and in line with the Board of Director's approved credit risk appetite levels, supported by a culture of prudent and responsible financing, a strong Islamic Financing Policy and a control framework in line with the regulations of the UAE Central Bank.

The basic functions and responsibilities of the Credit Division are:

- maintaining high quality assets through effective control and management of credit risk, minimising credit losses whilst enhancing returns, and thereby contributing to the overall success of SIB;
- monitoring credit risk through the proper evaluation of credit proposals and facilities by identifying and analysing all potential risk factors associated with requested credit facilities;
- monitoring credit exposure by limiting transactions with specific entities and continually assessing the creditworthiness of SIB's counterparties; and
- managing credit risk exposure through the diversification of lending activities to ensure mitigation against all elements of concentration risk.

Corporate Credit & Retail Credit Administration

The Corporate Credit & Retail Credit Administration Division covers all of the administrative activities relating to approved credit proposals. The division ensures that security and collateral documentation is perfected and executed as well as ensuring the safe custody of securities in compliance with internal policies, approved terms and conditions and *Shari'a* principles.

Investment Administration

The Investment Administration Division streamlines the IG's back office functions and processes. The division is also responsible for highlighting areas in which SIB's policies are not being complied with as well as ensuring that the conditions and covenants for each of the IG's investment accounts are monitored.

Centralised Recovery & Collections

The Centralised Recovery & Collections Division within the ERM is primarily responsible for managing SIB's receivables and reducing bad and doubtful debts by minimising potential losses arising from problem facilities. The division effectively and efficiently manages the collection and recovery functions of SIB in order to reduce portfolio losses.

Information Security & Risk Assurance

The Information Security & Risk Assurance Division within the ERM is primarily responsible for development, delivery and maintenance of the information security program that safeguards SIB's information assets and supports infrastructure against unauthorized use, disclosure, modification, damage or loss. The division supports a comprehensive bank-wide program that encompasses such functions as

information security implementation, monitoring, threat and vulnerability management, incident management and similar.

The Information Security & Risk Assurance Division works with various other divisions to comply with information security policies, industry best security practices (including ISO/IEC 27001: 2013 Payment Card Industry Data Security Standard), and other regulatory requirements. Working with federal and local governments and banks customers, the Information Security & Risk Assurance Division provides support through management of information security risks and ensures SIB can provide secure and sustainable banking services meeting its own and its clients' objectives.

In line with SIB's strategy to protect its customer information and implement best security practices in the banking sector, SIB has implemented the Information Security Management System based on the ISO 27001 Standard. Subsequently SIB was awarded the ISO 27001 Certification by the accredited ISO Certification body, who assessed the implementation of SIB's Information Security Management System in accordance with its standards.

Risk Management Framework

Credit Risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and causes SIB to incur a financial loss. SIB is exposed to credit risk through its financing receivables, leased assets, wakalah arrangements with financial institutions and investments in sukuk. SIB's primary exposure to credit risk arises through its financing facilities to customers. In addition, SIB is also exposed to off-balance sheet credit risk through contingent liabilities it has assumed.

SIB manages its credit risk exposure through diversification of its financing activities and investments to avoid concentration of risk with individuals or groups of customers in a specific location or business. In addition, SIB manages credit exposure by evaluating the creditworthiness of each counterparty, establishing the appropriate credit limits, obtaining security where appropriate and limiting the duration of exposure. In certain cases, SIB may also close out transactions or assign them to other counterparties to mitigate credit risk. SIB has a risk rating system to provide a consistent framework for risk management. The system assigns ratings as per regulatory guidelines to a wide range of credit recipients from all corporate borrowers. The credit rating system and individual facility assessments are managed in a consistent manner to measure the level of each borrower's credit risk appropriately.

Furthermore, in order to manage credit risk, SIB sets credit policies, procedures and limits. SIB's Credit Committee provides the strategic framework for the credit limits, policies and procedures, the approval of specific exposures and work out situations, constant revaluation of the loans portfolio and the sufficiency of provisions. The credit exposure and credit policies are regularly reviewed by the Executive Committee and SIB's Board of Directors. In addition, regular audits of business units and SIB's credit processes are undertaken by the Internal Audit Division (**IAD**) (see further "*Internal Audit*").

Market Risk

Market risk is the risk that SIB's income and/or value of a financial instrument will fluctuate because of changes in market prices such as profit rates, foreign exchange rates and market prices of equity. SIB is exposed to market risk through its diverse financial instruments including sukuk, equities, investment funds and foreign currencies. Market risk is managed through market risk limits set out by SIB's Asset and Liability Committee (**ALCO**), which are approved by the Board of Directors.

The market risk limits are monitored independently by the RMD on a regular basis, and exceptions, if any, are reported to the senior management and ALCO.

In addition to its internal procedure and systems, SIB is required to comply with the guidelines and regulations of the UAE Central Bank, as well as *Shari'a* principles.

Settlement Risk

SIB's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions SIB mitigates this risk by ensuring that a trade date is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit limits monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from the ALCO.

All treasury related transactions are undertaken with counterparty banks or institutions where settlement limits are in place.

Foreign Exchange Rate Risk

The foreign exchange rate risk is managed on the basis of limits determined by the ALCO and a continuous assessment of SIB's open position by Treasury with respect to current and expected exchange rate movements. SIB does not engage in foreign exchange proprietary trading and where necessary matches currency exposures inherent in certain assets with liabilities in the same or correlated currency.

The ALCO has set limits on positions by currency. Positions are closely monitored on a daily basis by the ERMD to ensure that the positions are maintained within established limits. In case of any limit exceptions that may arise during the course of regular transactions, the ERMD will seek clarification from the TD and will also take action to mitigate the exchange rate risks.

The exchange rate of AED against U.S. dollars has been pegged since November 1980 and SIB's exposure to foreign exchange rate risk is limited to that extent.

As at 31 December 2018, SIB had the following significant net exposures denominated in foreign currencies:

| Currency | Net Position | |
|----------------------|-----------------------------------|-------------|
| | <i>(equivalent AED thousands)</i> | |
| | 2018 | 2017 |
| U.S. dollar..... | (1,654,089) | (1,543,278) |
| Sterling Pound | 45,262 | 39,888 |
| Euro | (1,413) | (7,498) |
| Bahrani Dinar | 7,402 | 7,399 |
| Saudi Riyals..... | (66,992) | (4,397) |
| Kuwaiti Dinar | 717 | (1,023) |

Profit Rate Risk

Profit rate or pricing risk, comprising market and valuation risks, are managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value. Overall pricing or profit rate risk positions are managed by the ALCO.

SIB is not significantly exposed to the profit rate risk in terms of the re-pricing of its liabilities since primarily, in accordance with Islamic *Shari'a*, SIB does not provide a contractual rate of return to its depositors, other than with respect to certain special fixed deposits.

Liquidity Risk

Liquidity risk is the risk that SIB will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets. It includes the risk of the inability to fund assets at appropriate maturities and rates and the inability to liquidate assets at reasonable prices and in an appropriate timeframe and inability to meet obligations as they become due. Liquidity risk can be caused by political uncertainty, market disruptions or credit downgrades which may cause certain sources of funding to diminish.

As at 31 December 2018, SIB's financing receivables to deposit ratio stood at 91.2 per cent. SIB's liquidity is managed actively by the TD. In addition, all liquidity policies and procedures are subject to review and approval by ALCO.

Liquidity in UAE dirhams is available through the sale of U.S. dollar denominated securities and subsequent sale of the U.S. dollar proceeds to the inter-bank market (or to the UAE Central Bank) on a same-day basis if required. Liquidity can be easily switched from U.S. dollars to UAE dirhams and *vice versa* due to the fixed nature and narrow spread of the foreign exchange peg.

The maturity profile of SIB's financial assets is set out below for the years ended 31 December 2018 and 2017.

| 31 December 2018 | Less than 3 months | 3 months to 1 year | 1-5 years | Over 5 years | Total |
|--|-------------------------------|-------------------------------|---------------------|-------------------------|---------------|
| | | | <i>AED millions</i> | | |
| Assets | | | | | |
| Cash and balances with banks and financial institutions..... | 2,441 | - | - | - | 2,441 |
| Murabaha and wakalah with financial institutions | 6,464 | 386 | 367 | - | 7,217 |
| Investment in Islamic financing..... | 1,630 | 3,570 | 11,871 | 7,052 | 24,124 |
| Investment securities | 344 | 599 | 3,639 | 1,638 | 6,220 |
| Other assets..... | 707 | - | - | - | 707 |
| | 11,586 | 4,555 | 15,878 | 8,690 | 40,709 |
| Liabilities | | | | | |
| Customers' deposits | 19,799 | 6,640 | - | - | 26,438 |
| Due to banks | 3,066 | 1,686 | 1,796 | - | 6,549 |
| Sukuk payable | - | - | 5,500 | - | 5,500 |
| Other liabilities | 681 | 123 | 6 | - | 810 |
| | 23,546 | 8,449 | 7,302 | - | 39,296 |
| Contingent Liabilities | 197 | 524 | 1,394 | - | 2,116 |

| 31 December 2017 | Less than 3 months | 3 months to 1 year | 1-5 years | Over 5 years | Total |
|--|-------------------------------|-------------------------------|---------------------|-------------------------|---------------|
| | | | <i>AED millions</i> | | |
| Assets | | | | | |
| Cash and balances with banks and financial institutions..... | 3,103 | - | - | - | 3,103 |
| Murabaha and wakalah with financial institutions | 3,319 | 312 | 294 | - | 3,925 |
| Investment in Islamic financing..... | 1,695 | 3,177 | 10,680 | 6,155 | 21,707 |
| Investment securities | 430 | 245 | 3,118 | 1,240 | 5,034 |
| Other assets..... | 488 | 81 | - | - | 569 |
| | 9,036 | 3,816 | 14,092 | 7,395 | 34,339 |
| Liabilities | | | | | |
| Customers' deposits | 17,784 | 4,534 | - | - | 22,319 |
| Due to banks | 2,523 | - | 1,553 | - | 4,076 |
| Sukuk payable | - | 1,836 | 3,666 | - | 5,502 |

| | | | | | |
|-------------------------------|---------------|--------------|--------------|------------|---------------|
| Other liabilities | 673 | 132 | 5 | - | 809 |
| | <u>20,980</u> | <u>6,502</u> | <u>5,223</u> | <u>-</u> | <u>32,705</u> |
| Contingent Liabilities | <u>4</u> | <u>183</u> | <u>1,771</u> | <u>253</u> | <u>2,211</u> |

The increase in total assets from 31 December 2017 to 31 December 2018 was due to loan growth that touched 11.1 per cent. Additionally, SIB is witnessing an increasing trend towards matching customer cash flows to loan repayments in order to reduce SIB's credit risk and to enable SIB to benefit from higher yields.

Equity Price Risk

Equity price risk arises from the change in fair value of equity instruments. SIB manages this risk through diversification of investment in terms of geographical distribution and industry concentration.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal process and methodologies, human error, systems or from external events. Operational risk may arise from a wide variety of causes associated with SIB's processes, personnel, technology and infrastructure, and from external factors, other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

SIB manages operational risk through a disciplined application and evaluation of internal controls, appropriate segregation of duties, independent authorisation of transactions and regular, systematic reconciliation and monitoring of transactions. SIB's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to SIB's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

SIB has established a framework of policies and procedures for managing functions, departments and branches which aims to minimise operational loss by requiring all units to identify, assess, control, manage and report risks. The Risk Management Committee (**RMC**) continually reviews the policies and procedures, identifies issues and manages operational risk to reduce the likelihood of any operational losses. Where appropriate, SIB mitigates the operational risk by way of insurance.

Compliance with policies and procedures is supported by periodic reviews undertaken by the IAD. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee (**AC**) and senior management of SIB.

In addition, SIB has also established a business continuity planning team which ensures that SIB can continue to service its customers' needs in the event of any major business disruption and minimise any operational risk.

Legal risk

Legal risk is the risk that a customer or counterparty will commence proceedings against SIB. SIB has an internal Legal Division which is headed by the VP Legal Counsel.

The primary function of the Legal Division is to advise on all legal and litigation matters affecting SIB. In addition to the initiation of legal proceedings, the Legal Division also negotiates settlements (where appropriate) in order to increase SIB's recoveries. The Legal Division also ensures that all internal and external legal reporting requirements are complied with.

Basel III – Capital Adequacy

In line with the implementation of Basel III, SIB is required to maintain a total regulatory capital, comprising of Tier 1 and Tier 2 capital and capital buffers, at 12.375 per cent. of risk weighted assets. SIB has complied and intends to comply with any and all externally imposed capital requirements applicable to it.

The UAE Central Bank capital buffers must be maintained in addition to the minimum CET1 requirement of 7 per cent., Additional Tier 1 requirement of 1.5 per cent. and Tier 2 requirement of 2 per cent. SIB is currently only required to maintain a capital conservation buffer of 1.875 per cent. of risk weighted assets, which will increase to 2.5 per cent. by the end of December 2019. As at 31 March 2019, SIB had a capital conservation buffer of 2.5 per cent. SIB may also be required to maintain a countercyclical capital buffer if so advised by the UAE Central Bank, at a level (determined by the UAE Central Bank) between 0 and 2.5 per cent. of risk weighted assets.

SIB's capital adequacy figures for the years ended 31 December 2018 and 31 December 2017 are set out in the table below (based on Basel III computation):

| | BASEL III | |
|--|------------------------|-------------------|
| | 2018 | 2017 |
| | <i>(AED thousands)</i> | |
| Tier 1 capital | | |
| Ordinary share capital..... | 2,934,855 | 2,934,855 |
| Retained earnings | 932,793 | 1,134,084 |
| Fair value reserve..... | (87,537) | (39,488) |
| Statutory reserve | 89,008 | 89,008 |
| Legal reserve | 1,429,264 | 1,377,902 |
| Total tier 1 capital base | 5,298,383 | 5,496,361 |
| Tier 2 capital | | |
| Collective impairment provisions | 371,192 | 321,818 |
| Total tier 2 capital base | 371,192 | 321,818 |
| Total capital base | 5,669,575 | 5,818,179 |
| Risk weighted assets: | | |
| Credit risk | 29,695,340 | 25,745,411 |
| Market risk..... | 145,334 | 263,612 |
| Operational risk | 2,202,861 | 2,234,511 |
| Risk weighted assets | 32,043,535 | 28,243,534 |
| Tier 1 ratio..... | 16.53% | 19.46% |
| Capital adequacy ratio | 17.69% | 20.60% |
| Capital adequacy ratio (excluding proposed cash dividends) | 16.96% | 19.77% |

Under Federal Law No. (10) of 1980 concerning the UAE Central Bank, the Monetary System and Organization of Banking, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reserve makes up 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends have to be authorised by the UAE Central Bank. In addition, under the 2018 Federal Law, the UAE Central Bank may not approve proposed dividends by a UAE bank, if such bank has failed to maintain its capital adequacy ratio requirements at such time.

Basel III - Liquidity Risk Ratios

SIB applies a prudent approach to liquidity risk management. SIB's Asset & Liability Management Committee oversees liquidity risk regularly. A robust funding structure supports sound liquidity risk management. SIB's approach is to ensure that it will always have sufficient liquidity to meet all liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to SIB's reputation.

