



**Dar Al-Arkan Sukuk Company Ltd.**

*(incorporated in the Cayman Islands with limited liability)*

**U.S.\$2,000,000,000**

**Trust Certificate Issuance Programme**

On 2 March 2018, each of Dar Al-Arkan Sukuk Company Ltd. (the **Trustee**) and Dar Al-Arkan Real Estate Development Company (**Dar Al-Arkan**) published the base prospectus attached hereto as Annex A (the **Base Prospectus**) in connection with the Trust Certificate Issuance Programme (the **Programme**) established by the Trustee for the issuance of up to U.S.\$2,000,000,000 in aggregate face amount of trust certificates (the **Trust Certificates**).

Capitalised terms not defined herein shall have the meaning given to them in the Base Prospectus.

The Base Prospectus was approved by the Central Bank of Ireland as competent authority under European Union Directive 2003/71/EC, as amended (the Prospectus Directive) on 2 March 2018.

Application has been made: (i) to the Dubai Financial Services Authority (the **DFSA**) for Trust Certificates issued under the Programme to be admitted to the official list of securities maintained by the DFSA; and (ii) to NASDAQ Dubai for Trust Certificates issued under the Programme to be admitted to trading on NASDAQ Dubai. The Base Prospectus has been approved by the DFSA under the DFSA's Market Rule 2.7.1 and constitutes an Approved Prospectus for the purposes of Article 14 of the DFSA's Markets Law 2012. The Base Prospectus complies with the requirements in Part 2 of the DFSA's Markets Law 2012 and Chapter 2 of the DFSA's Markets Rules. The Trustee and Dar Al-Arkan estimate the total expenses related to admission to trading to be US\$ 12,600.

The transaction structure relating to the Programme and the Trust Certificates has been approved by the Shari'a Supervisory Board of Bank Alkhair, B.S.C.(c) (**Bank Alkhair**) and by Dr. Hussein Hamed Sayed Hassan (together, the **Shari'a Advisers**). Details of each of the Shari'a Advisers are attached hereto as Annex B.

None of the Dealers, the Delegate, the Agents or any of their respective affiliates has independently verified the information contained in the Base Prospectus. 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 the Base Prospectus or any other information provided by the Trustee or Dar Al-Arkan in connection with the Programme. None of the Dealers or any of their respective affiliates accepts any responsibility for any act or omission of the Trustee, Dar Al-Arkan or any other person in connection with the issue and offering of any Certificates.

**The DFSA does not accept any responsibility for the content of the information included in the Base Prospectus, including the accuracy or completeness of such information. The liability for the content of the Base Prospectus lies with the Trustee and Dar Al-Arkan and other persons, such as experts, whose opinions are included in the Base Prospectus with their consent. The**

**DFSA has also not assessed the suitability of the Trust Certificates to which the Base Prospectus relate to any particular investor or type of investor and has not determined whether they are Shari'a compliant. If you do not understand the contents of the Base Prospectus or are unsure whether the Trust Certificates to which the Base Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial adviser.**

The date of this document is 21 March 2018.

**ANNEX A**  
**BASE PROSPECTUS**



**Dar Al-Arkan Sukuk Company Ltd.**  
(incorporated in the Cayman Islands with limited liability)

**U.S.\$2,000,000,000**

**Trust Certificate Issuance Programme**

Under the U.S.\$2,000,000,000 trust certificate issuance programme described in this Base Prospectus (the **Programme**), Dar Al-Arkan Sukuk Company Ltd. (in its capacities as issuer and as trustee, the **Trustee**), subject to compliance with all applicable laws, regulations and directives, may from time to time issue trust certificates (the **Certificates**) in any currency agreed between the Trustee and the relevant Dealer (as defined below).

Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

Each Series (as defined herein) of Certificates issued under the Programme will be constituted by (i) an amended and restated master trust deed (the **Master Trust Deed**) dated 2 March 2018 entered into between the Trustee, Dar Al-Arkan Real Estate Development Company (**Dar Al-Arkan**) and Deutsche Trustee Company Limited as delegate of the Trustee (the **Delegate**, which expression shall include any co-Delegate or any successor) and (ii) a supplemental trust deed (the **Supplemental Trust Deed** and, together with the Master Trust Deed, each a **Trust Deed**) in relation to the relevant Series (as defined herein). Pursuant to each Trust Deed, the proceeds of the sale of each Series of Certificates will be applied by the Trustee (through Dar Al-Arkan Sukuk International Company in its capacity as investment manager (the **Investment Manager**) in accordance with the terms of an amended and restated investment management agreement dated 2 March 2018 and entered into between the Trustee and the Investment Manager (the **Investment Management Agreement**)) to invest in a single portfolio of investments comprising an Ijara Agreement and a Murabaha Agreement entered into between the Investment Manager and Restricted Subsidiaries of Dar Al-Arkan (each as defined in the Conditions) (together with any further and/or replacement Ijara Agreements and Murabaha Agreements entered into from time to time between the Investment Manager and certain Restricted Subsidiaries in accordance with the terms of the Investment Management Agreement, the **Sukuk Portfolio**) in accordance with the relevant Investment Plan (as defined in the Conditions). Each Investment Plan will include a requirement for the Investment Manager to invest the proceeds from the relevant Series of Certificates into a Sukuk Portfolio which generates returns at least equal to each relevant Periodic Distribution Amount (as defined in the Conditions) for a period which is equal to or greater than the remaining duration of the Certificates of the relevant Series which are outstanding at the time of the relevant investment and a requirement to ensure satisfaction of certain conditions relating to the preservation of value of that Sukuk Portfolio (the **Underlying Value Conditions**).

Pursuant to the Investment Management Agreement, the Investment Manager will be further obliged to ensure that, with respect to each Series, a minimum amount corresponding to 51 per cent. of the face amount of the relevant Certificates outstanding is invested in Ijara Agreements at all times, except during the period necessary for the replacement of any Ijara Agreement which is terminated as a result of the occurrence of a Total Loss (as defined therein).

Pursuant to the relevant Trust Deed, the Trustee will declare a trust (the **Trust**) over, *inter alia*, all of its rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Portfolio, and the Certificates of the relevant Series will confer on the holders of those Certificates from time to time (the **Certificateholders**) the right to receive payments (as more particularly described herein) arising from the relevant Sukuk Portfolio. Pursuant to an amended and restated guarantee dated 2 March 2018 (the **Guarantee**) granted by Dar Al-Arkan in favour of the Trustee and the Delegate (on behalf of the Certificateholders), Dar Al-Arkan will irrevocably undertake, in respect of each Series, to pay to the Trustee (for the benefit of the Certificateholders) the relevant Distribution Shortfall Restoration Amount, if any, and the relevant Value Restoration Amount, if any, (each as defined in the Conditions) subject to certain conditions.

The Certificates may be issued on a continuing basis to one or more of the Dealers (each a **Dealer** and together the **Dealers**) specified under "Overview of the Programme" and any additional Dealer appointed under the Programme from time to time by the Trustee and Dar Al-Arkan, which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Certificates being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Certificates.

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

This Base Prospectus has been approved by the Central Bank of Ireland (the **Irish Central Bank**) as competent authority under Directive 2003/71/EC (as amended) (the **Prospectus Directive**). The Irish Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (EU) law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc (the **Irish Stock Exchange**) for Certificates issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to the official list (the **Official List**) and trading on its regulated market (the **Main Securities Market**). Such approval relates only to the Certificates which are to be admitted to trading on the Main Securities Market or any other regulated markets for the purposes of Directive 2014/65/EU (each such regulated market being a **MiFID Regulated Market**) or which are to be offered to the public in any member state of the European Economic Area (each a **Member State**) in circumstances that require the publication of a prospectus.

References in this Base Prospectus to Certificates being **listed** (and all related references) shall mean that such Certificates have been admitted to listing on the Official List and admitted to trading on the Main Securities Market or, as the case may be, another MiFID Regulated Market.

The Programme provides that Certificates may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Trustee, Dar Al-Arkan and the relevant Dealer. The Trustee may also issue unlisted Certificates and/or Certificates not admitted to trading on any market.

Notice of the aggregate face amount of Certificates and any other terms and conditions not contained herein which are applicable to each Series will be set out in a final terms document (the **applicable Final Terms**) which, with respect to Certificates to be listed on the Irish Stock Exchange, will be delivered to the Irish Central Bank and the Irish Stock Exchange on or around the date of issue of such Series.

The Trustee and Dar Al-Arkan may agree with any Dealer that Certificates may be issued with terms and conditions not contemplated by the Terms and Conditions of the Certificates herein, in which event a supplemental Base Prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Certificates.

Neither the Certificates nor the Guarantee have been or will be registered under the U.S. 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 the Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (**Regulation S**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, Certificates may be offered or sold solely to persons who are not U.S. persons (as defined in Regulation S) 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.

The rating of certain Series of Certificates to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to, relevant Series of Certificates will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) will be disclosed in the applicable Final Terms.

The transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the Sharia Supervisory Board of Bank Alkhair, B.S.C.(c) and by Dr. Hussein Hamed Sayed Hassan. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Sharia advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Sharia principles.

Amounts payable on floating rate Certificates will be calculated by reference to one of LIBOR, EURIBOR or SIBOR as specified in the applicable Final Terms. As at the date of this Base Prospectus, the administrators of LIBOR, EURIBOR or SIBOR are not included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As far as the Trustee and dar Al-Arkan are aware, the transitional provisions in Article

51 of the Benchmarks Regulation apply, such that ICE Benchmark Administration Limited, the European Money Markets Institute and ABS Benchmarks Administration Co Pte Ltd are not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

*Names of Arrangers and Dealers*

**Alkhair Capital (Dubai) Limited**

**Deutsche Bank**

The date of this Base Prospectus is 2 March 2018.

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive.

Each of the Trustee and Dar Al-Arkan accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of each of the Trustee and Dar Al-Arkan (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus should be read and construed together with any amendments or supplements hereto and, in relation to any Series of Certificates, should be read and construed together with the applicable Final Terms.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Base Prospectus in connection with an offer of Certificates are the relevant Dealer or the Managers, as the case may be, appointed as such for those Certificates.

Copies of Final Terms will be available from the registered office of the Trustee and the specified office set out below of the Principal Paying Agent (as defined below) save that, if the relevant Certificates are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Certificateholder holding one or more Certificates and such Certificateholder must produce evidence satisfactory to the Trustee or, as the case may be, the Principal Paying Agent as to its holding of such Certificates and identity.

No person is or has been authorised by the Trustee or Dar Al-Arkan to give any information or to make any representation not contained in or not consistent with this Base Prospectus in connection with the Programme or the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee, Dar Al-Arkan, the Dealers, the Delegate, the Agents (each as defined herein) or any other person. Neither the delivery of this document nor any sale of any Certificates shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Delegate, the Agents and the Dealers expressly do not undertake to review the financial condition or affairs of the Trustee, Dar Al-Arkan or Dar Al-Arkan and its consolidated subsidiaries (together, the **Group**) at any point, including during the life of the Programme, or to advise any investor in Certificates issued under the Programme of any information coming to their attention.

The Group's real estate portfolio has not been, and will not be, subject to any valuation process in connection with the issue of any Certificates under the Programme as described in this Base Prospectus. Accordingly, none of the Dealers, the Trustee, the Delegate or any of the Agents expresses any opinion on the valuation of the Group's real estate portfolio, or any part thereof, or as to the identity of the valuers thereof, as at the date of this Base Prospectus or any other date. In particular, none of the Dealers, the Trustee, the Delegate or any of the Agents has performed any investigation into the Group's title to its real estate portfolio, or any part thereof. Similarly, no such party has conducted any investigation into the circumstances of any valuation conducted by any other party in respect of such portfolio, or any part thereof, in connection with the preparation of this Base Prospectus (whether for the purposes of the preparation of Dar Al-Arkan's consolidated financial statements or otherwise), and no such party will conduct any such investigation at any time after the date hereof. The Dealers, the Trustee, the Delegate and the Agents therefore make no representation or give any other assurance as to any such matters.

None of the Dealers, the Trustee, the Delegate, the Agents or any of their respective affiliates 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 Base Prospectus or any other information provided by the Trustee or Dar Al-Arkan in connection with the Programme. None of the Dealers or any of their respective affiliates accepts any responsibility for any act or omission of the Trustee, Dar Al-Arkan or any other person in connection with the issue and offering of any Certificates.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Certificates is (i) intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Trustee, Dar Al-Arkan, the Dealers, the Delegate or the Agents that any recipient of this Base Prospectus should purchase any Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee, Dar Al-Arkan and the Group. None of the Dealers, the Trustee, the Delegate or the Agents accepts any liability in relation to the information contained in this Base Prospectus or any other information provided by the Trustee and Dar Al-Arkan in connection with the Programme.

The Certificates of any Series may not be a suitable investment for all investors. Each potential investor in Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

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

Some 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 Certificates which are complex financial instruments unless it has the expertise (either alone or with 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.

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 (1) Certificates are legal investments for it, (2) Certificates can be used as collateral for various types of borrowing and (3) 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.

No comment is made or advice given by the Trustee, Dar Al-Arkan, the Dealers, the Delegate or the Agents in respect of taxation matters relating to any Certificates or the legality of the purchase of the Certificates by an investor under any applicable law.

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

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Certificates may be restricted by law in certain

jurisdictions. None of the Trustee, Dar Al-Arkan, the Dealers, the Delegate or the Agents represents that this Base Prospectus may be lawfully distributed, or that any 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, Dar Al-Arkan, the Dealers, the Delegate or the Agents which is intended to permit a public offering of any Certificates or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Certificates may be offered or sold, directly or indirectly, and neither this Base 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 Base Prospectus or any Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of the Certificates. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Certificates in the United States, the European Economic Area (including the Republic of Ireland and the United Kingdom), the Cayman Islands, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Saudi Arabia (the **Kingdom**), the Kingdom of Bahrain, Qatar (excluding the Qatar Financial Centre), Singapore, Hong Kong and Malaysia, see “*Subscription and Sale*”.

This Base Prospectus has been prepared on the basis that any offer of Certificates in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, from the requirement to publish a prospectus for offers of Certificates. Accordingly any person making or intending to make an offer in that Relevant Member State of Certificates which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Certificates may only do so in circumstances in which no obligation arises for the Trustee, Dar Al-Arkan or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Trustee, Dar Al-Arkan or any Dealer have authorised, nor do they authorise, the making of any offer of Certificates in circumstances in which an obligation arises for the Trustee, Dar Al-Arkan or any Dealer to publish or supplement a prospectus for such offer.

None of the Dealers, the Trustee, Dar Al-Arkan, the Delegate or any of 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.

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

### **Industry and Market Data**

In this Base Prospectus, certain information regarding the Kingdom, the Kingdom’s real estate industry and other data regarding the market segment in which Dar Al-Arkan operates have been extracted or derived from data and analysis obtained from various publicly available third party sources and materials, each of which is identified in this Base Prospectus. Such information may be approximations or estimates or use rounded numbers. In addition, in some cases, rounding adjustments have been made to some of this information for the consistency of presentation. Some data has been based on Dar Al-Arkan’s estimates, which has been derived from a review of internal surveys, as well as independent surveys. Such information, sources, and estimates are believed to be reliable, but have not been independently verified by the Trustee or Dar Al-Arkan or any of their respective advisers and no representation is made with respect to their accuracy or completeness. However, the Trustee and Dar Al-Arkan confirm that such information has been accurately reproduced in this Base Prospectus and that as far as the Trustee and Dar Al-Arkan are aware and able to ascertain from such information, no facts have been omitted which render the reproduced information inaccurate or misleading.

In addition, statements are made in this Base Prospectus regarding Dar Al-Arkan’s competitive position in its industry based on the experience of Dar Al-Arkan’s management and their assessment of market conditions.



While the Trustee and Dar Al-Arkan believe these statements to be reasonable and fair approximations, to the extent that such statements are in part derived from information contained in the third-party sources discussed above, these statements cannot and have not been verified by the Trustee and Dar Al-Arkan, and independent sources have not verified such statements.

Industry and market data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey of market size. None of the publications, reports or other published industry sources referred to in this Base Prospectus were commissioned by the Trustee, Dar Al-Arkan, the Dealers, the Agents or the Delegate or prepared at their request and neither the Trustee, Dar Al-Arkan, the Dealers, the Agents nor the Delegate have sought or obtained the consent from any of these sources to include such market data in this Base Prospectus.

### **Presentation of Financial Information**

The consolidated financial statements of Dar Al-Arkan as at and for the year ended 31 December 2017 (the **2017 Audited Financial Statements**) have been jointly audited by AlKharashi & Co. (**AlKharashi**) and Mohammad A. Al-Hajj (certified public accountant) and have been prepared in accordance with International Financial Reporting Standards (**IFRS**). The consolidated financial statements of Dar Al-Arkan as at and for the year ended 31 December 2016 (the **2016 Audited Financial Statements**), and together with the 2017 Audited Financial Statements, the **Audited Financial Statements**) have been audited by AlKharashi, and have been prepared in accordance with IFRS.

The financial data set out in this Base Prospectus as at and for the year ended 31 December 2015 has been derived from the comparative financial information as at and for the year ended 31 December 2015 included in the 2016 Audited Financial Statements.

Dar Al-Arkan publishes its financial statements in Saudi Riyals.

### **Presentation of Statistical Information**

The statistical information in the section entitled “*Overview of the Kingdom*” and “*Overview of the Real Estate Sector in the Kingdom*” 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 Base Prospectus, unless otherwise specified, references to **SAR, Saudi Riyal** and **Riyal** are to the lawful currency of the Kingdom and references to **U.S.\$** and **U.S. Dollar** are to the lawful currency of the United States of America. The Kingdom follows a fixed exchange rate policy under which the Saudi Riyal is pegged to the U.S. Dollar at the exchange rate of U.S.\$1 = SAR 3.745.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for 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 Base 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 in any website referred to herein (with the exception of the websites which contain the documents incorporated by reference in this Base Prospectus) does not form part of this Base Prospectus.

## 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 advisors and consider the potential impact of the Volcker Rule in respect of such investment. If investment by “banking entities” in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Trustee, the Dar Al-Arkan, the Arrangers, the Delegate, the Agents or the Dealers, 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.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

**Certain statements in this Base Prospectus constitute “forward looking statements”. Such statements can generally be identified by their use of forward looking words such as “plans”, “estimates”, “believes”, “expects”, “may”, “will”, “should”, “are expected”, “would be”, “anticipates” or the negative or other variations of such terms or comparable terminology. These forward looking statements reflect the current views of Dar Al-Arkan with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of Dar Al-Arkan to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward looking statements. Should any one or more of the risks or uncertainties materialise or any underlying assumptions on which a forward looking statement is based prove to be inaccurate or incorrect, actual results may vary materially from those described in this Base Prospectus, as anticipated, believed, estimated, planned or expected.**

**Investors are therefore strongly advised to read the sections “Risk Factors”, “Business” and “Financial Review”, which include a more detailed description of the factors that might have an impact on Dar Al-Arkan’s business and on the industry sector in which Dar Al-Arkan operates.**

**The actual financial state of Dar Al-Arkan and the value of any Certificates may be adversely affected by future developments in inflation, financing charges, taxation, calculation of zakat or other economic, political and other factors, over which the Trustee and Dar Al-Arkan have no control. None of the Trustee, Dar Al-Arkan, the Dealers, the Delegate or the Agents intend to update or otherwise revise any information or forward looking statements in this Base Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this Base Prospectus might not occur in the way it is expected, or at all. Prospective investors should consider all forward looking statements in light of these explanations and should not place undue reliance on forward looking statements. Neither the delivery of this Base Prospectus nor any oral, written or printed interaction in relation to any Certificates is intended to be, or should be construed as or relied upon in any way as, a promise or representation as to future earnings, results or events.**

## NOTICE TO UK RESIDENTS

Any Certificates to be issued under the Programme which do not constitute “alternative finance investment bonds” within the meaning of Article 77A of the FSMA as amended by the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 (*Non-Regulatory AFIBs*) will represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the Financial Conduct Authority. Accordingly, this Base 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 Base Prospectus, any Final Terms 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 of the Financial Promotion Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order and (B) if the Certificates are Non-Regulatory AFIBs and the distribution is 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 set out in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the *Promotion of CISs Order*), (ii) persons falling within any of the categories of person described in Article 22 of the Promotion of CISs Order and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order. Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any Final Terms or any other marketing materials in relation to any Certificates.

Potential investors in the United Kingdom in any Certificates which are Non-Regulatory AFIBs are advised that all, or most, of the protections afforded by the United Kingdom regulatory system will not apply to an investment in such Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any individual intending to invest in any investment described in this Base Prospectus 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.

### MIFID II PRODUCT GOVERNANCE / TARGET MARKET

The Final Terms in respect of any Certificates may include a legend entitled **MiFID II Product Governance** which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any person subsequently offering, selling or recommending the Certificates (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, **MiFID II**) is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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

## CAYMAN ISLANDS NOTICE

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

## NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

This document may not be distributed in the Kingdom except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority.

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

## NOTICE TO BAHRAIN RESIDENTS

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Base 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 (*CBB*) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in other currency or such other amount as the CBB may determine.

This offer does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and 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 Base 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 Bahrain.

The CBB has not reviewed, approved or registered the Base 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 Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

## NOTICE TO QATARI RESIDENTS

This Base Prospectus is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of Qatar. The Certificates have not been and will not be authorised by the Qatar Financial Markets Authority (*QFMA*), the Qatar Financial Centre (*QFC*) or the Qatar Central Bank (*QCB*) in accordance with their regulations or any other regulations in Qatar. The Certificates and interests therein will not be offered to investors domiciled or resident in Qatar and do not constitute debt financing in Qatar under the Commercial Companies Law No. (5) of 2002 (the *Commercial Companies Law*) or otherwise under any laws of Qatar.

## NOTICE TO RESIDENTS OF MALAYSIA

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or

indirectly, and this Base 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 (*CMSA*).

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

#### STABILISATION

IN CONNECTION WITH THE ISSUE OF ANY SERIES, ONE OR MORE RELEVANT DEALERS (THE *STABILISATION MANAGER(S)*) (OR ANY PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) MAY OVER-ALLOT CERTIFICATES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE RELEVANT ISSUE DATE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE CERTIFICATES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE CERTIFICATES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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## RISK FACTORS

*The purchase of any 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 Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Base Prospectus.*

*Each of the Trustee and Dar Al-Arkan believes that the factors described below represent the principal risks inherent in investing in Certificates, but the inability of the Trustee to pay any amounts on or in connection with any Certificate may occur for other reasons and none of the Trustee or Dar Al-Arkan represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Trustee or Dar Al-Arkan or which the Trustee or Dar Al-Arkan currently deems immaterial, that may impact any investment in Certificates.*

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in “Structure Diagram and Cashflows”, “Form of the Certificates” and “Terms and Conditions of the Certificates” shall have the same meanings in this section.*

### RISKS RELATING TO THE TRUSTEE

The Trustee was incorporated under the laws of the Cayman Islands on 11 April 2013 as an exempted company with limited liability. The Trustee will not engage in any business activity other than the issuance of Certificates under the Programme, the acquisition of the Trust Assets as described herein, acting in the capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee’s only material assets, in respect of each Series, will be the Trustee’s rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Portfolio, which will be comprised of Ijara Agreements and Murabaha Agreements (the counterparties to which will be subsidiaries of Dar Al-Arkan). The Trustee’s only material source of income, in respect of each Series, will be its rights under the Transaction Documents to receive periodic payments generated by the relevant Sukuk Portfolio and the payment of the proceeds upon liquidation of the Sukuk Portfolio or in the event that such payments are insufficient to pay Periodic Distribution Amounts or the Dissolution Amount due to the relevant Certificateholders, payments from Dar Al-Arkan pursuant to the Guarantee to make-up the shortfall. Therefore, the Trustee is subject to all the risks to which Dar Al-Arkan is subject to the extent that such risks could limit Dar Al-Arkan’s ability and the ability of its subsidiaries to satisfy in full and on a timely basis their respective obligations under the Transaction Documents to which they are a party. See “*Risks relating to Dar Al-Arkan*” below for a further description of these risks.

### RISKS RELATING TO DAR AL-ARKAN

***The success of Dar Al-Arkan’s business is dependent on a number of factors affecting the real estate market that are beyond its control***

Dar Al-Arkan conducts the majority of its activities in the Kingdom and its future performance is therefore dependent on a number of economic and other factors relating to the Kingdom that are beyond its control. Dar Al-Arkan’s revenue and net income are principally based on demand for real estate in the Kingdom. Such demand is affected by economic conditions in the Kingdom and global economic conditions that affect the economy of the Kingdom. Adverse economic developments in the Kingdom could cause a loss of investor confidence, a decrease in consumer purchasing power and unanticipated changes in the Kingdom’s demographic mix, any or all of which may negatively impact the real estate market in the Kingdom and reduce demand for Dar Al-Arkan’s properties. See “*Risks Relating to the Kingdom*”.

In addition, property values and rental rates are affected by factors such as political developments, regulations of the government of the Kingdom (the **Government**), planning laws, tax laws, interest rate levels, inflation, wage

rates, levels of unemployment and the availability of credit. The demand for real estate particularly in the Kingdom has historically been supported by a number of factors; including Government initiatives aimed at growing the middle class and promoting an affordable home financing industry. Any negative change in such trends could negatively affect demand for real estate in the Kingdom and the prices at which Dar Al-Arkan can sell its land development projects and sell and/or let residential units. Many countries in the GCC have experienced significant declines in their real estate markets in recent years. Dar Al-Arkan cannot assure investors that similar declines will not be experienced in the Kingdom in the future. Any of these factors could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan may not complete development projects that are currently under construction or in initial stages of development in the anticipated timeframe or at all***

Completion of Dar Al-Arkan's current and planned development projects is subject to a number of risks, including:

- uncertainties as to market demand or a loss of market demand after construction has begun;
- delays or refusals in obtaining all necessary building, occupancy and other required governmental and regulatory permits and authorisations;
- a requirement to make significant current capital expenditures for certain properties while receiving revenue from these properties over future periods, resulting in possible mismatches between expenditure and income;
- the possible shortage of available cash to fund construction and capital improvements and the related possibility that financing for these capital improvements may not be available to Dar Al-Arkan on suitable terms or at all; and
- fluctuations in occupancy rates at newly developed properties due to a number of factors, including market and economic conditions that may result in certain of Dar Al-Arkan's projects not being profitable and hence halted or re-planned for other uses.

There can be no assurance that any or all of Dar Al-Arkan's current or future projects will be completed in the anticipated time frame or at all, whether as a result of the factors specified above or for any other reason, and the inability to so complete a project could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

Although Dar Al-Arkan does not act as a contractor itself, its projects are also exposed to a number of construction risks, including the following:

- default or failure, for any reason, by Dar Al-Arkan's contractors to finish projects on time and within budget;
- financial difficulties, defaults and insolvencies encountered by Dar Al-Arkan's contractors and subcontractors;
- an inability to find a suitable contractor either at the commencement of a project or following a default by an appointed contractor, whether on favourable terms or at all. In the situation where an appointed contractor defaults and Dar Al-Arkan needs to find a replacement contractor, even if Dar Al-Arkan were able to find such a replacement in a timely manner, it is likely that the cost to Dar Al-Arkan would increase given that any new contractor would need time to familiarise itself with the ongoing project, which in turn would cause further delays to the completion of the project;



- disruption in service and access to third parties;
- defective materials or building methods;
- disputes between contractors and/or subcontractors and their employees;
- shortages of, or defective, materials and/or equipment, labour shortages, adverse weather conditions, natural disasters, labour disputes, disputes with subcontractors, accidents, changes in governmental priorities and other unforeseen circumstances; and
- escalating costs of construction materials and global commodity prices.

Any of these factors, either alone or in combination, could materially delay the completion of a project or materially increase the costs associated with a project, which could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan may incur tax liabilities in respect of its undeveloped land bank***

On 13 June 2016, the Council of Ministers approved a tax on vacant land in various municipalities across the Kingdom. This tax, along with a tax on high-end properties, is intended to discourage investment in land solely for capital appreciation purposes and speculative buying of land and is expected to increase the availability of land for development by encouraging the development of land which otherwise would be lying vacant for speculative purposes. It is intended that the new law will encourage expenditure on low-income and middle-income housing and increase residential development. At a rate of 2.5 per cent., the 'white land' tax will be applied in stages to undeveloped land plots of over 10,000 square metres, located within approved master planned developments specified by the Ministry of Housing. This tax was implemented in March 2017 and, as a result of which, Dar Al-Arkan may become subject to tax on its undeveloped land bank in Saudi Arabia. As of 31 December 2017, Dar Al-Arkan's land bank consisted of SAR 11.15 billion (U.S.\$2.98 billion) of undeveloped land and land under development and SAR 0.85 billion (U.S.\$0.23 billion) of developed land, all of which was valued on its balance sheet at cost. Dar Al-Arkan's land bank is geographically diversified within the Kingdom. As at 31 December 2017, the majority of Dar Al-Arkan's land bank (approximately 67 per cent. of the total land bank) was located in Jeddah, with approximately 8 per cent. of the total land bank located in Riyadh, 25 per cent. of the total land bank located in Makkah and the remaining land in Madinah and the Eastern Regions.

Dar Al-Arkan recently received an initial assessment notice for SAR 22 million on certain land parcels in Jeddah and Riyadh. Dar Al-Arkan filed an objection to the notice on the grounds of non-applicability, citing that the land parcels are under development. Dar Al-Arkan has since received a waiver for the Jeddah land tax amounting to SAR 13 million and discussions with the relevant authorities are still ongoing with respect to the Riyadh land tax.

There can be no assurance that Dar Al-Arkan will not be liable for significant additional tax liabilities, which could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***The total estimated costs of Dar Al-Arkan's development projects may be subject to unanticipated increases***

The total estimated costs of Dar Al-Arkan's development projects could increase unexpectedly due to a number of factors, including:

- increases in the cost of construction materials and/or labour;
- defects in construction materials;
- discovery of defects in the land;

- failure of contractors or subcontractors to perform their obligations adequately and/or on time;
- contractors, subcontractors or other third parties re-negotiating their agreements; and
- Government authorities applying additional requirements on development of projects.