As such SIB ensures ongoing compliance with the regulatory defined liquidity ratios which are implemented in line with UAE Central Bank set time lines. SIB meets and intends to continue to meet any applicable liquidity ratios or funding ratios as further described herein and in the Financial Statements.

Distributions of Profit

Depending on the profitability of SIB and capital requirements, SIB's Board of Directors may propose a dividend after announcing SIB's year-end financial results. In accordance with UAE Central Bank guidelines, the proposed dividend is to be authorised by the UAE Central Bank before it is declared to the general public. Any dividend proposed by the Board of Directors must be approved at SIB's annual general meeting.

Corporate Governance

SIB applies the basic principles of good corporate governance across each of its functions. In 2007, SIB established a corporate governance policy framework as well as two critical Board Committees, the AC and the RMC. Furthermore, the activities of SIB are overseen by the SSB, thereby guaranteeing strict conformity with Islamic principles.

SIB's corporate governance structure is supported by SIB's committees and the Board of Directors, which has ultimate responsibility for representing and reporting to the shareholders. Through its own practices, the Board of Directors ensures that clear lines of responsibility and authority exist, with well defined roles, responsibilities and appropriate internal checks and balances.

SIB ensures that it complies with all regulatory and legal requirements by implementing effective controls, procedures and policies. Strategic and business plans are in place for three year periods, and are reviewed regularly with necessary updates suggested to the management and the Board of Directors.

As part of SIB's application of good corporate governance, any potential conflicts of interest that arise are dealt with proactively. The list below sets out certain principles that are applied by SIB:

- the positions of CEO and the Chairman of the Board of Directors are held by different persons, with a clear segregation of duties and responsibilities;
- directors refrain from passing any resolutions on matters that relate to their own interests;
- there is a clear distinction and segregation of functions and duties relating to the Board of Directors and the executive management. The different functions are documented in SIB's corporate governance framework;
- the CEO attends AC meetings as a permanent invitee only; and
- the Internal Audit, Risk Management and Shari'a Control divisions are independent and have clear reporting lines.

Shari'a compliance (Sharia)

Every transaction that SIB undertakes and all products that it offers must be in strict compliance with the principles of *Shari'a*, as interpreted by SIB's SSB. See further, "*Fatwa and Shari'a Supervisory Board*". Such compliance is monitored by SIB's Shari'a Control and Audit (**SCAD**), which is entrusted with the day to day responsibilities of *Shari'a* control.

The management of SIB with the consent of the SSB, nominates an employee of SIB as a secretary to co-ordinate with the *Shari'a* Supervisory Board. In order to assist in the liaison between the SSB and the SCAD and to improve turnaround time for the SSB's approval, the Head of the SCAD normally takes up the

position of the secretary to the SSB. All matters requiring the SSB's approval must be delivered first to the SCAD, either in a formal meeting or by circulation. However, in order to be able to offer products and undertake certain types of transactions quickly and efficiently, the SCAD has the authority to draft standard contracts for the various products which have been declared *Shari'a*-compliant by the SSB. Once these standard form contracts have been approved by the SSB, their future use does not usually require further approval from the SSB other than in circumstances where any material amendments are required.

Credit Approval Procedures

Credit exposure

The financing policy of SIB is guided by its Islamic Financing Policy Framework, which is reviewed from time to time in light of market conditions. At all times, SIB strictly adheres to and observes the individual and aggregate percentage limits regulating large exposures stipulated by the UAE Central Bank.

Retail banking credit approval procedures

SIB's retail products are supported by the application of stringent credit criteria. These credit criteria are dynamic and have been reviewed following the recent financial crisis. As a conservative banking institution that applies *Shari'a* rules and principles, SIB is only prepared to extend finance to those customers that can afford it with a special emphasis on debt service ratios, which are currently capped at 50 per cent. Unlike other banks in the GCC, SIB predominantly accepts applications for credit cards and finance from those customers that credit their salary to SIB. All retail banking credit is subject to a cap of AED 250,000 per customer (excluding real estate finance). Any exceptions to this rule require the express permission of SIB's Credit Committee. As such, the management of SIB believes that delinquency rates have been comparatively low in retail product categories.

SIB has amended its real estate financing criteria in line with the regulatory requirements of the UAE Central Bank. Furthermore, individual cases are assessed for credit worthiness, and stringent credit criteria is applied in line with regulatory limits and caps imposed by the UAE Central Bank, where applicable, with the aim of protecting the financial stability of SIB.

Corporate banking credit approval procedures

Credit Approval Process

SIB has a centralised credit approval philosophy with ultimate authority resting with the Credit Committee, Executive Committee and Board of Directors. SIB's credit philosophy is supported by well defined and formulated Islamic Financing Policies, guidelines and processes for credit risk management which include credit appraisal, approval and administration. In addition to Islamic Financing Policies, credit guidelines have been formulated by SIB's Board of Directors that restrict lending in certain areas. In particular, SIB maintains a dynamic 'watch list' of countries from which no investment or lending can take place. In addition, SIB maintains sector limits in order to mitigate the effects of concentration risk and exposure to certain industries.

SIB's credit approval process consists of the following stages:

- relevant business area solicits clients, prepares the necessary documentation and submits a proposal to the Credit Division;
- the Credit Division independently reviews, evaluates and assesses the documentation and prepares a due diligence report;
- the Credit Division will then make recommendations to the Credit Committee;

- the Credit Committee makes a decision within the guidelines of the Credit Committee approval authority that have been formulated by the Board of Directors. Subsequently, proposals requiring Executive Committee or Board of Director approval (in line with the relevant credit approval authority matrix) are approved or ratified in line with the limits set out in the credit approval authority matrix;
- proposals are forwarded to the Credit Administration department for the completion of final documentation; and
- the transaction or deal is carried out by the finance operations division.

Credit Risk Grades

SIB uses internal credit risk grading that reflects its assessment of the probability of default of an individual customer, and as such, has adopted a 22 grade risk rating system, on a scale of 1 to 10. These risk ratings reflect an assessment of various financial and qualitative credit characteristics, widely used by banks to facilitate their risk/return and broader portfolio allocation decisions, which vary depending on the nature of the exposure and the type of borrower.

SIB's rating methodology comprises of 19 rating levels for instruments not in default (1 to 7-) and three default classes (8 to 10). An investment grade financial asset falls within credit grades 1 to 4-. A non-investment grade financial asset falls within credit grades 5+ to 7, whereas financial assets with a credit grade of 7- are considered to be watch-list. The master scale assigns each rating category a specified range of probability of default, which is stable, over time.

Each exposure is allocated a credit risk grade on initial recognition based on available information about the customer. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. Risk rating an account will determine the pricing of the risk. As the rating risk increases, the pricing of the risk also increases. Some accounts may fall in a grey area between two categories of risk rating, in which case the more conservative position or rating should be adopted.

The table below provides an indicative mapping of how SIB's internal credit risk grades relate to the probability of default, and for the corporate customer portfolio, to external credit ratings.

| No. | SIB Grade & Classification | | CB UAE Classification | S & P Rating Benchmark | Fitch Rating Benchmark | Moody's Rating Benchmark | ERR Grade Scale | PD % | Grade Description |
|-----|----------------------------|--------------|-----------------------|------------------------|------------------------|--------------------------|-----------------|-------|---|
| 1 | 1 | Excellent | Normal | AAA | AAA | Aaa | 1 | 0.008 | Exceptional business credit, judged to be of the highest quality, with minimal credit risk. Superior asset quality and financial capacity; which includes strong liquidity and cash generation, excellent and proven management; market leader. |
| 2 | 2 | Strong | Normal | AA+ | AA+ | Aa 1 | 2+ | 0.013 | Very good business along with very good asset quality, consistently strong liquidity and debt capacity; highly regarded in the industry with strong market share. |
| 3 | | | | AA | AA | Aa 2 | 2 | 0.019 | |
| 4 | | | | AA- | AA- | Aa 3 | 2- | 0.029 | |
| 5 | 3 | Good | Normal | A+ | A+ | A1 | 3+ | 0.044 | Good business credit considered upper-medium grade, subject to low credit risk; good asset quality, strong liquidity and debt capacity. Company is above average size and holds a good position in the industry. |
| 6 | | | | A | A | A2 | 3 | 0.067 | |
| 7 | | | | A- | A- | A3 | 3- | 0.1 | |
| 8 | 4 | Satisfactory | Normal | BBB+ | BBB+ | Baa 1 | 4+ | 0.155 | Acceptable business credit |

| No. | SIB Grade & Classification | | CB UAE Classification | S & P Rating Benchmark | Fitch Rating Benchmark | Moody's Rating Benchmark | ERR Grade Scale | PD % | Grade Description |
|-----|----------------------------|-------------|-----------------------|------------------------|------------------------|--------------------------|-----------------|-------|--|
| 9 | | | | BBB | BBB+ | Baa 2 | 4 | 0.235 | subject to moderate credit risk, considered medium grade and as such may possess certain higher than average risk characteristics. Company has demonstrated adequate to good performance. |
| 10 | | | | BBB- | BBB- | Baa 3 | 4- | 0.355 | |
| 11 | 5 | Adequate | Normal | BB+ | BB+ | Ba 1 | 5+ | 0.565 | Average to below, average business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher risk characteristics. Company has demonstrated adequate performance. |
| 12 | | | | BB | BB | Ba 2 | 5 | 0.85 | |
| 13 | | | | BB- | BB- | Ba 3 | 5- | 1.25 | |
| 14 | 6 | Marginal | Normal | B+ | B+ | B 1 | 6+ | 1.9 | Below average business credit and subject to high credit risk. Company is likely a lower-tier competitor in its industry. Acceptable but requiring close monitoring and support of strong risk mitigants. |
| 15 | | | | B | B | B 2 | 6 | 2.9 | |
| 16 | | | | B- | B- | B 3 | 6- | 4.25 | |
| 17 | | | | CCC+ | CCC+ | Caa 1 | 7+ | 6.5 | |
| 18 | | | | CCC | CCC | Caa 2 | 7 | 10 | |
| 19 | 7 | Vulnerable | Watchlist | CCC- | CCC- | Caa3 | 7- | 13.5 | Weak business credit: judged to be poor standing and subject to very high credit risk. Constitutes undue and unwarranted credit risk. Currently in performing status and not to the point of justifying a Substandard classification |
| 20 | 8 | Substandard | Substandard | CC | CC | Ca | 8 | 100 | In Default (Substandard): unacceptable business credit with normal repayment in jeopardy. |
| 21 | 9 | Doubtful | Doubtful | C | C | C | 9 | 100 | In Default (Doubtful): full repayment questionable. Serious problems to the point where partial loss of principal is likely. |
| 22 | 10 | Loss | Loss | D | D | - | 10 | 100 | In Default (Loss): expected loss. Such an asset may have recovery but not to the point of avoiding loss classification. Possible specific provision and write-off. |

Security & Collateral Management

SIB has Credit and Investment Administration Departments, which handle the completion of documentation, securities and collateral management relating to approved facilities (Credit & Investments). Prior to the granting of a new facility, SIB ensures that necessary contracts are entered into, and appropriate securities are obtained.

SIB holds collateral and securities against financing and ijara receivables in the form of cash margins, personal guarantees, and mortgages over properties or other securities over assets. Estimates of credit risk mitigation relating to financing and ijara receivables are based on the value of collateral assessed at the time of financing, and are subsequently monitored on a periodic basis.

Security procedures

SIB has a Credit and Investment Administration Department, which handles the completion of documentation, securities and collateral management relating to approved facilities. Prior to the granting of a new facility, SIB ensures that the necessary contracts are entered into and appropriate security is obtained.

Non-performing financing receivable

The International Financial Reporting Standards (**IFRS**) set forth strict principles for the recognition and provisioning of impaired financing receivables. SIB has therefore established and maintained regular procedures for the recognition of actual and potential defaulted payments, identification of non-serviced, unearned or overdue profit payments and for methodical assessment of potential financing receivables losses. The credit division has responsibility for monitoring non-performing loans.

On 24 July, 2014, the IASB issued IFRS 9 Financial Instruments (**IFRS 9**), which replaced IAS 39 "Financial instruments: Recognition and Measurement". The new classification requirements of IFRS 9 (which from 1 January 2018 replaced the previous IAS 39 standard) cover three broad topics: (i) Classification and Measurement, (ii) Impairment and (iii) Hedging.

With respect to Impairment, the adoption of IFRS 9 had a significant impact on SIB's impairment methodology, as the IFRS impairment model is forward looking compared to the previous model based on incurred losses. SIB adopted IFRS 9 with effect from the mandatory transition date of 1 January 2018. As required under IFRS 9, SIB classifies its financial assets into three different stages (i.e. Stage 1, Stage 2 and Stage 3) which are described in note 3(b)(iv) ("*Impairment of financial assets*") to the 2018 Financial Statements (incorporated by reference into this Prospectus).

When assessing the expected credit loss on an asset, the IFRS 9 model considers the probability of default of an asset, the expected loss given default and the exposure at default. Furthermore, IFRS 9 requires an unbiased and probability weighted estimate of credit losses by also evaluating a range of possible outcomes that incorporate forecasts of future economic conditions, including macroeconomic factors and changes in asset credit risk profile since origination, effectively bringing together information regarding past events and past performance, current conditions and forecasts of future economic conditions.

In line with UAE Central Bank requirements, relevant IFRS and SIB's internal policies and procedures, SIB classifies those accounts which are impaired and ensures provisions are made accordingly.

SIB continues to pro-actively manage credit quality and delinquencies and non-performing financing receivables across its corporate and retail portfolios, which have increased within expected levels. The non-performing financing receivables ratio, excluding impaired investment securities and legacy loans and advances, increased to 5.81 per cent. by 31 December 2018 from 5.2 per cent. reported as at 31 December 2017. The impairment allowance on financing receivables and leased assets in respect of 2018 increased to AED 1.5 billion compared to AED 1.1 billion in 2017. This increase was primarily due to the transition to IFRS 9 adoption by SIB at the beginning of 2018, whereby AED 284 million was re-measured from 2017 as further explained in note 3(x)(A)(I) ("*Reconciliation of impairment allowance balance from IAS 39 to IFRS 9*") to the 2018 Financial Statements.

For further information regarding SIB's adoption of IFRS 9, see note 3 ("*Summary of Significant Accounting Policies*") to the 2018 Financial Statements (incorporated by reference into this Prospectus).

The following table provides a breakdown of impaired financing receivables by sector for the years ended 31 December 2018 and 2017:

| Impaired financing receivables by sector | 2018 | 2017 |
|---|--------------------------|-------------|
| | <i>(AED in millions)</i> | |
| Trade..... | 382 | 272 |

| Impaired financing receivables by sector | 2018 | 2017 |
|---|--------------------------|--------------|
| | <i>(AED in millions)</i> | |
| Real Estate and Construction | 44 | 42 |
| Services..... | 132 | 11 |
| Manufacturing | 156 | 104 |
| Other Corporate Loans (including high net worth individuals)..... | 546 | 607 |
| Total Corporate Loans | 1,260 | 1,036 |
| Total Retail Loans | 141 | 97 |
| Total impaired financing receivables | 1,401 | 1,133 |

The following table summarises the movements in allowances for impairment for financing receivables and leased assets for SIB for the years ended 31 December 2018 and 2017.

| Movement in allowances for impairment (financing receivables and leased assets) | 2018 | 2017 |
|--|------------------------|------------------|
| | <i>(AED thousands)</i> | |
| Balance, beginning of the year | 1,423,824 | 1,023,921 |
| Written off during the year | (13,047) | (38,412) |
| Additional provision for the year..... | 87,654 | 253,847 |
| Recoveries and write-backs during the year | (41,680) | (99,475) |
| Balance of allowances for impairment as at 31 December | 1,456,751 | 1,139,881 |
| Re-measurement under IFRS 9 | | 283,943 |
| Balance at 1st January 2018 | | 1,423,824 |

Industry Regulation and Compliance

Industry regulation and supervision

The principal source of banking regulation in the UAE is the UAE Central Bank. The UAE Central Bank provides prudential supervision of each bank's capital adequacy, liquidity and anti-money laundering controls and its general banking activities. Monitoring by the UAE Central Bank is undertaken by way of regular inspections of banks and their records and the requirement for regular submission of data including, but not limited to, deposited funds, loans and mortgage business, liquidity status and anti-money laundering measures.