The real estate industry in the Kingdom has recently experienced increases in costs of construction materials and/or labour. The price of construction materials has fluctuated considerably during the past few years, partly due to exchange rate variations and partly due to inflation and scarcity of certain materials. In addition, the cost of labour has increased due to increased levels of real estate development in the Kingdom. There can be no assurances that these costs will not continue to increase or that Dar Al-Arkan will be able to reflect such costs increases in its selling or rental prices. In addition, there can be no assurance that Dar Al-Arkan will be able to reflect unanticipated cost increases in the selling or rental prices for affected development projects or that such selling or rental prices will be sufficient to allow Dar Al-Arkan to recover its costs for affected development projects. Any of these factors could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Failure to obtain and comply with regulatory approvals could result in interruption or termination of Dar Al-Arkan's development projects***

Dar Al-Arkan is required to obtain zoning, building, occupancy and certain other regulatory approvals for its development projects. There can be no assurances that all regulatory approvals in connection with existing or proposed development projects will be obtained in a timely manner, or at all. Furthermore, the terms of regulatory approvals could impose unanticipated conditions and costs on development projects. In addition, violation of the terms of any such regulatory approvals may lead to their cancellation, withdrawal, suspension or the imposition of financial and/or non-financial penalties by relevant authorities. Any of the above factors may result in the interruption or termination of Dar Al-Arkan's development projects, which could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan depends on contractors and subcontractors to complete projects on schedule and to maintain a consistent standard of quality***

Dar Al-Arkan relies on contractors and subcontractors to construct its development projects, who in turn rely on suppliers of construction materials. The ability of contractors and subcontractors to perform their obligations is subject to numerous factors, including the insolvency of such contractors and subcontractors, which are beyond the control of Dar Al-Arkan, such as their ability to hire adequate labour and to otherwise manage their own businesses efficiently. In addition, the ability of suppliers of construction materials to perform their obligations is subject to periodic shortages and price volatility in raw materials. A failure to complete projects on time or to maintain a consistent standard of quality may lead to difficulties in marketing Dar Al-Arkan's products, rescissions of sales or rental contracts and increased liabilities pursuant to customer warranty claims, each of which could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan's operations may be subject to delays due to the inability of utility and roading infrastructure providers to provide services and connections to Dar Al-Arkan's developments at the required levels and within the specified project delivery time***

Access to some of Dar Al-Arkan's projects is dependent on the completion of connecting infrastructure, such as roads connecting a project with the city and the main regional road network and utilities for which third parties are responsible. There can be no assurance that material delays in delivering Dar Al-Arkan's projects will not occur in the future as a result of delays in the connection of infrastructure. As a result, Dar Al-Arkan's current

projects may be delayed and future projects may be hindered due to the inability of utility providers to provide the required levels of water and power generation and connections for the utilities in a timely manner. In addition, a breakdown in Dar Al-Arkan's relationships with third party utility and roading infrastructure providers could cause further delays. Any delays in Dar Al-Arkan's projects, even if beyond Dar Al-Arkan's control, may adversely affect its brand and reputation which in turn could materially adversely affect its business, results of operations, cash flows and financial condition.

***Dar Al-Arkan's business requires substantial capital investment and there can be no assurance that necessary financing will be available***

Dar Al-Arkan will require additional financing to fund capital expenditures and to support the future growth of its business. In particular, the relative lack of "off-plan" and "pre-finished" home sales in the Kingdom requires Dar Al-Arkan to rely to a certain extent on external financings through domestic and international banks and the capital markets to finance the development of its residential and commercial projects. Dar Al-Arkan's ability to obtain external financing and the cost of such financing are dependent on numerous factors, including general economic and capital markets conditions, credit ratings, financing costs, credit availability from banks or other lenders, the success of Dar Al-Arkan's business and tax and securities laws that may be applicable to capital raising activities. There can be no assurances that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to Dar Al-Arkan, which could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan's increasing focus on master-planned communities significantly increases its financial exposure and demands on its operational execution***

If Dar Al-Arkan's master-planned communities do not generate expected levels of revenues, Dar Al-Arkan may have difficulty satisfying its obligations under its financing arrangements and funding capital expenditures for current or planned development projects. In addition, due to the complexity and scale of these large projects, Dar Al-Arkan may encounter difficulties managing their development in line with its quality standards and within expected timeframes and budgets. Furthermore, it may take longer than expected to sell or lease all of the units on such large projects. The occurrence of any of the above factors could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Successful development or sale of undeveloped land is dependent on the success of adjacent projects***

Dar Al-Arkan owns undeveloped land areas adjacent to either established projects or projects under construction, which Dar Al-Arkan intends to develop or sell later at higher prices. The success of such strategy depends on the success of these projects adjacent to such undeveloped land. In the event that such projects are not successful or do not increase the desirability of the area as a whole, this could adversely affect the anticipated profit margin on such land or the ability of Dar Al-Arkan to develop or sell land, which may adversely impact Dar Al-Arkan's business, financial position, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan's success depends on its ability to manage growth***

Dar Al-Arkan's ability to maintain and manage its growth effectively requires expansion of management information system capabilities and operational systems and controls. Failure to meet resource expansion requirements could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows, results of operations or prospects.

Growth, whether organic or by introducing new financial products or by acquisition, requires significant allocation of capital and management resources, further development of Dar Al-Arkan's financial and internal

controls and information technology systems, continued upgrading and streamlining of its risk management systems and additional training and recruitment of management and other key personnel. Dar Al-Arkan must also maintain a consistent level of customer service and current operations to avoid loss of business or damage to its reputation. There can be no assurance that Dar Al-Arkan will be able to sustain its current levels of growth in the future. Any failure to properly manage its future growth could have a material adverse effect on Dar Al-Arkan's business, financial condition, results of operations and prospects.

In order to complement its existing business segments and reduce reliance on its real estate development in the Kingdom, Dar Al-Arkan has launched its first international real estate project, the I Love Florence tower in Dubai, United Arab Emirates. Entering into a new geographical market requires a significant diversion of resources and capital allocation, and therefore there can be no assurance that Dar Al-Arkan's international expansion strategy will diversify Dar-Al Arkan's revenue streams and generate sufficient income as intended. This could affect Dar Al Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Significant future acquisitions by Dar Al-Arkan could prove to be costly in terms of its time and resources and may impose post-acquisition integration risks***

Any significant acquisitions Dar Al-Arkan may make in the future, could expose Dar Al-Arkan to numerous risks including the diversion of management attention and financial resources that would otherwise be available for the ongoing development or expansion of existing operations; unexpected losses of key employees, customers and suppliers of the acquired operations; difficulties in integrating the financial, technological and management standards, processes, procedures and controls of the acquired business with those of Dar Al-Arkan's existing operations; and difficulties in obtaining any financing necessary to support the growth of the acquired businesses. If Dar Al-Arkan is unable to successfully meet the challenges associated with any significant acquisitions it may make, this could have a material adverse effect on Dar Al-Arkan's business, financial condition and results of operation, and could therefore affect the ability of Dar Al Arkan to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Competition in the real estate industry may increase***

Dar Al-Arkan faces competition from a number of local and national real estate developers. With respect to its residential and commercial projects, Dar Al-Arkan targets the middle-income segment of the real estate market and its primary competitors have historically been small and medium-sized developers. However, the real estate sector in the Kingdom, where Dar Al-Arkan has substantially all of its operations, is developing and Dar Al-Arkan may face competition from other property developers who may have greater expertise and financial, technical and marketing resources than the smaller developers with which Dar Al-Arkan has competed historically and such property developers may have greater expertise and resources than Dar Al-Arkan. Dar Al-Arkan's competitors may lower their pricing or rental rates for properties which are comparable to those being sold or leased by Dar Al-Arkan, which may result in pressure on Dar Al-Arkan's pricing and rental rates. Such competition may affect Dar Al-Arkan's ability to sell land or completed properties at expected prices, if at all, or, in relation to investment properties, attract and retain tenants. Failure to compete effectively with such competitors could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Real estate assets are inherently difficult to value***

In recent years, a small number of private organisations have begun to publish statistical and other research data with respect to real estate in the Kingdom. However, this data is not as complete or reliable as data and research prepared in more developed real estate markets, primarily due to limited access to information regarding real estate sales prices in the Kingdom and the relatively short period of time such data and research has been published. This relative lack of complete and reliable statistical and other data makes it difficult to assess real estate values in the Kingdom.

Real estate assets are also inherently difficult to value. As a result, valuations are subject to substantial uncertainty, are dated as at certain (historical) dates and are subjective judgments, made on the basis of assumptions which may not be correct. The difficulties in valuing real estate assets, and the inherent limitations therein, described above apply to the valuations which Dar Al-Arkan undertakes internally or through third party valuers (such as may be required at the request of any regulator or for the purposes of a secured lending transaction) from time to time with respect to its real estate assets. There can be no assurance that the sale of any of Dar Al-Arkan's development land or completed properties will be at a price which reflects the most recent valuation of the relevant asset, particularly if Dar Al-Arkan was forced to sell properties prior to the completion of their development or in adverse economic conditions. Accordingly, investors should not rely on any property valuations set out, or referred to, in this Base Prospectus when deciding whether or not to invest in the Certificates and should note that, in accordance with the accounting principles of the Saudi Organisation of Certified Public Accountants (**SOCPA**) and IFRS, all of Dar-Al-Arkan's real estate assets are recorded in its financial statements at the lower of cost and net realisable value.

Dar Al-Arkan's completed properties are mainly commercial complexes and buildings which are rented to a range of related and third party tenants. Not all of Dar Al-Arkan's properties are currently fully leased and it is possible that Dar Al-Arkan will not be able to lease in full these or any other properties it develops. As a result, the value of these properties may decrease and Dar Al-Arkan's revenues and profitability may be adversely affected, which could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan's development projects could be subject to material physical damage due to natural disasters and other causes beyond Dar Al-Arkan's control***

Dar Al-Arkan's development projects could be subject to material physical damage caused by fire, storms, earthquakes or other natural disasters, or by other causes such as terrorist attacks. Should any such event occur, Dar Al-Arkan could lose the capital it has invested in the development project as well as anticipated revenues from the sale or lease of units on such projects. Despite that, Dar Al-Arkan would also remain obligated to repay any debt or other financial obligations related to the development of the project. Any of the above occurrences could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan may not be able to cooperate with the municipal government of Jeddah in a manner that ensures the efficient development and financial success of the Qasr Khozam land development project***

Dar Al-Arkan's Qasr Khozam land development project is being developed pursuant to an agreement between Dar Al-Arkan and the Jeddah Development and Urban Regeneration Company, an instrumentality of the municipal government of Jeddah. There can be no assurances that Dar Al-Arkan and the municipal government of Jeddah will be able to cooperate in a manner that ensures the efficient operation and financial success of the Qasr Khozam land development project. The municipal government of Jeddah may have economic interests or business goals that are inconsistent with Dar Al-Arkan's, be unable or unwilling to fulfil its obligations under the agreement with Dar Al-Arkan, or experience financial or other difficulties. The occurrence of any of the above could jeopardise the success of the Qasr Khozam land development project, which could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan's future revenues from property management operations will depend upon its ability to find suitable tenants and to effectively manage the properties***

Dar Al-Arkan continues to expand its property management business by retaining, as rental properties, certain commercial and residential units on its master-planned communities. There can be no assurance that Dar

Al-Arkan will be able to find suitable tenants on the terms and conditions it seeks, or at all. The financial stability of tenants may also change over time due to factors directly related to the tenants or the overall economy of the Kingdom, which could affect their ability to make lease payments. In addition, Dar Al-Arkan may also incur costs relating to retaining existing tenants and attracting new tenants, such as those relating to the renovation of properties to suit the needs of tenants. Failure to find suitable tenants on the terms and conditions it seeks and to effectively manage rental properties could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan is subject to financial and restrictive covenants under its outstanding financing arrangements and any failure to comply with these covenants could result in the acceleration of payments and the loss of certain real estate assets***

Dar Al-Arkan is subject to financial and restrictive covenants in certain of its outstanding financing arrangements. Furthermore, a portion of Dar Al-Arkan's financing arrangements contain cross-default and cross-acceleration provisions. Failure to comply with the covenants and other restrictions under any of the outstanding financing arrangements could result in events of default which could cause an acceleration of Dar Al-Arkan's payment obligations under the outstanding financing arrangements. If Dar Al-Arkan's payment obligations under the financing arrangements were to be accelerated, there can be no assurance that Dar Al-Arkan's assets and cash flow would be sufficient to repay in full all such payment obligations, or that Dar Al-Arkan would be able to obtain alternative financings, or if it were to obtain alternative financings, that they would be on terms that are favourable or acceptable to Dar Al-Arkan, which could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

For a more detailed discussion of Dar Al-Arkan's outstanding financing arrangements, see the section below entitled "*Financial Review – Borrowings – Sukuk*".

***Dar Al-Arkan will be subject to a number of restrictive covenants under the Guarantee which may restrict its business and financing activities, and a failure to comply with these covenants could result in the acceleration of its payment obligations under the Guarantee and its previously issued Certificates and other outstanding financing arrangements***

The Guarantee includes a number of significant restrictive covenants. These covenants restrict, among other things, the ability of Dar Al-Arkan and its subsidiaries to:

- incur additional indebtedness;
- pay dividends or make other distributions to shareholders;
- make certain investments;
- enter into arrangements that restrict dividends or other payments from subsidiaries;
- sell assets, including capital stock of subsidiaries;
- enter into transactions with affiliates;
- engage in different business activities;
- create liens on assets to secure debt;
- enter into sale and leaseback transactions; and
- merge or consolidate with another company.

These restrictions may negatively affect Dar Al-Arkan's ability to react to changes in market conditions, take advantage of business opportunities that it believes to be desirable, obtain future financing, fund necessary capital expenditures or withstand a future downturn in its business. Furthermore, if Dar Al-Arkan and its subsidiaries are unable to comply with the covenants in the Guarantee, it could result in a Dissolution Event under the Certificates of any Series outstanding at the time which could cause an acceleration of Dar Al-Arkan's payment obligations under those Certificates, its previously issued Sukuk (if then outstanding) and other outstanding financing arrangements. If Dar Al-Arkan's payment obligations under the Guarantee, including with respect to previously issued and outstanding Certificates, or other financing arrangements were to be accelerated, there can be no assurance that Dar Al-Arkan's assets and cash flow would be sufficient to repay in full all such payment obligations, or that Dar Al-Arkan would be able to obtain alternative financings, or if it were to obtain alternative financings, that they would be on terms that are favourable or acceptable to Dar Al-Arkan, which could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates. For a more detailed discussion of the restrictions to which Dar Al-Arkan and its subsidiaries are subject under the Guarantee, see "*Summary of the Principal Transaction Documents – The Guarantee*".

***Dar Al-Arkan relies on third parties for significant support of its operations***

Dar Al-Arkan currently receives significant assistance with respect to the planning and development of its land development projects and residential and commercial projects from project consultants. In addition, Saudi Home Loans Company, one of Dar Al-Arkan's affiliates, provides financing to purchasers of residential units on projects developed by Dar Al-Arkan in the Kingdom. Delay or failure of these third parties in meeting their commitments could have a material adverse effect on Dar Al-Arkan's business, financial condition could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan relies on certain key personnel to operate its business***

Dar Al-Arkan relies on the efforts, diligence, skill, network of business contacts and close supervision of its senior management team and other key personnel for the implementation of its strategy and its day-to-day operations. It is expected that the operating complexity of Dar Al-Arkan's business and the responsibility of its management will continue to increase in the future. As at the date of this Base Prospectus, Dar Al-Arkan has been successful in attracting appropriately qualified individuals to fill management roles created by its growth and development. Competition for appropriately qualified personnel with the relevant expertise in the real estate sector in the Kingdom in which Dar Al-Arkan operates is high. If one or more members of Dar Al-Arkan's senior management team or key personnel were to resign, the loss of such personnel could result in, among other things, a loss of organisational focus, poor execution of operations, and a failure or delay to achieve some or all of its business strategies and may require the diversion of management resources. In addition, Dar Al-Arkan's future success as it expands its scope of operations will depend, in part, on its ability to attract, retain and motivate qualified personnel. Failure to retain current key personnel or to attract and retain additional qualified personnel could have a material adverse effect on its business, financial condition could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***The information technology systems that Dar Al-Arkan relies on to efficiently run its business could fail***

Dar Al-Arkan relies on information technology systems to help efficiently run its business. Information technology systems utilised by Dar Al-Arkan include applications of financial management (financial reports, accounting and treasury), supplies and management (administrative directives, procurement and stock control/management), human resources, production planning, project and project related stock control/management (work in progress and completed units). Any significant failure of these systems could

have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan may not have adequate insurance***

Although Dar Al-Arkan seeks to ensure that its projects and income-generating properties are appropriately insured, no assurance can be given that any existing insurance policies will be renewed on equivalent terms, at

an acceptable cost or at all. In addition, Dar Al-Arkan's properties could suffer physical damage from fire or other causes, resulting in losses (including loss of rent) that may not be fully compensated by insurance. Further, certain types of risks and losses (for example, losses resulting from terrorism, acts of war or certain natural disasters) are not economically insurable or generally insured. If an uninsured or uninsurable loss were to occur or if insurance proceeds were insufficient to repair or replace a damaged or destroyed property, this could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan is subject to risks relating to legal and regulatory proceedings***

In the ordinary course of its business, Dar Al-Arkan is subject to risks relating to legal and regulatory proceedings. Litigation and regulatory proceedings are unpredictable and legal or regulatory proceedings in which Dar Al-Arkan is or becomes involved (or settlements thereof) could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***Dar Al-Arkan is subject to a range of environmental and health and safety laws and regulations***

Dar Al-Arkan has adopted safety standards to comply with applicable laws and regulations in the countries in which it does business. In addition, safety requirements are contractually agreed to by Dar Al-Arkan's contractors. If Dar Al-Arkan and/or one or more of its contractors or subcontractors failed to comply with the relevant standards, any of them may be liable to penalties and the business and/or reputation of Dar Al-Arkan might be materially and adversely affected, which could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

Dar Al-Arkan seeks to ensure that it complies with all applicable environmental laws. While Dar Al-Arkan believes that it is in compliance with applicable environmental laws, there can be no assurance that Dar Al-Arkan will not be subject to environmental liability. If an environmental liability arises in relation to any project owned or operated by Dar Al-Arkan and it is not remedied or not capable of being remedied, or is required to be remedied at the cost of Dar Al-Arkan, this could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates. Moreover, it may result in a reduction of the value of the relevant project or property or affect the ability of Dar Al-Arkan to dispose of such project or property.

In addition, any amendments to the existing laws and regulations relating to health and safety and environmental standards may impose more burdensome and costlier requirements and Dar Al-Arkan's compliance with such laws or regulations may require it to incur significant capital expenditure or other obligations or liabilities, which could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction



Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

## **RISKS RELATING TO THE KINGDOM**

### ***Dar Al-Arkan's business operations are subject to general risks related to the Kingdom and the Middle East***

Dar Al-Arkan conducts the majority of its activities in the Kingdom and its operating results are therefore affected by general economic, social and political developments in the Kingdom. The economy of the Kingdom, like those of many emerging markets, has been characterised by significant Government involvement through direct ownership of enterprises and extensive regulation of market conditions, including limitations on foreign investment, foreign trade and financial services. In addition, the Kingdom has historically had a relatively high unemployment rate among Saudi nationals. According to the General Authority for Statistics (GASTAT), as at 31 December 2016, the total unemployment rate in the Kingdom for Saudi nationals was 12.3 per cent., comprising an unemployment rate of 5.9 per cent. among Saudi males and 34.5 per cent. among Saudi females. Despite recent Government initiatives directed at deregulation, growth of the private sector of the economy, expansion of financial services and increased employment among Saudi nationals, the Government continues to exercise significant influence over many aspects of the Kingdom's economy, the private sector of the economy remains relatively undeveloped and unemployment among Saudi nationals remains relatively high.

Similar to other countries in the Middle East, the Kingdom could be affected by political and social unrest in the region. Several countries in the region are currently subject to armed conflicts and/or social and political unrest, including conflicts or disturbances in Yemen, Syria, Libya and Iraq, as well as the multinational conflict with 'Da'esh' (also referred to as the 'Islamic State'). In some instances, the recent and ongoing conflicts are a continuation of the significant political and military upheaval experienced by certain regional countries from 2011 onwards, commonly referred to as the 'Arab Spring', which gave rise to several instances of regime change and increased political uncertainty across the region. In addition, tensions have persisted between the Kingdom and Iran, as exemplified in January 2016 by the Kingdom recalling its ambassador to Iran. Furthermore, in March 2015, a coalition of countries, led by the Kingdom and supported by the international community, commenced military action against the Al-Houthi rebels in Yemen. Although the coalition scaled back its military operations in Yemen in March 2016 and a ceasefire was declared in April 2016, the conflict in Yemen is not yet fully resolved, military operations continue at a reduced scale and there can be no assurance that the conflict in Yemen will not continue or re-escalate.

On 5 June 2017, three GCC countries – Saudi Arabia, the UAE and Bahrain – as well as Egypt and Yemen – severed diplomatic ties with Qatar, as well as cutting trade and transport links and imposing sanctions on Qatar. The stated rationale for such actions was Qatar's support of terrorist and extremist organisations and Qatar's interference in the internal affairs of other countries. There can be no assurance as to when diplomatic relations will be restored or when air, land and sea connections will be reopened with Qatar.

These geopolitical events may contribute to instability in the Middle East and surrounding regions (that may or may not directly involve the Kingdom) and may have a material adverse effect on the Kingdom's attractiveness for foreign investment and capital, its ability to engage in international trade and, subsequently, its economy and financial condition, which, in turn, could have a material adverse effect on Dar Al-Arkan's business.

Investors should also be aware that investing in emerging markets such as the Kingdom entails greater risks than investing in more developed markets, including risks such as:

- political, social and economic issues;
- external acts of warfare and clashes;
- governmental actions or interventions, including tariffs, protectionism, subsidies, expropriation of assets and cancellation of contractual rights;
- changes in, or in the interpretation, application or enforcement of, law and regulation;

- difficulties and delays in obtaining new permits and consents for Dar Al-Arkan's operations or renewing existing ones; and
- potential lack of reliability as to title to real property.

The foregoing factors could have a material adverse effect on Dar Al-Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***The Kingdom's economy is highly dependent upon revenues from oil***

The oil sector is a significant contributor to Saudi Arabia's economy and oil revenues account for a majority of the Government's total revenues and export earnings. The oil sector accounted for 44.0 per cent. and 43.2 per cent. of Saudi Arabia's real GDP and 24.5 per cent. and 26.6 per cent. of Saudi Arabia's nominal GDP in the years ended 31 December 2016 and 2015, respectively, while oil revenues accounted for 64.2 per cent. and 72.9 per cent. of total Government revenues in the fiscal years 2016 and 2015, respectively. Oil exports accounted for 74.2 per cent. and 75.1 per cent. of Saudi Arabia's total exports by value in the years ended 31 December 2016 and 2015, respectively.

Historically, the price of oil has been volatile and over the past two decades international oil prices have fluctuated significantly. More recently, international oil prices have witnessed a significant decline since mid-2014, with the OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) declining from a monthly average of U.S.\$107.89 in June 2014 to a monthly average of U.S.\$26.50 in January 2016, before partially recovering to a monthly average of U.S.\$ 64.47 in December 2017. The price per barrel of Arabian Light Crude Oil (which is produced by the Kingdom and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

The current sustained decline in global oil prices can be attributed to a number of factors, including, but not limited to, a decline in demand for oil due to a worsening of global economic conditions, the increase in oil production by other producers and competition from alternative energy sources. In general, international prices for crude oil are also affected by the economic and political developments in oil producing regions, particularly the Middle East; prices and availability of new technologies; and the global climate and other relevant conditions. There can be no assurance that these factors, in combination with others, will not result in a prolonged or further decline in oil prices, which may continue to have an adverse effect on the Kingdom's GDP growth, Government revenues, balance of payments and foreign trade. Future volatility in the price of oil and/or the quantity of oil produced by the Kingdom could adversely affect the Kingdom's economy as a whole.

While the oil sector contributes to a significant portion of the Kingdom's economy, in recent years the Government has invested heavily in diversifying the Kingdom's economy to reduce its reliance on oil revenues. The Government has implemented an ongoing series of five-year development plans in order to achieve several socio-economic objectives, one of which is the diversification of the Kingdom's economic base and sources of national income. In light of the current low oil price environment, the objective of economic diversification in the Kingdom has taken on greater significance for the Government, and the Government has recently announced various measures aimed at, among other things, achieving increased diversification of the Kingdom's economy. The implementation of these measures may be a lengthy and complex process and there can be no assurance that these measures will be implemented successfully or will not have unexpected or undesirable consequences in the Kingdom. Any failure to implement these measures, in whole or in part, may result in the Government being unable to achieve the diversification of the economy and its sources of revenue to the required extent.

Any factors which adversely affect the Kingdom's economy could, in turn, have a material adverse effect on Dar-Al Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***The Government's efforts to diversify the Kingdom's economy and effect structural changes may have undesirable effects***

The Government is seeking to implement far-reaching reforms of the Kingdom's economy and society. Some of the measures envisaged include the greater participation of Saudi citizens in the private sector, a decrease in certain subsidies historically available to the fuel and energy sectors, as well as the imposition of new taxes and administrative fees. The implementation of these and other similar measures may be a lengthy and complex process, and there can be no assurance that these measures will not have unexpected or undesirable consequences in the Kingdom. The implementation of these and other similar measures, in whole or in part, may have a disruptive effect and consequently may have an adverse effect on the macroeconomic environment in the Kingdom, which could have a material adverse effect on Dar Al Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

***There can be no assurance that the Government's efforts to diversify the Kingdom's economy will be successful***

While the oil sector contributes to a significant portion of the Kingdom's economy, in recent years the Government has invested heavily in diversifying the Kingdom's economy to reduce its reliance on oil revenues. The Government has implemented an ongoing series of five-year development plans (the **Development Plans**) in order to achieve several socio-economic objectives, one of which is the diversification of the Kingdom's economic base and sources of national income. In light of the current low oil price environment, the objective of economic diversification in the Kingdom has taken on greater significance for the Government, and the Government has recently announced various measures aimed at, among other things, achieving increased diversification of the Kingdom's economy, including a budgeted SAR 268.4 billion (U.S.\$71.6 billion) expenditure as part of the National Transformation Programme 2020 (**NTP 2020**).

While the contribution of the non-oil sector to the Kingdom's economy is gradually increasing on the basis of recent trends, oil exports and oil-related revenues still constitute a high proportion of the Kingdom's total export earnings and Government revenues, respectively. There can be no assurance that these trends will continue in the future or that they will continue to a sufficient extent to achieve effective and adequate diversification of the economy. In addition, the recent increase in the contribution of the non-oil sector to Government revenues and total exports can also be partially attributed to the decline in global oil prices since mid-2014 and the consequent significant decrease in Government revenues and export earnings attributable to the oil sector.

Furthermore, there can be no assurance that the Government will be able to successfully implement the objectives of Vision 2030 or the NTP 2020, and any failure to do so, in whole or in part, may result in the Government being unable to achieve the diversification of the economy and its sources of revenue to the required extent. Additionally, to the extent that a prolonged or further decline in oil prices has an adverse impact on Government revenues, this may in turn adversely impact the Government's ability to invest in the diversification of Saudi Arabia's economy. A failure to diversify Saudi Arabia's economy may result in its economy remaining susceptible to the risks associated with the oil sector, and any downturn in the oil sector could result in a slowdown of the entire economy, which, in turn, could have a material adverse effect on Dar Al Arkan's business, financial condition, cash flows and results of operations and may affect Dar Al Arkan's ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

**Legislative and regulatory changes in the Kingdom may adversely affect Dar Al-Arkan's operations**

Dar Al-Arkan's activities are subject to the laws of the Kingdom, including the Ministry of Commerce and Investment's regulations and the laws of other countries where it has operations. Laws and regulations that are applied to Dar Al-Arkan may change from time to time. Changes in such laws and regulations could impose restrictions on the development, sale or lease of Dar Al-Arkan's properties, as well as result in unanticipated costs. The occurrence of any of the above could have a material adverse effect on Dar Al-Arkan's business, prospects, financial conditions, cash flows and results of operations and may affect Dar Al-Arkan's ability to

make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

In addition, a number of the laws in the Kingdom relating to real property and real property rights have recently been adopted or are in the process of being adopted and the manner in which those laws and related regulations are applied to Dar Al-Arkan is still evolving. For example, on 13 June 2016, the Council of Ministers approved a tax on vacant land in various municipalities across the Kingdom (see “*Risk Factors – Dar Al-Arkan may incur tax liabilities in respect of its undeveloped land bank*”).

The Government has also begun implementing a number of initiatives aimed at boosting the real estate sector. For example, in January 2016, the Ministry of Commerce and Investment issued a new set of regulations permitting the sale of off-plan units in the Kingdom. It is expected that the sale of off-plan units will help Dar Al-Arkan to utilise less internal cash to finance projects hence increasing its profitability. In February 2016, the Saudi Arabian Monetary Authority (**SAMA**) increased the limit on real estate financing from 70 per cent. to 85 per cent. of the value of a home (effectively reducing the minimum required down payment on a home from 30 per cent. to 15 per cent.). The increase in the loan-to-value ratio is expected to encourage mortgage financing which in turn could benefit the real estate sector. The establishment of the Saudi Real Estate Financing Company (the **SREFC**), a company owned by the Public Investment Fund, is also expected to encourage mortgage financing by refinancing residential mortgages up to an amount of SAR 1 billion over the next 5 years. Such initiatives are expected to have a positive impact on Dar Al-Arkan’s business. However, no assurance can be given that the implementation of these new initiatives will directly benefit Dar Al-Arkan, and no assurance can be given that current or new laws and regulations will be adopted, enforced or interpreted in a manner that will not have a material adverse effect on Dar Al-Arkan’s business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan’s ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates (see also “*The Government’s efforts to diversify the Kingdom’s economy and effect structural changes may have undesirable effects*”).

In addition, no assurance can be given that the Kingdom will not implement new regulations or fiscal or monetary policies, including those relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on Dar Al-Arkan’s business, financial condition, cash flows and results of operations and may affect Dar Al-Arkan’s ability to make the relevant payments under the Transaction Documents to which it is a party which are necessary in order for the Trustee to pay the amounts due under the Certificates.

## **RISKS RELATING TO THE CERTIFICATES AND THE GUARANTEE**

### ***The Certificates are limited recourse obligations***

Certificates to be issued under the Programme are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the relevant Trust Assets (as defined in Condition 4.1). Recourse to the Trustee in respect of each Series is limited to the Trust Assets of that Series and proceeds of such Trust Assets are the sole source of payments on the relevant Certificates. Upon the occurrence of a Dissolution Event, the sole rights of each of the Delegate and, through the Delegate, the Certificateholders of the relevant Series will be against the Investment Manager and/or Dar Al-Arkan to perform its respective obligations under the Transaction Documents to which it is a party. Certificateholders will have no recourse (whether by institution or enforcement of any legal proceeding or assessment or otherwise) in respect of any breach of any duty, obligation, covenant or agreement contained in the Conditions or any Transaction Document against any shareholder (other than, in the case of the Investment Manager, Dar Al-Arkan itself), member, officer, agent (including any corporate administrator) or director of the Trustee, the Delegate, the Agents, the Investment Manager or Dar Al-Arkan, as the case may be, as such by virtue of any customary law, statute or otherwise. The obligations of the Trustee, the Delegate, the Investment Manager and Dar Al-Arkan under the Conditions or any Transaction Document are corporate or limited liability obligations of the Trustee, the Delegate, the Investment Manager and Dar Al-Arkan and any and all personal liability of the shareholders (other than as aforesaid), members, officers, agents (including any corporate administrator) or directors of the Trustee,

the Delegate, the Agents, the Investment Manager and Dar Al-Arkan will be expressly waived and excluded by the holders of each Series to the extent permitted by law.

The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets of any Series may not be sufficient to make all payments and/or deliveries due in respect of the relevant Certificates. If, following distribution of such proceeds in accordance with Condition 4.2, there remains a shortfall in payments and/or deliveries due under the Certificates of the relevant Series, no Certificateholder will have any claim against the Investment Manager, Dar Al-Arkan, the Trustee, the Delegate, the Agents or any of their respective shareholders (other than as aforesaid), members, officers, directors or agents (including any corporate administrator) or any of their affiliates or recourse to any of their assets in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In addition, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Investment Manager or Dar Al-Arkan (to the extent that each fulfils all of its obligations under the relevant Transaction Documents to which it is a party), or any of the Trustee, the Delegate, the Agents and/or any of their affiliates as a consequence of such shortfall or otherwise. 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 except pursuant to the Transaction Documents.

***No assurance can be given that a secondary market for Certificates will develop or, if it does, that it will provide investors with liquidity of investment***

There is no assurance that a secondary market for the Certificates of any Series will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of those 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 Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the relevant Certificates and the financial and other risks associated with an investment in the relevant Certificates. An investor in Certificates must be prepared to hold the relevant Certificates for an indefinite period of time or until their maturity. Application has been made for the listing of certain Series to be issued under the Programme on the Irish Stock Exchange but there can be no assurance that any such listing will occur or will enhance the liquidity of the Certificates of the relevant Series.

***The Guarantee will be structurally subordinated to the obligations of Dar Al-Arkan's subsidiaries***

None of Dar Al-Arkan's subsidiaries will guarantee the Certificates of any Series. Certificateholders will therefore not have any direct claim on the cash flows or assets of Dar Al-Arkan's subsidiaries and Dar Al-Arkan's subsidiaries have no obligation, contingent or otherwise, to pay amounts due under the Guarantee, or to make funds available to Dar Al-Arkan for those payments. Generally, claims of creditors of Dar Al-Arkan's subsidiaries, including lenders and trade creditors, will have priority with respect to the assets and earnings of the subsidiary over the claims of its ordinary shareholders, including the claims of Dar Al-Arkan. Accordingly, claims of creditors of Dar Al-Arkan's subsidiaries will also generally have priority over the claims of creditors of Dar Al-Arkan. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganisation, administration or other bankruptcy or insolvency proceedings of any of Dar Al-Arkan's subsidiaries, holders of their debt and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Dar Al-Arkan. As such, the Guarantee will be structurally subordinated to the claims of creditors (including lenders and trade creditors) of Dar Al-Arkan's subsidiaries.

***The Certificates may be subject to early redemption***

In the event that the amount payable on the Certificates of any Series is required to be increased to include additional amounts in certain circumstances and/or Dar Al-Arkan and/or the relevant Sukuk Contract Counterparties are required to pay additional amounts pursuant to certain Transaction Documents, in each case as a result of certain changes affecting taxation in the Cayman Islands (in the case of the Trustee) or the Kingdom (in the case of Dar Al-Arkan or the relevant Sukuk Contract Counterparties), or in each case any

political subdivision or any authority thereof or therein having power to tax, the Trustee may redeem all but not some only of the Certificates upon giving notice in accordance with the Terms and Conditions of the relevant Certificates.

If so provided in the applicable Final Terms, a Series may be redeemed early at the option of the Trustee. Any such early redemption feature of any Certificate is likely to limit its market value. During any period when the Trustee may elect to redeem Certificates, the market value of those Certificates generally will not rise substantially above the dissolution amount payable. This also may be true prior to any redemption period. The Trustee may be expected to redeem Certificates when Dar Al-Arkan's cost of borrowing is lower than the profit rate on the Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider re-investment risk in light of other investments available at that time.

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

Interest rates and indices which are deemed to be "benchmarks", (including LIBOR, EURIBOR or SIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Certificates linked to or referencing such a "benchmark". Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) was published in the Official Journal of the EU on 29 June 2016 and applies from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Certificates linked to or referencing LIBOR, EURIBOR or SIBOR, in particular, if the methodology or other terms of LIBOR, EURIBOR or SIBOR are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of LIBOR, EURIBOR or SIBOR.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks" (including LIBOR, EURIBOR or SIBOR): (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Certificates linked to or referencing LIBOR, EURIBOR or SIBOR.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Certificates linked to or referencing LIBOR, EURIBOR or SIBOR.

***Future discontinuance of LIBOR may adversely affect the value of floating rate certificates which reference LIBOR***

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to

submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on floating rate Certificates which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Certificates. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any floating rate Certificates which reference LIBOR.

***Dar Al-Arkan may not be able to repurchase the Certificates upon a Change of Control event, following certain dispositions of assets by the Guarantor and/or Restricted Subsidiaries or upon exercise of a Certificateholder Put Option***

If Dar Al-Arkan experiences a change in control specified in the Guarantee, it must make an offer to repurchase all outstanding Certificates at the Change of Control Repurchase Amount, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of purchase. Under the terms of the Guarantee if the Guarantor or any Restricted Subsidiary disposes of assets, the Guarantor is required, in certain circumstances, to apply the proceeds of such sale to make an offer to repurchase all outstanding Certificates at a purchase price of 100 per cent of their aggregate outstanding face amount, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of purchase. There can be no assurances that Dar Al-Arkan will have enough available funds at the time of any such change of control or asset disposition to make repurchases of tendered outstanding Certificates. Furthermore, a failure to make an offer to repurchase or to repurchase tendered Certificates would constitute a Dissolution Event under the Certificates, which could cause an acceleration of Dar Al-Arkan's payment obligations under the Guarantee and other outstanding financing arrangements. If Dar Al-Arkan's payment obligations under the Guarantee or other financing arrangements were to be accelerated, there can be no assurance that Dar Al-Arkan's assets and cash flow would be sufficient to repay in full all such payment obligations, or that Dar Al-Arkan would be able to obtain alternative financings, or if it were to obtain alternative financings, that they would be on terms that are favourable or acceptable to Dar Al-Arkan.

If so specified in the applicable Final Terms, Dar Al-Arkan must make an offer to repurchase any or all outstanding Certificates at the Certificateholder Put Option Repurchase Amount, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of purchase, on one or more Certificateholder Put Option Repurchase Dates specified in the applicable Final Terms. In such circumstances, investors face equivalent risks associated with Dar Al-Arkan having insufficient available funds at the time to be able to fund payment of all Certificates so tendered as are described in the previous paragraph with respect to a change in control of Dar Al-Arkan.

Investors should also note that an offer by the Guarantor to repurchase any or all outstanding Certificates made pursuant to a change of control, an asset disposition offer or upon exercise of a Certificateholder Put Option will not be made in any jurisdiction where it would be unlawful to do so at the time of the relevant tender offer. Accordingly, investors who, at the time of the tender offer, are located in a jurisdiction in which it would not be lawful for the Guarantor to make such an offer will be excluded from participating in the tender offer. Securities laws are complex and can change from time to time and, as a result, investors should not rely on the fact that, as at the date of this Base Prospectus, tender offers are generally made within their jurisdiction as an assurance that they would be able to participate in any tender offer made in the future by the Guarantor pursuant to the terms of the Guarantee.

***If amounts due on the Certificates are not paid in full on their due date, Certificateholders will not be entitled to receive any additional amounts in respect of the period after the due date for which such amounts remain unpaid***

If the Trustee fails to pay any Periodic Distribution Amount or Dissolution Amount in full on the relevant Periodic Distribution Date or the Scheduled Dissolution Date, the Dissolution Event Redemption Date, the Early Tax Dissolution Date or the Early Dissolution Date (Trustee Call), as the case may be, the Trustee is not required under the Conditions to pay any additional amounts to Certificateholders in respect of the period after the relevant due date for which such amounts remain unpaid, even if the amount remains unpaid for an extended period. Furthermore, although Dar Al-Arkan is required under the Guarantee to make an additional late payment in the event it fails to make payment to the Trustee under the Guarantee, on the due date for such payment, the Trustee has agreed that, in accordance with the principles of Sharia, any such late payment amounts received by the Trustee will be donated to charity, and will not be paid to Certificateholders.

***Very limited diligence will be conducted in respect of any Leased Assets***

Very limited investigations and enquiries will be made and only very limited due diligence will be conducted in respect of any Leased Assets comprised within any Sukuk Portfolio. Such Leased Assets will be selected by Dar Al-Arkan. The Certificateholders, the Trustee and the Delegate will have no ability to influence such selection and only limited representations will be obtained from Dar Al-Arkan or the relevant Restricted Subsidiary in respect of the Leased Assets comprising the relevant Sukuk Portfolio.

***Payments under the Transaction Documents could become subject to taxation***

Payments made by Dar Al-Arkan and its subsidiaries to the Trustee under the Transaction Documents and payments by the Trustee in respect of the Certificates could become subject to taxation. Each Ijara Agreement and Murabaha Agreement entered into in respect of a Series requires the relevant Sukuk Contract Counterparties, the Investment Management Agreement requires the Investment Manager and the Guarantee requires Dar Al-Arkan to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Investment Manager or the Trustee (as applicable) which are intended to fund Periodic Distribution Amounts and Dissolution Amounts. Condition 11 provides that the Trustee is required to pay additional amounts in respect of any such withholding or deduction imposed by Cayman Islands or Kingdom of Saudi Arabia law in certain circumstances. In the event that the Trustee fails to pay any such additional amounts in respect of any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, Dar Al-Arkan has unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Trustee (for the benefit of the Certificateholders) an amount equal to the liabilities of the Trustee in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 11 in respect of any withholding or deduction in respect of any tax as set out in that Condition.

## **RISK FACTORS RELATING TO ENFORCEMENT**

***There are uncertainties around the choice of English law as the governing law of certain Transaction Documents and around enforcement of foreign judgments***

The Certificates and certain of the Transaction Documents are expressed to be governed by English law as set out below and provide for the resolution of disputes in the English courts, subject only to an option for the Certificateholders to bring proceedings before any other court of competent jurisdiction. Despite this, the courts and judicial committees of the Kingdom may not recognise the choice of English law or submission to jurisdiction of English courts at the option of the Certificateholders. Accordingly, in any proceedings relating to the Certificates in the Kingdom, Sharia, as interpreted in the Kingdom, may be applied by the relevant court or judicial committee. The courts and judicial committees of the Kingdom have the discretion to deny the enforcement of any contractual or other obligations, if, in their opinion, the enforcement thereof would be contrary to the principles of Sharia.



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

A law of the judiciary was issued on 30 Ramadan 1428H (corresponding to 12/10/2007G) which transferred the jurisdiction over commercial disputes from the Board of Grievances to the Commercial Courts in the Kingdom. The Board of Grievances also previously had exclusive jurisdiction to consider the enforcement of foreign judgments and arbitral awards; however, with the enactment of the Enforcement Law in March 2012, this jurisdiction has been transferred to newly-created “Enforcement Courts” staffed by specialised enforcement judges. The Enforcement Courts may, at their discretion, enforce all or any part of a foreign judgment or arbitral award, subject to certain conditions, which include compliance of such judgment or award with public policy in the Kingdom. Certificateholders should also be aware that if any terms of the Certificates or the Transaction Documents (including any provisions relating to the payment of profit) were found to be inconsistent with Sharia, they would not be enforced by the Enforcement Departments.

***The interpretation of the compliance of the Transaction Documents with Sharia principles may differ amongst Saudi courts and judicial committees***

The Investment Management Agreement and each of the Sukuk Contracts will be governed by, and will be construed in accordance with, the laws of the Kingdom. Prospective Certificateholders should note that the various courts and judicial committees of the Kingdom applying Saudi law, and in particular the relevant principles of Islamic law are generally construed and applied pursuant to the teachings of the Hanbali school of jurisprudence, which may interpret or enforce, or reinterpret, the Investment Management Agreement and the Sukuk Contracts other than in accordance with their respective terms. There are majority and minority views within the Hanbali school of jurisprudence either of which may be applied in any particular case. In this regard, the courts and judicial committees of the Kingdom may decline to enforce any contractual or other obligations (including any provisions relating to the payment of profit) if it is their view that the enforcement thereof would be contrary to principles of Sharia.

Dar Al-Arkan has agreed in each Transaction Document to which it is a party that the Saudi Arabian Committee for the Resolution of Securities Disputes and the Appeal Committee for the Resolution of Securities Conflicts (the **Appeal Panel**) may have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with matters related to those Transaction Documents. Prospective Certificateholders should note that to the best of the Trustee’s and Dar Al-Arkan’s knowledge, no securities of a similar nature to the Certificates have previously been the subject of adjudicatory interpretation or enforcement in the Kingdom. Accordingly, it is uncertain exactly how and to what extent the Transaction Documents to which Dar Al-Arkan is a party (or any of them), would be enforced by the Committee for the Resolution of Securities Disputes and the Appeal Panel or any other adjudicatory authority in the Kingdom.

Prospective Certificateholders should note that different Sharia advisers and courts and judicial committees in the Kingdom may form different opinions on identical issues and therefore prospective Certificateholders should consult their own legal and Sharia advisers to receive an opinion, as to the compliance or otherwise of the Certificates and the Transaction Documents with Sharia principles (see “– *Sharia Rules are subject to different interpretations by different Sharia boards and Sharia scholars*” below). Prospective Certificateholders should also note that although the Sharia Supervisory Board of Bank Alkhair, B.S.C.(c) and Dr. Hussein Hamed Sayed Hassan have confirmed that the Transaction Documents are in compliance with Sharia principles, such approvals and confirmations would not bind a court or judicial committee in the Kingdom, including in the context of any insolvency or bankruptcy proceedings relating to Dar Al-Arkan, and any court or judicial committee in the Kingdom will have the discretion to make its own determination about whether the Transaction Documents comply with the laws of the Kingdom and Sharia principles and therefore are enforceable in the Kingdom.

***There are concerns as to the effectiveness under Saudi Arabian law of any transfer of an interest in an asset in the Kingdom, or on the return of investment of any activity in the Kingdom, to a Saudi Arabian company***

***on behalf of foreign nationals unless a corporate presence is formed in the Kingdom and the relevant licensing requirements have been met***

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

On the basis of the foregoing, prospective investors should note that there is uncertainty as to the effectiveness under Saudi Arabian law of any transfer of an interest in an asset in the Kingdom pursuant to the Transaction Documents relating to a Series, or on the return of investment of any activity in the Kingdom, absent compliance with the matters specified above. As a result, if Dar Al-Arkan Sukuk International Company fails to comply with its obligations under the Investment Management Agreement, a Saudi Arabian court or judicial or administrative tribunal is likely proceed in one of the following two ways:

- (a) a Saudi Arabian court or judicial or administrative tribunal may consider the Transaction Documents relating to a Series as a whole and give effect to the commercial intention of the parties to treat the arrangements set out therein as a financing transaction without requiring compliance with the Foreign Investment Law or the Saudi Arabian Foreign Ownership and Investment in Real Estate Regulations (and as not being in breach of the Anti-Cover Up Regulations), and subject to the other risks described in this “– *Risks relating to enforcement*” section (including, without limitation, the risk factor entitled “– *The interpretation of the compliance of the Transaction Documents with Sharia principles may differ amongst Saudi courts and judicial committees*” above), may enforce the payment obligations set out in the Investment Management Agreement and the relevant Sukuk Contracts; or
- (b) a Saudi Arabian court or judicial or administrative tribunal may characterise the transactions contemplated by the Investment Management Agreement and the relevant Sukuk Contracts as an unlawful investment which is void as a result of non-compliance with any of the matters specified above. If that is the case, a Saudi Arabian court or judicial or administrative tribunal is likely to require that Dar Al-Arkan Sukuk International Company return to the Trustee the relevant Sukuk Proceeds less any Profit Collections and/or Sukuk Portfolio Liquidation Proceeds already paid in respect of the relevant Series, and may appoint an expert to determine the amount of damages (if any) to which the parties may be entitled to.

To the extent that any obligation of the Investment Manager is determined by a Saudi Arabian court or judicial or administrative tribunal to be unenforceable by reason of the matters discussed in this risk factor, such obligation could not (if otherwise guaranteed by the Guarantor pursuant to the Guarantee) be enforced against the Guarantor under the Guarantee for the reasons described further under “*There are limitations on the effectiveness of Guarantees in the Kingdom*” below.

***There are limitations on the effectiveness of Guarantees in the Kingdom***

Under Saudi Arabian law, if:

- (a) any guaranteed obligation proves to be illegal or unenforceable under Saudi Arabian law, the guarantee provided thereof would, in respect of those underlying illegal or unenforceable obligations, also be unenforceable before a Saudi Arabian adjudicatory body. The obligations imposed on a guarantor cannot be stricter than the underlying guaranteed obligations;

- (b) the guaranteed obligations are amended without the guarantor's consent, then the guarantee will not cover such amendments; and
- (c) the beneficiary of a guarantee releases the underlying obligor from any guaranteed obligation, the guarantor will also be released from such obligations.

Under Saudi Arabian law there is no distinction between a guarantee as a secondary obligation and an indemnity as a primary obligation, and it is likely that a Saudi Arabian adjudicatory body would treat both obligations as being in the nature of a guarantee. Therefore, the limitations set out above apply equally to obligations expressed to be guaranteed and obligations expressed to be indemnified.

It is also uncertain whether the obligations of a guarantor incurred following the bankruptcy of the guarantor will be enforceable with respect to the guarantor, as the liabilities of the guarantor will be fixed by reference to the amounts claimed under the guarantee as at the time of the bankruptcy. Therefore, it is unclear whether a guarantee would continue to be effective after the bankruptcy of the guarantor and bind the liquidator in respect of advances made thereafter.

***Courts and judicial committees of the Kingdom may not give effect to certain Dar Al-Arkan Events***

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

***Courts and judicial committees of the Kingdom will not give effect to penalties and certain types of indemnities***

Prospective Certificateholders should note that should any provision of the Transaction Documents be construed by a court or judicial committee in the Kingdom to be an agreement to pay a penalty rather than a genuine estimate of loss incurred, such provision would not be enforced in the Kingdom. Further, any indemnity provided by Dar Al-Arkan pursuant to the Transaction Documents or in relation to any Series may not be enforceable under the laws and regulations of the Kingdom to the extent that it (a) purports to be effective notwithstanding any judgment or order of a court to the contrary or (b) is contrary to any applicable law or public policy relating thereto. Compliance with bankruptcy law in the Kingdom may affect Dar Al-Arkan's ability to perform its obligations under the Transaction Documents to which it is a party. In the event of Dar Al-Arkan's insolvency, Saudi Arabian bankruptcy law may adversely affect Dar Al-Arkan's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Trustee's ability to perform its obligations in respect of the Certificates. Specific performance, injunctive relief and declaratory judgments and remedies are rarely available as judicial and other adjudicative remedies in the Kingdom. There is little precedent to predict how claims by or on behalf of the Certificateholders and/or the Delegate would be resolved, and therefore there can be no assurance that Certificateholders will receive repayment of their claims in full or at all in these circumstances.

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

In the event that Dar Al-Arkan fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include (i) obtaining an order for specific performance of Dar Al-Arkan's obligations, or (ii) a claim for damages. There is no assurance that a court will provide an order for specific performance, as this is generally a matter for the discretion of the relevant court. Specific performance, injunctive relief and declaratory judgments and remedies are rarely available as judicial and other adjudicative remedies in the Kingdom, and in any event such interpretations and remedies are discretionary in Saudi Arabian adjudicatory bodies. The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors, including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of such breach. No assurance is provided on the level of damages which a court may award in the event of a failure by Dar Al-Arkan to perform its obligations set out in the Transaction Documents to which it is a party. Damages for loss of profits, consequential damages or other speculative damages are not awarded in the Kingdom by the courts or other adjudicatory authorities, and only actual, direct and proven damages are awarded.

***The terms of Trust Deeds may not be enforceable in the Kingdom***

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

***No assurances can be given as to any change of law after the date of this Base Prospectus***

The structure of each issue of Certificates under the Programme is based on English law, Cayman Islands law, the laws of the Kingdom and administrative practices therein in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible change to, or interpretation of, English, Cayman Islands or Saudi law or administrative practices in such jurisdiction after the date of this Base 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 Dar Al-Arkan or any of its subsidiaries (including the underlying Ijara Agreements and Murabaha Agreements) to comply with its obligations under the Transaction Documents to which it is a party.

***Compliance with bankruptcy law in the Kingdom may affect Dar Al-Arkan's ability to perform its obligations under the Transaction Documents to which it is a party***

In the event of Dar Al-Arkan's insolvency, bankruptcy laws in the Kingdom may adversely affect Dar Al-Arkan's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Trustee's ability to perform its obligations in respect of the Certificates. In particular, Article 110 of the Commercial Court Regulations promulgated under Royal Decree No. M/32 dated 15/1/1350H (corresponding to 02/6/1931G) authorises a Saudi Arabian court to declare a contract of a debtor void or ineffective in the event that such debtor has been already declared bankrupt by such court prior to the entry into such contract. There is little precedent to predict how claims by or on behalf of the Certificateholders and/or the Delegate would be resolved in the event of Dar Al-Arkan's bankruptcy and accordingly it is uncertain exactly how and to what extent the Transaction Documents would be enforced by a Saudi Arabian adjudicatory body if such Saudi Arabian adjudicatory body were to void or otherwise cause such document, or any part thereof, to be void or ineffective pursuant to Article 110 of the Commercial Court Regulations (following a declaration of bankruptcy), and therefore there can be no assurance that Certificateholders will receive repayment of their claims in full or at all in these circumstances.

***Emerging markets are subject to greater risks than more developed 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.

***Investors are required to rely on Euroclear and Clearstream, Luxembourg procedures whilst Certificates are held in those clearing systems***

The Certificates of each Series will be represented on issue by a Global Certificate that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each 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 Global Certificates. While the Certificates of any Series are represented by a Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

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

Holders of ownership interests in a 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.

***Sharia rules are subject to different interpretations by different Sharia boards and Sharia scholars***

Each of the Sharia Supervisory Board of Bank Alkhair, B.S.C.(c) and Dr. Hussein Hamad Sayed Hassan has confirmed that the Transaction Documents are, in their view, Sharia compliant. However, there can be no assurance that the Transaction Documents or any issue and trading of any Certificates will be deemed to be Sharia compliant by any other Sharia board or Sharia scholars. None of the Trustee, the Investment Manager, Dar Al-Arkan, the Delegate, the Agents or the Dealers makes any representation as to the Sharia compliance of any Series and potential investors are reminded that, as with any Sharia views, differences in opinion are possible. Prospective purchasers of the Certificates should therefore not rely on the approvals referred to above and should obtain their own independent Sharia advice as to the compliance of the Transaction Documents and the issue and trading of any Series with Sharia principles.

In the event the status of any such Sharia compliance should change, the Trustee accepts no liability in relation to such change and has no obligation to inform or otherwise notify the Certificateholders of such change.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties would, if in dispute, either be the subject of court or judicial committee proceeding under English or Saudi law. In such circumstances, the judge may apply the relevant law of the Transaction Document rather than core Sharia principles in determining the obligation of the parties. See also “– *The interpretation of the compliance of the Transaction Documents with Sharia principles may differ amongst Saudi courts and judicial committees*” above.

***Credit ratings may not reflect all risks***

Dar Al-Arkan has been rated B1 by Moody’s and A1 by RAM Holdings Berhad. In addition, one or more independent credit rating agencies may assign credit ratings to the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time. Any ratings of Dar Al-Arkan or the Certificates may not reflect the potential impact of all the risks related to the structure, market, additional factors discussed herein and other factors that may affect the value of the Certificates. Any actual or anticipated changes in Dar Al-Arkan’s credit ratings or the ratings of the Certificates could negatively affect the market value of the Certificates.

Dar Al-Arkan has engaged in, and may engage in, discussions from time to time with other international and regional credit rating agencies regarding a corporate rating, although no such corporate rating currently exists. However, should Dar Al-Arkan and/or any Certificates be rated in the future by one or more of these credit rating agencies, there can be no assurance that any rating(s) assigned to Dar Al-Arkan and/or any Certificates would be at least equivalent to the corporate rating assigned by Standard & Poor’s (Dubai) Limited at such time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms. The list of

registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and publication of an updated ESMA list.

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

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

If a Certificateholder holds an amount which is less than the minimum Specified Denomination 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 a Specified Denomination in order to be eligible to receive a definitive Certificate.

If definitive Certificates are issued, holders should be aware that definitive Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

***Defined majorities of Certificateholders and the Delegate can consent to variation of certain provisions in the Transaction Documents***

The Conditions of the Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. 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 Master Trust Deed contains provisions permitting the Delegate from time to time and at any time without any consent or sanction of the Certificateholders to make any modification (other than in the case of a Reserved Matter or any provision of the Master Trust Deed or the Conditions referred to in the definition of a Reserved Matter) to the Master Trust Deed, any Supplemental Trust Deed or any other Transaction Document 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 relevant Certificateholders. Unless the Delegate otherwise agrees, any such modification shall as soon as practicable thereafter be notified to the relevant Certificateholders and shall in any event be binding upon the relevant Certificateholders.

***If Certificates are issued under the Programme which are denominated in the currency of a country which, at the time of issue, has not adopted the euro as its sole currency and, before the relevant Certificates are redeemed, the euro becomes the sole currency of that country, certain adverse consequences may follow for Certificateholders***

If Certificates are issued under the Programme which are denominated in the currency of a country which, at the time of issue, has not adopted the euro as its sole currency and, before the relevant Certificates are redeemed, the euro becomes the sole currency of that country, a number of consequences may follow including, but not limited to: (i) all amounts payable in respect of the relevant Certificates may become payable in euro, (ii) applicable law may allow or require such Certificates to be redenominated into euro and additional measures to be taken in respect of such Certificates and (iii) there may no longer be available published or displayed rates

for deposits in such currency used to determine the rates of Periodic Distribution Amount on such Certificates. Any of these or any other consequences could adversely affect the holders of the relevant Certificates.

***Certain Certificateholders may be exposed to currency conversion risk due to Certificates being denominated in a currency other than the currency or currency unit in which that Certificateholder's financial activities are principally denominated***

The Trustee will make all payments on the Certificates. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls which could adversely affect an applicable exchange rate. The Trustee does not have any control over the factors that generally affect these risks, such as economic, financial and political events and the supply and demand for applicable currencies. In recent years, exchange rates between certain currencies have been volatile and volatility between such currencies or with other currencies may be expected in the future. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Certificates, (2) the Investor's Currency equivalent value of the principal payable on the Certificates and (3) the Investor's Currency equivalent market value of the Certificates.

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

## **DOCUMENTS INCORPORATED BY REFERENCE**

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

- (a) the auditors' report and audited consolidated financial statements of Dar Al-Arkan as at and for the financial year ended 31 December 2017 (available at: [https://dar-alarkan.s3.eu-central-1.amazonaws.com/s3fs-public/attached\\_files/Dar%20Al%20Arkan%20Consolidated%20FS%20-%2031%20Dec-2017%20-%20Eg-R.PDF](https://dar-alarkan.s3.eu-central-1.amazonaws.com/s3fs-public/attached_files/Dar%20Al%20Arkan%20Consolidated%20FS%20-%2031%20Dec-2017%20-%20Eg-R.PDF)); and
- (b) the auditors' report and audited consolidated financial statements of Dar Al-Arkan as at and for the financial year ended 31 December 2016 (available at: <https://dar-alarkan.s3.eu-central-1.amazonaws.com/s3fs-public/Dar%20Al%20Arkan%20Consolidated%20Financial%20Statements-%20FS%2031%20Dec%202016%20-IFRS.PDF>).

Following the publication of this Base Prospectus, a supplement may be prepared by the Trustee and approved by the Irish Central Bank in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

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

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

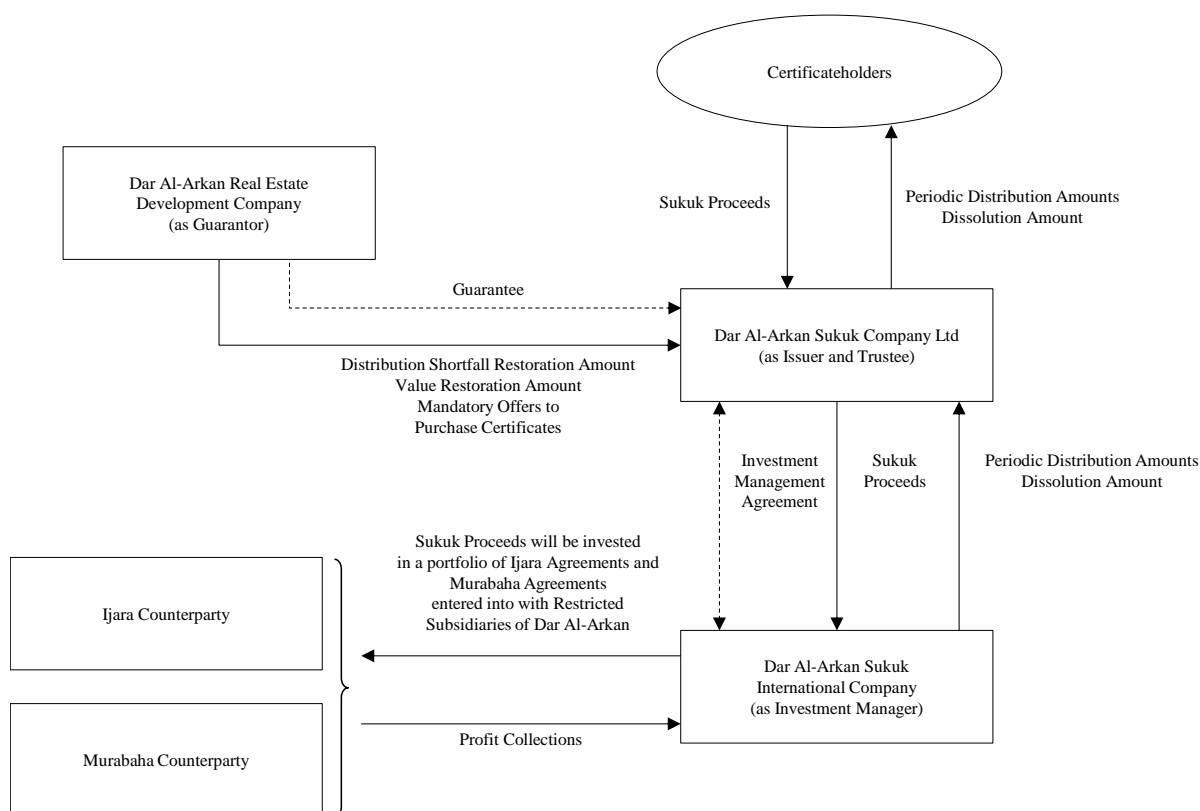
The Trustee and Dar Al-Arkan will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Certificates, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Certificates.