SIB submits monthly, quarterly and annual reports to the Banking Supervision and Examination Department of the UAE Central Bank. SIB's Memorandum and Articles of Association, audited financial statements, the distribution of dividends and other documents are all required to be approved by the UAE Central Bank. As a UAE company, SIB is also subject to supervision and regulation at a corporate level by both the UAE Ministry of Economy and Planning and by the local regulatory authorities within each of the emirates of the UAE in relation to branches located in those emirates. For further information, see "*The United Arab Emirates Banking System and Prudential Regulation*" below.

Regulation of Islamic banks

SIB operates under a commercial banking licence granted to it by the UAE Central Bank to undertake Islamic banking activities. The licensing of Islamic banks requires the appointment of a *Shari'a* Committee which ensures the adherence to *Shari'a* principles in SIB' operations and contracts.

Fatwa & Shari'a Supervisory Board (SSB)

The SSB oversees the application of different aspects of *Shari'a* within SIB and ensures that all transactions are in strict compliance with *Shari'a* principles. The Board of Directors is obliged to obey the fatwa

(judgments) of the SSB regardless of whether a unanimous or majority vote secured the decision. SSB meetings are held periodically or whenever the need arises.

The SSB structures *Shari'a*-compliant transactions, templates and banking products which enable SIB to follow market trends while maintaining the highest levels of *Shari'a* compliance. It also analyses unprecedented cases which have not been covered by an existing fatwa in order to ensure *Shari'a* compliance before any new products are introduced or a new procedure is implemented.

As at the date of this Prospectus, the three members of SIB's SSB are:

Dr. Jassem Ali Salem Al Shamsi (Chairman), who heads the Fatwa & *Shari'a* Supervisory Board of Sharjah Islamic Bank, having been appointed in March 2013. He was previously the Dean of the Faculty of *Shari'a* & Law at UAE University, Al Ain. He holds a Ph.D in Civil Law from the Ain Shams University. He has authored numerous books and research papers with a special focus on comparative studies of laws with Islamic jurisprudence.

Dr. Ibrahim Ali Ahmed Al Tunaiji (Member), who holds a Ph.D. from the Jordanian University. He was formerly the Head of the Department of Islamic Studies of the Faculty of Law at UAE University. He has published various books and research in the fields of Islamic jurisprudence and Islamic banking. He joined SIB's Fatwa & *Shari'a* Supervisory Board in March 2013.

Dr. Ibrahim Ali Abdullah Al Mansoori (Member), who holds a Ph.D. in Islamic Banking & Economy. He is an associate professor in Sharjah University and Ajman University. He is the author of various studies and papers on contemporary matters relating to Islamic banking and various *Shari'a* issues. He joined SIB's Fatwa & *Shari'a* Supervisory Board in March 2013.

Shari'a Control Division

The SCAD determines the level of compliance of SIB's activities within the requisite *Shari'a* rules approved by the SSB. It acts as a conduit between the various divisions of SIB and the SSB. It also solves any daily queries relating to *Shari'a* compliance and will refer to the SSB if necessary. In addition, it refines and improves contracts and processes underlying current Islamic products and acts together with the SSB in creating new products.

Real estate property

As at 31 December 2018, SIB owned land and buildings classified as Investment Properties and Properties Held for Sale in the Financial Statements (which are incorporated by reference in this Prospectus) at a carrying value of AED 2.97 billion.

Capital expenditure

SIB does not expect to incur capital expenditure outside its ordinary course of business. For the year ended 31 December 2018, SIB incurred AED 41.1 million of capital expenditure, compared to AED 50 million for the year ended 31 December 2017. SIB is expected to undertake capital expenditure in 2019, principally for investment in information technology (IT) and improving its branch network.

Compliance risk and anti-money laundering policies

SIB has implemented detailed AML and KYC policies and procedures. The responsibility for SIB's compliance function rests with the Head of Compliance. The Head of Compliance is also SIB's nominated money laundering reporting officer (MLRO). As part of its AML policy, SIB conducts a KYC check, which is mandatory for all new accounts. A customer profile is created at the time of account opening and is updated as customer circumstances change and develop during their time with SIB.

The MLRO acts as the main coordinator and point of contact between SIB and the Anti-Money Laundering and Suspicious Cases Unit of the UAE Central Bank (AMLSCU). All financial transactions (cash and non-cash transactions) are closely monitored and suspicious transactions are reported to the AMLSCU. The MLRO ensures that all black listed names circulated by regulatory bodies are checked against SIB's customer database. If a suspicious case arises, the MLRO will investigate and undertake appropriate action including reporting the case to AMLSCU if necessary.

SIB's compliance department ensures that SIB meets each of its regulatory obligations as well as ensuring that it is up to date with all regulatory developments. SIB complies with each of the regulatory obligations imposed by the UAE Central Bank, UN and international sanctions.

All staff are required to be aware of SIB's AML policy and procedures. In addition, SIB conducts AML workshops for all of its employees.

Internal Audit

SIB's IAD operates under a charter approved by the Board of Directors. The IAD consists of 20 members that are independent from the other operations of SIB and is led by the Chief of Internal Audit. In order to ensure independence and objectivity, in line with SIB's adoption of good corporate governance standards, the IAD reports directly to the Board of Directors.

The primary objective of the IAD is to independently assess the adequacy and effectiveness of the control framework through which the activities of SIB and its subsidiaries are conducted. Furthermore, the IAD monitors SIB's compliance with internal policies as well as the requirements of the regulatory authorities in UAE. The IAD develops and maintains comprehensive risk based audit coverage with a primary objective of independently assessing and reporting on the adequacy of SIB and its subsidiaries' control framework. The IAD provides assurance to the Board of Directors that SIB and its subsidiaries' resources are performing in a controlled manner.

Funding

The Investment Group's TD manages the overall short-term and long-term liquidity of SIB, guided by the overriding principle of prudent liquidity management. The division operates under the directions and guidance of SIB's ALCO and within the ambit of Shari'a principles. Most of SIB's long term funding requirements are met through customer deposits, collateralised repo transactions and sukuk borrowings, while short term requirements are mostly met through inter-bank borrowings and cross border deposits. SIB considers itself to have a good reputation among peer banks and Islamic financial institutions in the GCC region, which leads to inter-bank limits from these entities above required levels. As a contingency, the TD is also exploring new regions, such as South East Asia, for inter-bank and institutional relationships. Liquidity risks are mitigated by placing surplus funds across short-term tenors ranging from the overnight market to up to 3 month inter-bank placements, as well as placements in the UAE Central Bank's Islamic certificate of deposits (which can be converted into cash within a couple of days).

Through its IBD, SIB also raises money through the international capital markets. As at the date of this Prospectus, SIB has a U.S.\$500 million sukuk due to mature in March 2020, U.S.\$500 million sukuk due to mature in September 2021 and U.S.\$500 million sukuk due to mature in April 2023.

Information Technology

The IT division seeks to ensure that all banking systems are functioning properly, and plays an important role in driving business value by delivering key projects and initiatives which help to bring SIB to the forefront of technology adoption and competitive differentiation. SIB considers its technology to be of a high standard, and agile in delivering business, customer facing and regulatory initiatives. SIB has the IT capabilities to deliver automation and efficiency improvements for corporate and government customers and

the ability to integrate directly with corporate enterprise resource planning systems for positive cheque pay validation, online pension and vendor payments.

SIB became the first Islamic bank in the Middle East to launch Samsung Pay. Samsung Pay offers banking customers a highly secure mechanism for conducting point of sale transactions without the need for plastic and also offers increased security in internet and e-commerce transactions. SIB also became only the seventh bank in the UAE (and the fifth local bank) to launch Apple Pay. This demonstrates SIB's capability to adopt and launch the latest technologies. SIB also received recognition by the UAE Central Bank for being the first bank in the UAE to initiate the new Immediate Payment Instructions (IPI) transaction (a new instantaneous funds transfer service introduced by the UAE Central Bank). SIB's capabilities with regards to digital transformation are also demonstrated by its introduction of Robotic Process Automation (RPA) technology to automate business processes which are labour intensive and prone to manual error, thereby increasing operational efficiency and reducing turnaround time. SIB has also introduced a new "talking" ATM for the blind and visually impaired. The new ATM is located at the Sharjah City for Humanitarian Services (SCHS) and features a large Braille keypad in Arabic and English and a voice-assisted interface (also in both languages) that can be heard through speakers or headphones for more privacy. It also has three security cameras, instead of one as found in regular ATMs. SIB has also successfully implemented a new automated cheque clearing (ICCS) system, facilitating shorter clearing and settlement cycles through several validations with enhanced security features. In addition, SIB launched a secure mobile stock trading platform with modern features such as real-time market feeds, online market watch, news alert, customisable dashboard and online buy/sell options.

With regards to enterprise risk and compliance, the IT division has been instrumental in ensuring compliance with applicable local and international regulations. In 2017, a new Moody's system for IFRS9 was implemented successfully and the Basel III system was also successfully upgraded.

The IT division's infrastructure has also undergone transformation in order to keep up with the latest technological trends and support SIB's growth. SIB's entire network infrastructure has been enhanced. In addition to the network infrastructure, the bandwidth between SIB's facilities has been upgraded successfully with in-built redundancy and fail-safe features. SIB's SWIFT infrastructure has also been upgraded to the latest infrastructure requirements.

Consistent with its strategy to protect customer information and implement best IT security practices in the banking sector, SIB's information security was awarded the ISO 27001 Certification by "Lloyd's Register" in 2018. This accreditation indicates SIB's strong security practices related to customers, regulators, partners and other stakeholders. It also demonstrates that SIB is in line with best practices for protecting critical business information and high staff awareness. Implementing the standard has also provided a strong foundation for complying with the requirements of the UAE Central Bank's mandated National Electronic Security Authority (NESA) and Information Assurance (IA) Standard.

IT Steering Committee

The IT Steering Committee (**ITSC**) consists of five members and is headed by the CEO. The ITSC provides strategic and tactical guidance for managing SIB's overall technology systems over the long and short term to ensure that IT initiatives are consistent with the strategic business goals of SIB. The ITSC is responsible for providing guidance for the prioritisation and implementation of technology initiatives, reviewing IT operations, security plans and policies and reviewing SIB's overall IT development, strategic opportunities and plans.

Insurance

SIB has various insurance policies in place, including property, motor fleet and public liability. SIB believes that these insurance policies provide it with comprehensive insurance coverage against the various risks to which SIB may be exposed.

Litigation

SIB is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of SIB. Therefore no material provision has been made as at 31 December 2018 regarding any outstanding legal proceedings against SIB.

Fiscal Year

The fiscal year of SIB is the calendar year ending on 31 December.

Auditors

The 2018 Financial Statements of SIB have been audited by PricewaterhouseCoopers (Dubai Branch), Emaar Square, Building 4, Level 8, PO Box 11987, Dubai, UAE (**PwC**), without qualification, in accordance with International Standards on Auditing for the financial year ended 31 December 2018 (which Financial Statements are incorporated by reference in this Prospectus). PwC has also reviewed, without qualification, the Q1 2019 Financial Statements in accordance with the International Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", as stated in PwC's review report appearing in the Q1 2019 Financial Statements. PwC are a registered audit firm in the UAE, operating under professional licences issued by the Dubai Economic Department and the UAE Ministry of Economy. PwC were appointed as SIB's auditors from 1 January 2018. There is no professional institute of auditors in the UAE and, accordingly, PwC is not a member of a professional body in the UAE. All PwC professionals and partners directly involved in the audit are members of the institutes from where they received their professional qualification.

The 2017 Financial Statements of SIB have been audited by KPMG Lower Gulf Limited of Al Batha Tower, Buhaira Corniche, Sharjah, UAE (**KPMG**), without qualification, in accordance with International Standards on Auditing for the financial year ended 31 December 2017 (which Financial Statements are incorporated by reference in this Prospectus). KPMG is regulated in the UAE by the UAE Ministry of Economy, which has issued KPMG with a license to practise as auditors. All of KPMG's audit professionals and partners are members of the institutes from where they received their professional qualification.

Recent Developments

Moody's rating

On 24 June 2019, Moody's affirmed the local and foreign currency long-term and short-term ratings of SIB as A3/Prime-2. The outlook on SIB's long-term rating was changed to negative from stable. In its 24 June 2019 press release regarding this change in outlook, Moody's states that the change reflects weakening core capital buffers; SIB's relatively weak asset risk profile; and modest profitability due to margin pressure, low efficiency and volatile core earnings.