## STRUCTURE DIAGRAM AND CASHFLOWS

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

### Structure Diagram



### Principal cash flows

#### *Payments by the Certificateholders and the Trustee*

On the Issue Date of each Series of Certificates, the Trustee will use the Sukuk Proceeds of the relevant Series to invest in a single portfolio of investments comprising an Ijara Agreement and a Murabaha Agreement entered into between the Investment Manager and certain Restricted Subsidiaries (together with any further and/or replacement Ijara Agreements and Murabaha Agreements entered into from time to time between the Investment Manager and certain Restricted Subsidiaries in accordance with the terms of the Investment Management Agreement, each a **Sukuk Portfolio**) in accordance with the Investment Plan (as defined below). Each Ijara Agreement and Murabaha Agreement is to be entered into substantially on the terms set out in the Investment Management Agreement and the initial Ijara Agreement and initial Murabaha Agreement will be entered into on the relevant Issue Date. The Investment Management Agreement provides that a minimum amount corresponding to 51 per cent. of the face amount of the Certificates of the relevant Series outstanding must be invested in Ijara Agreements at all times, except during the period necessary for the replacement of any Ijara Agreement which is terminated as a result of the occurrence of a Total Loss.

The **Investment Plan** means the requirement for the Investment Manager: (i) to invest the relevant Sukuk Proceeds into a portfolio of Sukuk Contracts which generates returns at least equal to each relevant Periodic Distribution Amount for a period which is equal to or greater than the remaining duration of the Certificates of

the relevant Series which are outstanding at the time of the relevant investment; and (ii) to ensure satisfaction of the Underlying Value Conditions related to the preservation of value of the relevant Sukuk Portfolio. The Investment Manager shall not be entitled to commingle its own assets with any Sukuk Portfolio. The Investment Manager is a limited liability company wholly-owned, directly and indirectly, by Dar Al-Arkan.

The services to be provided by the Investment Manager under the Investment Management Agreement in respect of each Series will commence on the Issue Date of that Series and will end on the later of: (i) the date falling two Business Days prior to the relevant Scheduled Dissolution Date, any Dissolution Event Redemption Date, any Early Tax Dissolution Date, Early Dissolution Date (Trustee Call) or the date on which the Guarantor purchases all (but not some only) of the outstanding Certificates of the relevant Series of a Certificateholder pursuant to a Mandatory Offer to Repurchase Certificates (as defined and described further below); and (ii) the date on which the relevant Sukuk Portfolio Liquidation Proceeds (as defined below) are paid by the Investment Manager to the Principal Paying Agent on behalf of the Trustee in accordance with the Investment Management Agreement for payment to the Certificateholders.

### ***Periodic Distribution Payments***

On the date falling two Business Days prior to each Periodic Distribution Date, the Investment Manager shall collect all sums due from the counterparties to the relevant Ijara Agreements and relevant Murabaha Agreements (the **Profit Collections**) and pay such amounts to the Principal Paying Agent on behalf of the Trustee by depositing the same in the Transaction Account relating to the relevant Series. The Principal Paying Agent will in turn apply such amounts to pay the Periodic Distribution Amount to the Certificateholders of the relevant Series on the relevant Periodic Distribution Date.

To the extent that there is a shortfall between: (a) the Profit Collections deposited in the relevant Transaction Account and available for distribution to the Certificateholders of the relevant Series on a Periodic Distribution Date; and (b) the Periodic Distribution Amount scheduled for distribution on that date, including where such shortfall arises from the negligence of or a failure by the Investment Manager to comply with its obligations under the relevant Transaction Documents (including failure to satisfy the Underlying Value Conditions) the Guarantor shall make up that shortfall (the **Distribution Shortfall Restoration Amount**) in accordance with the terms of the Guarantee, by paying the relevant Distribution Shortfall Restoration Amount to the Principal Paying Agent on behalf of the Trustee for payment to the Certificateholders of the relevant Series.

### ***Dissolution Payments and Mandatory Offers to Purchase Certificates***

On the date falling two Business Days prior to the relevant Scheduled Dissolution Date, a Dissolution Event Redemption Date, an Early Tax Dissolution Date or (if specified in the applicable Final Terms as being applicable) Early Dissolution Date (Trustee Call), the Investment Manager shall liquidate the relevant Sukuk Portfolio in accordance with the Investment Management Agreement and pay the proceeds of such liquidation (the **Sukuk Portfolio Liquidation Proceeds**) to the Principal Paying Agent by depositing the same in the relevant Transaction Account. The Principal Paying Agent will in turn apply such amount to pay the Dissolution Amount to the Certificateholders of the relevant Series on the relevant Scheduled Dissolution Date, Dissolution Event Redemption Date, Early Tax Dissolution Date or Early Dissolution Date (Trustee Call), as the case may be. To the extent that there is a shortfall between the relevant Sukuk Portfolio Liquidation Proceeds deposited in the relevant Transaction Account and the relevant Dissolution Amount payable on the relevant Scheduled Dissolution Date, Dissolution Event Dissolution Date, Early Tax Dissolution Date or Early Dissolution Date (Trustee Call), as the case may be, including where such shortfall arises from the negligence of or a failure by the Investment Manager to comply with its obligations under the relevant Transaction Documents (including failure to satisfy the Underlying Value Conditions) the Guarantor shall make up that shortfall (the **Value Restoration Amount**) under the terms of the Guarantee by paying the relevant Value Restoration Amount to the Principal Paying Agent on behalf of the Trustee for payment to the Certificateholders of the relevant Series.

In addition, under the terms of the Guarantee, Dar Al-Arkan undertakes, in respect of each Series, that:

- (a) no later than 30 days following a Change of Control, Dar Al-Arkan shall make an offer to repurchase all Certificates then outstanding at a purchase price equal to the Change of Control Repurchase Amount

set out in the applicable Final Terms, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of repurchase;

- (b) if Dar Al-Arkan or any Restricted Subsidiary makes an Asset Disposition, in certain circumstances prescribed in the Guarantee, Dar Al-Arkan must use all or part of the proceeds of such Asset Disposition to make an offer to purchase Certificates at a purchase price equal to 100 per cent. of their face amount, plus accrued and unpaid Periodic Distribution Amounts, if any; and
- (c) if the Certificateholder Put Option is specified in the applicable Final Terms as being applicable to that Series, Dar Al-Arkan shall make an offer to repurchase any or all outstanding Certificates of the relevant Series at the Certificateholder Put Option Repurchase Amount, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of purchase, on the Certificateholder Put Option Repurchase Date(s) specified in the applicable Final Terms,

(each such tender offer, a **Mandatory Offer to Purchase Certificates**).

## OVERVIEW OF THE PROGRAMME

*The following is an overview of the principal features of the Programme. This overview does not contain all of the information that an investor should consider before investing in Certificates and is qualified in its entirety by the remainder of this Base Prospectus and the applicable Final Terms. Each investor should read the entire Base Prospectus and the applicable Final Terms carefully, especially the risks of investing in Certificates issued under the Programme discussed under “Risk Factors”.*

*This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No. 809/2004 implementing the Prospective Directive.*

*Words and expressions defined in “Structure Diagram and Cashflows”, “Form of the Certificates” and “Terms and Conditions of the Certificates” shall have the same meanings in this overview.*

Trustee:	Dar Al-Arkan Sukuk Company Ltd., a limited liability exempted company incorporated in accordance with the laws of, and formed and registered in, the Cayman Islands with registered number 276880 and its registered office at MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands. The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.
Dar Al-Arkan/Guarantor:	Dar Al-Arkan Real Estate Development Company, a limited liability company incorporated under the laws of the Kingdom of Saudi Arabia with commercial registration number 1010160195.
Investment Manager:	Dar Al-Arkan Sukuk International Company, a limited liability company incorporated under the laws of the Kingdom of Saudi Arabia with commercial registration number 1010275448. The Investment Manager is a limited liability company wholly-owned, directly and indirectly, by Dar Al-Arkan.
Risk Factors:	There are certain factors that may affect the Trustee’s ability to fulfil its obligations under Certificates issued under the Programme, and Dar Al-Arkan’s obligations under the Transaction Documents to which it is a party. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Certificates issued under the Programme. All of these factors are set out under “Risk Factors” above.
Ownership of the Trustee:	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 shares of U.S.\$1 each, of which 250 shares are fully paid up and issued. The Trustee’s entire issued share capital is held by MaplesFS Limited on trust for charitable purposes.
Administration of the Trustee:	The affairs of the Trustee are managed by MaplesFS Limited (the <b>Trustee Administrator</b> ), who will provide, amongst other things, certain administrative services for and on behalf of the Trustee pursuant to a Corporate Services Agreement dated 16 May 2013 between the Trustee and the Trustee Administrator (the <b>Corporate Services Agreement</b> ). The Trustee Administrator’s registered office is P.O. Box 1093, Queensgate House, Grand Cayman KY1 - 1102, Cayman Islands.
Arrangers:	Alkhair Capital (Dubai) Limited Deutsche Bank AG, London Branch
Dealers:	Alkhair Capital (Dubai) Limited Deutsche Bank AG, London Branch

.	and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Series of Certificates.
Delegate:	Deutsche Trustee Company Limited  Pursuant to the Master Trust Deed, 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 Master Trust Deed. In particular, the Delegate shall be entitled to (and, in certain circumstances, shall, subject to being 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 Investment Manager and/or Dar Al-Arkan following a Dissolution Event.
Principal Paying Agent:	Deutsche Bank AG, London Branch
Registrar and Transfer Agent:	Deutsche Bank Luxembourg S.A.
Certain Restrictions:	Each Series denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”). The proceeds of each Series will not be accepted in the United Kingdom except in compliance with applicable law, including article 5 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.
Programme Size:	Up to U.S.\$2,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Trustee and Dar Al-Arkan may increase the size of the Programme in accordance with the terms of the Programme Agreement.
Issuance in Series:	The Certificates will be issued in Series, the specific terms of which will be completed in the applicable Final Terms.
Distribution:	Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Trustee, Dar Al-Arkan and the relevant Dealer.
Maturities:	The Certificates will have such maturities as may be agreed between the Trustee, Dar Al-Arkan and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee or the relevant Specified Currency.
Issue Price:	Certificates may be issued at any price on a fully paid basis, as specified in the applicable Final Terms. The price and amount of Certificates to be issued under the Programme will be determined by the Trustee, Dar Al-Arkan and the relevant Dealer at the time of issue in accordance with prevailing market conditions.
Form of Certificates:	The Certificates will be issued in registered form as described in “ <i>Form of the Certificates</i> ”. The Certificates of each Series 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 each Global Certificate will be shown on, and transfers thereof will only be

effected through, records maintained by each relevant clearing system and its participants. See “*Form of the Certificates*”. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for ownership interests in a Global Certificate only in limited circumstances.

Clearance and Settlement:	Holders of the Certificates must hold their interest in the relevant 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 clearance systems.
Face Amount of Certificates:	The Certificates will be issued in such face amounts as may be agreed between the Trustee, Dar Al-Arkan and the relevant Dealer save that the minimum face amount of each Certificate will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “ <i>Certain Restrictions</i> ” above, and save that the minimum face amount of each Certificate admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Certificates are issued in a currency other than euro, the equivalent amount in such currency).
Status of the Certificates:	<p>Each Certificate will evidence an undivided ownership interest of the Certificateholders in the Trust Assets of the relevant Series, will be a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee and will rank <i>pari passu</i>, without any preference or priority, with all other Certificates of the relevant Series issued under the Programme.</p> <p>The Trust Assets of the relevant Series will be all of the Trustee’s rights, title, interest and benefit, present and future, in, to and under (i) the relevant Sukuk Portfolio, (ii) the Transaction Documents (other than in relation to any representations given to the Trustee by Dar Al-Arkan pursuant to any of the Transaction Documents and any rights which have been expressly waived by the Trustee in any of the Transaction Documents), (iii) all monies standing to the credit of the relevant Transaction Account from time to time, and all proceeds of the foregoing listed (i) to (iii) (the <b>Trust Assets</b>), and such Trust Assets will be held upon trust absolutely for the Certificateholders <i>pro rata</i> according to the face amount of Certificates held by each Certificateholder for the relevant Series.</p>
Periodic Distributions:	Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms.
Redemption of Certificates:	Unless the Certificates are previously redeemed or purchased and cancelled, the Certificates shall be redeemed by the Trustee at the relevant Dissolution Amount and on the relevant Scheduled Dissolution Date specified in the applicable Final Terms and the Trust in relation to the relevant Series will be dissolved by the Trustee.
Dissolution Events:	Upon the occurrence of any Dissolution Event, the Certificates may be redeemed in full on the Dissolution Date at the relevant Dissolution Amount, together with any accrued but unpaid Periodic Distribution Amount and the relevant Return Accumulation Period may be adjusted accordingly. See Condition 14.

Early Dissolution for Tax Reasons:	Upon the occurrence of a Tax Event and subject to certain conditions as set out in Condition 10.2, the Trustee may, following receipt of an exercise notice from Dar Al-Arkan pursuant to the relevant Trust Deed, redeem the Certificates in whole but not in part at an amount equal to the relevant Early Dissolution Amount (Tax) together with any accrued but unpaid Periodic Distribution Amounts on the relevant Early Tax Dissolution Date and, if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable, the Dissolution Date must be a Periodic Distribution Date.
Optional Dissolution Right:	If so specified in the applicable Final Terms, the Trustee may, following receipt of an exercise notice from Dar Al-Arkan pursuant to the relevant Trust Deed, redeem in whole but not in part the Certificates of the relevant Series at the relevant Optional Dissolution Amount (Trustee Call) on the relevant Optional Dissolution Date (Trustee Call) and, if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable, the Optional Dissolution Date Trustee Call must be a Periodic Distribution Date.
Certificateholder Put Option:	If applicable to the relevant Series, the Optional Dissolution Date(s) (Trustee Call) will be specified in the applicable Final Terms.  If so specified in the applicable Final Terms, Dar Al-Arkan shall make an offer (which shall remain open for not less than 45 nor more than 60 days) to repurchase any or all outstanding Certificates of the relevant Series at the Certificateholder Put Option Repurchase Amount, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of purchase, on the Certificateholder Put Option Repurchase Date(s) specified in the applicable Final Terms.
Repurchase of Certificates following a Change of Control:	No later than 30 days following a Change of Control, Dar Al-Arkan must make an offer (to remain open for not less than 30 nor more than 60 days) to repurchase all Certificates then outstanding at a purchase price equal to the Change of Control Repurchase Amount, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of repurchase.
Repurchase of Certificates following an Asset Disposition:	If Dar Al-Arkan or any of its Restricted Subsidiaries makes an Asset Disposition, in certain circumstances prescribed in the Guarantee, Dar Al-Arkan must use all or part of the proceeds of such Asset Disposition to make an offer to purchase Certificates at a purchase price equal to 100 per cent. of their face amount, plus accrued but unpaid Periodic Distribution Amounts, if any, to the date of repurchase.
Trustee Covenants:	The Trustee has agreed to certain restrictive covenants as set out in Condition 5.
Dar Al-Arkan and Restricted Subsidiary Covenants:	The Guarantee will limit Dar Al-Arkan's ability and the ability of its Restricted Subsidiaries to, <i>inter alia</i> : <ul style="list-style-type: none"> <li>(a) incur additional indebtedness;</li> <li>(b) pay dividends or make other distributions to shareholders;</li> <li>(c) enter into arrangements that restrict dividends or other payments from subsidiaries;</li> <li>(d) sell assets, including stock of subsidiaries;</li> <li>(e) enter into transactions with affiliates;</li> </ul>

- (f) engage in different business activities;
- (g) create liens on assets to secure debt;
- (h) enter into sale and leaseback transactions; and
- (i) merge or consolidate with another company.

These covenants are subject to a number of important qualifications and exceptions described under “*Summary of the Principal Transaction Documents – The Guarantee*”.

If, on any date following the Issue Date of any Series, the relevant Certificates have an Investment Grade rating from both of the Rating Agencies and no Dissolution Event or Dar Al-Arkan Event has occurred and is continuing, Dar Al-Arkan and its Restricted Subsidiaries will not have to comply with certain covenants until such time, if any, as the relevant Certificates are downgraded below Investment Grade.

Dar Al-Arkan will also be required to meet certain financial ratios as set forth in the Guarantee, for so long as any 2019 Sukuk Certificate (as defined in the Guarantee) is outstanding.

Defeasance:

Dar Al-Arkan may choose, with respect to all (but not some only) outstanding Series of Certificates, not to be bound by its obligation to repurchase Certificates of each Series then outstanding following a Change of Control (see “*Repurchase of Certificates following a Change of Control*” below) or comply with certain covenants prescribed in the Guarantee by: (i) irrevocably depositing in trust for all such Certificates with the Trustee money or government obligations that, through the payment of principal and profit and/or other distributions in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay an amount equal to the aggregate of all sums which would be required to be paid under the relevant Sukuk Contracts required to be entered into in accordance with the Investment Management Agreement to ensure compliance with the Underlying Value Conditions, for the period from the date on which the relevant deposit is made into the relevant defeasance trust in full, up to and including the Scheduled Dissolution Date; and (ii) by obtaining certain certificates and legal opinions, as more particularly described in the Guarantee. Any moneys or government obligations so deposited and all other rights in respect thereof will form part of the relevant Trust Assets and will be held in such a manner as shall be approved by the Delegate in its absolute discretion.

See “*Summary of the Principal Transaction Documents – The Guarantee*”.

Cancellation of Certificates held by Dar Al-Arkan and/or any of its Subsidiaries:

Pursuant to Condition 13, Dar Al-Arkan and/or any of its Subsidiaries may at any time (and in the circumstances described under “*Repurchase of Certificates following a Change of Control*”, “*Repurchase of Certificates following an Asset Disposition*” and “*Certificateholder Put Option*” shall) purchase Certificates in the open market or otherwise. If Dar Al-Arkan wishes (or in the circumstances described under “*Repurchase of Certificates following a Change of Control*”, “*Repurchase of Certificates following an Asset Disposition*” and “*Certificateholder Put Option*” is obliged) to cancel such Certificates purchased by it and/or any of its Subsidiaries, Dar Al-Arkan will deliver those Certificates to the Principal Paying Agent for cancellation on the next succeeding Periodic Distribution Date.



Withholding Tax:	<p>All payments by the Sukuk Contract Counterparties under, or pursuant to, the relevant Ijara Agreements and Murabaha Agreement, all payments by Dar Al-Arkan Sukuk International Company under, or pursuant to, the Investment Management Agreement and all payments by the Guarantor under the Guarantee shall be made without withholding or deduction for, or on account of, any Taxes, (as defined in Condition 11) unless the withholding or deduction is required by law. In such event, the relevant Sukuk Contract Counterparties and/or the Investment Manager and/or the Guarantor, as the case may be, will be required to pay additional amounts so that the Investment Manager (in the case payments made by a Sukuk Contract Counterparty) or the Trustee (in the case of payments made by the Investment Manager or the Guarantor) will receive the full amounts that it would have received in the absence of any such withholding or deduction. Under Saudi law, the Guarantor and the Investment Manager are each required to withhold five per cent. in respect of any payments in the nature of profit made to the Trustee (being resident for tax purposes outside Saudi Arabia) under the Guarantee and the Investment Management Agreement, respectively (see “<i>Taxation – Kingdom of Saudi Arabia</i>”).</p> <p>All payments in respect of Certificates by the Trustee shall be made without withholding or deduction for, or on account of, any Taxes. In such event, the Trustee will, save in the limited circumstances provided in Condition 11, be required to pay additional amounts so that the holders of the Certificates will receive the full amounts that they would have received in the absence of any such withholding or deduction.</p>
Ratings:	<p>The ratings assigned to certain Series to be issued under the Programme will be specified in the applicable Final Terms. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of repayment and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. The applicable Final Terms relating to each Series of Certificates will disclose whether or not each credit rating applied for in relation to that Series of Certificates will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation.</p>
Certificateholder Meetings:	<p>A summary of the provisions for convening meetings of Certificateholders of each Series to consider matters relating to their interests as such is set out in Condition 18.</p>
Tax Considerations:	<p>See “<i>Taxation</i>” for a description of certain tax considerations applicable to the Certificates.</p>
Listing and Admission to Trading:	<p>Application has been made to the Irish Stock Exchange for Certificates issued under the Programme to be admitted to the Official List and for such Certificates to be admitted to trading on the Main Securities Market.</p> <p>Certificates may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Trustee, Dar Al-Arkan and the relevant Dealer in relation to the Series. Certificates which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Final Terms will state whether or not the relevant Certificates are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>

Transaction Documents: The Transaction Documents are the Master Trust Deed, each Supplemental Trust Deed, the Guarantee, the Agency Agreement, the Investment Management Agreement and the relevant Sukuk Contracts.

Governing Law and Jurisdiction: The Certificates of each Series and any non-contractual obligations arising out of or in connection with the Certificates of each Series will be governed by, and construed in accordance with, English law.

The Master Trust Deed, each Supplemental Trust Deed, the Programme Agreement, the Agency Agreement, the Guarantee and any non-contractual obligations arising out of or in connection with the same will be governed by English law. Any dispute under any such agreement or deed will be referred to the courts in England (who shall have exclusive jurisdiction to settle any dispute arising from such documents, subject to the option of, as applicable, the Trustee, the Delegate, the Agents and the Certificateholders to require that any other court of competent jurisdiction hears such dispute). Dar Al-Arkan will agree in each such agreement or deed that the Saudi Arabian Committee for the Regulation of Securities Disputes and the Appeal Panel may, at the option of, as applicable, the Trustee, the Delegate, the Agents and the Certificateholders, have jurisdiction to settle any dispute arising from such documents.

The Investment Management Agreement will be governed by the laws of the Kingdom of Saudi Arabia, and will be subject to the exclusive jurisdiction of the Committee for the Regulation of Securities Disputes and the Appeal Panel, subject to the option of the Trustee to require that any other court of competent jurisdiction hears the dispute.

Each of the Sukuk Contracts will be governed by the laws of the Kingdom of Saudi Arabia, and each such agreement will be subject to the exclusive jurisdiction of the courts and adjudicatory bodies of the Kingdom of Saudi Arabia.

The Corporate Services Agreement will be governed by the laws of the Cayman Islands and will be subject to the non-exclusive jurisdiction of the courts of the Cayman Islands.

Limited Recourse: Each Certificate represents solely an undivided ownership interest in the relevant Trust Assets. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available for the relevant Trust Assets.

Certificateholders will otherwise have no recourse to any assets of the Trustee, the Delegate, the Investment Manager, the Agents or (save as described in the following paragraph in relation to the Guarantee) Dar Al-Arkan in respect of any shortfall in the expected amounts due under the relevant Trust Assets to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished. Under no circumstances shall the Trustee, the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the terms of the Transaction Documents or under these Conditions and the sole right of the Trustee, the Delegate and the Certificateholders against the Investment Manager and/or Dar Al-Arkan shall be to enforce their respective obligations under the Transaction Documents to which they are party.

The Guarantee is granted in favour of the Trustee and the Delegate, and

does not contain any limited recourse provision.

Selling Restrictions:

There are restrictions on the distribution of this Base Prospectus and the offer or sale of Certificates in the United States, the European Economic Area (including the Republic of Ireland and the United Kingdom), the Cayman Islands, Japan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, Kingdom of Saudi Arabia, Kingdom of Bahrain, Qatar (excluding the Qatar Financial Centre), Singapore, Hong Kong and Malaysia.

United States Selling  
Restrictions:

Regulation S, Category 2.

## FORM OF THE CERTIFICATES

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

Each Series will initially be represented by a global certificate in registered form (a **Global Certificate**). Global Certificates will be deposited with a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**) and will be registered in the name of a nominee for the common depository. Persons holding ownership interests in Global Certificates 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.

Payments of any amount in respect of each Global Certificate will, in the absence of any provision to the contrary, be made to the person shown on the relevant Register (as defined in Condition 1.2) as the registered holder of the relevant Global Certificate. 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 Certificates or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payment of any amounts in respect of Certificates in definitive form will, in the absence of any provision to the contrary, be made to the persons shown on the relevant Register on the relevant Record Date (as defined in Condition 8.1) immediately preceding the due date for payment in the manner provided in the Conditions.

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

In such circumstances, the relevant Global Certificate shall be exchanged in full for Definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar within 15 days following the request for exchange for completion and dispatch to the relevant Certificateholders. A person having an interest in a 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.

### General

For so long as any of the Certificates is represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular face amount of such Certificates in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes (save in the case of manifest error) shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificates for all purposes other than with respect to any payment on such face amount of such Certificates, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Trustee, the Delegate and their respective agents as the holder of such face amount of such Certificates in accordance with and subject to the terms of the relevant

Global Certificate and the expressions **Certificateholder** and **holder of Certificates** and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

**[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a **distributor**) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

## FORM OF FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Series issued under the Programme.*

[Date]

### **Dar Al-Arkan Sukuk Company Ltd.**

**Issue of [Aggregate Face Amount of Series] [Title of Certificates]  
under the  
U.S.\$2,000,000,000  
Trust Certificate Issuance Programme**

### **PART A - CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 2 March 2018 [and the Supplement to the Base Prospectus dated ●] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) as amended (the **Prospectus Directive**). This document constitutes the Final Terms of the Certificates described herein [for the purposes of Article 5.4 of the Prospectus Directive]<sup>1</sup> and must be read in conjunction with the Base Prospectus [ as so supplemented]. Full information on the Trustee and Dar Al-Arkan Real Estate Development Company and the offer of the Certificates is only available on the basis of a combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus is available for viewing in accordance with Article 14 of the Prospectus Directive on the website of the Central Bank of Ireland ([www.centralbank.ie](http://www.centralbank.ie)) and during normal business hours at the registered office of the Trustee at P.O. Box 1093, Queensgate House, George Town, Grand Cayman, KY1-1102, Cayman Islands and copies may be obtained from the registered office of the Principal Paying Agent at [Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom].

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Final Terms.]*

*[If the Certificates have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]*

- |    |                     |   |
|----|---------------------|---|
| 1. | Issuer and Trustee: | Dar Al-Arkan Sukuk Company Ltd.                                       |
| 2. | Investment Manager: | Dar Al-Arkan Sukuk International Company                              |
| 3. | Guarantor:          | Dar Al-Arkan Real Estate Development Company<br><b>(Dar Al-Arkan)</b> |

<sup>1</sup> All references to the Prospectus Directive, including this reference, to be included only if the Certificates are to be admitted to listing on the official list, and to trading on the regulated market, of the Irish Stock Exchange or another regulated market for the purposes of the Prospectus Directive.

4. Series Number: [ ]
5. Specified Currency: [ ]
6. Aggregate Face Amount of Series: [ ]
7. Issue Price: [ ] per cent. of the Aggregate Face Amount
8. (a) Specified Denominations: [ ]  
*(this means the minimum integral face amount in which transfers can be made)* *(N.B. If an issue of Certificates is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive, the €100,000 minimum denomination is not required.)*
- (b) Calculation Amount (in relation to the calculation of the Periodic Distribution Amount whilst the Certificates are in global form, see the Conditions): [ ]  
*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
9. (a) Issue Date: [ ]
- (b) Return Accrual Commencement Date: [Issue Date][specify other date]
10. Scheduled Dissolution Date: *[Specify date or (for Floating Periodic Distribution Certificates) Periodic Distribution Date falling in or nearest to the relevant month and year.]*
11. Periodic Distribution Amount Basis: [[ ] per cent. Fixed Periodic Distribution Amount]  
 [[ ] month [LIBOR/EURIBOR/SIBOR]] +/- [ ] per cent.  
 Floating Periodic Distribution Amount] (see paragraph [16] [17] below)
12. Dissolution Basis: Dissolution at par
13. Change of Periodic Distribution Basis: *[Specify the date when any Fixed to Floating Distribution Amount Basis change occurs. Cross refer to paragraphs 16 and 17 below and identify there.] [Not Applicable]*
14. Put/Call Options: [Not Applicable]  
 [Certificateholder Put Option]  
 [Early Dissolution (Trustee Call)]  
 (see paragraph [18] [19] below)
15. Status: Unsubordinated

#### **PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE**

16. Fixed Periodic Distribution Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) Rate[s]: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]

- (b) Periodic Distribution Date(s): [[ ] in each year up to and including the Scheduled Dissolution Date]
- (c) Fixed Amount(s): [ ] per Calculation Amount
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [ ]] [Not Applicable]  
*(Insert particulars of any initial or final broken Periodic Distribution Amounts which do not correspond with the Fixed Amount(s) specified under paragraph 16(c))*
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[ ] in each year][Not Applicable]  
*(Insert regular periodic distribution dates, ignoring issue date or scheduled dissolution date in the case of a long or short first or last return accumulation period)*  
*N.B. This will need to be amended in the case of regular periodic distribution dates which are not of equal duration*  
*N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
17. Floating Periodic Distribution Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Periodic Distribution Dates: [[ ] [, subject to adjustment in accordance with the Business Day Convention set out in (c) below/, not subject to adjustment, as the Business Day Convention in (c) below is specified to be Not Applicable]][Not Applicable]  
*(Specified Period and Specified Periodic Distribution Dates are alternatives. If the Business Day Convention is the Floating Rate Convention, insert "Not Applicable")*
- (b) Specified Period: [[ ] [, subject to adjustment in accordance with the Business Day Convention set out in (c) below/, not subject to adjustment, as the Business Day Convention in (c) below is specified to be Not Applicable]][Not Applicable]  
*(Specified Period and Specified Periodic Distribution Dates are alternatives. A Specified Period, rather than Specified Periodic Distribution Dates, will only be relevant if the Business Day Convention is the Floating Rate Convention. Otherwise, insert "Not Applicable")*
- (c) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] [Not Applicable]
- (d) Additional Business Centre(s): [ ] [Not Applicable]



- (e) Manner in which the Rate(s) is/are to be determined: [Screen Rate Determination (Condition 7.3) applies]
- (f) Screen Rate Determination: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub paragraphs of this paragraph)*
- (i) Reference Rate: [ ] month [LIBOR/EURIBOR/SIBOR]
- (ii) Periodic Distribution Determination Date: [ ]  
*(Second London business day prior to the start of each Return Accumulation Period if LIBOR (other than Sterling or euro LIBOR), first day of each Return Accumulation Period if Sterling LIBOR, the second day on which the TARGET2 System is open prior to the start of each Return Accumulation Period if EURIBOR or euro LIBOR and second Riyadh business day prior to the start of each Return Accumulation Period if SIBOR)*
- (iii) Relevant Screen Page: [ ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01, or, in the case of SIBOR, if not Reuters Screen SUAA Page across from the caption "AVG", ensure it is a page which shows a composite rate)*
- (g) Margin: [+/-][ ] per cent. per annum
- (h) Linear Interpolation: [Not Applicable/Applicable - the Rate for the [long/short] [first/last] Periodic Distribution Period shall be calculated using Linear Interpolation (*specify for each short or long periodic distribution period*)]
- (i) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
[30E/360 (ISDA)]
- (j) Calculation Agent: [Principal Paying Agent] [ ]

#### PROVISIONS RELATING TO REPURCHASES AND DISSOLUTION

18. Early Dissolution (Trustee Call): [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub paragraphs of this paragraph. N.B. For Sharia reasons, Early Dissolution (Trustee Call) and Certificateholder Put Option cannot both be specified as applicable for a particular Series)*
- (a) Early Dissolution Amount (Trustee Call): [[ ] per Calculation Amount]
- (b) Early Dissolution Date (Trustee Call): [ ]  
*(N.B. If the Floating Periodic Distribution Provisions are applicable, the Optional Dissolution Date must be a Periodic Distribution Date)*

19. Certificateholder Put Option: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph. N.B. For Sharia reasons, Certificateholder Put Option and Early Dissolution (Trustee Call) cannot both be specified as applicable for a particular Series)*
- (a) Certificateholder Put Option Repurchase Amount: [ ] per cent. of the face amount of the Certificates  
[ ]
- (b) Certificateholder Put Option Repurchase Date(s): [ ]
20. Change of Control Repurchase Amount: [ ] per cent. of the face amount of the Certificates
21. Final Dissolution Amount: [[ ] per Calculation Amount] *[Note: this must be par]*
22. Early Dissolution Amount (Tax): [[ ] per Calculation Amount] *[Note: this must be par]*
23. Dissolution Amount pursuant to Condition 14: [ ] per Calculation Amount *[Note: this must be par]*

**GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES**

24. Form of Certificates: Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate
25. Additional Financial Centres: [ ]  
*(Note that this paragraph relates to the place of payment and not Return Accumulation Period end dates, to which sub-paragraph 17(d) relates)*

**RESPONSIBILITY**

Each of the Trustee and Dar Al-Arkan accepts responsibility for the information contained in these Final Terms.

Signed on behalf of

**DAR AL-ARKAN SUKUK COMPANY LTD.**

By: .....  
*Duly authorised*

Signed on behalf of

**DAR AL-ARKAN REAL ESTATE DEVELOPMENT COMPANY**

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on [the Irish Stock Exchange’s Main Securities Market and listing on the Official List of the Irish Stock Exchange] [*specify relevant regulated market and, if relevant, admission to an official list*] with effect from [ ].]

[Application is expected to be made by the Trustee (or on its behalf) for the Certificates to be admitted to trading on [the Irish Stock Exchange’s Main Securities Market and listing on the Official List of the Irish Stock Exchange][*specify relevant regulated market and, if relevant, listing on an official list*] with effect from [ ].]

[Not Applicable.]

- (ii) Estimate of total expenses related to [ ] admission to trading:

### 2. RATINGS

Ratings:

[The Certificates to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].]

[*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.*]

[*The above disclosure should reflect the rating allocated to Certificates of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*]

[[*Insert the legal name of the relevant credit rating agency entity*] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended).]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended).]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The ratings [[have been]/[are expected to be]] endorsed by [*insert the legal name of the relevant EU-registered credit rating agency entity*]

in accordance with the CRA Regulation. [*Insert the legal name of the relevant EU-registered credit rating agency entity*] is established in the European Union and registered under the CRA Regulation.]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**), but it [is]/[has applied to be] certified in accordance with the CRA Regulation.]

[[*Insert the legal name of the relevant non-EU credit rating agency entity*] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). However, the application for registration under the CRA Regulation of [*insert the legal name of the relevant EU credit rating agency entity that applied for registration*], which is established in the European Union, disclosed the intention to endorse credit ratings of [*insert the legal name of the relevant non-EU credit rating agency entity*].]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealer], so far as each of the Trustee and Dar Al-Arkan is aware, no person involved in the issue of the Certificates has an interest material to the offer. The [Managers/Dealer] and [their/its] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, Dar Al-Arkan and its affiliates in the ordinary course of business for which they may receive fees - *Amend as appropriate if there are other interests.*]

### 4. [PROFIT OR RETURN (*Fixed Periodic Distribution Certificates only*)

Indication of profit or return:	The profit or return is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future profit or return.]
---------------------------------	--

### 5. OPERATIONAL INFORMATION

- |  |  |
|--|--|
| (i) ISIN Code:   | [ ]  |
| (ii) Common Code:  | [ ]  |
| (iii) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [Not Applicable/ <i>give name(s) and number(s)</i> ] |
| (iv) Delivery:   | Delivery [against/free of] payment                   |
| (v) Names and addresses of additional Agent(s) (if any):   | [ ]  |

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following 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 issued under the Programme and will apply to each Global Certificate.*

Dar Al-Arkan Sukuk Company Ltd. (in its capacities as issuer and trustee, the **Trustee**) has established a programme (the **Programme**) for the issuance of up to U.S.\$2,000,000,000 in aggregate face amount of trust certificates. In these Terms and Conditions (the **Conditions**), references to **Certificates** shall be references to the trust certificates which are the subject of the applicable Final Terms and references to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Certificate. Certificates issued under the Programme are issued in series (each a **Series**). The expression **Prospectus Directive** means Directive 2003/71/EC (as amended).

Each of the Certificates will represent an undivided ownership interest in the Trust Assets (as defined in Condition 4.1) which are held by the Trustee on trust (the **Trust**) for, *inter alia*, the benefit of the registered holders of the Certificates pursuant to (i) an amended and restated Master Trust Deed (the **Master Trust Deed**) dated 2 March 2018 and made between the Trustee, Dar Al-Arkan Real Estate Development Company (**Dar Al-Arkan**) and Deutsche Trustee Company Limited (the **Delegate** which expression shall include any co-Delegate or any successor) and (ii) a supplemental trust deed (the **Supplemental Trust Deed** and, together with the Master Trust Deed, the **Trust Deed**) dated the Issue Date and made between the parties to the Master Trust Deed.

Payments relating to the Certificates will be made pursuant to an amended and restated agency agreement dated 2 March 2018 (the **Agency Agreement**) made between the Trustee, the Delegate, Dar Al-Arkan, Deutsche Bank AG, London Branch in its capacities as principal paying agent (in such capacity, the **Principal Paying Agent**, which expression shall include any successor and, together with any further or other paying agents appointed from time to time in accordance with the Agency Agreement, the **Paying Agents**, which expression shall include any successors) and calculation agent (in such capacity, the **Calculation Agent**, which expression shall include any successor) and Deutsche Bank Luxembourg S.A. in its capacities as a registrar (in such capacity, the **Registrar**, which expression shall include any successor) and as transfer agent (in such capacity and together with the Registrar, the **Transfer Agents**, which expression shall include any successors). The Paying Agents, the Calculation Agent, the Registrar and the Transfer Agents are together referred to in these Conditions as the **Agents**.

Words and expressions defined in the Trust Deed and the Agency Agreement or used in the applicable Final Terms 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 inconsistency between any such document and the applicable Final Terms, the applicable Final Terms will prevail. In addition, in these Conditions:

- (a) any reference to face amount shall be deemed to include the relevant Dissolution Amount (as defined in Condition 8.1), any Certificateholder Put Option Repurchase Amount, any Change of Control Repurchase Amount, any additional amounts (other than relating to Periodic Distribution Amounts (as defined in Condition 6.2)) which may be payable under Condition 11, and any other amount in the nature of face amounts payable pursuant to these Conditions;
- (b) any reference to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 11 and any other amount in the nature of a profit distribution payable pursuant to these Conditions;
- (c) references to Certificates being “outstanding” shall be construed in accordance with the Master Trust Deed; and
- (d) any reference to a Transaction Document (as defined below) shall be construed as a reference to that Transaction Document as amended and/or supplemented from time to time.

Subject as set out below, copies of the documents set out below are available for inspection and obtainable free of charge by the Certificateholders during normal business hours at the specified office for the time being of the Trustee and the Principal Paying Agent. The holders of the Certificates (the **Certificateholders**) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the documents set out below:

- (a) the amended and restated investment management agreement (the **Investment Management Agreement**) dated 2 March 2018 between the Trustee and Dar Al-Arkan Sukuk International Company (the **Investment Manager**);
- (b) the relevant Sukuk Contracts (as defined in Condition 22);
- (c) the amended and restated guarantee (the **Guarantee**) dated 2 March 2018 made by Dar Al-Arkan in favour of the Trustee and the Delegate;
- (d) the Trust Deed;
- (e) the Agency Agreement; and
- (f) the applicable Final Terms.

The documents listed above are referred to in these Conditions as the **Transaction Documents**. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Guarantee and the Agency Agreement.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct Dar Al-Arkan Sukuk Company Ltd., on behalf of the Certificateholders, (i) to invest the sums paid by it in respect of its Certificates through the Investment Manager into the Sukuk Portfolio in accordance with the Investment Plan (each as defined in Condition 4) and (ii) to enter into each Transaction Document to which it is a party, subject to the provisions of the Trust Deed and these Conditions.

## **1. FORM, DENOMINATION AND TITLE**

### **1.1 Form and Denomination**

The Certificates are issued in registered form in the Specified Denominations and, in the case of Certificates in definitive form, are serially numbered.

For so long as any of the Certificates is represented by a Global Certificate held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (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 face amount of such Certificates (in which regard any certificate or other document issued by a clearing system as to the 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 treated by the Trustee, the Delegate, Dar Al-Arkan and the Agents as the holder of such face amount of such Certificates for all purposes other than with respect to payment in respect of such Certificates, for which purpose the registered holder of the Global Certificate shall be treated by the Trustee, the Delegate, Dar Al-Arkan and any Agent as the holder of such face amount of such Certificates in accordance with and subject to the terms of the relevant Global Certificate and the expressions **Certificateholder** and **holder** in relation to any Certificates and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular face amount of Certificates as aforesaid, the Delegate may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Each holder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the registered holder of the Global Certificate. References to Euroclear

and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative Clearing System specified in Part B of the applicable Final Terms.

## 1.2 **Register**

The Registrar will maintain a register (the **Register**) of Certificateholders outside the United Kingdom in respect of the Certificates in accordance with the provisions of the Agency Agreement. In the case of Certificates in definitive form, a definitive Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates.

## 1.3 **Title**

The Trustee, the Delegate, Dar Al-Arkan and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the person in whose name any outstanding Certificate is for the time being registered (as set out in the Register) as the holder of such Certificate or of a particular face amount of the Certificates for all purposes (whether or not such Certificate or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Trustee, the Delegate, Dar Al-Arkan and the Agents shall not be affected by any notice to the contrary.

All payments made to such registered holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Certificate or face amount.

## 2. **TRANSFERS OF CERTIFICATES**

### 2.1 **Transfers of beneficial interests in the Global Certificate**

Transfers of beneficial interests in the Global Certificate will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in the Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Certificates in definitive form only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Trust Deed and the Agency Agreement.

### 2.2 **Transfers of Certificates in definitive form**

Upon the terms and subject to the conditions set forth in the Trust Deed and the Agency Agreement, a Certificate in definitive form may be transferred in whole or in part (in the Specified Denomination or an integral multiple thereof). In order to effect any such transfer the holder or holders must (i) surrender the definitive Certificate for registration of the transfer thereof (or the relevant part thereof) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent. Any such transfer will be subject to such regulations as Dar Al-Arkan Sukuk Company Ltd., Dar Al-Arkan, the Delegate and the Registrar may from time to time prescribe (the initial such regulations being scheduled to the Master Trust Deed).

Subject as provided above, the relevant Transfer Agent will, within five business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), and following receipt of a signed new Certificate in definitive form from the Trustee, deliver at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail to such address as the transferee may request a new

Certificate in definitive form of a like aggregate face amount to the Certificate (or the relevant part of the Certificate) transferred. In the case of the transfer of part only of a Certificate in definitive form, a new Certificate in definitive form in respect of the balance of the Certificate not transferred will be so delivered or (at the risk of the transferor) sent to the transferor.

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

### 2.3 **Costs of registration**

Certificateholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Trustee may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

## 3. **STATUS AND LIMITED RECOURSE**

### 3.1 **Status**

Each Certificate evidences an undivided ownership interest in the Trust Assets, subject to the terms of the Trust Deed and these Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Certificate ranks *pari passu*, without any preference or priority, with the other Certificates.

### 3.2 **Limited Recourse**

The Certificates do not represent an interest in any of the Trustee, Dar Al-Arkan, the Investment Manager, the Delegate, the Agents or any of their respective affiliates.

Notwithstanding anything to the contrary contained herein or in any Transaction Document, no payment of any amount whatsoever shall be made in respect of the Certificates by the Trustee, the Delegate or any of their respective directors, officers or agents (including any corporate administrator) except to the extent that funds are available therefor from the Trust Assets. The Trust Assets include all of the Trustee's rights, title, benefit and interest, present and future, in, to and under the Guarantee, which when any amount is due and payable thereunder, constitutes a general unsecured obligation of Dar Al-Arkan in respect of which a claim may be made by the Trustee or the Delegate, and which ranks *pari passu* with any other unsecured obligations of Dar Al-Arkan. The Guarantee is granted in favour of the Trustee and the Delegate (and does not include any limited recourse provisions).

By subscribing for or acquiring the Certificates, the Certificateholders acknowledge that no recourse may be had for the payment of any amount owing in respect of the Certificates against the Investment Manager, Dar Al-Arkan, the Trustee, the Delegate or the Agents or any of their respective directors, officers or agents to the extent the Trust Assets have been exhausted following which all obligations of the Investment Manager, Dar Al-Arkan, the Trustee, the Delegate and the Agents or any of their respective agents shall be extinguished.

No recourse (whether by institution or enforcement of any legal proceeding or assessment or otherwise) in respect of any breach of any duty, obligation, covenant or agreement contained in these Conditions or any Transaction Document shall be had against any shareholder (other than, in the case of the Investment Manager, Dar Al-Arkan itself), member, officer, agent (including any corporate administrator) or director of the Trustee, the Delegate, the Agents, the Investment Manager or Dar Al-Arkan, as the case may be, as such by virtue of any customary law, statute or otherwise. The obligations of the Trustee, the Delegate, the Agents, the Investment Manager and Dar Al-Arkan under these Conditions or any Transaction Document are corporate or limited liability obligations of the Trustee, the Delegate, the Agents, the Investment Manager and Dar Al-Arkan and any and all personal



liability of the shareholders (other than as aforesaid), members, officers, agents (including any corporate administrator) or directors of the Trustee, the Delegate, the Agents, the Investment Manager and Dar Al-Arkan is hereby expressly waived and excluded to the extent permitted by law.

The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments and/or deliveries due in respect of the Certificates. If, following distribution of such proceeds, there remains a shortfall in payments and/or deliveries due under the Certificates, no Certificateholder will have any claim against the Investment Manager, Dar Al-Arkan, the Trustee, the Delegate, the Agents or any of their respective shareholders (other than as aforesaid), members, officers, directors or agents (including any corporate administrator) or any of their affiliates or recourse to any of their assets in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In addition, no Certificateholder will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding-up or receivership of the Investment Manager or Dar Al-Arkan (to the extent that each fulfils all of its obligations under the relevant Transaction Documents to which it is a party), or any of the Trustee, the Delegate, the Agents and/or any of their affiliates as a consequence of such shortfall or otherwise.

#### 4. THE TRUST

##### 4.1 The Trust Assets

Pursuant to the Investment Management Agreement, the proceeds of the sale of the Certificates (the **Sukuk Proceeds**) will be applied by the Trustee through the Investment Manager to invest in a single portfolio of investments comprising an Ijara Agreement and a Murabaha Agreement entered into between the Investment Manager and the relevant Restricted Subsidiaries of Dar Al-Arkan (together with any further and/or replacement Ijara Agreements and Murabaha Agreements entered into from time to time between the Investment Manager and certain Restricted Subsidiaries in accordance with the terms of the Investment Management Agreement, the **Sukuk Portfolio**) in accordance with the Investment Plan (as defined below). Each Ijara Agreement and Murabaha Agreement is to be entered into substantially on the terms set out in the Investment Management Agreement and each of the initial Ijara Agreement and the initial Murabaha Agreement will be entered into on the Issue Date. The Investment Management Agreement provides that a minimum amount corresponding to 51 per cent. of the face amount of the Certificates outstanding must be invested in Ijara Agreements at all times, except during the period necessary for the replacement of any Ijara Agreement which is terminated as a result of the occurrence of a Total Loss (as defined in the relevant Ijara Agreement).

The **Investment Plan** means the requirement for the Investment Manager: (i) to invest the Sukuk Proceeds into a portfolio of Sukuk Contracts which generates returns at least equal to each relevant Periodic Distribution Amount for a period which is equal to or greater than the remaining duration of the Certificates which are outstanding at the time of the relevant investment; and (ii) to ensure satisfaction of the Underlying Value Conditions.

On the date falling two Business Days prior to each Periodic Distribution Date, the Investment Manager shall collect all sums due from the Sukuk Contract Counterparties (the **Profit Collections**) and pay such amounts to the Principal Paying Agent on behalf of the Trustee by depositing the same in the Transaction Account. The Principal Paying Agent will in turn apply such amounts to pay the Periodic Distribution Amount to the Certificateholders on the relevant Periodic Distribution Date in accordance with the terms of the Agency Agreement.

To the extent that there is a shortfall between: (a) the Profit Collections deposited in the Transaction Account and available for distribution to the Certificateholders on any Periodic Distribution Date; and (b) the Periodic Distribution Amount scheduled for distribution on that date, including where such shortfall arises from the negligence of or a failure by the Investment Manager to comply with its obligations under the Transaction Documents (including failure to satisfy the Underlying Value Conditions) the Guarantor shall make up that shortfall (the **Distribution Shortfall Restoration Amount**) in accordance with the terms of the Guarantee, pursuant to which the Guarantor will

irrevocably undertake to pay the Distribution Shortfall Restoration Amount (if any) to the Principal Paying Agent (on behalf of the Trustee) for payment to the Certificateholders.

On the date falling two Business Days prior to the Scheduled Dissolution Date, any Dissolution Event Redemption Date, any Early Tax Dissolution Date or (if specified in the applicable Final Term as being applicable, Early Dissolution Date (Trustee Call)), as the case may be, the Investment Manager shall liquidate the Sukuk Portfolio in accordance with the Investment Management Agreement and pay the proceeds of such liquidation (the **Sukuk Portfolio Liquidation Proceeds**) to the Principal Paying Agent by depositing the same in the Transaction Account. The Principal Paying Agent will in turn apply such amounts to pay the Dissolution Amount to the Certificateholders on the Scheduled Dissolution Date, Dissolution Event Redemption Date, Early Tax Dissolution Date or Early Dissolution Date (Trustee Call), as the case may be. To the extent that there is a shortfall between the Sukuk Portfolio Liquidation Proceeds deposited in the Transaction Account and the Dissolution Amount payable on the Scheduled Dissolution Date, Dissolution Event Redemption Date, Early Tax Dissolution Date or Early Dissolution Date (Tax Call), as the case may be, including where to such shortfall results from the negligence of or a failure by the Investment Manager to comply with its obligations under the Transaction Documents (including failure to satisfy the Underlying Value Conditions) Dar Al-Arkan shall make up that shortfall (the **Value Restoration Amount**) under the terms of the Guarantee by paying the Value Restoration Amount to the Principal Paying Agent on behalf of the Trustee for payment to the Certificateholders.

*Certificateholders have the benefit of certain restrictive and financial covenants entered into by Dar Al-Arkan under the Guarantee. See "Summary of the Principal Transaction Documents – The Guarantee".*

Pursuant to the Trust Deed, the Trustee holds the Trust Assets upon trust absolutely for the holders of the Certificates *pro rata* according to the face amount of Certificates held by each holder. The term **Trust Assets** means:

- (a) 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 Sukuk Portfolio;
  - (b) 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 to the Trustee by Dar Al-Arkan pursuant to any of the Transaction Documents and any rights which have been expressly waived by the Trustee in any of the Transaction Documents); and
  - (c) all monies standing to the credit of the Transaction Account from time to time,
- and all proceeds of the foregoing.

#### 4.2 **Application of Proceeds from the Trust Assets**

On each Periodic Distribution Date and on the Scheduled Dissolution Date or any earlier Dissolution Date, the monies standing to the credit of the Transaction Account shall be applied in the following order of priority:

- (a) first, (to the extent not previously paid) to pay the Delegate and/or any Appointee an amount equal to any sum payable to it on account of its properly incurred fees and Liabilities and to pay or provide for the payment or satisfaction of any Liability incurred (or expected to be incurred) by the Delegate and/or any Appointee in each case pursuant to the Trust Deed or in connection with any of the other Transaction Documents or these Conditions;
- (b) second, (to the extent not previously paid) to pay, on a *pro rata* and *pari passu* basis, each Agent and the Trustee Administrator (as long as such amount has been notified to the Principal Paying Agent not less than 30 Business Days prior to the Periodic Distribution Date, Scheduled Dissolution Date or other Dissolution Date (as the case may be)) an amount equal

to any sum payable to each of them on account of its properly incurred fees and Liabilities and to pay or provide for the payment or satisfaction of any Liability incurred (or reasonably expected to be incurred) by such Agents and/or the Trustee Administrator (as long as such amount has been notified to the Principal Paying Agent not less than 30 Business Days prior to the Periodic Distribution Date, Scheduled Dissolution Date or other Dissolution Date (as the case may be)) pursuant to the Agency Agreement, the Corporate Services Agreement and the Registered Office Agreement, as the case may be;

- (c) third, only if payment is due on a Periodic Distribution Date, to the Principal Paying Agent for application in or towards payment to the Certificateholders *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
- (d) fourth, in the case of the Scheduled Dissolution Date, a Dissolution Event Redemption Date, an Early Tax Dissolution Date or an Early Dissolution Date (Trustee Call), to the Principal Paying Agent for application in or towards payment to the Certificateholders *pari passu* and rateably of the Dissolution Amount due on such date; and
- (e) fifth, only if such payment is due on the Scheduled Dissolution Date, a Dissolution Event Redemption Date, an Early Tax Dissolution Date or an Early Dissolution Date (Trustee Call), in payment of the surplus (if any) to the Investment Manager as an incentive fee payable under the Investment Management Agreement.

## 5. COVENANTS

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

- (a) incur any indebtedness in respect of borrowed money whatsoever (whether structured in accordance with the principles of the Sharia or otherwise), give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates, or provide any promissory note (or any other similar instrument) under the laws of any jurisdiction except, in all cases, as contemplated in the Transaction Documents;
- (b) secure any of its present or future indebtedness for borrowed money or any other financing by any lien, pledge, charge or other security interest or quasi-security interest (including netting or set-off arrangements) upon any of its present or future assets, properties or revenues (other than those arising by operation of law and other than under or pursuant to any Transaction Document);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its ownership interest in any of the Trust Assets except pursuant to the Transaction Documents and in accordance with the principles of Sharia;
- (d) use the proceeds of the issue of the Certificates for any purpose other than as provided for under the Transaction Documents;
- (e) amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its memorandum and articles of association;
- (f) act as trustee in respect of any trust other than a trust corresponding to any other Series issued under the Programme;
- (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 or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; and
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party 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 Trust Assets as provided for in the Transaction Documents; and
  - (iii) such other matters which are incidental thereto.

## 6. FIXED PERIODIC DISTRIBUTION PROVISIONS

### 6.1 Application

This Condition is applicable to the Certificates only if the Fixed Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable.

### 6.2 Periodic Distribution Amount

Subject to Condition 4.2 and Condition 8 and unless otherwise specified in the applicable Final Terms, the Principal Paying Agent shall distribute to holders *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account, a distribution in relation to the Certificates on each Periodic Distribution Date equal to the Periodic Distribution Amount payable in respect of the Return Accumulation Period ending immediately before that Periodic Distribution Date.

In these Conditions:

**Periodic Distribution Amount** means, in relation to a Certificate and a Return Accumulation Period, the amount of profit distribution payable in respect of that Certificate for that Return Accumulation Period which amount may be a Fixed Amount, a Broken Amount or an amount otherwise calculated in accordance with this Condition 6 or Condition 7; and

**Return Accumulation Period** means the period from (and including) a Periodic Distribution Date (or the Return Accrual Commencement Date) to (but excluding) the next (or first) Periodic Distribution Date.

### 6.3 Determination of Periodic Distribution Amount

Except as provided in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Certificate in definitive form for any Return Accumulation Period shall be the Fixed Amount or, if so specified in the applicable Final Terms, the Broken Amount so specified.

Except in the case of Certificates in definitive form where a Fixed Amount or Broken Amount is specified in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Certificate shall be calculated by applying the rate or rates (expressed as a percentage per annum) specified in the applicable Final Terms or calculated or determined in accordance with the provisions of these Conditions (the **Rate**) applicable to the relevant Return Accumulation Period to:

- (a) in the case of Certificates which are represented by a Global Certificate, the aggregate outstanding face amount of the Certificates represented by such Global Certificate; or

- (b) in the case of Certificates in definitive form, the Calculation Amount (as specified in the applicable Final Terms),

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Certificate in definitive form is a multiple of the Calculation Amount, the amount of profit distribution payable in respect of such Certificate shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of Periodic Distribution Amount in accordance with this Condition:

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
- (i) in the case of Certificates where the number of days in the relevant period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accrual Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (ii) in the case of Certificates where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accrual Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Return Accrual Commencement Date or the final Periodic Distribution Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 7. FLOATING PERIODIC DISTRIBUTION PROVISIONS

### 7.1 Application

This Condition is applicable to the Certificates only if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable.

### 7.2 Periodic Distribution Amount

Subject to Condition 4.2 and 8 and unless otherwise specified in the applicable Final Terms, the Principal Paying Agent shall distribute to holders *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account, a distribution in relation to the Certificates on either:

- (a) the Specified Periodic Distribution Date(s) in each year specified in the applicable Final Terms; or
- (b) if no Specified Periodic Distribution Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Periodic Distribution Date, a **Periodic Distribution Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Periodic Distribution Date or, in the case of the first Periodic Distribution Date, after the Return Accrual Commencement Date.

In relation to each Periodic Distribution Date, the distribution payable will be equal to the Periodic Distribution Amount payable in respect of the Return Accumulation Period ending immediately before that Periodic Distribution Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which a Periodic Distribution Date should occur or (y) if any Periodic Distribution Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 7.2(b) above, the Floating Rate Convention, such Periodic Distribution Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Periodic Distribution Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Periodic Distribution Date occurred; or
- (B) the Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day.

In these Conditions:

**Business Day** means:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in

London and any Additional Business Centre (other than (TARGET2 System) specified in the applicable Final Terms;

- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and
- (c) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre) or (ii) in relation to any sum payable in euro, a TARGET Settlement Day; and

**TARGET Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

### 7.3 Screen Rate Determination

If Screen Rate Determination is specified in the applicable Final Terms as the manner in which the rate or rates (expressed as a percentage per annum) specified in the applicable Final Terms (being any of LIBOR, EURIBOR or SIBOR) or calculated or determined in accordance with the provisions of these Conditions (the **Rate**) is to be determined, the Rate applicable to the Certificates for each Return Accumulation Period will be determined by the Calculation Agent on the following basis:

- (a) if the Reference Rate specified in the applicable Final Terms is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of 11.00 a.m. (London time, in the case of LIBOR or Brussels time, in the case of EURIBOR or Riyadh time, in the case of SIBOR) (the **Relevant Time**) on the relevant Periodic Distribution Determination Date;
- (b) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Periodic Distribution Determination Date;
- (c) if, in the case of (a) above, such rate does not appear on that page or, in the case of (b) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (i) request each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Periodic Distribution Determination Date to prime banks in the London or Eurozone interbank market, as the case may be, in an amount that is representative for a single transaction in that market at that time; and
  - (ii) determine the arithmetic mean of such quotations; and
- (d) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates quoted by major banks in the principal financial centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the principal financial centre of the Specified Currency) on the first day of the relevant Return Accumulation Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Return Accumulation Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate for such Return Accumulation Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Return Accumulation Period, the Rate applicable to the Certificates during

such Return Accumulation Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Certificates in respect of a preceding Return Accumulation Period.

If the Calculation Agent, for any reason, is unable to perform the calculations or obtain the Rate as outlined in (a), (b), (c) and (d) above, the Calculation Agent will inform the Trustee as soon as practicable and, in such case, the Trustee will appoint an alternative agent to determine the Rate or will provide the Rate themselves in accordance with the procedures set out above.