Financial performance for the three months ended 31 March 2019

The following information has been extracted from the unaudited condensed consolidated interim financial statements of SIB as at and for the three months ended 31 March 2019, that include the comparative financial information for the three months ended 31 March 2018:

| | 31 March 2019 (Unaudited) | 31 March 2018 (Unaudited) |
|------------------------------------|--|--|
| | <i>(AED thousands)</i> | |
| Income from Islamic financing..... | 367,571 | 291,484 |

| | | |
|---|----------------|----------------|
| Profit expense on sukuk | (47,613) | (41,866) |
| Investment, fees, commission and other income | 143,408 | 140,717 |
| Income from subsidiaries..... | 8,692 | 10,235 |
| Total income | 472,058 | 400,570 |
| General and administrative expenses..... | (142,860) | (145,797) |
| Net operating income | 329,198 | 254,773 |
| Provisions – net of recoveries..... | (664) | (14,368) |
| Profit before distribution to depositors | 328,534 | 240,405 |
| Distribution to depositors | (176,788) | (97,284) |
| Profit for the period | 151,746 | 143,121 |

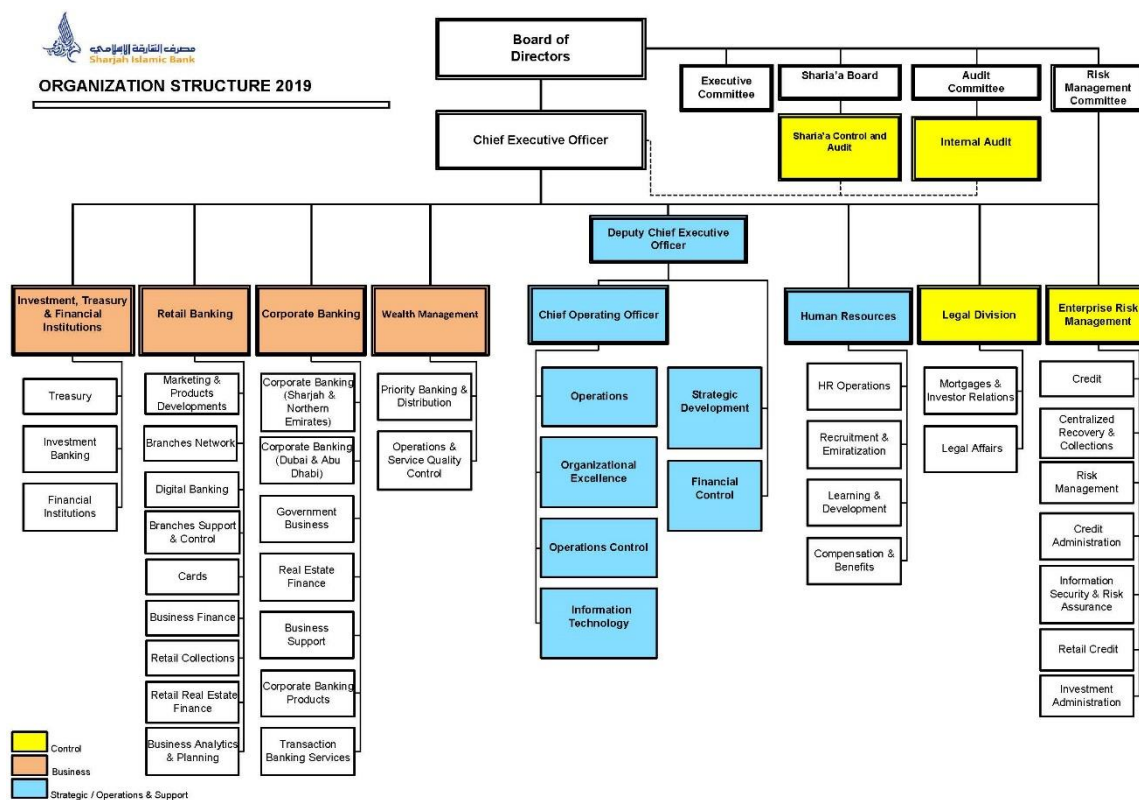
For the three months ended 31 March 2019, the Group's profit for the period increased by 6 per cent. to AED 151.7 million, as compared to AED 143.1 million for the three months ended 31 March 2018, primarily due to an increase in net operating income of AED 74.4 million.

For the three months ended 31 March 2019, net operating income increased by 29 per cent. to AED 329.2 million, as compared to AED 254.8 million for the three months ended 31 March 2018, primarily due to an increase in income from Islamic financing. Income from Islamic financing increased by 26 per cent. from AED 291.5 million for the three months ended 31 March 2018 to AED 367.6 million for the three months ended 31 March 2019, primarily due to an increase in Islamic financing assets and an increase in profit rates. Low provisions for the three months ended 31 March 2019 were reflected in the decrease in provisions – net of recoveries from AED 14.4 million for the three months ended 31 March 2018 to AED 0.7 million for the three months ended 31 March 2019.

Compared to 31 December 2018, total assets remained unchanged as at 31 March 2019 and stood at AED 44.7 billion. Compared to 31 December 2018, customer deposits were also maintained, and stood at AED 26.4 billion as at 31 March 2019.

MANAGEMENT OF SHARJAH ISLAMIC BANK PJSC

SIB's management structure is summarised in the organisation chart set out below:



Board of Directors

SIB operates under the direction of a board of directors (the **Board of Directors**), which is comprised of seven members vested with the power to manage SIB and conduct its business in accordance with its objects and with applicable law, SIB's Articles of Association and resolutions of the shareholders. The Board of Directors is elected as a body by the shareholders for a term of three years. The Board of Directors is fully responsible for SIB's performance and for reporting to the shareholders.

As at the date of this Prospectus, the Board of Directors is comprised of the seven directors listed below:

| Name | Position |
|--|---------------|
| H.E. Abdul Rahman Mohammed Nassir Al Owais | Chairman |
| Mr. Ahmed Mohamed Obaid Al Shamsi | Vice Chairman |
| Mr. Othman Mohammed Sharif Abdalla Zaman | Board Member |
| Mr. Ali Salim Al Mazrou | Board Member |
| Mr. Mohammad NA Al Fouzan | Board Member |
| Mr. Salah Butti Obaid Bin Butti AlMheiri | Board Member |
| Mr. Abdullah S A E AlHaddad | Board Member |

H.E. Abdul Rahman Mohammed Nassir Al Owais is the Chairman of SIB's board, having been so appointed in March 2013. He has been a Board Member of SIB since 1995 and served as Vice Chairman of the Board prior to his appointment as Chairman. He is the Minister of Health & Prevention of the UAE and also a board member of Sharjah Insurance Company.

Mr. Ahmed Mohamed Obaid Al Shamsi has been a Board Member of SIB since 1995. He was appointed Vice Chairman of the Board in March 2013. He is also the Chairman of Falcon Group.

Mr. Othman Mohammed Sharif Abdalla Zaman has been a Board Member of SIB since 1995. He is also Vice Chairman of Sharjah Cement and Industrial Development Company.

Mr. Ali Salim Al Mazrou has been a Board Member of SIB since 1995. He is the Chairman of Emirates Stones, and also a board member of Lamtalco.

Mr. Mohammad NA Al Fouzan has been a Board Member of SIB since 2008. He is also Vice Chairman of KFH Bahrain and a board member of KFH Malaysia.

Mr. Salah Butti Obaid Bin Butti AlMheiri was elected to the Board of SIB in February 2019. He is the Chairman of Directorate of Planning and Survey - Government of Sharjah, member of Sharjah Executive Council, and board member of Sharjah Electricity and Water Authority, Directorate of Islamic Affairs, Sharjah Holding Company and American University of Sharjah Enterprises. As at the date of this Prospectus, his appointment is pending UAE Central Bank approval.

Mr. Abdullah S A E AlHaddad was elected to the Board of SIB in February 2019. He currently holds the position of Chief Investment Banking Officer with KFH Capital. As at the date of this Prospectus, his appointment is pending UAE Central Bank approval.

Business Address and Interests

The business address of SIB's Board of Directors is P.O. Box 4, Sharjah, United Arab Emirates.

No member of the Board of Directors has any actual or potential conflict of interest between his duties to SIB and his private interests or other duties.

Senior Management

The day-to-day management of SIB is conducted by the senior management (the **Senior Management**). The Senior Management meets regularly to discuss the business strategy, business plans and performance, strategy and operation of SIB and submits its recommendation to the Board of Directors.

As at the date of this Prospectus, the Senior Management is comprised of the following managers.

| Name | Position |
|-----------------------|--|
| Mohamed A Abdalla | Chief Executive Officer |
| Ahmed Saad Ibrahim | Deputy Chief Executive Officer |
| Mohammed Rizwan | Chief Risk Officer |
| Ravi Khanna | Chief Operating Officer |
| Saeed M Al Amiri | Head of Investment Group |
| Rahma Mohd. Al Shamsi | Head of Corporate Banking Group |
| Eman Jassim | Head of Human Resource Group |
| Mona El Shinnawy | Head of Strategic Development Department |
| Nabil Abou Alwan | Head of Retail Banking Group |
| Mohamed El-Bahi | Financial Controller |
| Khalaf Abdullah | Chief of Internal Audit Division |
| Anver Jalaldeen | Head of Investment Banking |
| Ibraheem Al Awartni | Head of Credit Division |
| Mammad Kuniyil | Head of Risk Management |
| Saleem Ahmed | Head of Information Technology |
| Bobby Shankeshwar | Head of Treasury |
| Ali Wahab | Head of Debt Capital Markets |

Mohamed A Abdalla, Chief Executive Officer

Mr Abdalla has served as Chief Executive Officer of SIB since 2006 having joined SIB in 1984. He has over 35 years' diversified experience in the banking industry. He continues to contribute towards the overall growth of SIB and its subsidiaries, ASAS and SNHC, as Deputy Chairman, ensuring the overall growth by implementing the board strategy and adding value to the organisation. He currently also holds key positions in various Government of Sharjah entities such as: Member of the Board of Trustees and Chairman of the Finance Committee - University of Sharjah; Vice Chairman of Pioneering Project - RUWAD Establishment which is a foundation to support entrepreneurs and their projects; and Member of the Board of the Sharjah Equestrian Club.

Ahmed Saad Ibrahim, Deputy Chief Executive Officer

Mr Ibrahim has served as Deputy Chief Executive Officer since early 2011 having been at SIB since 1998. He holds a Bachelors degree in commerce from Cairo University. He is also a Certified Public Accountant, Delaware, USA. Prior to joining SIB, he has worked with Qatar National Bank and Commercial International Bank, Egypt (formerly Chase National Bank). He has over 35 years' experience in the banking industry. He also serves as a Board of Directors member of SIB's subsidiaries, ASAS and SHNC, representing SIB.

Mohammed Rizwan, Chief Risk Officer

Mr Rizwan joined SIB in 1999 and presently serves as Chief Risk Officer and Head of Enterprise Risk Management. He holds a Masters of Arts degree from India. Prior to joining SIB, he worked with ABN Amro and The Hong Kong Metropolitan Bank. He has over 37 years of experience in the banking industry.

Ravi Khanna, Chief Operating Officer

Mr Khanna has more than 30 years of experience in information technology in banks and has worked with banks in Oman and India for more than 21 years. He took over the role of Chief Operating Officer of SIB in March 2017 after successfully completing a core bank transformation program for SIB. Previously, Mr Khanna worked at Bank Dhofar in Oman as Assistant General Manager and Head of Information Technology for 16 years, during which he led its Business and Technology teams and oversaw its core banking transformation. Mr Khanna holds a Bachelor's degree in electrical engineering from Regional Engineering College, India. Mr Khanna is responsible for all aspects of Banking Operations, Information Technology & Process excellence and Service Quality across SIB and its subsidiaries' businesses.

Saeed M Al Amiri, Head of Investment Group

Mr Amiri joined SIB in 2002 and has served as the Head of Investment Group since 2007. He holds a Masters of business administration degree from the University of Sharjah and a Bachelors degree from the University of Miami. Prior to joining SIB, he worked with Sharjah Department of Economic Development. He has 17 years' of experience in the banking industry.

Rahma Mohd. Al Shamsi, Head of Corporate Banking Group

Mr Shamsi has served as Head of Corporate Banking Group of SIB since 2010 having been with SIB since 2004. He holds a graduate degree, majoring in finance, from University of Colorado, Denver. Prior to joining SIB, he has worked with KPMG and Abu Dhabi National Oil Company.

Eman Jassim, Head of Human Resource Group

Ms Jassim has served as Head of Human Resource Group of SIB since 2007. She holds a Masters in business administration degree from the American University of Hawaii. She has over 20 years' experience in managing human resources at SIB.

Mona El Shinnawy, Head of Strategic Development Department

Ms El Shinnawy has served as Head of Strategic Development Division of SIB since 2005, having joined in 2004. She holds a Masters of arts in commerce from American University Cairo and a Bachelors of arts from Cairo University. She has over 33 years' of experience with financial institutions such as Citibank, GIO Australia, First Gulf Bank and Union National Bank.

Nabil Abou Alwan, Head of Retail Banking Group

Mr Alwan joined Sharjah Islamic Bank in 2015. He has over 27 years of marketing experience in the banking, financial institutions, and telecommunications industries marketing activities in the UAE and Saudi Arabia. He holds a Bachelors Degree in Business Administration from the American University in Beirut, Lebanon.

Mohamed El-Bahi, Financial Controller

Mr El-Bahi has served as Financial Controller of SIB since 2005. He holds a Bachelors degree in commerce and business administration from Cairo University. Prior to joining SIB, he worked with Qatar National Bank. He has over 25 years' of experience in the banking industry.

Khalaf Abdullah, Chief of Internal Audit Division

Mr Abdullah joined SIB in 2001 and has eleven years of audit experience in SIB. He graduated from Al Ain University, majoring in accountancy. During his career, Mr Abdullah has been invited to lecture on audit related subjects at various universities, governmental institutions and conferences.

Anver Jalaldeen, Head of Investment Banking

Mr Jalaldeen has served as Head of Investment Banking at SIB since 2008. He holds a graduate degree from Oklahoma State University, USA. Prior to joining SIB in 2003, he worked with Wyndham Corporation, Fidelity Investments and Abu Dhabi Islamic Bank. He has over 22 years of experience in financial and investment management.

Ibraheem Al Awartni, Head of Credit Division

Mr Awartni joined SIB in 2017 and presently serves as Head of Credit. He holds a Bachelors degree in Economics from Yarmouk University, Jordan, and has over 29 years banking experience. Prior to joining SIB, he has worked with Masraf Alrayan, CBI and Jordan Ahli Bank.

Mammad Kuniyil, Head of Risk Management

Mr Kuniyil joined SIB in 2006 and presently serves as the Head of Risk Management. He is a Certified Chartered Accountant from the Institute of Chartered Accountants, India. He has over 16 years of banking experience accompanied by 9 years of Audit Experience in the areas of Statutory Audit, Internal Audits and Certification matters. Prior to joining SIB, he worked with the Saudi British Bank (HSBC affiliate), and Ernst and Young.

Saleem Ahmed, Head of Information Technology

Mr Saleem has more than 25 years of experience in Information Technology with expertise in financial institutions, having previously worked with Samba in Saudi Arabia (for 17 years) and First Gulf Bank in Abu Dhabi (for 5 years). Mr Saleem holds a Bachelor's degree in Engineering from College of Engineering, Guindy, Anna University in Chennai, India and he is currently responsible for all aspects of Information Technology across SIB and its group businesses.

Bobby Shankeshwar, Head of Treasury

Mr Shankeshwar is a seasoned professional with experience spanning over a period of 22 years in the areas of Finance and Treasury across corporate and bank Treasuries. He joined SIB in 2008 and has been managing the Islamic Treasury Division. His work expertise lies in forex, fixed income and derivatives markets having worked in various organisations in different geographical locations handling Investments and Treasury products, and also managing the market risk through available hedging tools and products. He holds a Bachelor's degree in Engineering (BE) and a Master's degree in Business Administration (Finance) from Department of Management studies (DOMS), University of Madras, India.

Ali Wahab, Head of Debt Capital Markets

Mr Wahab has more than 16 years of capital markets experience in the UAE and Pakistan and is responsible for the Debt Capital Markets function at SIB's Investment Banking Division. He joined SIB in 2008 and focused on the investment portfolio. Over the course of his time at SIB, he has been involved in various issuances of sukuk by SIB and other transactions where SIB acts as a joint lead manager. Prior to joining SIB, Mr. Wahab worked at Tabarak Partners and before that at Pakistan Kuwait Investment Company. He holds a Master's in Business Administration from the Institute of Business Administration, Karachi, Pakistan.

Business Address and Interests

The business address for each member of the Senior Management is P.O. Box 4, Sharjah, United Arab Emirates.

No member of the Senior Management has any actual or potential conflict of interest between his duties to SIB and his private interests or other duties.

Board Remuneration

The members of the Board of Directors of SIB received AED 5.3 million in aggregate by way of board remuneration during the year ended 31 December 2018.

Committees of the Board

Executive Committee

The Executive Committee consists of four members and is headed by the Vice Chairman of the Board of Directors. The Executive Committee acts as the Board of Directors' senior executive management ensuring that the Board of Directors meets its strategic and operational objectives. The Executive Committee collectively monitors the performance of SIB and makes decisions within the authority limits delegated to it by the Board of Directors.