In this Condition the following expressions have the following meanings:

**Reference Banks** means (i) (where the Reference Rate is LIBOR or EURIBOR) the principal London office of each of four major banks engaged in the London or Eurozone inter-bank market selected by or on behalf of the Trustee and (ii) (where the Reference Rate is SIBOR) the principal Riyadh office of each of four major banks engaged in the Saudi inter-bank market selected by or on behalf of the Trustee, provided that once a Reference Bank has first been selected by or on behalf of the Trustee, such Reference Bank shall not be changed unless it ceases to be capable of acting as such. The Trustee will, at such time as Reference Banks are required or at the request of the Calculation Agent, provide the Calculation Agent with the complete contact details of each relevant person at the applicable Reference Bank, including but not limited to, the telephone number, fax number and email address;

**Relevant Screen Page** means the page, section or other part of a particular information service specified as the Relevant Screen Page in the applicable Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

#### 7.4 **Linear Interpolation:**

Where Linear Interpolation is specified as applicable in respect of a Periodic Distribution Period in the applicable Final Terms, the Rate for such Periodic Distribution Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Periodic Distribution Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Periodic Distribution Period, provided however that, if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

#### 7.5 **Calculation of Periodic Distribution Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate is to be determined in relation to each Return Accumulation Period, calculate the Periodic Distribution Amount payable in respect of each Certificate for such Return Accumulation Period. The Periodic Distribution Amount will be calculated by applying the Rate applicable to the relevant Return Accumulation Period to:

- (a) in the case of Certificates which are represented by a Global Certificate, the aggregate outstanding face amount of the Certificates represented by such Global Certificate; or
- (b) in the case of Certificates in definitive form, the Calculation Amount,



and, in each case, multiplying the product by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). Where the Specified Denomination of a Certificate in definitive form is a multiple of the Calculation Amount, the Periodic Distribution Amount payable in respect of such Certificate shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition:

- (a) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 (or, if any portion of that Return Accumulation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Return Accumulation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Return Accumulation Period falling in a non-leap year divided by 365);
- (b) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365;
- (c) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 or, in the case of a Periodic Distribution Date falling in a leap year, 366;
- (d) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 360;
- (e) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Return Accumulation Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (f) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Return Accumulation Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (g) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Return Accumulation Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Return Accumulation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless (i) that day is the last day of February but not the Scheduled Dissolution Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

## 7.6 Publication

The Calculation Agent will cause each Rate and Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Trustee, Dar Al-Arkan, the Delegate and the Paying Agents as soon as practicable after such determination but (in the case of each Rate, Periodic Distribution Amount and Periodic Distribution Date) in any event not later than the fourth day of the relevant Return Accumulation Period. Notice thereof shall also promptly be given to the Certificateholders in accordance with Condition 17. The Calculation Agent will be

required to recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Return Accumulation Period and any such recalculation will be notified to the Trustee, Dar Al-Arkan, the Delegate, the Paying Agents and the Certificateholders as soon as practicable after such determination.

#### 7.7 **Notifications, etc. to be final**

All communications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition by the Calculation Agent will (in the absence of wilful default, bad faith or manifest or proven error) be binding on the Trustee, the Delegate, Dar Al-Arkan, the Agents and all Certificateholders and (in the absence of wilful default or fraud) no liability shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition.

#### 7.8 **Determination by the Delegate**

The Delegate may, but shall not be obliged to, if the Calculation Agent defaults at any time in its obligation to determine any Rate, Periodic Distribution Amount and/or Periodic Distribution Date in accordance with the above provisions, determine (or procure the determination of) the relevant Rate, Periodic Distribution Amount and/or Periodic Distribution Date, the former at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and the Periodic Distribution Amount and the Periodic Distribution Date in the manner provided in this Condition and the determinations shall be deemed to be determinations (if made) by the Calculation Agent and the Delegate shall have no liability to any person in respect of the same.

### 8. **PAYMENT**

#### 8.1 **Payments in respect of the Certificates**

Subject to Condition 8.2, payment of any Dissolution Amount and any Periodic Distribution Amount will be made by transfer to the registered account of each Certificateholder. Payments of any Dissolution Amount will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents. Each Dissolution 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:

- (a) **Dissolution Amount** means, as appropriate, the Final Dissolution Amount, the Early Dissolution Amount (Tax), the Early Dissolution Amount (Trustee Call), the Dissolution Amount for the purposes of Condition 14 or such other amount in the nature of a redemption amount as may be specified in the applicable Final Terms;
- (b) **Payment Business Day** means:
  - (i) in the case where presentation and surrender of a definitive Certificate is required before payment can be made, a day on which banks in the relevant place of surrender of the definitive Certificate are open for presentation and payment of securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account:
    - (A) if the currency of payment is euro, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
    - (B) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial

centre of the currency of payment and in each (if any) Additional Financial Centre;

- (c) a Certificateholder's **registered account** means the account maintained by or on behalf of such Certificateholder with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business on the relevant Record Date;
- (d) a Certificateholder's **registered address** means its address appearing on the Register at that time; and
- (e) **Record Date** means (i) (where the Certificate is represented by a Global Certificate), at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the Periodic Distribution Date, Scheduled Dissolution Date or Dissolution Date, as the case may be; or (ii) (where the Certificate is in definitive form), 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 Amount, the date falling two Payment Business Days before the Scheduled Dissolution Date or Dissolution Date, as the case may be.

## 8.2 **Payments subject to Applicable Laws**

Payments in respect of any Dissolution Amount and any Periodic Distribution Amount on the Certificates are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11) any law implementing an intergovernmental approach thereto.

## 8.3 **Payment only on a Payment Business Day**

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment or, in the case of a payment of any Dissolution Amount, if later, on the Payment Business Day on which the relevant definitive 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 definitive Certificate (if required to do so).

If the amount of any Dissolution Amount or 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.

## 8.4 **No Late Payments**

If the Trustee fails to pay any Periodic Distribution Amount or Dissolution Amount (in whole or in part) on the relevant Periodic Distribution Date or Dissolution Date for any reason, the Trustee will not be required to pay, and Certificateholders shall not be entitled to receive, any additional amounts in respect of the period during which such Periodic Distribution Amount or Dissolution Amount remains unpaid (in whole or in part).

Pursuant to the Guarantee, if Dar Al-Arkan fails to make payment of any sum due to the Trustee under the Guarantee on the due date for payment (the **Outstanding Sum**), Dar Al-Arkan has undertaken to pay a late payment amount to the Trustee in respect of the period from, and including, the due date for settlement to, but excluding, the date of full settlement of the Outstanding Sum, calculated on a daily basis, as the product of: (a) 1 per cent. per annum; and (b) the Outstanding Sum, calculated on the basis

of a 360 day year of 12 months of 30 days each. The Trustee has agreed that any such late payment amounts received from Dar Al-Arkan will be given to charity and will not be paid to the Certificateholders.

## **9. AGENTS**

### **9.1 Agents of Trustee**

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders or Dar Al-Arkan. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Final Terms. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

### **9.2 Specified Offices**

The initial Agents are set out above. If any additional Agents are appointed in connection with any Series, the names of such Agents will be specified in Part B of the applicable Final Terms. 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, however, that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be a Registrar;
- (c) if a Calculation Agent (other than the Principal Paying Agent) has been appointed in the applicable Final Terms, there will at all times be a Calculation Agent; and
- (d) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be 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 the Certificateholders promptly by the Trustee in accordance with Condition 17.

## **10. CAPITAL DISTRIBUTIONS OF THE TRUST**

### **10.1 Scheduled Dissolution**

Unless the Certificates are previously redeemed, or purchased and cancelled, in full, the Trustee will redeem each Certificate on the Scheduled Dissolution Date at the Final Dissolution Amount together with any Periodic Distribution Amounts payable. Upon payment in full of such amounts to the Certificateholders, the Trust will terminate, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

### **10.2 Early Dissolution for Tax Reasons**

The Certificates may be redeemed by the Trustee in whole, but not in part:

- (a) at any time (if the Fixed Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable); or
- (b) on any Periodic Distribution Date (if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable),

(such date, the **Early Tax Dissolution Date**) on giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 17 (which notice shall be irrevocable), at the Early Dissolution Amount (Tax) together with any accrued but unpaid Periodic Distribution Amounts, if a Tax Event occurs where **Tax Event** means:

- (i) the Trustee has or will become obliged to pay additional amounts pursuant to Condition 11;
- (ii) the Trustee has received notice from the Investment Manager that: (A) the Investment Manager has or will become required to withhold or deduct any taxes in respect of any payment by it or on its behalf under the Investment Management Agreement to or to the order of the Trustee (at a rate in excess of five per cent. of the gross amounts payable under the Investment Management Agreement); or (B) one or more Sukuk Contract Counterparties has or will become obliged to pay additional amounts pursuant to the relevant Sukuk Contract as a result of the relevant Sukuk Contract Counterparty having been required to withhold or deduct any taxes in respect of any payment by it or on its behalf under the relevant Sukuk Contract to or to the order of the Investment Manager; or
- (iii) the Trustee has received notice from Dar Al-Arkan that it has or will become obliged to pay additional amounts to the Trustee pursuant to the Guarantee as a result of Dar Al-Arkan having been required to withhold or deduct any taxes in respect of any payment by it under the Guarantee to or to the order of the Trustee (at a rate in excess of five per cent. of the gross amounts payable under the Guarantee),

in each case (x) as a result of any change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (y) such obligation cannot be avoided by the Trustee, the Investment Manager, the relevant Sukuk Contract Counterparty or Dar Al-Arkan, as the case may be, taking reasonable measures available to it; and provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which, in the case of paragraph (i) above, the Trustee would be obliged to pay such additional amounts were a payment in respect of the Certificates then due or, in the case of paragraph (ii)(A) above, the Investment Manager would be obliged to pay such additional amounts were a payment in respect of the Investment Management Agreement then due, or, in the case of paragraph (ii)(B) above, the relevant Sukuk Contract Counterparty would be obliged to pay such additional amounts were a payment in respect of the relevant Sukuk Contract then due, or, in the case of paragraph (iii) above, Dar Al-Arkan would be obliged to pay such additional amounts were a payment in respect of the Guarantee then due, as the case may be.

Prior to the publication of any notice of redemption pursuant to Condition 10.2, the Trustee shall deliver to the Delegate:

- (i) (A) (in the case of (i) above) a certificate signed by two duly authorised officers of the Trustee stating that the obligation referred to in (i) has arisen;
- (B) (in the case of (ii)(A) above) a certificate signed by two duly authorised officers of the Investment Manager stating that the obligation referred to in (ii)(A) has arisen;
- (C) (in the case of (ii)(B) above) a certificate signed by two duly authorised officers of the relevant Sukuk Contract Counterparty stating that the obligation referred to in (ii)(B) has arisen; or
- (D) (in the case of (iii) above) a certificate signed by two duly authorised officers of Dar Al-Arkan stating that the obligation referred to in (iii) has arisen,

and in each case stating that the obligation cannot be avoided by the Trustee, the Investment Manager, the relevant Sukuk Contract Counterparty or Dar Al-Arkan, as the case may be (having taken all reasonable measures available to it); and

- (ii) an opinion of independent legal or tax advisers of recognised standing to the effect that the Trustee, the Investment Manager, the relevant Sukuk Contract Counterparty or Dar Al-Arkan, as the case may be, will become obliged to pay such additional amounts as a result of such change or amendment.

The Delegate shall be entitled to accept (without further investigation) any such certificate and opinion delivered to it pursuant to the above as sufficient evidence thereof in which event it shall be conclusive and binding on the Certificateholders. For the avoidance of doubt, the Delegate shall have no liability to any person for accepting and acting on such certificate and/or opinion.

Upon the expiry of any such notice as is referred to in this Condition 10.2, the Trustee shall be bound to redeem the Certificates at the Early Dissolution Amount (Tax) together with any accrued but unpaid Periodic Distribution Amounts and, upon payment in full of such amounts to the Certificateholders, the Trust will terminate, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof; provided, however, that no such notice of redemption shall be given unless the Trustee has received an exercise notice from Dar Al-Arkan under the Trust Deed.

### 10.3 **Dissolution at the Option of the Trustee**

If Early Dissolution (Trustee Call) is specified in the applicable Final Terms as being applicable, the Certificates may be redeemed in whole but not in part on any Early Dissolution Date (Trustee Call), which must be a Periodic Distribution Date if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms, at the relevant Early Dissolution Amount (Trustee Call) together with any accrued but unpaid Periodic Distribution Amounts on the Trustee giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 17 (which notice shall be irrevocable and shall oblige the Trustee to redeem the Certificates on the relevant Early Dissolution Date (Trustee Call)). Upon such redemption, the Trust will terminate, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof; provided, however, that no such notice of redemption shall be given unless the Trustee has received an exercise notice from Dar Al-Arkan under the Trust Deed.

### 10.4 **Dissolution following certain Repurchases of Certificates by the Guarantor**

The Guarantee obliges the Guarantor to make a Change of Control Offer, an Asset Disposition Offer and, if specified in the applicable Final Terms as being applicable, a Certificateholder Put Option Repurchase Offer (each, a **Mandatory Offer to Repurchase Certificates**). If all (but not some only) of the outstanding Certificates are sold to the Guarantor pursuant to a Mandatory Offer to Repurchase Certificates then, upon payment in full of the purchase price to the Certificateholders in accordance with the terms of the Guarantee, the Trust will terminate, the Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

### 10.5 **No other Dissolution**

The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust, otherwise than as provided in this Condition, Condition 13 and Condition 14.

### 10.6 **Cancellations**

All Certificates which are redeemed, and all Certificates purchased by or on behalf of Dar Al-Arkan or any of its Subsidiaries and delivered by Dar Al-Arkan to the Principal Paying Agent for cancellation, will be cancelled in accordance with Condition 13.2 and accordingly such Certificates may not be held, reissued or resold.

## 10.7 **Dissolution Date**

In these Conditions, the expression **Dissolution Date** means, as the case may be, (a) following the occurrence of a Dissolution Event (as defined in Condition 14), the date on which the Certificates are redeemed in accordance with the provisions of Condition 14, (b) the date on which the Certificates are redeemed in accordance with the provisions of Condition 10.2, (c) any Early Dissolution Date (Trustee Call) or (d) the date on which payment of the purchase price is made in full to the holder of the last outstanding Certificate pursuant to a Mandatory Offer to Repurchase Certificates.

## 11. **TAXATION**

All payments of any Dissolution Amount and any Periodic Distribution Amount in respect of the Certificates by or on behalf of the Trustee shall be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by law. In such event, the Trustee will pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates in the absence of any such withholding or deduction is received by the parties entitled thereto, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate:

- (a) the holder of which is liable for such Taxes in respect of such Certificate by reason of having some connection with any Relevant Jurisdiction other than the mere holding of such Certificate; or
- (b) presented for payment by or on behalf of a Certificateholder who is eligible for a reduction or exemption from such withholding taxes by complying with any certification, identification or other reporting requirements whether imposed by statute, treaty, regulation or administrative practice concerning nationality, residence or connection with the Relevant Jurisdiction if such compliance is requested by the Trustee and is required as a precondition to such relief or exemption from such withholding taxes and if, after having been requested to make such certification or identification or comply with such reporting requirements, such Certificateholder fails to do so; or
- (c) presented for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that the Certificateholder would have been entitled to such additional amounts on presenting the same for payment on the last day of such 30-day period assuming, whether or not such is in fact the case, that day to have been a Payment Business Day.

The obligation to pay such additional amounts shall not apply to: (i) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, assessment or other governmental charge; or (ii) any tax, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments on the Certificates.

As used in these Conditions:

**Relevant Date** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the principal financial centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which the full amount has been so received and notice to that effect has duly been given to the Certificate holders in accordance with Condition 17;

**Relevant Jurisdiction** means the Cayman Islands or the Kingdom of Saudi Arabia or, in each case, any political subdivision or authority thereof or therein having the power to tax; and

**Taxes** means 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.

*The Ijara Agreements and Murabaha Agreements to be entered into pursuant to the Investment Management Agreement each provide that payments thereunder by the Sukuk Contract Counterparties*



*shall be made without withholding or deduction for, or on account of, any present or future taxes, unless such withholding or deduction is required by the laws of the Kingdom of Saudi Arabia and, in such case, provide for the payment by the Sukuk Contract Counterparties of additional amounts so that the full amount which would otherwise have been due and payable in the absence of any such withholding or deduction is paid to the Investment Manager. The Investment Management Agreement also provides that payments to be made thereunder by the Investment Manager to the Trustee shall be made without withholding or deduction for, or on account of, any present or future taxes, unless such withholding or deduction is required by the laws of the Kingdom of Saudi Arabia and, in such case, provides for the payment by the Investment Manager of additional amounts so that the full amount which would otherwise have been due and payable in the absence of any such withholding or deduction is paid into the relevant Transaction Account two Business Days prior to each Periodic Distribution Date, the Scheduled Dissolution Date, any Dissolution Event Redemption Date, Early Tax Dissolution Date or Early Dissolution Date (Trustee Call), as the case may be.*

*Further, in accordance with the Guarantee, Dar Al-Arkan undertakes to pay any Distribution Shortfall Restoration Amount or Value Restoration Amount, as the case may be, to the Trustee without any deduction or withholding for or on account of any present or future tax, or other charge or withholding of a similar nature, unless required by the laws of the Kingdom of Saudi Arabia and, in such case, undertakes to pay additional amounts so that the full amount which would otherwise have been due and payable in the absence of any such withholding or deduction is received by the Trustee. In addition, Dar Al-Arkan has undertaken in the Guarantee to pay to the Trustee such additional amounts as may be payable by the Trustee pursuant to this Condition 11.*

## **12. PRESCRIPTION**

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within a period of 10 years (in the case of Dissolution Amounts) and a period of five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 8.

## **13. PURCHASE AND CANCELLATION OF CERTIFICATES**

### **13.1 Purchases**

Dar Al-Arkan and/or any of its Subsidiaries may at any time purchase Certificates at any price in the open market or otherwise.

### **13.2 Cancellation of Certificates held by Dar Al-Arkan and/or any of its Subsidiaries**

Any Certificates purchased by Dar Al-Arkan and/or any Subsidiary thereof may be surrendered to the Principal Paying Agent for cancellation on the next succeeding Periodic Distribution Date. Notwithstanding the foregoing, any Certificates purchased by Dar Al-Arkan and/or any Subsidiary thereof pursuant to a Change of Control Offer, an Asset Disposition Offer or a Certificateholder Put Option Repurchase Offer (in each case as may be required to be made as provided in the Guarantee) shall be surrendered to the Principal Paying Agent for cancellation on the next succeeding Periodic Distribution Date. Any Certificates surrendered for cancellation may not be held, reissued or resold by the Trustee.

*Under the terms of the Guarantee, Dar Al-Arkan undertakes that:*

- (i) no later than 30 days following a Change of Control, Dar Al-Arkan shall make an offer to repurchase all Certificates then outstanding at a purchase price equal to the Change of Control Repurchase Amount set out in the applicable Final Terms face amount, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of repurchase;*
- (ii) if Dar Al-Arkan or any Restricted Subsidiary makes an Asset Disposition, in certain circumstances prescribed in the Guarantee, Dar Al-Arkan must use all or part of the proceeds*

of such Asset Disposition to make an offer to purchase Certificates at a purchase price equal to 100 per cent. of their face amount, plus accrued and unpaid Periodic Distribution Amounts, if any; and

- (iii) (if the applicable Final Terms specifies that Certificateholder Put Option is applicable) Dar Al-Arkan shall make an offer (which shall remain open for not less than 45 nor more than 60 days) to repurchase any or all outstanding Certificates of the relevant Series at the Certificateholder Put Option Repurchase Amount, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of purchase, on the Certificateholder Put Option Repurchase Date(s) specified in the applicable Final Terms.

See “Summary of the Principal Transaction Documents – The Guarantee”.

## 14. DISSOLUTION EVENTS

### 14.1 Dissolution Events

Upon the occurrence and continuation of any of the following events (**Dissolution Events**):

- (a) *Non-Payment*: default is made in the payment of the Dissolution Amount on the date fixed for payment thereof or default is made for more than five (5) Business Days in the payment of any Periodic Distribution Amount on the due date for payment thereof; or
- (b) *Breach of Other Obligations*: the Trustee does not perform or comply with any one or more of its other obligations in the Certificates or the Transaction Documents to which it is party which default is incapable of remedy or, if in the opinion of the Delegate capable of remedy, is not in the opinion of the Delegate remedied within 30 days after notice of such default shall have been given to the Trustee; or
- (c) *Enforcement Proceedings*: distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 90 days; or
- (d) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Trustee becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person); or
- (e) *Insolvency*: the Trustee is (or is or could be 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 (in the opinion of the Delegate) a material part of (or of a particular type of) its debts, 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
- (f) *Winding-up*: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case 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
- (g) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (a) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its

obligations under the Certificates and the Transaction Documents to which it is party; (b) to ensure that those obligations are legally binding and enforceable; and (c) to make the Certificates and the Transaction Documents to which it is party admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done; or

- (h) *Illegality*: it is or will become unlawful for the Trustee to perform or comply with any one or more of its obligations under any of the Certificates or the Transaction Documents to which it is party; or
- (i) *Dar Al-Arkan Event*: a Dar Al-Arkan Event (as defined below) occurs; or
- (j) *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 any of the foregoing paragraphs,

the Delegate shall, if so requested by a Certificateholders' Direction and subject to it being indemnified and/or secured and/or prefunded to its satisfaction, give notice to the Trustee that the Certificates are to be redeemed and the Trust is to be dissolved (a **Dissolution Request**). Immediately following receipt of the Dissolution Request, the Trustee shall exercise its rights under the Investment Management Agreement and (if required) the Guarantee and use the Sukuk Portfolio Liquidation Proceeds and (if applicable) sums received under the Guarantee to redeem the Certificates at the Dissolution Amount, together with all accrued but unpaid Periodic Distribution Amounts on the date specified in the Dissolution Request (the **Dissolution Event Redemption Date**). The Trust shall be dissolved on the day after the last outstanding Certificate has been redeemed in full.

For the purpose of this Condition 14.1, all amounts payable in respect of the Certificates (including any amounts calculated as being payable under Condition 6, Condition 7 and Condition 10) shall be considered due and payable notwithstanding that the Trustee has at the relevant time insufficient funds to pay such amounts.

#### 14.2 **Dar Al-Arkan Events**

For the purposes of this Condition, a **Dar Al-Arkan Event** means:

- (a) *Non-Payment of the Guarantee*: the Guarantor fails to pay any Distribution Shortfall Restoration Amount under the Guarantee when due and payable and such default continues for a period of five (5) Business Days; or
- (b) *Breach of Merger and Consolidation covenant*: the failure by the Guarantor to comply with its obligations under Paragraph 2.10 (*Merger and Consolidation*) of Schedule 2 of the Guarantee; or
- (c) *Breach of other covenants*: the failure by the Guarantor to comply for thirty (30) days with any of its obligations in Clause 5 (*Change of Control and Investor Put Option*) (other than a failure to purchase Certificates in the case of a Change of Control Offer or an Asset Disposition Offer) of the Guarantee or under Paragraph 2 of Schedule 2 of the Guarantee (other than as specified in (b) above); or
- (d) *Breach of other obligations*: the Guarantor or any Restricted Subsidiary defaults in the performance of any other undertaking or agreement under or pursuant to the Certificates or the Transaction Documents or defaults in the observance of any of its other obligations under or in respect of the Certificates or the Transaction Documents (other than a default specified in (a), (b) or (c) above) which breach or default is incapable of remedy or, if in the opinion of the Delegate capable of remedy, is not in the opinion of the Delegate remedied within sixty (60) days after notice of such breach or default addressed to the Guarantor by the Trustee (or the Delegate acting on behalf of the Trustee) has been delivered to the Guarantor, provided that for the purpose of this paragraph (d) no breach of the Underlying Value Conditions shall be

deemed to have occurred as long as no events and circumstances described in paragraph (a) have occurred; or

- (e) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of an amount in excess of SAR 100 million (or its equivalent in any other currency or currencies), whether individually or in aggregate is rendered against the Guarantor, the Investment Manager or any other Subsidiary and that judgment or order for payment continue(s) unsatisfied and unstayed for a period of thirty (30) days after the date(s) thereof (or if appealed within such period, the appeal is unsuccessful and thereafter the judgment or order for payment continues unsatisfied and unstayed for a period of thirty (30) days); or
- (f) *Cross default*: if any of the following events occur: (i) any Indebtedness of the Guarantor or any Subsidiary is not paid when due nor within any originally applicable grace period; (ii) any Indebtedness of the Guarantor or any Subsidiary is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); (iii) any commitment for any Indebtedness of the Guarantor or any Subsidiary is cancelled or suspended by a creditor of the Guarantor or any Subsidiary, as a result of an event of default (however described); or (iv) any holder of an Existing Sukuk Certificate becomes entitled to declare such Existing Sukuk Certificate due and payable prior to its specified maturity as a result of an event of default (however described), provided in each case that no Dar Al-Arkan Event will occur under this paragraph if the aggregate amount of Indebtedness or commitment for Indebtedness or Existing Sukuk Certificate is less than SAR 100 million (or equivalent in any other currency or currencies); or
- (g) *Insolvency*: (i) the Guarantor or the Investment Manager or any other Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary becomes insolvent or is unable to pay its debts as they fall due; (ii) an administrator or liquidator is appointed over the whole or at least 25 per cent. of the undertaking, assets and revenues of the Guarantor or the Investment Manager or any other Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (or application for any such appointment is made) and such appointment is not discharged within thirty (30) days; (iii) the Guarantor or the Investment Manager or any other Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (including any arrangement under the Settlement to Avoid Bankruptcy Law) or declares a moratorium in respect of any of its Indebtedness given by it; or (iv) the Guarantor or the Investment Manager or any other Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary ceases or threatens to cease to carry on all or at least 25 per cent. of its business (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent approved by an Extraordinary Resolution); or
- (h) *Winding up*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Guarantor or the Investment Manager or any other Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary (otherwise than for the purposes of, or pursuant to, an amalgamation, reorganisation or restructuring whilst solvent approved by an Extraordinary Resolution); or
- (i) *Analogous event*: any event occurs under the laws, regulations or rules of the Kingdom of Saudi Arabia which has an analogous effect to any of the events referred to in paragraphs (g) or (h) above, or any event occurs which under the laws of the jurisdiction under which the

relevant Restricted Subsidiary is incorporated or constituted has an analogous effect to any of the events referred to in paragraphs (g) or (h) above; or

- (j) *Unlawfulness*: at any time it is or becomes unlawful for the Guarantor or the Investment Manager or any other Restricted Subsidiary to perform any or all of its obligations under or in respect of the Transaction Documents to which they are a party (if any) or for any other party to any Transaction Document to perform any or all of its obligations under that document; or
- (k) *Repudiation*: the Guarantor or the Investment Manager or any other Restricted Subsidiary repudiates or challenges the legal, valid, binding and enforceable nature of any or any part of a Transaction Document to which they are a party (if any) or does or causes to be done any act or thing evidencing an intention to repudiate or challenge the legal, valid, binding and enforceable nature of any Transaction Document to which it is party; or
- (l) *Enforcement proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Guarantor, the Investment Manager or any other Restricted Subsidiary which, if adversely determined, has or could have a Material Adverse Effect, and is not discharged or stayed within 90 days; or
- (m) *Security enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Guarantor or the Investment Manager or any other Restricted Subsidiary is enforced (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person) which has or could have a Material Adverse Effect; or
- (n) *Government intervention*: the government of any country or any governmental agency takes any step with a view to the seizure, expropriation, nationalisation or acquisition (whether compulsory or otherwise) of the Guarantor, the Investment Manager or any other Restricted Subsidiary or any of their material assets.

Capitalised terms used in this Condition 14.2 shall have the meanings given to them in the Guarantee. See “*Summary of the Principal Transaction Documents – The Guarantee*”.

## **15. ENFORCEMENT AND EXERCISE OF RIGHTS**

### **15.1 Enforcement**

Upon the occurrence of a Dissolution Event and the giving of notice of a Dissolution Request to the Trustee by the Delegate, to the extent that the amounts payable in respect of the Certificates have not been paid in full pursuant to Condition 14, subject to Condition 15.2 the Delegate shall (subject to being indemnified and/or secured and/or prefunded to its satisfaction), take one or more of the following steps:

- (a) enforce the provisions of the Guarantee against Dar Al-Arkan; and/or
- (b) take such other steps as the Delegate may consider necessary to recover amounts due and/or deliverable to the Certificateholders.

Notwithstanding the foregoing but subject to Condition 15.2, the Delegate may at any time, at its discretion and without notice, take such proceedings and/or other steps as it may think fit against or in relation to each of the Trustee and/or Dar Al-Arkan to enforce their respective obligations under the Transaction Documents, these Conditions and the Certificates.

### **15.2 Delegate not obliged to take Action**

Neither the Trustee nor the Delegate shall be bound to take any action in relation to the Trust Assets or any Dissolution Event or to take any action or any other steps under these Conditions or any Transaction Document unless:

- (a) the Delegate and/or the Trustee, as the case may be, is satisfied that it will be indemnified and/or secured and/or prefunded against all Liabilities which may be incurred in connection with such action or step and may demand prior to taking any such action that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so to indemnify it; and
- (b) in the case of the Delegate only, it has been directed or requested to do so by a Certificateholders' Direction.

### 15.3 **Direct Enforcement by Certificateholders**

No Certificateholder shall be entitled to proceed directly against, or to provide instructions to the Trustee to pursue any claim against, the Trustee, the Investment Manager and/or Dar Al-Arkan arising under the Trust Assets or the Certificates or to enforce the performance of any provisions of any of the Transaction Documents or for any other reason unless the Delegate having become bound so to proceed, (i) fails to do so within a reasonable period, or (ii) is unable by reason of an order of a court having competent jurisdiction to do so, and the failure or inability is continuing. Under no circumstances shall the Trustee, the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the terms of the Transaction Documents or under these Conditions and the sole right of the Trustee, the Delegate and the Certificateholders against the Investment Manager and/or Dar Al-Arkan shall be to enforce their respective obligations under the Transaction Documents to which they are party.

### 15.4 **Limited Recourse**

The foregoing paragraphs in this Condition are subject to this paragraph. After enforcing and/or realising the Trust Assets, (i) the net proceeds of the Trust Assets shall be distributed in accordance with Condition 4.2, and the obligations of Dar Al-Arkan, the Investment Manager, the Agents, the Delegate and/or the Trustee in respect of the Certificates shall be satisfied, (ii) no Certificateholder may take any steps against Dar Al-Arkan, the Investment Manager, the Agents, the Delegate and/or the Trustee and/or any of their respective shareholders, members, officers, directors or agents to recover any sums in respect of the Certificates and (iii) the right to receive any such sums 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 Dar Al-Arkan or the Investment Manager (to the extent that each fulfils all of its obligations under the relevant Transaction Documents to which it is a party) or the Agents, the Delegate and/or the Trustee, nor shall any of them have any claim in respect of the trust assets of any other trust established by the Trustee.