The Executive Committee meets at least once a quarter.

Audit Committee

The Audit Committee consists of three members and is headed by a director of SIB, with the Head of the Internal Audit Division acting as the secretary to the committee. The main purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibility by overseeing SIB's financial reporting processes, maintaining accounting policies and reviewing and approving financial information. The Audit Committee is also responsible for reviewing reports on SIB's internal controls, managing the relationship with SIB's external auditors and monitoring control issues which are of a major significance to SIB.

The Audit Committee meets once a quarter.

Risk Management Committee

The RMC consists of five members and is headed by a director of SIB. The committee is composed of three non-executive directors, the CEO and CRO. The main purpose of the RMC is to assist the Board in fulfilling its oversight responsibility by overseeing the risks inherent in the businesses of SIB and the control processes with respect to such risks, reviewing the risk profile of SIB and managing the risk management compliance and control activities of SIB. In addition, the RMC provides a critical assessment of SIB's business strategies and plans from an enterprise risk perspective. The RMC is also responsible for ensuring that appropriate policies and procedures are in place for managing risks to which SIB is exposed.

The RMC meets once every quarter.

Management Committees

Management Committee

The Management Committee (**MC**) consists of 13 members and is headed by the CEO. The scope of the MC includes all cross functional issues that are not covered in the scope of other committees. Typically, the MC covers areas including strategy, policies, human resources, marketing and administrative processes. In addition, the MC is responsible for liaising with each of the other divisions in SIB.

The members of the MC comprise the heads of SIB's functional divisions, together with representatives of its three subsidiaries. The MC meets once a month.

Investment Committee

The Investment Committee (**IC**) consists of four members and is headed by the CEO. The IC is responsible for reviewing SIB's investment portfolio and transactions emanating from the investment division on behalf of the Board of Directors.

The members of the IC comprise the CEO, the Deputy CEO, the CRO and the Head of the Investment Group. The IC meets at least once a month.

IT Steering Committee

The IT Steering Committee (**ITSC**) consists of four members and is headed by the CEO. The ITSC provides strategic and tactical guidance for managing SIB's overall technology systems over the long and short term to ensure that IT initiatives are consistent with the strategic business goals of SIB. The ITSC is responsible for providing guidance for the prioritisation and implementation of technology initiatives, reviewing IT operations, security plans and policies and reviewing SIB's overall IT development, strategic opportunities and plans.

Asset and Liability Committee

The ALCO consists of nine members and is headed by the CEO. The objective of ALCO is to derive the most appropriate strategy for SIB in terms of the balance of assets and liabilities given its expectations of the future and the potential consequences of profit rate movements, liquidity constraints, foreign exchange exposure and capital adequacy. ALCO is responsible for ensuring that all strategies conform to the appropriate risk level and exposure, as determined by the Board of Directors.

The members of the ALCO comprise:

- Chief Executive Officer;
- Deputy Chief Executive Officer;

- Credit Risk Officer;
- Head of Investment Group;
- Head of Retail Banking Group;
- Head of Corporate Banking Group;
- Head of Credit Division;
- Head of Strategic Development;
- Head of Treasury Division; and
- Chief Operating Officer.

The ALCO meets frequently to discuss and develop policy matters.

Credit Committee

The Credit Committee (CC) consists of five members and is headed by the CEO. The CC is responsible for managing the credit risk of SIB by reviewing credit limits, policies and procedures. The CC also approves certain positions of SIB and evaluates work out situations, as well as monitoring SIB's loans portfolio and the sufficiency of provisions.

The members of the CC comprise:

- Chief Executive Officer;
- Deputy Chief Executive Officer;
- Chief Risk Officer;
- Head of Investments Group; and
- Head of Corporate Banking Group.

The CC meets twice every week.

Human Resource Committee

The Human Resource Committee (HRC) consists of four members and is headed by the CEO. The HRC is responsible for the development, training, performance evaluation and recruitment of SIB's human capital.

The members of the HRC comprise the CEO, Deputy CEO, the Head of the Investment Group and Head of the Human Resource Group. The HRC meets at least once every month to design, implement and review human resources strategies.

Human Resources

The Human Resource function of SIB is a key strategic partner of the Management Committee as it facilitates the achievement of the SIB's "Vision, Mission and Values", by ensuring that SIB attracts, develops, engages and retains employees who meet and surpass expectations and are assets to SIB's business. To achieve this mission, SIB regularly benchmarks its human resources practises with its peers to gain the

best for its employees and seeks continuous improvement (for example, using technology and automating its processes where appropriate, in order to improve operational efficiency and effectiveness).

Employees

As of 31 December 2018, SIB employed 1,265 full time employees. Correspondingly, the employee turnover registered a slight increase from 6.6% in 2017 to 7.5% in 2018.

Following an Employee Satisfaction survey in 2017, 90% of employees participated in the survey and overall satisfaction rate touched 87%. SIB therefore considers its relationship with its employees to be good with the results of the survey reflecting positively and consistent with the results generally expected of similar institutions in the UAE where similar surveys have been undertaken.

SIB has its own in-house academy to provide ongoing training and education to its employees, including "soft-skills" training and training designed to improve employees' knowledge of SIB and its products and operations. The academy employs two full time trainers in order to service the needs of SIB's employees.

In recognition of demonstrating its commitment to its employees, SIB was awarded the prestigious Dubai Human Development Award organized by the Department of Economic Development, Government of Dubai, first in 2010 and then in 2017. In addition, in 2018 SIB won the prestigious Emiratisation Award, organised by the Ministry of Human Resources and Emiratisation.

Emiratisation

SIB is committed to the development of UAE nationals. As a part of its "Emiratisation" policy, SIB has undertaken several innovative initiatives to attract UAE nationals in the Islamic banking industry. Our in-house development programs are designed to develop UAE Nationals through mentoring and on-the-job opportunities, thereby creating a culture of progressive growth. SIB also participates regularly in the Career Fairs for Nationals across the UAE. Through careers fairs and regular contact with various universities and other educational institutions, SIB actively recruits talented UAE nationals. This has enabled SIB to become a leader in meeting and exceeding nationalisation targets. Through Mehnati (summer internship and training), Bedayati (mass recruitment of nationals into various positions) and Ruwaad (leadership development and succession planning programs), SIB is able to enjoy the benefits of having a skilled and motivated local workforce.

SIB considers Emiratisation as a long-term strategic investment that is demonstrated through the priority given to talented UAE Nationals in employment. With the Central Bank National Points System in place, SIB has surpassed the target set for Emiratisation in 2018 achieving 768 points against a target score of 617 points as assigned by the UAE Central Bank. With a holistic approach towards nationalisation, SIB has become a front runner in meeting and exceeding nationalisation targets.

SIB plans to continue to recruit, train and support UAE nationals in line with its "Emiratisation" policy.

Transactions with related parties

SIB enters into transactions with its major shareholders, directors, senior officers and their related concerns in the ordinary course of business on a commercial arms length basis. All such dealings with related parties are performing financings and are free of any provision for possible losses. Related party transactions with the Government of Sharjah are specifically included in the related party disclosures in accordance with IFRS. The significant balances outstanding as at 31 December 2018 and 31 December 2017 in respect of related parties are set out in the table below.

| | 2018 | | | |
|--|---|-------------------------------|--------------------------------------|--------------------|
| Statement of financial position | Key management personnel | Major shareholders | Other related parties | Total |
| Investment in Islamic financing | 775,502 | 3,336,088 | 3,539,686 | <u>7,651,276</u> |
| Customers deposits | (174,716) | (665,593) | (2,918,134) | <u>(3,758,443)</u> |
| Contingent liabilities – off balance sheet | 114,650 | 29,541 | - | <u>144,191</u> |
| | | | | |
| Statement of profit or loss | | | | |
| For the year ended 31 December 2018 | | | | |
| Income from Islamic financing | 18,432 | 151,011 | 131,637 | <u>301,080</u> |
| Depositors' share of profit | (494) | (6,703) | (26,495) | <u>(33,692)</u> |
| | | | | |
| | 2017 | | | |
| Statement of financial position | Key management personnel | Major shareholders | Other related parties | Total |
| Investment in Islamic financing | 630,914 | 4,288,504 | 3,422,199 | <u>8,341,617</u> |
| Customers deposits | (38,911) | (195,830) | (3,664,669) | <u>(3,899,410)</u> |
| Contingent liabilities – off balance sheet | 120,073 | 3,012 | - | <u>123,085</u> |
| | | | | |
| Statement of profit or loss | | | | |
| For the year ended 31 December 2017 | | | | |
| Income from Islamic financing | 26,406 | 127,490 | 98,655 | <u>252,551</u> |
| Depositors' share of profit | (286) | (2,512) | (10,594) | <u>(13,392)</u> |

THE UNITED ARAB EMIRATES BANKING SECTOR AND PRUDENTIAL REGULATIONS

Summary

The UAE could be viewed as an over-banked market, see further " – *Characteristics of the Banking System – Lack of Consolidation*" and "*Risk Factors – Risk Factors relating to SIB and its Business – Competition*".

As a banking regulator, the UAE Central Bank, established in 1980, has grown in stature over the years and is the governing body that regulates and supervises all banks operating in the UAE. The UAE Central Bank monitors banks through its Banking Supervision and Examination Department. It conducts reviews of banks periodically based on the risk profile of each bank. It also reviews all of the returns submitted by the banks to the UAE Central Bank.

Historically, the UAE Central Bank does not act as a "lender of last resort", instead this role tends to fall on the individual Emirs of each emirate. However, the introduction by the UAE Central Bank in 2014 of the IMLF is expected to enable non-Islamic UAE banks to use certain rated or UAE federal government entity issued assets as collateral to access UAE Central Bank liquidity overnight in order to help their liquidity management. Additionally, the UAE Central Bank's extension of the spectrum of "Eligible Collateral" under the Collateralised Murabaha Facility in March 2015 will enable Islamic banks to access central bank liquidity against collateral as is the case for conventional banks under the IMLF. See "– *Recent trends in banking – Liquidity*".

Characteristics of the Banking System

Lack of Consolidation

The UAE could be viewed as an over-banked market, even by regional standards, with 22 locally incorporated banks and 27 foreign banks licensed to operate inside the UAE as at 31 December 2018 (source: Central Bank, preliminary data), serving a population estimated to be in the region of 9.5 million people in mid-2018 (source: Statistical Yearbook 2018 edition, United Nations Department of Economic and Social Affairs, Statistics Division). There has traditionally been little impetus for consolidation. However, mergers in the past have tended to come as a result of banks facing financial difficulties and some commentators suggest that the 2008 global financial crisis created more favourable conditions for consolidation. The federal structure of the UAE has, to some extent, encouraged the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also hampered the process of consolidation. However, in October 2007, the UAE's then second and fourth largest banks at the time, Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C., merged to become Emirates NBD P.J.S.C. In October 2010, Dubai Islamic Bank P.J.S.C. took a controlling stake of 58.25 percent in Tamweel. In 2012, Emirates Islamic Bank P.J.S.C. merged with Dubai Bank P.J.S.C. In addition, the mergers between National Bank of Abu Dhabi and First Gulf Bank, which was consummated on 30 March 2017, and Abu Dhabi Commercial Bank, Union National Bank and Al Hilal Bank, which was consummated on 1 May 2019, are anticipated to stimulate further moves towards greater consolidation amongst UAE banks.

The relatively small size of most UAE banks has occasionally hindered them from competing for large financing transactions in the region. It also means that they have comparatively small franchises with which to absorb capital costs, such as information technology system development. The advent of WTO liberalisation should allow greater competition from foreign banks, both from new entrants to the market and from existing players expanding their operations, which may eventually result in more mergers, with the possibility of creating banks with pan-Gulf franchises.

Domestic Focus

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross-border business.

With a large number of banks, competing for a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and Internet banking services. As a consequence, information technology costs have been a prominent feature of many UAE banks' expenses.

Limited Foreign Ownership

In 1987, the UAE federal government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the UAE Central Bank following an agreement to permit market access to banks of GCC state origin in line with continuing efforts in regional integration.

During 2002, the Government of Dubai issued a decree establishing the Dubai International Financial Centre (**DIFC**). The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

Exposure to the Oil Sector

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices (see "*Risk Factors – Risk Factors relating to SIB and its Business - The UAE's economy is highly dependent upon its oil revenues*"). In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements. In particular, Sharjah is not a large oil producer, being a net consumer of oil products (with the mining and quarrying sector accounting for 6.8 per cent. of Sharjah's GDP in 2017, according to the UAE Federal Competitiveness and Statistics Authority (formerly the National Bureau of Statistics)) and it enjoys a relatively diverse economy.

Islamic Banking

Shari'a (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest. The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank P.J.S.C., Abu Dhabi Islamic Bank P.J.S.C., Emirates Islamic Bank P.J.S.C., Noor Bank, Al Hilal Bank P.J.S.C., Ajman Bank, SIB and Amlak Finance. The number of Islamic banks continues to increase, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer *Shari'a*-compliant products.

Legal Environment

There are three primary sources of law in the UAE: federal laws and decrees; local laws; and *Shari'a* (Islamic) law. In addition, Emiri decrees can be issued by the rulers of each of the emirates which, when issued, have full legal effect and operation in such emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler of a given Emirate or local government will apply his or its own rules, regulations and practices.

Supervision of Banks

The UAE Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the "bank for banks" within the UAE, although it is not the "lender of last resort". In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the Government would ultimately stand as de facto defender of the currency and the "lender of last resort".

The 2018 Federal Law grants the UAE Central Bank powers to:

- draw up and implement monetary policy;
- exercise currency issuance;
- organise licensed financial activities, establish the foundations for carrying them on, and determine the standards required for developing and promoting prudential practices in accordance with the provisions of the 2018 Federal Law and international standards;
- set up appropriate regulations and standards for protection of customers of licensed financial institutions;
- monitor the credit condition in the UAE, in order to contribute to the achievement of balanced growth in the national economy;
- manage foreign reserves to maintain, at all times, sufficient foreign currency assets to cover the monetary base as per the provisions of the 2018 Federal Law; and
- regulate, develop, oversee and maintain soundness of the financial infrastructure systems in the UAE.

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the UAE Central Bank to issue government debt. However, the UAE Central Bank does issue certificates of deposit (**CDs**) to UAE banks, denominated in both U.S. dollars and UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the UAE Central Bank at any time. In 2007, the UAE Central Bank introduced an auction system which allows U.S. dollar drawings against UAE dirham CD holdings.

The UAE dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in practice, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices.

The UAE Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 4 of 2002 regarding the Criminalisation of Money

Laundering. It has established an Anti-Money Laundering and Suspicious Cases Unit which acts as the financial intelligence unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The UAE has also established a National Anti-Money Laundering Committee, which is responsible for coordinating anti-money laundering policy.

The UAE further strengthened its legal authority to combat terrorism and terrorist financing, by passing Federal Law No. 1 of 2004 on Combating Terrorism Offences, which provided for the establishment of a National Anti-Terror Committee (the **NATC**). The NATC serves as a UAE inter-agency liaison.

Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC. The UAE Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

Lack of Developed Capital Markets

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the DFM and the ADX (both of which were established in 2000), have grown over recent years and have benefitted from the inclusion of the UAE in the MSCI Emerging Markets Index in 2014, they continue to experience bouts of volatility.

The Nasdaq Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009 the DFM announced its intention to acquire the Nasdaq Dubai, with completion of the acquisition having occurred in July 2010. The DFM and the ADX were upgraded to the MSCI Emerging Markets Index with effect from 1 June 2014, which presents an opportunity for an increase in interest and investment from international institutional investors in the UAE.

Government Involvement

Most of the larger banks in the UAE have some degree of government ownership. Privatisation, though advocated in principle, has been slow to manifest in practice. The state and its related entities are together the banking sector's largest customers, in terms of both deposits and project financing.

Expatriate Workforce

The UAE is reliant on overseas labour, with expatriates making up approximately 82 per cent. of the workforce according to estimates published by the Federal Competitiveness and Statistics Authority in 2016. The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the UAE has been an increasing concern for the UAE federal government and as part of a policy of "Emiratisation", banks were instructed, in 1999, to increase the percentage of UAE nationals on their payroll to 40 per cent. by 2009. Generally, banks have been moving closer to, or have met, this target, providing better training and compensation for UAE nationals.

Accounting Standards

Since 1 January 1999, all UAE banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards (**IAS**)). Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector.

Recent Trends in Banking

Profitability

The performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the UAE between 2004 and 2008 allowed UAE banks to expand significantly.

However, much of this growth focused on the real estate sector and equity financing which, in the context of the 2008 global financial crisis, represented a significant risk to the UAE banking system. Equity prices declined generally in the UAE from 2008 to 2011 in response to the 2008 global financial crisis but rebounded overall between 2012 and 2015. ADX's General Index increased from AED 2,402.28 at 29 December 2011 to AED 2,630.86 at 31 December 2012, AED 4,290.30 at 31 December 2013 and AED 4,528.93 at 31 December 2014, before declining again to AED 4,307.26 at 31 December 2015, and increasing to AED 4,546.37 at 31 December 2016. The DFM index increased from AED 1,353.39 at 29 December 2011 to AED 1,662.53 at 31 December 2012, AED 3,369.81 at 31 December 2013 and AED 3,774 at 31 December 2014, before declining again to AED 3,151 at 31 December 2015, and increasing to AED 3,530.88 at 29 December 2016. As at 28 December 2017 and 31 December 2018, the ADX's General Index stood at AED 4,398.44 and 4,915.07 respectively and the DFM index stood at AED 3,370.07 and AED 2,529.75 respectively (source: www.adx.ae and www.dfm.ae).

During 2008 to 2010, a number of banks were also affected by the impact of mark to market accounting rules on their international investment portfolios. Additionally, the UAE economy was negatively impacted by the 2008 global economic downturn and, in particular, by the sharp correction in the price of oil, which affected a number of key economic sectors including trade, tourism, real estate and commerce. This economic slowdown, along with reduced levels of liquidity in the market, constrained lending and resulted in the majority of UAE banks being less profitable in this period than in previous years.

Profitability of UAE banks, in terms of return on assets, remained stable at around 1.7 per cent. in 2017 and 2016 (source: KPMG "GCC listed banks results – year ended 31 December 2017").

Liquidity

The UAE Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the UAE Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on-demand or time-based customer deposits made by private individuals or private sector companies. According to preliminary data made available by the UAE Central Bank, together, these deposits constituted approximately 59.6 per cent. of total deposits of the UAE banking sector as at 31 December 2018, whereas the UAE federal government and the public sector constituted approximately 28.2 per cent. of total deposits within the UAE banking sector as at 31 December 2018. Non-resident and other sources contributed approximately 12.2 per cent. as at the same date (source: UAE Banking Indicators (December 2018), UAE Central Bank).

In response to the 2008 global financial crisis, the UAE Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the UAE Central Bank established an AED 50 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The

UAE Central Bank also established a CD repo facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the UAE Central Bank.

In addition to these measures, the UAE federal government also provided AED 50 billion in deposits to UAE banks (as part of a larger AED 70 billion package) which, at the option of the banks, can be converted into Tier II capital in order to enhance capital adequacy ratios. A number of banks in the UAE exercised this option and converted the UAE federal government deposits made with them into Tier II capital.

During 2008, Government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Abu Dhabi Government (acting through the Department of Finance) subscribed for, in aggregate, a sum of AED 16 billion in subordinated Tier I capital notes issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi P.J.S.C. (now First Abu Dhabi Bank PJSC following its merger with First Gulf Bank P.J.S.C.), Abu Dhabi Commercial Bank P.J.S.C., First Gulf Bank P.J.S.C. (now First Abu Dhabi Bank PJSC following its merger with National Bank of Abu Dhabi P.J.S.C.), Union National Bank P.J.S.C. and Abu Dhabi Islamic Bank P.J.S.C.

In 2009, the Department of Finance of the Government of Dubai established a U.S.\$20 billion funding programme and the first tranche, valued at U.S.\$10 billion with a five year tenure and paying a coupon rate of four per cent. per annum, was issued in its entirety to the UAE Central Bank. In November 2009, a second U.S.\$5 billion tranche was fully subscribed equally by National Bank of Abu Dhabi P.J.S.C. and Al Hilal Bank P.J.S.C.

The UAE Central Bank has tightened regulations on how banks in the UAE manage liquidity through the introduction of new qualitative, quantitative and reporting requirements on liquidity risk management. In line with Basel III requirements, the UAE Central Bank has issued UAE Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015, replacing Central Bank Notice No. 30/2012) (the **Liquidity Notice**) and which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices. These requirements include the following:

Responsibilities of the board of directors:

- to bear ultimate responsibility for liquidity risk management within the relevant UAE bank;
- to be familiar with liquidity risk management with at least one board member having detailed understanding of liquidity risk management; and
- to ensure the clear articulation of liquidity risk tolerance in line with the relevant UAE bank's objectives, strategy and risk appetite.

Responsibilities of Senior Management:

- to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the board of directors;
- to review the UAE bank's strategy and to report to the board of directors on regulatory compliance on a regular basis; and
- to manage liquidity risk in a prudent manner using all available liquidity risk management tools.

Liquidity risk framework:

The Liquidity Notice requires each UAE bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the UAE Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
- regular internal stress testing of the portfolio for a variety of scenarios (both institution specific and market-wide); results being communicated to the board of directors and the UAE Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
- establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the UAE Central Bank upon request);
- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and
- a transfer pricing framework (which is commensurate with the bank's liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which were intended to apply until the Basel III LCR and NSFR (each as defined below) come into effect. These include the following:

| | <u>Ratio</u> | <u>Applicability Period</u> |
|-------------------|--|--|
| Interim ratios: | Eligible Liquid Assets Ratio (ELAR \geq 10%) | 1 July 2015 until LCR implementation for approved banks |
| | Advances to Stable Resources Ratio (ASRR $<$ 100%) | 30 September 1986 until NSFR implementation for approved banks |
| Basel III ratios: | Liquidity Coverage Ratio (LCR $>$ 100%) | Effective transition from 1 January 2016 for approved banks |
| | Net Stable Funding Ratio (NSFR $<$ 100%) | Effective January 2018 for approved banks |

The UAE Central Bank's eligible liquid assets ratio (the **ELAR**) is an interim ratio which was designed to apply pending the liquidity coverage ratio (the **LCR**) becoming effective (as described below). Under the ELAR, UAE banks are required to hold an amount equivalent to at least 10 per cent. of their liabilities in high quality liquid assets (including cash held with the UAE Central Bank, the UAE Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments).

The Liquidity Notice also includes the option for UAE banks to apply to the UAE Central Bank to move to assessment of bank liquidity as against the LCR (and away from assessment against the interim ELAR), with effect from 1 January 2016. Any UAE banks taking up this option were required to comply with the ELAR

until 1 January 2016, after which date they are required to move to compliance with the LCR (subject to receipt of UAE Central Bank approval).

The LCR represents a 30 days stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 days stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with eligible liquid assets at the minimum LCR determined by the UAE Central Bank. The Basel III accord requires that this minimum is 100 per cent. The Liquidity Notice describes in detail eligible liquid assets for this purpose.

As part of the Central Bank's gradual implementation of the Basel III reforms in the UAE, the UAE Central Bank has introduced LCR in a phased manner, setting an initial benchmark of 60 per cent. upon commencement of LCR compliance, increasing to 100 per cent. by 2019. This graduated approach was designed to ensure that the LCR could be introduced without disruption to the orderly strengthening of banking systems or the ongoing financing of economic activity in the UAE.

The Advances to Stable Resources Ratio (the **ASRR**) is an interim ratio which applies to UAE banks until they become subject to the NSFR (as described below). The ASRR recognises both the actual uses as well as the likely uses of funds in terms of contractual maturity and behavioural profile of the sources of funds available to the bank, in order to ensure that there are limited maturity mismatches and cliff effects.

The net stable funding ratio (the **NSFR**) is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE banks contingent liabilities. The NSFR mirrors the Basel III NSFR standard. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding (**ASF**) factors to the sources of funds and required stable funding (**RSF**) (usage) factors to asset classes and off balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III NSFR standard.

Interim Marginal Lending Facility

On 15 April 2014, the UAE Central Bank introduced the Inter Marginal Lending Facility (the **IMLF**) which allows non-Islamic UAE banks to use certain rated or UAE federal government entity-issued assets to access UAE Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

The IMLF will let lenders use certain assets as collateral to obtain one-day overnight loans from the UAE Central Bank. Eligible assets that can be used as collateral must be tradeable and include bonds, sukuk and securities issued by the UAE federal government or government-related entities in individual Emirates, as well as by UAE banks and corporations. Securities issued by foreign governments, banks, corporates and supranational agencies can also be used as collateral, but must carry a minimum 'A' credit rating from one of the three main international rating agencies. Banks accessing the IMLF must borrow a minimum of AED 10 million and will be charged 100 basis points over the official UAE "Repo Rate".

Collateralized Murabaha Facility

On 22 June 2011, the UAE Central Bank announced that it would be offering a Collateralized Murabaha Facility to banks in the UAE to provide a source of liquidity to banks. On 22 March 2015, the UAE Central Bank extended the spectrum of "Eligible Collateral" for the existing Collateralized Murabaha Facility to include Shari'a compliant securities, effective from 1 April 2015. Islamic banks operating in the UAE, such as SIB, can now access funds from the Central Bank on an overnight basis by posting eligible securities as collateral.

Position of Depositors

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the UAE federal government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE and a draft law guaranteeing federal deposits was approved by the UAE's National Federal Council in May 2009. In addition, the 2018 Federal Law provides that the board of directors of the UAE Central Bank may issue regulations for the protection of deposits and the rights of depositors. However, until such time as any such law or regulations are passed, there is no guaranteed government support.

Prudential Regulations

The UAE Central Bank has supervisory responsibility for banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the UAE Central Bank with more up to date information on credit, market and operational risks within the banking sector.

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of UAE Central Bank Circular Number 27/2009. Since 1993, the UAE Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier I ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier 1 capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions were deducted from regulatory capital.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent.; claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent.; and GCC sovereign debt is risk-weighted at zero per cent.

As part of the introduction of Basel III in the UAE, and pursuant to the UAE Central Bank's Regulations re Capital Adequacy (effective from 1 February 2017), the Standard re Capital Supply (effective from 31 December 2017) and the Standard re Tier Capital Instruments (effective from 31 March 2018) (the **TCI Standard**), which set out the supervisory expectations of the UAE Central Bank with respect to the relevant Basel III capital adequacy requirements and how they will be applied by the UAE Central Bank, SIB is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 12.375 per cent. As of 31 December 2018, SIB's capital adequacy ratio was 16.96 per cent. The Certificates include the features required by the TCI Standard (and accompanying guidance), including provisions regarding write-down at the point of non-viability and profit cancellation events.

See further "*Description of Sharjah Islamic Bank – Risk Management – Basel III – Capital Adequacy*".

Reserve Requirements

See "*Description of Sharjah Islamic Bank – Risk Management – Basel III – Capital Adequacy*".

Credit Controls

Banks are required by the UAE Central Bank to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries.

The UAE Central Bank's Retail Circular introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months. These regulations may be amended in the future in accordance with the Mortgage Regulations (which were published in the Official Gazette on 28 November 2013 and entered into force on 28 December 2013, superseding UAE Central Bank notice no. 3871/2012 dated 30 December 2012), which specifies that the amount of mortgage loans for non-UAE nationals should not exceed 75 per cent. of the property value for a first purchase of a home (with a value of less than or equal to AED 5 million), 65 per cent. of the property value for a first purchase of a home (with a value greater than AED 5 million) and 60 per cent. of the property value (irrespective of the value of the property) for second and subsequent homes. For UAE nationals, the corresponding limits are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

Large Exposures

The UAE Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) were previously as follows:

- to a single borrower or group of borrowers – 7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital – 7 per cent.;
- overseas interbank exposures – 30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);
- to the bank's parent company, subsidiaries or affiliates – 20 per cent. (60 per cent. for all such exposures in aggregate); and
- to board members – 5 per cent. (25 per cent. for all such exposures in aggregate).

On 11 November 2013, the UAE Central Bank published the Large Exposure Notice amending certain of the large exposure limits set out above. The Large Exposure Notice was published in the Official Gazette on 30 December 2013 and entered into force on 30 January 2014. The Large Exposure Notice introduced new limits of 100 per cent. of the bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit to any single such non-commercial entity. Exposures above these limits are subject to approval by the UAE Central Bank. Set out below is a table showing a

summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel II):

| | <u>Individual</u> | <u>New Limit Aggregate</u> | <u>Old Limit Individual</u> | <u>Aggregate</u> |
|---|---|--------------------------------|---------------------------------|------------------|
| UAE federal government and their non-commercial entities | Exempt | Exempt | Exempt | Exempt |
| UAE local government and their non-commercial entities | No cap for UAE local government; 25% for each non-commercial entity | 100% | Exempt | Exempt |
| Commercial entities of UAE federal government and UAE local government | 25% | 100% | 25% | None |
| Commercial or other (non-commercial) private sector entities and individuals..... | 25% max | None | 7% | None |
| Shareholders who own 5 per cent. or more of the bank's capital and related entities | 20% | 50% | 7% | None |
| Exposure to bank's subsidiaries and affiliates..... | 10% | 25% | 20% | 60% |
| Board members | 5% | 25% | 5% | 25% |

Provisions for Loan Losses

The UAE Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent. on the relevant amount (net of any eligible credit protection), respectively. Any retail and consumer loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In addition, pursuant to Circular 28/2010 concerning regulations for classification of loans and their provisions issued by the UAE Central Bank on 11 November 2010, all banks in the UAE were required to make general provisions for unclassified loans and advances equal to 1.5 per cent. of their risk-weighted assets by 2014. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and/or financings carried on the balance sheets of UAE banks when compared to banks operating in other economies.

Establishing a Credit Bureau in the UAE

Al Etihad Credit Bureau (the **AECB**) is a federal government company specialised in providing UAE-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the UAE Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations.

The implementation of regulations for the sharing of credit report data and the commercial operation of the UAE's first credit bureau is expected to reduce the risk involved in the origination of customer lending and banking business generally.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection by Certificateholders at the specified office of the Principal Paying Agent (as defined in the Conditions).