## 16. **REPLACEMENT OF DEFINITIVE CERTIFICATES**

Should any definitive Certificate be 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, Dar Al-Arkan, the Registrar, the Paying Agent or the Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 17. **NOTICES**

All notices to Certificateholders will be valid if:

- (a) published in a daily newspaper having general circulation in the Republic of Ireland (which is expected to be the *Irish Times*) approved by the Delegate and published on the website of the

Irish Stock Exchange (www.ise.ie) or, if in either case such publication is not practicable, in a leading English language newspaper having general circulation in Europe approved by the Delegate; or

- (b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

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) by which the Certificates have then been admitted to listing, trading and/or quotation including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any notice 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.

Until such time as any definitive Certificates are issued, there may, so long as any Global Certificate representing the Certificates is held on behalf of one or more clearing systems, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to the relevant clearing systems for communication by them to the Certificateholders and, in addition, for so long as any Certificates are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to the relevant clearing systems.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same with the Principal Paying Agent. Whilst any of the Certificates are represented by a Global Certificate held on behalf of one or more clearing systems, such notice may be given by any holder of a Certificate to the Principal Paying Agent through the clearing system in which its interest in the Certificates is held in such manner as the Principal Paying Agent and the relevant clearing system may approve for this purpose.

## **18. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

- 18.1 The Trustee, Dar Al-Arkan and/or the Delegate may convene meetings of Certificateholders at any time, and the Trustee shall be obliged to do so upon a requisition in writing of Certificateholders holding not less than one-tenth of the aggregate face amount of the Certificates for the time being outstanding to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of these Conditions or the provisions of the Trust Deed or any other Transaction Documents. The quorum at any meeting for passing an Extraordinary Resolution will be one or more persons present holding or representing more than half of the aggregate face amount of the outstanding Certificates, or at any adjourned such meeting one or more persons present holding or representing not less than one-quarter of the aggregate face amount of the outstanding Certificates, except that any meeting the business of which includes a Reserved Matter the quorum shall be one or more persons present holding or representing not less than three-quarters of the aggregate face amount of the outstanding Certificates, or at any adjourned such meeting one or more persons present holding or representing not less than one-quarter of the aggregate face amount of the outstanding Certificates. The expression **Extraordinary Resolution** is defined in the Master Trust Deed to mean any of (i) a resolution passed at a meeting duly convened and held by a majority consisting of not less than three-quarters of the votes cast, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-quarters in aggregate face amount of the outstanding Certificates or (iii) consent given by way of electronic consents through the relevant Clearing System(s) (in a form satisfactory to the Delegate) by or on behalf of not less than three-quarters in face amount of the outstanding Certificates for the time being outstanding. An Extraordinary Resolution duly passed as described above will be

binding on all holders of the Certificates, irrespective of if, or how, they voted on such Extraordinary Resolution and whether (if applicable) they attended the meeting.

- 18.2 The Delegate may agree, without the consent or sanction of the Certificateholders, to any modification (other than in the case of a Reserved Matter or any provision of the Trust Deed or these Conditions referred to in the definition of a Reserved Matter) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Master Trust Deed, these Conditions or of any other Transaction Document, or determine, without any such consent as aforesaid, that any Dissolution Event or Potential Dissolution Event shall not be treated as such (provided that the Delegate will not do so in contravention of an express direction given by an Extraordinary Resolution or a request made pursuant to Condition 14), which in any such case is not, in the opinion of the Delegate, materially prejudicial to the interests of Certificateholders or may agree, without any consent or sanction of the Certificateholders, to any modification which, in the opinion of the Delegate, is of a formal, minor or technical nature or made to correct a manifest error.
- 18.3 In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Delegate shall have regard to the general 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.
- 18.4 Any modification, abrogation, waiver, authorisation or determination shall be binding on all the Certificateholders and shall, unless the Delegate otherwise decides, be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 17.

## **19. INDEMNIFICATION AND LIABILITY OF THE DELEGATE AND THE TRUSTEE**

- 19.1 The Trust Deed contains provisions for the indemnification of each of the Delegate and the Trustee in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction as well as provisions entitling the Delegate to be paid its costs and expenses in priority to the claims of the Certificateholders.
- 19.2 Neither the Delegate nor the Trustee makes any representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of Dar Al-Arkan 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 made by Dar Al-Arkan but are not so made and shall not in any circumstances have any liability arising from or in relation to the Trust Assets other than as expressly provided in these Conditions or in the Trust Deed.
- 19.3 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 wilful default by the Trustee or the Delegate, as the case may be.
- 19.4 The Trust Deed also contains provisions pursuant to which the Delegate is entitled, *inter alia*, (a) to enter into business transactions with Dar Al-Arkan and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, Dar Al-Arkan and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its



duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Certificateholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **20. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

## **21. GOVERNING LAW AND JURISDICTION**

21.1 The Trust Deed, the Certificates and these Conditions (including the remaining provisions of this Condition 21) and any non-contractual obligations arising out of or in connection with the Trust Deed, the Certificates and these Conditions are governed by, and shall be construed in accordance with, English law.

21.2 Subject to Condition 21.3, the courts of England shall have exclusive jurisdiction to settle any dispute, claim, difference or controversy arising out of, relating to or having any connection with the Trust Deed, the Certificates and these Conditions (including any dispute as to the existence, validity, interpretation, performance, breach or termination of the Trust Deed, the Certificates and these Conditions or the consequences of the nullity of any of them or a dispute relating to any non-contractual obligations arising out of or in connection with them) (a **Dispute**) and, accordingly, the Trustee and Dar Al-Arkan submit to the exclusive jurisdiction of such courts.

The Trustee and Dar Al-Arkan 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.

21.3 Condition 21.2 is for the benefit of the Delegate and the Certificateholders only. As a result, the Delegate and any Certificateholder (where permitted so to do) may take proceedings relating to a Dispute (**Proceedings**) in any other courts with jurisdiction. To the extent allowed by law, the Delegate and the Certificateholders may take concurrent Proceedings in any number of jurisdictions.

Dar Al-Arkan has in each of the Trust Deed and the Guarantee also submitted to the jurisdiction of the Saudi Arabian Committee for the Resolution of Securities Disputes and the Appeal Panel in respect of Disputes.

21.4 Each of the Trustee and Dar Al-Arkan has in the Trust Deed appointed Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX as its agent for service of process in any Proceedings before the English courts in relation to any Dispute and has undertaken that, in the event of Law Debenture Corporate Services Limited ceasing so to act or be able to act or ceasing to be registered in England, it will immediately appoint another person approved by the Delegate as its agent for service of process in England in respect of any Proceedings or Disputes on terms acceptable to the Delegate, failing which the Delegate may appoint another process agent for this purpose. Nothing herein shall affect the right to serve proceedings in any matter permitted by law. The Trustee and Dar Al-Arkan have agreed that failure by a process agent to notify it of any process will not invalidate service.

## **22. DEFINITIONS**

In these Conditions:

**Appointee** has the meaning given to it in the Master Trust Deed.

**Asset Disposition Offer** has the meaning given to it in the Guarantee.

**Business Day** has the meaning given to it in Condition 7.2.

**Certificateholder** has the meaning given to it in Condition 1.1.

**Certificateholders' Direction** means an effective direction by the Certificateholders to the Delegate or the Trustee (as applicable) in the form of either:

- (a) an Extraordinary Resolution of Certificateholders; or
- (b) for the purposes of a Certificateholders' Direction to be given to dissolve the Trust pursuant to Condition 14.1 or Clause 16.1 of the Master Trust Deed or in respect of any enforcement action to be taken by the Delegate, including without limitation, any action to be taken pursuant to Clause 16 of the Master Trust Deed and Condition 15, a written direction by Certificateholders holding at least 25 per cent. in aggregate face amount of the Certificates then outstanding,

in each case, such direction only to be effective if the Delegate and/or the Trustee (as the case may be) shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may render itself liable or which it may incur, in either case, in relation to such direction.

**Certificateholder Put Option Repurchase Offer** has the meaning set out in the Guarantee.

**Change of Control Offer** has the meaning given to it in the Guarantee.

**Clearstream, Luxembourg** has the meaning given to it in Condition 1.1.

**Corporate Services Agreement** means the corporate services agreement dated 16 May 2013 and entered into by the Trustee and the Trustee Administrator.

**Dar Al-Arkan** means Dar Al-Arkan Real Estate Development Company.

**Day Count Fraction** has the meaning given to it in Condition 6.3 or Condition 7.4, as the case may be.

**Determination Period** has the meaning given to it in Condition 6.3.

**Dispute** has the meaning given to it in Condition 21.

**Dissolution Amount** has the meaning given to it in Condition 8.1.

**Dissolution Date** has the meaning given to it in Condition 10.7.

**Dissolution Event** means any of the events specified as such in Condition 14.1.

**Dissolution Event Redemption Date** has the meaning given to it in Condition 14.1.

**Dissolution Request** has the meaning given to it in Condition 14.1.

**Distribution Shortfall Restoration Amount** has the meaning given to it in Condition 4.1.

**Early Tax Dissolution Date** has the meaning given to it in Condition 10.2.

**Euroclear** has the meaning given to it in Condition 1.1.

**Existing Sukuk Certificates** has the meaning given to it in the Supplemental Trust Deed.

**Extraordinary Resolution** has the meaning given to it in Condition 18.1.

**Guarantee** has the meaning given to it in Condition 4.1.

**holder** has the meaning given to it in Condition 1.1.

**Ijara Agreements** means the ijara agreements to be entered into between the Investment Manager and the relevant Restricted Subsidiaries in connection with the Certificates substantially in the form of Part A of Schedule 1 of the Investment Management Agreement, together with the related Sale and Purchase Agreements, Purchase Undertakings and Service Agency Agreements.

**Investment Management Agreement** has the meaning given to it in Condition 4.1.

**Investment Manager** has the meaning given to it in Condition 4.1.

**Investment Plan** has the meaning given to it in Condition 4.1.

**Leased Assets** has the meaning given to it in the relevant Ijara Agreement.

**Liability** means any loss, damage, fee, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or other tax charged or chargeable in respect thereof and properly incurred legal fees and expenses on a full indemnity basis.

**Mandatory Offer to Repurchase Certificates** has the meaning given to it in Condition 10.4.

**Material Adverse Effect** has the meaning given to it in the Guarantee.

**Murabaha Agreements** means the murabaha agreements to be entered into between the Investment Manager, the relevant Restricted Subsidiaries and the commodities broker named therein in connection with the Certificates substantially in the form of Part E of Schedule 1 of the Investment Management Agreement.

**Periodic Distribution Amount** has the meaning given to it in Condition 6.2.

**person** means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or agency, or political subdivision thereof, or other entity.

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

**Proceedings** has the meaning given to it in Condition 21.

**Profit Collections** has the meaning given to it in Condition 4.1.

**Purchase Undertakings** means the purchase undertakings to be entered into by Restricted Subsidiaries as obligors in connection with each Ijara Agreement in favour of the Investment Manager substantially in the form of Part C of Schedule 1 of the Investment Management Agreement.

**Rate** has the meaning given to it in Condition 7.3.

**Record Date** has the meaning given to it in Condition 8.1.

**Reference Banks** has the meaning given to it in Condition 7.3.

**Register** has the meaning given to it in Condition 1.2.

**Registered Office Agreement** means the registered office agreement dated 16 May 2013 and entered into by the Trustee and the Trustee Administrator.

**Relevant Date** has the meaning given to it in Condition 11.

**Relevant Jurisdiction** has the meaning given to it in Condition 11.

**Relevant Screen Page** has the meaning given to it in Condition 7.3.

**Reserved Matter** means any proposal:

- (a) to change any date fixed for payment of a Periodic Distribution Amount or Dissolution Amount in respect of the Certificates, to reduce or cancel the Periodic Distribution Amount or Dissolution Amount payable on any date in respect of the Certificates or, except where such

alteration is in the opinion of the Delegate bound to result in an increase in the amount of such payment, to alter the method of calculating the amount of any payment in respect of the Certificates on redemption or maturity;

- (b) to effect the exchange, redemption, conversion or substitution of the Certificates for, or exchange the Certificates into, shares, certificates or other securities of the Trustee or any other person or body corporate formed or to be formed (other than as permitted under the Conditions);
- (c) to change the currency in which amounts due in respect of the Certificates are payable;
- (d) to change the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution;
- (e) to permit early repayment of the Certificates other than as permitted in the Conditions;
- (f) to change the *pari passu* ranking provisions of Condition 4.2;
- (g) to amend any of the Trustee's covenants in the Master Trust Deed, Dar Al-Arkan's obligations under the Guarantee, the Investment Manager's obligations under the Investment Management Agreement or any of their respective obligations to make a payment under any Transaction Document to which it is a party;
- (h) to change the definition of "outstanding" or modify the provisions contained in the Master Trust Deed, the Conditions or the Global Certificate concerning the quorum required at any meeting of the Certificateholders or the majority required to pass an Extraordinary Resolution;
- (i) to change the governing law of the Master Trust Deed, the Conditions and the Global Certificate, the courts of jurisdiction to which the Trustee or Dar Al-Arkan has submitted in the Master Trust Deed, the Conditions and the Global Certificates, or the Trustee's and Dar Al-Arkan's obligation in the Master Trust Deed, the Conditions and the Global Certificate to appoint and maintain an agent for service of process; or
- (j) to amend this definition of Reserved Matter.

**Restricted Subsidiaries** has the meaning given to it in the Guarantee.

**Sale and Purchase Agreements** means the sale and purchase agreements to be entered into between the Investment Manager and Dar Al-Arkan in connection with any Ijara Agreement substantially in the form of Part B of Schedule 1 of the Investment Management Agreement.

**Service Agency Agreements** means the service agency agreements to be entered into between the Investment Manager and the relevant Restricted Subsidiaries in connection with any Ijara Agreement substantially in the form of Part D of Schedule 1 of the Investment Management Agreement.

**Settlement to Avoid Bankruptcy Law** has the meaning given to it in the Guarantee.

**sub-unit** has the meaning given to it in Condition 6.3.

**Sukuk Contract Counterparties** means the counterparties to the Sukuk Contracts (other than the Investment Manager).

**Sukuk Contracts** means the Ijara Agreements (and related Sale and Purchase Agreements, Purchase Undertakings and Service Agency Agreements) and the Murabaha Agreements entered into between the Investment Manager and Restricted Subsidiaries from time to time in connection with the Certificates.

**Sukuk Portfolio** has the meaning given to it in Condition 4.1.

**Sukuk Portfolio Liquidation Proceeds** has the meaning given to it in Condition 4.1.

**Sukuk Proceeds** has the meaning given to it in Condition 4.1.

**TARGET Settlement Date** has the meaning given to it in Condition 7.2.

**Tax Event** has the meaning given to it in Condition 10.2.

**Taxes** shall have the meaning given to it in Condition 11.

**Transaction Account** means, in relation to each Series, the non-interest bearing account in London in the Trustee's name maintained with the Principal Paying Agent, details of which are specified in the Supplemental Trust Deed.

**Trustee Administrator** means MaplesFS Limited, a licensed trust company in the Cayman Islands who will provide, amongst other things, corporate administrative services and director services for and on behalf of the Trustee pursuant to the Corporate Services Agreement.

**Underlying Value Conditions** means the following conditions to be met by the Investment Manager:

- (a) proper application of the Sukuk Proceeds in appropriate revenue-generating Sukuk Contracts in accordance with the Investment Management Agreement;
- (b) proper monitoring and timely enforcement of the performance of each counterparty under such Sukuk Contracts;
- (c) ensuring that each such Sukuk Contract remains in full force and effect whilst any Certificates remain outstanding, unless it expires or is terminated in accordance with its terms, and to the extent that a Sukuk Contract expires or is terminated prior to the Scheduled Dissolution Date and a Dissolution Event Redemption Event, an Early Tax Dissolution Date or an Early Dissolution Date (Trustee Call) (if applicable), as the case may be, has not occurred, ensuring that such Sukuk Contract is replaced by a contract of equal or greater aggregate value (being the amounts payable under the relevant Sukuk Contract by the counterparty to such Sukuk Contract including, without limitation, compliance with limb (i) of the definition of Investment Plan) on the same day of such expiry or termination of the relevant Sukuk Contract, save where an Ijara Agreement has been terminated as a result of a Total Loss (as defined in the Ijara Agreement), in which case a replacement Ijara Agreement will be entered into within six days of the occurrence of such Total Loss; or (ii) any Certificates have been purchased by Dar Al-Arkan and/or any subsidiary thereof and are proposed to be cancelled pursuant to Condition 13, in which case such Sukuk Contract must be replaced only if and to the extent required to ensure compliance with the terms of the Investment Plan; and
- (d) not waiving or forgiving the obligation of any counterparty under any such Sukuk Contract and not entering into any arrangement to dispose at a discount of any rights under any such Sukuk Contract.

**Value Restoration Amount** has the meaning given to it in Condition 4.1.

## **USE OF PROCEEDS**

Pursuant to the Investment Management Agreement, the net proceeds of each Series will be invested by the Trustee through the Investment Manager to invest in a single portfolio of investments comprising a Sale and Purchase Agreement between Dar Al-Arkan and the Investment Manager, and an Ijara Agreement and Murabaha Agreement entered into between the Investment Manager and other subsidiaries of Dar Al-Arkan, all in accordance with the relevant Investment Plan.

## DESCRIPTION OF THE TRUSTEE

### General

Dar Al-Arkan Sukuk Company Ltd., a Cayman Islands exempted company with limited liability, was incorporated on 11 April 2013 under the Companies Law (2012 Revision) of the Cayman Islands with company registration number 276880. The Trustee has been established as a special purpose vehicle for the sole purpose of issuing Certificates under the Programme 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 trust deed (the **Share Trust Deed**) dated 16 May 2013 under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Trust Deed). 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 issued thus far under the Programme and will not have any substantial liabilities other than in connection with the Certificates issued, and to be issued, under the Programme. 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 11 April 2013.

### 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:

<b>Name:</b>	<b>Principal Occupation:</b>
John Curran	Assistant Vice President, Fiduciary at Maples Fund Services (Middle East) Limited
Cleveland Stewart	Senior Vice President at MaplesFS Limited

The business address of John Curran is c/o Maples Fund Services (Middle East) Limited, Office 616, 6th Floor, Liberty House, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates. The business address of Cleveland Stewart is c/o MaplesFS Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands.

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

### The Administrator

MaplesFS Limited also acts as the administrator of the Trustee (in such capacity, the **Trustee Administrator**). The office of the Trustee Administrator serves as the general business office of the Trustee.

Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator will perform in the Cayman Islands, the United Arab Emirates and/or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. The Trustee and the Trustee Administrator have also entered into a registered office agreement (the **Registered Office Agreement**) for the provision of registered office facilities to the Trustee. In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses. The terms of the Corporate Services Agreement and the Registered Office Agreement provide that either the Trustee or the Trustee Administrator may terminate such agreements upon the occurrence of certain stated events, including any breach by the other party of its obligations under such agreements. In addition, the Corporate Services Agreement and the Registered Office Agreement provide that either party shall be entitled to terminate such agreements by giving at least three months' notice in writing to the other party with a copy to any applicable rating agency, and the Corporate Services Agreement further provides that the Trustee Administrator may terminate such agreement following the occurrence of a Dissolution Event.

The Trustee Administrator will be subject to the overview of the Trustee's Board of Directors.

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

The Directors of the Trustee are all employees or officers of the Trustee Administrator (or an affiliate thereof). The Trustee has no employees and is not expected to have any employees in the future.



## SELECTED FINANCIAL DATA

The following tables set forth Dar Al-Arkan's selected financial data as of, and for the years ended, 31 December 2015, 2016 and 2017. The selected financial data as of, and for the years ended, 31 December 2015, 2016 and 2017 have been derived from the 2016 and 2017 Audited Financial Statements. The selected financial data as of and for the year ended 31 December 2015 have been derived from the comparative financial information for the year ended 31 December 2015 included in the 2016 Audited Financial Statements.

The following selected financial data should be read in conjunction with, and is qualified in its entirety by reference to, the information contained in "Presentation of Financial and Other Information", "Financial Review" and the Audited Financial Statements.

### Statement of Financial Position

	As of December (Audited)		
	2015	2016	2017
		<i>SAR '000</i>	
Cash and cash equivalents .....	1,001,061	582,088	3,159,666
Investment properties, net.....	3,501,637	3,424,778	3,290,010
Long-term development properties.....	16,597,241	16,721,061	14,751,565
Total assets .....	25,305,243	24,485,774	26,241,305
Total borrowings <sup>(2)</sup> .....	6,292,562	5,215,370	6,398,982
Total liabilities.....	7,378,570	6,308,267	7,507,755
Total shareholders equity.....	17,926,673	18,177,507	18,733,550

Notes:

- (1) Long-term development properties includes only non-current assets and comprises completed projects (including properties held for sale and developed land for sale) and projects under development (including property projects under construction, land projects under development and land waiting for development).
- (2) Total borrowings represent borrowings-long-term maturity portion and borrowings-short-term maturity portion, as reflected on the consolidated statement of financial position of Dar Al-Arkan.

### Statement of Income Data

	Year ended 31 December (Audited)		
	2015	2016	2017
		<i>SAR '000</i>	
Revenue .....	2,211,349	1,870,229	4,734,682
Cost of sales.....	(1,228,117)	(1,078,286)	(3,620,672)
<b>Gross profit</b> .....	<b>983,232</b>	<b>791,943</b>	<b>1,114,010</b>
General and administrative expenses .....	(207,831)	(160,028)	(162,002)
<b>Operating profit</b> .....	<b>775,401</b>	<b>631,915</b>	<b>952,008</b>
Finance costs .....	(420,794)	(385,984)	(441,523)
Other income, net .....	1,075	(32)	36,722
Share of net profit from associates and joint ventures.....	12,800	12,878	20,604
<b>Profit before zakat</b> .....	<b>368,482</b>	<b>258,777</b>	<b>567,811</b>
Zakat and tax expense .....	(9,325)	(7,943)	(14,443)
<b>Net profit for the year</b> .....	<b>359,157</b>	<b>250,834</b>	<b>553,368</b>
<b>Other comprehensive income</b>	-	-	2,675
<b>Total comprehensive income for the year</b> .....	<b>250,834</b>	<b>250,834</b>	<b>556,043</b>
<b>Total comprehensive income attributable to:</b>			
Dar Al-Arkan shareholders.....	359,157	250,834	556,043

## FINANCIAL REVIEW

*The following is a review of Dar Al-Arkan's financial condition and results of operations as of and for the years ended 31 December 2015, 2016 and 2017. The following review should be read in conjunction with the information in "Presentation of Financial and Other Information" of this Base Prospectus and the Audited Financial Statements.*

*The following discussion contains forward looking statements. Dar Al-Arkan's actual results could differ materially from those anticipated in these forward looking statements as a result of various factors including those discussed below and elsewhere in this Base Prospectus, particularly those discussed in the "Risk Factors" section of this Base Prospectus.*

### Overview

Dar Al-Arkan is a leading real estate developer in the Kingdom and is involved in all major aspects of real estate development, including sourcing and purchasing land, overseeing design and construction of developments and marketing and sales. Dar Al-Arkan is a joint stock company registered in Riyadh with commercial registration number 1010160195. The shares of Dar Al-Arkan are listed on the Tadawul All Share Index of the Saudi Stock Exchange. Dar Al-Arkan's registered office is PO Box 105633, Riyadh, 11656, Saudi Arabia. In addition to its head office in Riyadh, Dar Al-Arkan has three branch offices located in Makkah, Jeddah and Madinah.

Dar Al-Arkan currently operates in three strategic business segments, as follows:

- **Real Estate Development:** comprising (i) land development projects, which focuses on the planning and developing of basic infrastructure for residential and commercial use on undeveloped land and (ii) residential and commercial projects, which focuses on the development and sale of residential and commercial units.
- **Property Management:** focuses on the management of Dar Al-Arkan's investment properties.
- **Real Estate Development Related Investments:** focuses on minority investments in companies that are complementary to Dar Al-Arkan's real estate development operations.

As of the date of this Base Prospectus, the Real Estate Development (comprising land development projects and residential and commercial projects) business segment currently accounts for the significant majority of Dar Al-Arkan's business.

During the year ended 31 December 2017, revenue from land development projects, which for accounting and financial reporting purposes is accounted for as sales of land, accounted for SAR 4.56 billion (U.S.\$1,219 million), or 96.38 per cent. of Dar Al Arkan's total revenue, compared to SAR 1.73 billion (U.S.\$460.53 million), or 92.22 per cent. of revenue, in the year ended 31 December 2016. During the year ended 31 December 2017, there was no significant revenue from the sale of commercial properties, although Sales of Residential Properties, accounted for SAR 21.43 million (U.S.\$5.72 million), or 0.46 per cent. of Dar Al Arkan's total revenue. There was no significant revenue from the sale of residential or commercial projects in the year ended 31 December 2016. Revenue from property management which, for accounting and financial purposes, is accounted for as leasing of properties accounted for SAR 149.86 million (U.S.\$40.02 million), or 3.16 per cent. of Dar Al Arkan's total revenue in the year ended 31 December 2017, compared to SAR 145.55 million (U.S.\$38.87 million), or 7.78 per cent. of revenue, in the year ended 31 December 2016. There were no significant revenue from real estate development related investments in the years ended 31 December 2016 or 2017.

### Certain factors affecting Dar Al-Arkan's Financial Condition and Results of Operations

#### **Macroeconomic and other trends in the Kingdom**

All of Dar Al-Arkan's current land bank and all of its past and current land development projects and residential and commercial projects are located in the Kingdom. As a result, macroeconomic, demographic and other

trends relating to the Kingdom have impacted and will continue to impact Dar Al-Arkan's operating profit from period to period.

The economy of the Kingdom is largely dependent on the price of oil. The oil sector accounted for 44.0 per cent. and 43.2 per cent. of Saudi Arabia's real GDP and 24.8 per cent. and 26.9 per cent. of Saudi Arabia's nominal GDP in the years ended 31 December 2016 and 2015, respectively, while oil revenues accounted for 64.2 per cent. and 72.9 per cent. of total Government revenues in the fiscal years 2016 and 2015, respectively

Historically, the price of oil has been volatile and over the past two decades international oil prices have fluctuated significantly. More recently, international oil prices have witnessed a significant decline since mid-2014, with the Organisation of Petroleum Exporting Countries (**OPEC**) Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) declining from a monthly average of U.S.\$107.89 in June 2014 to a monthly average of U.S.\$26.50 in January 2016, before partially recovering to U.S.\$45.84 in June 2016 and reaching U.S.\$64.47 in December 2017. The price per barrel of Arabian Light Crude Oil (which is produced by the Kingdom and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

The population of Saudi Arabia is estimated by the General Authority for Statistics (**GASTAT**) to be 32.6 million as at 31 July 2017, representing growth of 2.6 per cent. as compared to 31.8 million as at 31 July 2016. Saudi nationals comprised 20.4 million, or 62.6 per cent. of the total population, and non Saudi nationals comprised 12.2 million, or 37.4 per cent. of the total population as at 31 July 2017. Saudi Arabia has a young population, with over half of Saudi nationals being under the age of 30 and 30.4 per cent. under the age of 15.

As the Saudi population is increasing, average household sizes are declining. According to Al Ahli Bank in its "Saudi Housing Sector Overview", the average household size will be 5.28 people by 2020, compared to 6.1 people in 1992, as families become more concentrated compared to the more traditional "extended family" arrangements prevalent in the Kingdom. These factors are expected to create a need in the Kingdom for approximately 3.0 million new homes by 2025 according to the Saudi Arabian Ministry of Housing. In addition, the middle-income market segment of the population in the Kingdom is expected to grow due in part to Government initiatives such as the establishment of new universities and regulations that require companies in the Kingdom to employ a certain number of citizens of the Kingdom as well as a result of the growth of the Saudi labour force.

As at 31 December 2016, the total labour force in Saudi Arabia was 13.6 million, of which 11.3 million, or 83.6 per cent., were male and 2.2 million, or 16.4 per cent., were female. Saudi nationals in the age group from 25 to 39 years constituted 55.8 per cent. of the Saudi labour force as at 31 March 2017. The accommodation of more female Saudi citizens in the Saudi workforce, especially the private sector, has contributed to the rise in the Saudi labour force.

In recent years a home finance market has started to develop in the Kingdom that has begun to address housing needs for Saudis with the major impediment to home ownership being affordability. Fundamental demand for housing however remains high and an additional 110,000 housing units are expected to be required in order to meet demand for the period 2017 to 2020. This implies a shortage of about 70,000 housing units per year given development projections for the period 2017 to 2020. At the beginning of 2013 SAMA published five laws which together are intended to create the new Real Estate and Financing Law in the Kingdom. These five laws are (i) the Real Estate Financing Law; (ii) the Financial Leasing Law; (iii) the Supervision of Finance Companies Law; (iv) the Execution Law; and (v) the Registered Real Estate Mortgage Law. SAMA has published the implementing regulations of four of these laws, the Real Estate Financing Law; the Financial Leasing Law; the Supervision of Finance Companies Law and the Execution Law. The implementing regulations in respect of the Registered Real Estate Mortgage Law is yet to be published.

The Real Estate Financing Law requires a real estate financing company to obtain a special license from SAMA permitting it to engage only in real estate financing activities. According to the Supervision of Finance Companies Law, a real estate financing company may not engage in other types of financing activities.

The laws were introduced to positively impact the home financing market in the Kingdom, particularly among the middle-income market segment, with an increase in access to, and the availability of, home financing options.

In February 2016, SAMA increased the limit on real estate financing from 70 per cent. to 85 per cent. of the value of a home (effectively reducing the minimum required downpayment on a home from 30 per cent. to 15 per cent.), on the basis that the previous requirement had resulted in a market slowdown and was prohibitive to many low- to middle-income Saudi nationals. In January 2017, SAMA allowed lenders to implement the change in mortgage loan limit.