Declaration of Trust

The Declaration of Trust will be entered into on 2 July 2019 between SIB, 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 SIB (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 (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. 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 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, exercise all of the rights of the Trustee under the Mudaraba Agreement and any of the other Transaction Documents and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the provisions of the Declaration of Trust and the Conditions. 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) if an SIB Event occurs and a Dissolution Notice is delivered by the Delegate to the Trustee, the Delegate may at its discretion, or shall, if so requested in writing by Certificateholders holding at least 20 per cent. of the aggregate face amount of the Certificates then outstanding, in each case subject to Condition 12.3(e)(i) take one or more of the following steps: (i) institute any steps, actions or proceedings for the winding-up of SIB and/or (ii) prove in the winding-up of SIB and/or (iii) institute steps, actions or proceedings for the bankruptcy of SIB; and/or (iv) claim in the liquidation of SIB and/or (v) take such other steps, actions or proceedings which, under the laws of the UAE, have an analogous effect to the actions referred to (i) to (iv) above, in each case for (subject to the provisos contained in Condition 12.3(a), 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, 12.3 and the provisions of clause 17 of the Declaration of Trust, the Trustee (or the Delegate) may at its discretion or the Delegate shall if so requested in writing by Certificateholders holding at least 20 per cent. of the aggregate face amount of the Certificates then outstanding and without further notice (subject in each case to Condition 12.3(e)(i)) institute such steps, actions or proceedings against SIB, and the Delegate may at its discretion and without further notice institute such steps, actions or proceedings against the Trustee, as it may think fit to enforce any term or condition binding on SIB or the Trustee (as the case may be) under the Transaction Documents (other than any payment obligation of SIB under or arising from the Transaction Documents, including, without limitation, payment of any principal 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 SIB to procure the substitution of the Trustee in the circumstances described in Condition 12.2, and in no event shall SIB, 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 due to the Trustee under the Mudaraba Agreement immediately prior to each Periodic Distribution Date (see "*Summary of the Principal Transaction Documents – 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.

Mudaraba Agreement

The Mudaraba Agreement will be entered into on 2 July 2019 between the Trustee (as Rab-al-Maal) and SIB (as Mudareb) 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 (i) on the date on which all, but not some only, of the Certificates are redeemed in accordance with the Conditions following the final constructive liquidation of the Mudaraba in accordance with the terms of the Mudaraba Agreement (the **Mudaraba End Date**) or (ii) (if earlier) (A) in the case of a Write-down resulting in the reduction of the Prevailing Face Amount of each Certificate then outstanding to nil, on the Non-Viability Event Write-down Date or (B) on the date on which any Relevant Obligation is due and on such payment date any of the Solvency Conditions are not satisfied or a bankruptcy order in respect of the Mudareb has been issued by a court in the UAE.

Pursuant to the Mudaraba Agreement the proceeds of the issue of the Certificates will be contributed by the Trustee to the Mudareb and shall form the Mudaraba Capital. The Mudaraba Capital shall be invested by the Mudareb on an unrestricted co-mingling basis in its general business activities carried out through the

general mudaraba pool of SIB comprising: (i) SIB's shareholders' equity; (ii) proceeds of all current savings and investment deposit accounts with SIB; (iii) any other source of funds included in the General Mudaraba Pool by SIB from time to time; and (iv) following contribution of the Mudaraba Capital on the commencement date of the Mudaraba, the Mudaraba Capital (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 and the Mudaraba Agreement in reliance on the Investment Plan.

The Mudareb is expressly authorised to co-mingle any of its own assets from time to time with the Mudaraba Assets during the Mudaraba Term on a basis proportionate to the rights and obligations of holders of equity of SIB, 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 (as Rab-al-Maal) 90 per cent; and
- (b) the Mudareb 10 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 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**) for and on behalf of the Rab-al-Maal and the Rab-al-Maal Mudaraba Profit or the Rab-al-Maal Final Mudaraba Profit (as applicable) payable to the Trustee shall be reduced accordingly; or (ii) less than the then applicable Periodic Distribution Amount, the Mudareb shall first utilise any amounts standing to the credit of the Mudaraba Reserve (after re-crediting amounts to the Mudaraba Reserve pursuant to the Mudaraba Agreement) and, if a shortfall still exists, it may (at its sole discretion) elect (but shall not be obliged) to make one or more payments from its own cash resources in order to cover such shortfall. If the Mudareb elects to make payments from its own cash resources in order to cover such shortfall, it shall be entitled to recover such amounts at a later date from the Mudaraba Reserve.

The Mudareb shall be entitled (at its sole discretion) to deduct amounts standing to the credit of the Mudaraba Reserve at any time prior to the Mudaraba End Date and to use such amounts for its own purposes provided that such amounts shall be re-credited by it to the Mudaraba Reserve if so required to fund a shortfall pursuant to the circumstance referred to above.

The Mudaraba Agreement does not require the Mudareb to make payments to the Trustee of amounts equal to, or sufficient to enable the Trustee to pay, any amounts due under the Certificates irrespective of the amount of Mudaraba Profit generated by the Mudaraba Assets at the relevant time or (as the case may be) irrespective of the amount of Dissolution Mudaraba Capital generated by any liquidation of the Mudaraba, and the Trustee acknowledges in the Mudaraba Agreement that there is no guarantee of any return from the Mudaraba Assets.

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. In the absence of notice of such Non-Payment Election or a Non-Payment Event, as the case may be, having been given in accordance with the Mudaraba Agreement, the fact of non-payment of the relevant Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit

on the relevant Mudaraba Profit Distribution Date or Mudaraba End Date, respectively, shall be evidence of the occurrence of a Non-Payment Election or Non-Payment Event, as the case may be. The Trustee shall have no claim in respect of any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit due but not paid as a result of either (in the case of Rab-al-Maal Mudaraba Profit only) a Non-Payment Election or (in the case of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit) a Non-Payment Event (in each case irrespective of whether notice of such Non-Payment Election or Non-Payment Event, as the case may be, has been given) and such non-payment in such circumstance will not constitute a Dissolution Event. Any such Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit which is not paid to the Trustee in such circumstances shall be credited by the Mudareb to the Mudaraba Reserve, and the Mudareb shall be entitled to (at its sole discretion) to deduct amounts standing to the credit of the Mudaraba Reserve at any time prior to the Mudaraba End Date and to use such amounts for its own purposes provided that such amounts shall be re-credited by it to the Mudaraba Reserve if so required to fund a shortfall pursuant to the circumstance referred to above.

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 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 the next following payment of Rab-al-Maal Mudaraba Profit or, as the case may be, Rab-al-Maal Final Mudaraba Profit following a Dividend Stopper Date, is 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 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 for the purposes of (i) firstly, returning capital (the **Dissolution Mudaraba Capital**) to the Trustee; and (ii) secondly, (to the extent such amount is payable pursuant to the Mudaraba Agreement) paying the Rab-al-Maal Final Mudaraba Profit to the Trustee (the aggregate of (i) and (ii) being the **Liquidation Proceeds**) on the Mudaraba End Date, in the following circumstances:

- (a) on the First Call Date or any Periodic Distribution Date thereafter by giving not less than 15 nor more than 20 days' prior notice to the Trustee and the Delegate; or
- (b) on any date, after the Issue Date (whether or not a Periodic Distribution Date), by giving not less than 15 nor more than 20 days' prior notice to the Trustee and the Delegate:
 - (i) upon the occurrence of a Tax Event; or
 - (ii) upon the occurrence of a Capital Event.

If the Mudareb exercises its option to liquidate in accordance with paragraph (a) or (b)(i) above and the Liquidation Proceeds are less than the aggregate of (i) the Mudaraba Capital, and (ii) subject to a Non-Payment Event not having occurred and be continuing and provided that a Non-Payment Event will not occur as a result of such payment, 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), the Mudareb shall either continue investing the Dissolution Mudaraba Capital in the Mudaraba, and accordingly no distribution of the Liquidation Proceeds shall occur, or shall without duplication with any Rab-al-Maal Final Mudaraba Profit payable pursuant to the Mudaraba Agreement indemnify the Trustee in respect of such shortfall and transfer the Liquidation Proceeds to the Trustee in which case there shall be a final constructive liquidation of the Mudaraba.

If the Mudareb exercises its option to liquidate in accordance with paragraph (b)(ii) above and the Liquidation Proceeds are less than the aggregate of (i) the Mudaraba Capital, (ii) the Premium, and (iii)

subject to a Non-Payment Event not having occurred and be continuing and provided that a Non-Payment Event will not occur as a result of such payment, 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), the Mudareb shall either continue investing the Dissolution Mudaraba Capital in the Mudaraba, and accordingly no distribution of the Liquidation Proceeds shall occur, or shall without duplication with any Rab-al-Maal Final Mudaraba Profit payable pursuant to the Mudaraba Agreement indemnify the Trustee in respect of such shortfall and shall transfer the Liquidation Proceeds to the Trustee in which case there shall be a final constructive liquidation of the Mudaraba.

Under the terms of the Mudaraba Agreement, the Mudaraba will automatically be liquidated in whole but not in part if at any time an order is made, or an effective resolution is passed, for the winding-up, bankruptcy, dissolution or liquidation (or other analogous event) of the Mudareb and/or if an SIB Event occurs and a Dissolution Notice is delivered pursuant to Condition 12.1. 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 Effective Date, a Write-down will take place. In the case of a Write-down resulting in:

- (a) the partial reduction of the Prevailing Face Amount of each Certificate then outstanding, the Mudaraba Capital shall be reduced by the relevant Write-down Amount with effect from the Non-Viability Event Write-down Date; and
- (b) the reduction of the Prevailing Face Amount of each Certificate then outstanding to nil, the Mudaraba Agreement will be automatically terminated with effect from the Non-Viability Event Write-down Date and the Trustee shall not be entitled to any claim for any amounts in connection with the Mudaraba Assets.

The Mudareb and the Trustee undertake in the Mudaraba Agreement, in circumstances where the Certificates are required by SIB to be varied upon the occurrence of a Tax Event or a Capital Event pursuant to the Conditions, to take such steps and make such variations to the Mudaraba Agreement as are necessary to ensure that the Certificates become or, as appropriate, remain Qualifying Tier 1 Instruments.

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 Mudareb shall exercise its rights, powers and discretions under the Mudaraba Agreement and take such action as it deems appropriate in accordance with material applicable laws, with the degree of skill and care that it would exercise in respect of its own assets and in a manner that is not repugnant to Shari'a.

Under the Mudaraba Agreement, the Trustee and the Mudareb agree that, on the Mudaraba End Date, the Mudareb will calculate and distribute the Final Mudaraba Profit (if any) in accordance with the Mudaraba Agreement and in doing so: (i) the Rab-al-Maal Final Mudaraba Profit payable to the Trustee will (if generated) be an amount equal to the final Periodic Distribution Amount, provided however that payment of the same shall be prohibited in circumstances where a Non-Payment Event has occurred or where a Non-Payment Event will occur as a result of such payment; and (ii) subject to the Mudaraba Agreement, the balance of amounts standing to the credit of the Mudaraba Reserve, after paying all amounts due to the Trustee pursuant to the Mudaraba Agreement, shall be paid to the Mudareb as an incentive fee for its performance under the Mudaraba Agreement.

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 present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction unless required by law. In the event there is any such withholding or deduction in relation to any Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, the Mudareb shall pay Additional Amounts as shall result in the receipt by the Trustee of such net amounts of Rab-al-Maal Mudaraba Profit or Rab-al-Maal Final Mudaraba Profit, as the case may be, as would have been receivable by it if no such withholding or deduction had been required. To the extent that any such Additional Amounts are paid by the Mudareb, the Mudareb shall be entitled to recover amounts equal to such Additional Amounts from the amounts (if any) standing to the credit of the Mudaraba Reserve and if, following such recovery a shortfall remains between the amounts standing to the credit of the Mudaraba Reserve and such Additional Amounts paid by the Mudareb (such shortfall, the **Additional Amounts Shortfall**), the Mudareb shall be entitled to recover amounts equal to such Additional Amounts Shortfall from any Excess Liquidation Proceeds. 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) will be borne by the Mudaraba itself.

Agency Agreement

The Agency Agreement will be entered into on 2 July 2019 between the Trustee, SIB, the Delegate, the Principal Paying Agent, the Calculation Agent, the Transfer Agent and the Registrar.

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 all sums due under such Global Certificate; 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 all or part of the Definitive Certificate and issue Definitive Certificates in accordance with each request.

On the Issue Date, the Registrar will (i) authenticate (or procure the authentication of) the Global Certificate and, if any, each Definitive Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

SIB shall cause to be deposited into the Transaction Account opened by the Trustee with the Principal Paying Agent in London, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Conditions.

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.

Shari'a Compliance

Each Transaction Document provides that each of SIB Tier 1 Sukuk Company and Sharjah Islamic Bank PJSC agrees that it has accepted the Shari'a compliant nature of the Transaction Documents and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents (or any provision thereof) is *ultra vires* or not compliant with the principles of Shari'a;

- (b) it shall not take any steps or bring any proceedings in any forum to challenge the Shari'a compliance of the Transaction Documents; and
- (c) none of its obligations under the Transaction Documents 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 are not compliant with the principles of Shari'a.

TAXATION

The following is a general description of certain tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates and does not constitute legal or tax advice. Prospective purchasers of the Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of Certificates and receiving payments under the Certificates. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Cayman Islands

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Certificates. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws, payments by the Trustee on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of principal or profit 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 tax or gift tax.

The Trustee has received an undertaking from the Governor in Cabinet of the Cayman Islands pursuant to the Tax Concessions Law (2018 Revision) of the Cayman Islands that, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations 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 (i) on or in respect of the shares, debentures or other obligations (which includes the Certificates) of the Trustee, or (ii) by way of the withholding in whole or part, of any relevant payment (as defined in the Tax Concessions Law (2018 Revision)). Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue, transfer or redemption of Certificates. An instrument transferring title to any Certificates, if executed in or brought into 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 share capital. At current rates, this annual registration fee is approximately U.S.\$853.66.

UAE

The following summary of the anticipated tax treatment in the UAE in relation to payments on the Certificates and pursuant to the Mudaraba Agreement is based on the taxation law and practice in force at the date of this Prospectus, and does not constitute legal or tax advice. Prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change.

There is currently in force in Sharjah legislation establishing a general corporate taxation regime (the Sharjah Income Tax Decree 1969 (as amended)). The regime is, however, not enforced save in respect of companies active in the hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Sharjah taxation in respect of payments by the Trustee under the Certificates and/or SIB under the Mudaraba Agreement (including Periodic Distribution Amounts or Dissolution Distribution Amounts in relation to the Certificates). If any such withholding or deduction is required to be made in respect of payments due by SIB under the Mudaraba Agreement, SIB has undertaken

in the Mudaraba Agreement to gross-up the payments due by it accordingly. If any such withholding or deduction is required to be made in respect of payments of Periodic Distribution Amounts (but not, for the avoidance of doubt, Dissolution Distribution Amounts (other than any Outstanding Payments)) due by the Trustee under the Certificates, (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions) under Condition 13 and (ii) SIB has undertaken in the Declaration of Trust to pay such additional amounts to the Trustee to enable the Trustee to discharge such obligation.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for purposes of funding its budget. It is not known whether this right will be exercised in the future.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

The Proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common financial transaction tax (**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 participating Member States. It may therefore be altered prior to implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the 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, 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 and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign 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. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the **Subscription Agreement**) dated 1 July 2019 between the Trustee, SIB, Abu Dhabi Islamic Bank PJSC, Arab Banking Corporation (B.S.C.), Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Dubai Islamic Bank PJSC, Emirates NBD Bank PJSC, First Abu Dhabi Bank PJSC, HSBC Bank plc, KFH Capital Investment Company K.S.C.C. and Standard Chartered Bank (together, the **Joint Lead Managers**), the Trustee has agreed to issue and sell to the Joint Lead Managers U.S.\$500,000,000 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.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to pay for and accept delivery of the Certificates are subject to the approval of certain legal matters by their counsel and certain other conditions. The Joint Lead Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Joint Lead Managers will also be reimbursed in respect of certain of their expenses, and each of the Trustee and SIB has agreed to indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue and offering of the Certificates.

Certain of the Joint Lead Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to SIB and/or their affiliates in the ordinary course of business.

Selling Restrictions

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 pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each 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 Issue 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 the 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.

The Certificates are being offered and sold outside of 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 (whether or not participating in the offering of the Certificates) 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 European Economic Area. 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 Directive 2002/92/EC (as amended or superseded, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

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 an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or SIB; 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 the Certificates in, from or otherwise involving the United Kingdom.

UAE (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.

Cayman Islands

Each Joint Lead Manager has represented and agreed that it has not made and will not make, whether directly or indirectly, any offer or invitation to the public in the Cayman Islands to subscribe for the Certificates.

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 (**DFSA**) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

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 of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 9 or Article 10 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 the Board of the Capital Market Authority resolution number 3-45-2018 dated 23 April 2018 (the **KSA Regulations**), made through an authorised person licensed to carry out arranging activities by the Capital Market Authority and following a notification to the Capital Market Authority under Article 11 of the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "Sophisticated Investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

The offer of Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 15 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Capital Market Authority and: (a) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 9 of the KSA Regulations); (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 15 of the KSA Regulations.

State of Kuwait

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities.

No private or public offering of the Certificates is being made in Kuwait, and no agreement relating to the sale of the Certificates will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Certificates in the State of Kuwait.

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 the Kingdom of Bahrain who are "accredited investors".

For this purpose, an **accredited investor** means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

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 "structured products" 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 **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; 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.

Singapore

Each Joint Lead Manager has acknowledged that this Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Certificates or caused 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 Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) under Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Malaysia

Each Joint Lead Manager acknowledges that this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia (the **SC**) under the Capital Markets and Services Act 2007 (the **CMSA**).

Accordingly, each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or delivered and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons falling within any one of the categories of persons

specified under Schedule 6 (or Section 229(1)(b), Schedule 7 (or Section 230(1)(b)) and Schedule 8 (or Section 257(3)) of the CMSA, read together with, Schedule 9 (or Section 257(3)) of the CMSA, subject to any law, order, regulation, or official directive of the Central Bank of Malaysia, the SC 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.

Switzerland

Each Joint Lead Manager has represented and agreed that (i) the Certificates may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland, (ii) neither this Prospectus nor any other offering or marketing material relating to the Certificates constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations, and (iii) neither this Prospectus nor any other offering or marketing material relating to the Certificates may be publicly distributed or otherwise made publicly available in Switzerland.

General

None of the Trustee, SIB nor any Joint Lead Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Trustee or SIB that would permit a public offering of the Certificates, or possession or distribution of this Prospectus (in preliminary, proof or final form) or any other offering or publicity material relating to the Certificates (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers any Certificates or has in its possession or distributes this Prospectus (in preliminary, proof or final form).

None of the Trustee, SIB nor any of the Joint Lead Managers has made any representation that the 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. Persons into whose possession this Prospectus or the Certificates may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Prospectus and the offering and sale of the Certificates.

GENERAL INFORMATION

Listing

Application has been made to Euronext Dublin for the Certificates to be admitted to listing on the Official List and to trading on the regulated market of Euronext Dublin. The regulated market of Euronext Dublin is a regulated market for the purposes of MiFID II. It is expected that the listing of the Certificates on the Official List and admission of the Certificates to trading on the regulated market of Euronext Dublin will be granted on or around 2 July 2019.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in relation to the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Directive.

The expenses in relation to the admission of the Certificates to trading on the regulated market of Euronext Dublin will be approximately €7,790.

Application has also been made to the DFSA for the Certificates to be admitted to the DFSA Official List and to Nasdaq Dubai for the Certificates to be admitted to trading on Nasdaq Dubai. It is expected that the listing of the Certificates on the DFSA Official List and admission of the Certificates to trading on Nasdaq Dubai will be granted on or around 2 July 2019. The total expenses relating to the admission to trading of the Certificates on Nasdaq Dubai are estimated to be U.S.\$7,000.

Authorisation

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 12 June 2019. SIB Tier 1 Sukuk Company, in its capacity as issuer and trustee has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents. The entry by SIB into the Transaction Documents was authorised by the shareholders of SIB on 23 February 2019 and by the directors of SIB on 24 February 2019.

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 201032300, ISIN XS2010323009, CFI DAVNPR and FISN SIB TIER 1 SUKU/VARASST BKD PERP.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, LI 855 Luxembourg.

Significant or Material Change

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case since the date of its incorporation.

There has been no significant change in the financial or trading position of SIB and its subsidiaries since 31 March 2019 and there has been no material adverse change in the prospects of SIB and its subsidiaries since 31 December 2018.

Litigation

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) since the

date of its incorporation which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

Neither SIB nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the SIB is aware) in the 12 months preceding the date of this Prospectus which may have or have in such period had a significant effect on the financial position or profitability of SIB or any of its subsidiaries.

Auditors

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.

The 2017 Financial Statements have been audited in accordance with International Standards on Auditing by KPMG Lower Gulf Limited (**KPMG**) of Al Batha Tower, Buhaira Corniche, Sharjah, UAE as stated in their audit report incorporated by reference into this Prospectus.

The 2018 Financial Statements have been audited in accordance with International Standards on Auditing by PricewaterhouseCoopers – Dubai Branch (**PwC**) of Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, UAE as stated in their audit report incorporated by reference into this Prospectus.

The Q1 2019 Financial Statements have been reviewed in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by PwC as stated in their review report incorporated by reference into this Prospectus.

Each of KPMG and PwC are independent auditors regulated by and registered to practice as auditors with the Ministry of Economy in the UAE. There is no professional institute of auditors in the UAE and, accordingly, neither KPMG nor PwC is a member of a professional body in the UAE. All of KPMG's and PwC's partners are members of the institutes from which they received their professional qualification.

Documents Available

For as long as any Certificates remain outstanding, copies of the following documents will be available in electronic and physical format and in English to be inspected and/or collected during normal business hours at the specified office for the time being of the Principal Paying Agent on any weekday (excluding Saturdays, Sundays and public holidays):

- (a) the Memorandum and Articles of Association of the Trustee and the constitutional documents of SIB;
- (b) the Financial Statements;
- (c) a copy of this Prospectus; and
- (d) the Transaction Documents (as defined in the Conditions).

Joint Lead Managers transacting with SIB

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 other services for, SIB (and its affiliates) in the ordinary course of business.

In addition, 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, in the case

of Joint Lead Managers, 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 SIB or SIB's affiliates (including the Certificates). Certain of the Joint Lead Managers or their affiliates that have a financing relationship with SIB routinely hedge their credit exposure to SIB 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, in the case of Joint Lead Managers, hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Shari'a Approvals

The transaction structure relating to the Certificates (as described in this Prospectus) and the Transaction Documents have been approved by each of the Internal Sharia Control Committee of SIB, the Shariah Advisory Board of Citi Islamic Investment Bank E.C., the Central Shariah Committee of HSBC Bank Middle East Limited and the Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on any of the approvals referred to above in deciding whether to make an investment in the Certificates and should consult their own Shari'a advisers as to whether the proposed transaction is in compliance with Shari'a principles.

Description of the members of the Internal Sharia Control Committee of SIB, the Shariah Advisory Board of Citi Islamic Investment Bank E.C., the Central Shariah Committee of HSBC Bank Middle East Limited and the Shariah Supervisory Committee of Standard Chartered Bank

Internal Sharia Control Committee of SIB

Dr. Jassem Ali Salem Al Shamsi (Chairman)

Dr. Al Shamsi heads the Internal Sharia Control Committee of SIB, having been appointed in March 2013. He was previously the Dean of the Faculty of Shari'a & Law at UAE University, Al Ain. He holds a Ph.D in Civil Law from the Ain Shams University. He has authored numerous books and research papers with a special focus on comparative studies of laws with Islamic jurisprudence.

Dr. Ibrahim Ali Ahmed Al Tunaiji

Dr. Al Tunaiji holds a Ph.D from the Jordanian University. He was formerly the Head of the Department of Islamic Studies of the Faculty of Law at UAE University. He has published various books and research in the fields of Islamic jurisprudence and Islamic banking. He joined the Internal Sharia Control Committee of SIB in March 2013.

Dr. Ibrahim Ali Abdullah Al Mansoori

Dr. Al Mansoori holds a Ph.D in Islamic Banking & Economy. He is an associate professor in Sharjah University and Ajman University. He is the author of various studies and papers on contemporary matters relating to Islamic banking and various Shari'a issues. He joined the Internal Sharia Control Committee of SIB in March 2013.

Shariah Advisory Board of Citi Islamic Investment Bank E.C.

Dr. Nazih Hammad

Dr. Hammad is a graduate of Faculty of Shari'a at University of Damascus, Syria and holds a PhD in Islamic Jurisprudence from Cairo University, Egypt. He has taught in the Faculty of Shari'a at Um Alqura University, Makkah for 17 years. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and funds, he is a member of the Islamic Fiqh Academy, Auditing and Accounting Organisation for Islamic Financial Institutions and Fiqh Islamic Council of North America. Dr. Hammad is the author of several research papers and books on Islamic jurisprudence and banking and finance.

Sheikh Nizam Yaquby

Sheikh Yaquby studied traditional Islamic studies under the guidance of eminent Islamic scholars from different parts of the world. He has a BA in economics and comparative religions from McGill University, Canada. He has served in Bahrain Mosques from 1981 to 1990 where he taught Tafsir, Hadith and Fiqh in Bahrain since 1976. In addition to advising Citi Islamic Investment Bank E.C. and other Islamic finance institutions and funds, Sheikh Yaquby is a member of the Islamic Fiqh Academy and Auditing and Accounting Organisation for Islamic Financial Institutions. He has published several articles and books on various Islamic subjects including banking and finance.

Dr. Mohammed Ali Elgari

Dr. Elgari is a former Professor of Islamic Economics at King Abdulaziz University, Jeddah, Saudi Arabia and a former Director of the Center for Research in Islamic Economics, in the same university. He serves as an expert at the Islamic jurisprudence academy of the Organisation of Islamic Cooperation and the Islamic Jurisprudence Academy of the Islamic World League and a member of the Shariah Council of AAOIFI. He is a member of the editorial board of several academic publications in the field of Islamic finance and jurisprudence among them, the Journal of the Jurisprudence Academy (of the IWL), the Journal of Islamic Economic Studies (IDB), the Journal of Islamic Economic (IAIE, London), and the advisory board of Harvard Series in Islamic Law, Harvard Law School.

Dr. Elgari is a member of numerous Shariah boards of Islamic banks and takaful companies internationally. He authored several books in Islamic finance and published numerous articles on the subject both in Arabic and English. Dr. Elgari is also a frequent speaker at conferences worldwide. Dr. Elgari holds a PhD in Economics from the University of California.

Central Shariah Committee of HSBC Bank Middle East Limited

Sheikh Nizam Yaquby

See the description of Sheikh Yaquby set out above.

Dr. Mohamed Ali Elgari

See the description of Dr. Elgari set out above.

Dr. Aznan Hasan

Dr. Aznan Hasan is an Associate Professor in Islamic Law at Ahmad Ibrahim Kulliyah of Laws, International Islamic University Malaysia and has taught Islamic law there since 2003. He is also President of the Association of Shariah Advisors in Islamic Finance and has been Deputy Chairman of the Shariah Advisory Council, Securities Commission of Malaysia since July 2010. He was a member of the Shariah Advisory Council, Bank Negara Malaysia (from November 2006 to August 2008 and from November 2010 to October 2013). He is also the Chairman of the Shariah Supervisory Board, Shariah Advisory Committee,

Barclays DIFC (April 2011 to present). He is Shariah adviser to Maybank Islamic in Malaysia and has been advising ABSA Islamic Banking, South Africa since July 2010.

Shariah Supervisory Committee of Standard Chartered Bank

Dr. Mohamed Ali Elgari

See the description of Dr. Elgari set out above.

Sheikh Nizam Yaquby

See the description of Sheikh Yaquby set out above.

Dr. Aznan Hasan

See the description of Dr. Hasan set out above.

TRUSTEE AND RAB-AL-MAAL

SIB Tier 1 Sukuk Company
c/o MaplesFS Limited
P.O. Box 1093, Queensgate House
Grand Cayman, KY1-1102
Cayman Islands

MUDAREB

Sharjah Islamic Bank PJSC
P.O. Box 4
Sharjah
United Arab Emirates

DELEGATE

Citibank N.A., London Branch
Citigroup Centre, Canada Square
Canary Wharf
London E14 5LB
United Kingdom

**PRINCIPAL PAYING AGENT, CALCULATION
AGENT AND
TRANSFER AGENT**

Citibank N.A., London Branch
Citigroup Centre, Canada Square
Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Europe AG
Frankfurter Welle
Reuterweg 16
60323 Frankfurt
Germany

JOINT GLOBAL CO-ORDINATORS AND STRUCTURING AGENTS

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Standard Chartered Bank
P.O. Box 999
Dubai
United Arab Emirates

JOINT LEAD MANAGERS

Abu Dhabi Islamic Bank PJSC

P.O. Box 313
Abu Dhabi
United Arab Emirates

Arab Banking Corporation (B.S.C.)

ABC Tower
Diplomatic Area
P.O. Box 5698 Manama
Kingdom of Bahrain

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Dubai Islamic Bank PJSC

P.O. Box 1080
Dubai
United Arab Emirates

Emirates NBD Bank PJSC

P.O. Box 777
Dubai
United Arab Emirates

First Abu Dhabi Bank PJSC

FAB Building
Khalifa Business Park – Al Qurm District
P.O. Box 6316
Abu Dhabi
United Arab Emirates

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

KFH Capital Investment Company K.S.C.C.

Level 23 Baitak Tower
Safat Square
Ahmed Al Jaber Street
Kuwait City
P.O. Box 3946 Safat
13040 Kuwait

Standard Chartered Bank

P.O. Box 999
Dubai
United Arab Emirates

AUDITORS TO SIB

PricewaterhouseCoopers (Dubai Branch)

Emaar Square
Building 4
Level 8
P.O. Box 11987
Dubai
United Arab Emirates

LEGAL ADVISERS

*To the Trustee
as to Cayman Islands law*

Maples and Calder (Dubai) LLP
Level 14, Burj Daman Building
Dubai International Financial Centre
P.O. Box 119980
Dubai
United Arab Emirates

*To SIB
as to English law and UAE law*

Clifford Chance LLP
Level 15
Burj Daman Building
Dubai International Financial Centre
P.O. Box 9380
Dubai
United Arab Emirates

*To the Joint Lead Managers
as to English law and UAE law*

Allen & Overy LLP
11th Floor
Burj Daman Building
Happiness Street
Dubai International Financial Centre
P.O. Box 506678
Dubai
United Arab Emirates

*To the Delegate
as to English law*

Allen & Overy LLP
One Bishops Square
London
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