The Real Estate Development Fund (**REDF**) has launched several financing programmes to help Saudi nationals own homes, including the Additional Financing Programme, the Accelerated Loan Programme and the Dhamin Programme. According to the SAMA Report, total outstanding loans disbursed by the REDF amounted to SAR 149 billion (U.S.\$39.77 billion) at the end of 2015, an increase of 15.1 per cent. over the preceding year. During 2015, REDF provided loans in an amount of SAR 27.5 billion, a 58.5 per cent. increase compared to the same period of the preceding year.

Another recent development in the housing sector is the establishment of Bidaya Home Finance, a real estate financing company established in 2015 and licensed by SAMA that offers a number of home financing products to middle-income home buyers across the Kingdom. Bidaya enables home ownership by requiring its clients to make a down payment of only 15 per cent. of the purchase price of the relevant property while the remaining amount is financed by Bidaya.

The establishment of the SREFC, a company owned by the Public Investment Fund (**PIF**), pursuant to the Real Estate Financing Law is expected to boost the real estate sector by refinancing residential mortgages up to an amount of SAR 75 billion over the next 5 years. It is expected that the SREFC will provide mortgage originating institutions with short, medium and long-term lending solutions and also purchase finance lease portfolios from these institutions in order to fund its operations and future growth.

Other Government initiatives expected to boost the real estate sector include the establishment of the “Etmam” e-portal, which will be used to facilitate the obtaining of approvals for project planning thereby expediting the planning permission process and improving the execution of the development process, as well as the Government’s allocation of approximately SAR 25 billion for various projects in 2017 for the purpose of providing better housing facilities and transport facilities.

Management believes that these financing initiatives will contribute to an increase in demand for housing, which, amongst other things, could affect the average selling price of residential units, including those sold pursuant to Dar Al-Arkan’s residential and commercial projects.

For a more detailed discussion of macroeconomic and other trends in the Kingdom and the real estate development sector of the Kingdom, see “*Overview of the Kingdom*” and “*Overview of the Real Estate Sector in the Kingdom*”.

#### ***White land tax***

On 13 June 2016, the Council of Ministers approved a tax on vacant land in various municipalities across the Kingdom, which was implemented in March 2017. This tax, along with a tax on high-end properties, is intended to discourage investment in land solely for capital appreciation purposes and speculative buying of land. It is intended that the new law will encourage expenditure on low-income and middle-income housing and increase residential development. At a rate of 2.5 per cent., the white land tax will be applied in stages to undeveloped land plots of over 10,000 square metres, located within master planned developments in areas specified by the Ministry of Housing. The Ministry of Housing is responsible for valuing the land and collecting the tax, in addition to imposing fines. Land valuation is based on factors including location, zone, surface condition, applicable building requirements, access to utilities and general neighbouring services. The application of the white land tax to serviced urban land is expected to address the supply side concerns by increasing the availability of land for development which otherwise would be lying vacant for speculative purposes.

Management continuously reviews Dar Al Arkan's inventory of land and disposes of plots that it considers non-core to Dar Al Arkan's real estate development operations. Dar Al-Arkan recently received an initial assessment notice for SAR 22 million on certain land parcels in Jeddah and Riyadh. Dar Al-Arkan filed an objection to the notice on the grounds of non-applicability, citing that the land parcels are under development. Dar Al-Arkan has since received a waiver for the Jeddah land tax amounting to SAR 13 million and discussions with the relevant authorities are still ongoing with respect to the Riyadh land tax.

As of 31 December 2017, Dar Al-Arkan's land bank consisted of SAR 11.15 billion (U.S.\$2.98 billion) of undeveloped land and land under development and SAR 0.85 billion (U.S.\$0.23 billion) of developed land, all of which was valued on its balance sheet at cost. Dar Al-Arkan's land bank is geographically diversified within the Kingdom. As at 31 December 2017, the majority of Dar Al-Arkan's land bank (approximately 67 per cent. of the total land bank) was located in Jeddah, with approximately 8 per cent. of the total land bank located in Riyadh, 25 per cent. of the total land bank located in Makkah and the remaining land in Madinah and the Eastern Regions.

#### ***Number of land development projects sold***

Land Development Project revenue is generated from the sale of land. Dar Al-Arkan recognises revenue for the total sales price of land at the time of the legal completion of the sale, which is when the sales contract is signed. Typically, a deposit is received from the buyer at the time the sales contract is signed. The balance of the sales price is typically paid within a three month period after the sales contract is signed. Land Development Project revenue may vary from period to period depending on the number and timing of sales contracts signed during a period.

#### ***Number and type of residential units delivered to buyers***

Residential and Commercial Project revenue is generated from the sale of residential units. Dar Al-Arkan recognises revenue from the sale of residential units when it delivers a completed residential unit to a buyer. Revenue from residential and commercial projects may vary from period to period depending on the number and type of residential units delivered during a period.

Dar Al-Arkan's master-planned communities contain more residential units than its past projects but they also have longer development cycles than past projects. In addition, Dar Al-Arkan has continued to expand its business to include property management by retaining certain residential units on its master-planned communities as rental properties. Dar Al-Arkan has retained 3,000 units of residential property and, as of 31 December 2017, 58 per cent of these units have been rented. The longer development cycles of Master Planned Communities and the mix of residential units delivered for sale and retained as rental properties on master-planned communities may result in fluctuations in revenue from residential and commercial projects from period to period.

Revenue from residential and commercial projects may also fluctuate from period to period due to the market segment targeted by different projects and the type of residential units contained on projects. Certain of Dar Al-Arkan's residential and commercial projects are targeted toward the higher end of the middle-income segment, while others are targeted towards the lower end of the middle-income segment. Dar Al-Arkan's projects may also contain different mixes of residential units, such as various types of villas and apartments. Villas typically generate a higher average selling price per unit than apartments.

#### ***Location of land development projects and residential and commercial projects***

Land Development Project and Residential and Commercial Project revenue may vary from period to period depending on the location of land sold and the location of the residential and commercial projects in which residential units were sold during the periods. Sales prices can vary depending on a number of factors relating to the location of land or residential and commercial projects in the Kingdom, including the region in which they are located and their proximity to, or location within, major cities. For the three years ended 31 December 2017, Dar Al-Arkan generated approximately 17 per cent. of its revenue from sales in Riyadh and the Central Region, 73 per cent. from Jeddah and the Western Region and 10 per cent. from the Eastern Province.

### *Cost of land and construction*

Dar Al-Arkan's cost of sales primarily consists of land acquisition costs and amounts paid to contractors. Dar Al-Arkan recognises cost of sales for its land development projects and residential and commercial projects in the same periods in which it recognises revenue from sales from the related projects. Therefore, cost of sales for a particular period may include costs incurred in prior periods. Dar Al-Arkan generally contracts to develop residential and commercial projects in different phases, which limits its overall cost exposure to projects and provides flexibility to react to market demands in the development of projects. Amounts paid to contractors are affected by construction costs, such as costs of labour and costs of construction materials. Dar Al-Arkan's cost of sales and gross profit may fluctuate from period to period due to volatility in such construction costs.

In recent years, volatility in construction costs has affected Dar Al-Arkan's cost of sales from period to period. However, such volatility has not affected negatively gross profit during these periods as Dar Al-Arkan was generally able to reflect the cost increases in its sales prices. Management expects continued volatility in construction costs and this could cause period to period fluctuations in cost of sales and gross profit.

### *Mix of land development projects and residential and commercial projects*

Due to the cost of inputs associated with completing land development projects relative to those required for developing residential and commercial projects, the gross margins from land development projects tend to be higher than gross margins from residential and commercial projects. As a result, Dar Al-Arkan's gross margins may fluctuate from period to period depending on the mix of revenue and cost of sales recognised from land development projects and commercial and residential projects during the periods.

### **Results of operations**

The following table sets forth certain summary financial data for the years ended 31 December 2015, 2016 and 2017.

	<b>Year ended 31 December (Audited)</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
		<i>(SAR '000)</i>	
Revenue .....	2,211,349	1,870,229	4,734,682
Cost of sales.....	(1,228,117)	(1,078,286)	(3,620,672)
<b>Gross profit</b> .....	<b>983,232</b>	<b>791,943</b>	1,114,010
General and Administrative Expenses	(207,831)	(160,028)	(162,002)
<b>Operating Profit</b> .....	<b>775,401</b>	<b>631,915</b>	<b>952,008</b>
Finance Costs.....	(420,794)	(385,984)	(441,523)
Other income, net .....	1,075	(32)	36,722
Share of net profits from associates and joint ventures	12,800	12,878	20,604
Zakat provision .....	(9,325)	(7,943)	(14,443)
<b>Net profit for the year</b>	<b>359,157</b>	<b>250,834</b>	<b>553,368</b>
<b>Other comprehensive income</b>	-	-	<b>2,675</b>
<b>Total comprehensive income for the year</b>	<b>359,157</b>	<b>250,834</b>	<b>556,043</b>

The following table sets forth certain summary financial data relating to Dar Al-Arkan's core reporting segments: Sales of Land, Sale of Residential Properties and Leasing of Properties, for the years ended 31 December 2015, 2016 and 2017.

	<b>Year ended 31 December (Audited)</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
		<i>(SAR '000)</i>	
Sales of Land revenue .....	2,075,265	1,724,681	4,563,391
Contribution to total revenue (per cent.).....	93.85 per cent.	92.22 per cent.	96.38 per cent.
Sales of Residential Properties revenue.....	-	-	21,428
Contribution to total revenue (per cent.).....	-	-	0.46 per cent.
Leasing of Properties revenue <sup>(1)</sup> .....	136,084	145,548	149,863
Contribution to total revenue (per cent.).....	6.15 per cent.	7.78 per cent.	3.16 per cent.
<b>Total revenue from operations</b> .....	<b>2,211,349</b>	<b>1,870,229</b>	<b>4,734,682</b>
Sales of Land cost of sales.....	1,158,892	1,004,809	3,534,439
Sales of Residential Properties cost of sales .....	-	-	14,354
Leasing of Properties cost of sales.....	69,225	73,477	71,879

	Year ended 31 December (Audited)		
	2015	2016	2017
		(SAR '000)	
<b>Total cost of sales</b> .....	<b>1,228,117</b>	<b>1,078,286</b>	<b>3,620,672</b>
Gross profit for Sales of Land .....	916,373	719,872	1,028,952
Gross profit for Residential Properties .....	-	-	7,074
Gross profit for Leasing of Properties <sup>(1)</sup> .....	66,859	72,071	77,984
<b>Total gross profit</b> .....	<b>983,232</b>	<b>791,943</b>	<b>1,114,010</b>
Gross margin for Sales of Land (per cent.).....	44.16 per cent.	41.74 per cent.	22.55 per cent.
Gross margin for Sale of Residential Properties (per cent.) .....	-	-	33.01 per cent.
Gross margin for Leasing of Properties (per cent.) <sup>(1)</sup> .....	49.13 per cent.	49.52 per cent.	52.04 per cent.
<b>Total gross margin (per cent.)</b> .....	<b>44.46 per cent.</b>	<b>42.34 per cent.</b>	<b>23.53 per cent.</b>

The following table sets forth certain additional data relating to the Sales of Land and Sales of Residential Properties, for the years ended 31 December 2015, 2016 and 2017.

	Year ended 31 December (Audited)		
	2015	2016	2017
<b>Sales of Land</b>			
Area sold (sq.m.) .....	3,140,075	3,108,903	8,887,104
Weighted average selling price/sq.m. (SAR).....	661	555	514
Weighted average cost of sales/sq.m. (SAR).....	369	323	398
<b>Residential Properties</b>			
Units sold.....	-	-	23
Average selling price of units sold (SAR '000) .....	-	-	932
Average costs of units sold (SAR '000) .....	-	-	624
Residential area sold (sq.m.).....	-	-	5,782
Weighted average selling price/sq.m. (SAR).....	-	-	3,705

### Results of Operations for the Year Ended 31 December 2017 compared to the Year Ended 31 December 2016

#### Revenue

Total revenue for the year ended 31 December 2017 was SAR 4.73 billion (U.S.\$1.26 billion), a 153.16 per cent. increase compared to total revenue of SAR 1.87 billion (U.S.\$499.39 million) for the year ended 31 December 2016. This increase was primarily as a result of the increase in Sale of Land revenue.

Revenue from the Sales of Land for the year ended 31 December 2017 was SAR 4.56 billion (U.S.\$1.22 billion), a 164.59 per cent. increase compared to revenue from the Sales of Land SAR 1,724 million (U.S.\$460.53 million) for the year ended 31 December 2016. The increase was due to an increase in the total area of land sold which was 8.9 million square metres in the year ended 31 December 2017 as compared to 3.1 million square metres sold in the year ended 31 December 2016, which corresponded to the increase in market demand for land in the Kingdom generally during the year ended 31 December 2017. The increase was partially offset by a decrease in the average price of land sold which was SAR 514 per square metre in the year ended 31 December 2017 as compared to SAR 555 per square metre in the year ended 31 December 2016.

Revenue from the Sales of Residential Properties for the year ended 31 December 2017 was SAR 21.43 million (U.S.\$5.72 million). No revenue from the Sales of Residential Properties was recorded in the year ended 31 December 2016, as there were no residential units available for sale.

Revenue from the Leasing of Properties increased in the year ended 31 December 2017 to SAR 149.86 million (U.S.\$40.02 million), an increase of 2.96 per cent. compared to revenue from the Leasing of Properties of SAR 145.55 million (U.S.\$38.87 million) for the year ended 31 December 2016. This increase was primarily due to the growing occupancy ratios of properties in Dar Al Arkan's residential and commercial projects.

### ***Cost of Sales***

Total cost of sales for the year ended 31 December 2017 was SAR 3.62 billion (U.S.\$966.80 million), a 235.78 per cent increase compared to total cost of sales of SAR 1.08 billion (U.S.\$287.46 million) for the year ended 31 December 2016. This was primarily due to the increase in the cost of sales for the Sales of Land.

The cost of sales for the Sales of Land for the year ended 31 December 2017 was SAR 3.53 billion (U.S.\$943.78 million), a 251.75 per cent. increase compared to the cost of sales for the Sales of Land of SAR 1.01 billion (U.S.\$268.31 million) for the year ended 31 December 2016. The increase was primarily due to the increase in the total area of land sold which was 8.9 million square metres in the year ended 31 December 2017 as compared to 3.1 million square metres sold in the year ended 31 December 2016, as well as the increase in the weighted average cost of sales of land per square metre. For the year ended 31 December 2017, the weighted average cost of sales per square metre was SAR 398 (U.S.\$106), a 23.21 per cent. increase compared to SAR 323 (U.S.\$86) for the year ended 31 December 2016. This increase was primarily due to development status and geographical locations of such land sold.

The costs of sales for the Sales of Residential Properties for the year ended 31 December 2017 was SAR 14.35 million (U.S.\$3.83 million). No cost of sales for the Sale of Residential Properties was recorded for the year ended 31 December 2016.

The cost of sales for the Leasing of Properties for the year ended 31 December 2017 was SAR 71.88 million (U.S.\$19.19 million), a 2.16 per cent decrease compared to the cost of sales for the Leasing of Properties of SAR 73.47 million (U.S.\$19.62 million) for the year ended 31 December 2016.

### ***Gross Profit***

Total gross profit for the year ended 31 December 2017 was SAR 1.11 billion (U.S.\$297.47 million), a 40.66 per cent. increase compared to total gross profit of SAR 791.94 million (U.S.\$211.47 million) for the year ended 31 December 2016. This was primarily due to the increase in gross profit from the Sales of Land.

Gross profit from the Sales of Land for the year ended 31 December 2017 was SAR 1.03 billion (U.S.\$274.75 million), a 42.93 per cent. increase compared to gross profit from the Sales of Land of SAR 719.87 million (U.S.\$192.22 million) for the year ended 31 December 2016. This increase was primarily due to an increase in revenue from the Sales of Land in 2017 as compared to 2016 as discussed above.

Gross profit from the Sales of Residential Properties for the year ended 31 December 2017 was SAR 7.07 million (U.S.\$1.89 million). No gross profit from the Sales of Residential Properties was recorded for the year ended 31 December 2016.

Gross profit from the Leasing of Properties for the year ended 31 December 2017 was SAR 77.98 million (U.S.\$20.82 million), a 8.20 per cent increase compared to the gross profit from the Leasing of Properties of SAR 72.07 million (U.S.\$19.24 million) for the year ended 31 December 2016. This increase was primarily due to the increase of revenue from the Leasing of Properties as discussed above.

### ***Income from Operating Activities***

Income from operating activities for the year ended 31 December 2017 was SAR 952.01 million (U.S.\$254.21 million), a 50.65 per cent increase compared to SAR 631.92 million (U.S.\$168.74 million) in the year ended 31 December 2016. This was attributable mainly to an increase in gross profit due to the increase in land revenue in 2017.

Total operating expense for the year ended 31 December 2017 was SAR 162.00 million (U.S.\$43.26 million), a 1.24 per cent. increase compared to SAR 160.03 million (U.S.\$42.73 million) in the year ended 31 December 2016.



### ***Finance Costs***

Finance costs for the year ended 31 December 2017 were SAR 441.52 million (U.S.\$117.89 million), a 14.39 per cent. increase compared to SAR 385.98 million (U.S.\$103.07 million) for the year ended 31 December 2016.

This increase was primarily attributed to the issuance of U.S.\$500 million Trust Certificates due 2022 by the Issuer on 10 April 2017. The total weighted average effective annual commission rate on Dar Al-Arkan's total financing facilities was 6.95 per cent. for the year ended 31 December 2017, a 86 bps. increase compared to the weighted average effective annual commission rate of 6.06 per cent. during the year ended 31 December 2016.

### ***Zakat Expense***

Zakat expense for the year ended 31 December 2017 was SAR 14.44 million (U.S.\$3.86 million), a 81.8 per cent. increase compared to SAR 7.94 million (U.S.\$2.12 million) for the year ended 31 December 2016. The increase was directly related to the increase in the profit before zakat for the year ended 31 December 2017, resulting in more zakat becoming payable.

### ***Net Income***

Net income for the year ended 31 December 2017 was SAR 553.37 million (U.S.\$147.76 million), a 120.62 per cent. increase compared to SAR 250.83 million (U.S.\$66.98 million) for the year ended 31 December 2016. This increase was due to the changes in the items discussed above.

## **Results of operations for the year ended 31 December 2016 compared to the year ended 31 December 2015**

### ***Revenue***

Total revenue for the year ended 31 December 2016 was SAR 1,870 million (U.S.\$499.39 million), a 15.43 per cent. decrease compared to total revenue of SAR 2,211 million (U.S.\$590.48 million) for the year ended 31 December 2015. This decrease was primarily as a result of the decrease in Sale of Land revenue.

Revenue from the Sales of Land for the year ended 31 December 2016 was SAR 1,724 million (U.S.\$460.53 million), a 16.89 per cent. decrease compared to revenue from the Sales of Land of SAR 2,075 million (U.S.\$554.14 million) for the year ended 31 December 2015. The decrease was due to a decrease in the weighted average selling price per square metre, with a weighted average selling price per square metre of land sold of SAR 555 (U.S.\$148) in the year ended 31 December 2016, a decrease of 16.1 per cent. from the weighted average selling price per square metre of land sold of SAR 661 (U.S.\$177) in the year ended 31 December 2015. This decrease was primarily due to differences in the location and type of the properties sold during these periods. The decrease was also the result of a decrease in total area of land sold, with 3.11 million square metres of land sold in the year ended 31 December 2016, compared to 3.14 million square metres of land sold in the year ended 31 December 2015.

No revenue from Residential Properties was recorded in the year ended 31 December 2016 or 2015, respectively, as there were no residential units available for sale.

Revenue from the Leasing of Properties increased in the year ended 31 December 2016 to SAR 145.55 million (U.S.\$38.87 million), an increase of 6.95 per cent. compared to revenue from the Leasing of Properties of SAR 136.08 million (U.S.\$36.34 million) for the year ended 31 December 2015. This increase was primarily due to the growing occupancy ratios of properties in Dar Al-Arkan's residential and commercial projects.

### ***Cost of Sales***

Total cost of sales for the year ended 31 December 2016 was SAR 1,078 million (U.S.\$287.46 million), a 12.20 per cent. decrease compared to total cost of sales of SAR 1,228 million (U.S.\$327.93 million) for the year ended 31 December 2015. This was primarily due to the decrease in the cost of sales for the Sales of Land.

The cost of sales for the Sales of Land for the year ended 31 December 2016 was SAR 1,005 million (U.S.\$268.31 million), a 13.3 per cent. decrease compared to the cost of sales for the Sales of Land of SAR 1,158 million (U.S.\$309.45 million) for the year ended 31 December 2015. The decrease was primarily due to the decrease in the weighted average cost of sales of land per square metre. For the year ended 31 December 2016, the weighted average cost of sales per square metre was SAR 323 (U.S.\$86), a 12.5 per cent. decrease compared to SAR 369 (U.S.\$99) for the year ended 31 December 2015. This decrease was primarily due to the development status and geographical locations of such land sold.

No cost of sales for Residential Properties were recorded for the year ended 31 December 2016 and 2015.

The cost of sales for the Leasing of Properties for the year ended 31 December 2016 was SAR 73.47 million (U.S.\$19.62 million), a 6.1 per cent. increase compared to the cost of sales for the Leasing of Properties of SAR 69.22 million (U.S.\$18.48 million) for the year ended 31 December 2015. This increase/decrease was primarily due to the growing occupancy of the properties in Dar Al-Arkan's residential and commercial projects.

### ***Gross Profit***

Total gross profit for the year ended 31 December 2016 was SAR 791.94 million (U.S.\$211.47 million), a 19.46 per cent. decrease compared to total gross profit of SAR 983.23 million (U.S.\$262.54 million) for the year ended 31 December 2015. This was primarily due to a decrease in gross profit from the Sales of Land.

Gross profit from the Sales of Land for the year ended 31 December 2016 was SAR 719.87 million (U.S.\$192.22 million), a 21.44 per cent. decrease compared to gross profit from the Sales of Land of SAR 916.37 million (U.S.\$244.69 million) for the year ended 31 December 2015. This decrease was primarily due to a decrease in revenue from the Sales of Land in 2016 as compared to 2015 as discussed above.

No gross profit from Residential Properties was recorded for the year ended 31 December 2015.

Gross profit from the Leasing of Properties for the year ended 31 December 2016 was SAR 72.07 million (U.S.\$19.24 million), a 7.8 per cent. increase compared to the gross profit from the Leasing of Properties of SAR 66.86 million (U.S.\$17.85 million) for the year ended 31 December 2015. This increase was primarily due to the increase of revenue from the Leasing of Properties as discussed above. Income from Operating Activities

Income from operating activities for the year ended 31 December 2016 was SAR 631.92 million (U.S.\$168.74 million), a 18.5 per cent. decrease compared to SAR 775.40 million (U.S.\$207.05 million) in the year ended 31 December 2015. This was attributable mainly to decrease in operating expenses for year ended 31 December 2016 when compared to the year ended 31 December 2015, mostly due to lower marketing and advertising expenses as well as consultation costs incurred in the year ended 31 December 2016.

Total operating expense for the year ended 31 December 2016 was SAR 160.03 million (U.S.\$42.73 million), a 23.0 per cent. decrease compared to SAR 207.83 million (U.S.\$55.50 million) in the year ended 31 December 2015. The decrease in gross profit during the year ended 31 December 2016 was partially off-set by the decrease in operating expenses in 2016.

### ***Finance Costs***

Finance costs for the year ended 31 December 2016 were SAR 385.98 million (U.S.\$103.07 million), a 8.3 per cent. decrease compared to SAR 420.79 million (U.S.\$112.36 million) for the year ended 31 December 2015. This decrease was primarily attributed to lower average debt in 2016 as compared to 2015. The total weighted average effective annual commission rate on Dar Al-Arkan's total financing facilities was 6.06 per cent. for the year ended 31 December 2016, an increase compared to the weighted average effective annual commission rate of 5.5 per cent. during the year ended 31 December 2015.

### ***Zakat Expense***

Zakat expense for the year ended 31 December 2016 was SAR 7.94 million (U.S.\$2.12 million), a 14.8 per cent. decrease compared to SAR 9.33 million (U.S.\$2.49 million) for the year ended 31 December 2015. The

decrease was directly related to the decrease in the profit before zakat for the year ended 31 December 2016, resulting in less zakat becoming payable.

### **Net Income**

Net income for the year ended 31 December 2016 was SAR 250.83 million (U.S.\$66.98 million), a 30.2 per cent. decrease compared to SAR 359.16 million (U.S.\$95.90 million) for the year ended 31 December 2015. This decrease was due to the changes in the items discussed above.

### **Liquidity and Borrowings**

#### **Liquidity**

Dar Al-Arkan operates a capital intensive business and requires significant amounts of cash to satisfy its working capital and capital expenditures requirements, as well as to meet its debt obligations. In addition, the relative lack of “off-plan” and “pre-finished” home sales in the Kingdom requires Dar Al-Arkan to rely on cash generated from the Sales of Land, Sales of Residential Properties and funds from external financings to fund its residential and commercial projects.

Dar Al-Arkan relies on a combination of cash from operations and financings from domestic banks and the domestic and international capital markets to fund the expansion of its operations. For the next twelve months, management believes that cash from the sources discussed above will be sufficient to fund Dar Al-Arkan’s working capital needs and scheduled repayment of debts maturing during the year. However, Dar Al-Arkan may obtain additional funding to meet its medium to long term debt obligations, to fund the planned development of the Shams Ar-Riyadh and Shams Al-Arous master-planned communities and capital expenditures relating to its other development projects and to support the future growth of its business.

#### **Borrowings**

##### **Overview**

All financing transactions entered into by Dar Al-Arkan are Sharia-compliant. As of 31 December 2017, the total borrowings of Dar Al-Arkan amounted to SAR 6.48 billion (U.S.\$1.73 billion) compared to total borrowings of SAR 5.28 billion (U.S.\$1.41 billion) as of 31 December 2016, an increase of 22.7 per cent., primarily as a result of the issuance of U.S.\$500 million Trust Certificates due 2022 by the Issuer on 10 April 2017.

The following table sets out a breakdown of the outstanding indebtedness (by type of financing and scheduled maturity date) of Dar Al-Arkan as of 31 December 2017:

<b>Description</b>	<b>Amount outstanding (U.S.\$ millions)</b>	<b>Maturity</b>
<b>Capital Markets Issuances</b>		
Sukuk V .....	358	2018
Sukuk VII .....	400	2019
Sukuk VIII .....	500	2022
<b>Total Capital Markets Issuances .....</b>	<b>1,258</b>	
<b>Murabaha Facilities</b>		
Islamic Murabahas expiring 2020.....	256	2020
Islamic Murabahas expiring 2023.....	141	2023
Islamic Murabahas expiring 2027.....	73	2027
<b>Total Murabaha Facilities.....</b>	<b>470</b>	

#### **Sukuk**

As of 31 December 2017, Dar Al-Arkan had three sukuk outstanding, a U.S.\$450 million international U.S. dollar-denominated sukuk due 2018 (**Sukuk V**), of which U.S.\$358 million remained outstanding following the

purchase of U.S.\$92 million of Sukuk V by Dar Al-Arkan, a U.S.\$400 million international U.S. dollar-denominated sukuk due 2019 (**Sukuk VII**) and a U.S.\$500 million international U.S. dollar-denominated sukuk due 2022 (**Sukuk VIII**). As of 31 December 2017, sukuk financing accounted for 73 per cent. of Dar Al-Arkan's total indebtedness.

These offerings, together with five previous sukuk offerings of U.S.\$600 million, U.S.\$1 billion, SAR 750 million (U.S.\$200 million), U.S.\$450 million sukuk and U.S.\$300 million which were redeemed at maturity by Dar Al-Arkan in March 2010, July 2012, April 2014, February 2015 and November 2016 respectively, are the only sukuk offerings to date by a real estate developer in the Kingdom.

#### *Bank Financing Facilities*

Dar Al-Arkan has also entered into a number of financing facilities with domestic and international banks. This represents the bilateral Murabaha facilities secured against certain real estate properties, in the form of Islamic Murabaha, letters of guarantee and letters of credit. These facilities comprise of long-term and short-term tenures ranging from 6 months to 11 years with various repayment schedules including annual rolling revolvers, bullet payments and instalment repayments ranging from monthly, quarterly and half yearly.

Under Dar Al-Arkan's current sukuk and bank facility finance documents it is bound by certain financial covenants. Failure to comply with these financial covenants could result in the early redemption of the Sukuk or termination of the facility and the acceleration of the payment of outstanding amounts.

The below table is a summary of the outstanding Murabaha facilities that have been entered into by Dar Al-Arkan:

<b>Maturing in</b>	<b>Short Term Outstanding*</b>	<b>Long Term Outstanding**</b>	<b>Total Amount Outstanding</b>
		<i>(SAR '000)</i>	
2020.....	315	643	958
2023.....	16	514	530
2027.....	15	257	272
<b>Total.....</b>	<b>346</b>	<b>1,414</b>	<b>1,760</b>

Notes:

\* "Short Term Outstanding" comprises debt with a maturity date of less than one year

\* "Long Term Outstanding" comprises debt with a maturity date of more than one year (but not greater than five years) from 31 December 2017

As at the date of this Base Prospectus, Dar Al-Arkan and its subsidiaries are in compliance with all applicable financial covenants set out in their financing agreements.

#### *Incurring Financial Indebtedness*

Pursuant to clause 2.1(a) (Limitation on Indebtedness) of the Guarantee, Dar Al-Arkan has agreed that it will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; provided, however, that the Guarantor and any Restricted Subsidiary will be entitled to Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto on a pro forma basis, the Consolidated Coverage Ratio is (for so long as any Sukuk VIII is outstanding) at least 2.5 to 1.0 and (at any time thereafter) at least 2.0 to 1.0.

As at 31 December 2017, while Sukuk VIII remain outstanding, the Consolidated Coverage Ratio is 2.87 to 1.0 and therefore above the Consolidated Coverage Ratio requirement imposed for Incurring Indebtedness pursuant to Clause 2.1(a) (Limitation on Indebtedness) of the Guarantee.

#### **Sources and uses of cash**

The following table sets out Dar Al-Arkan's cash and cash equivalents as of the beginning and end of the periods presented and cash flows for the periods presented:

	<b>For the year ended 31 December (Audited)</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
		<i>SAR '000</i>	
Net cash from/(used in) operating activities .....	44,923	690,523	1,436,506
Net cash from/(used in) investing activities.....	(3,999)	144	(9,690)
Net cash (used in)/from financing activities .....	(175,059)	(1,109,640)	1,150,762
Increase/(decrease) in cash and cash equivalents ....	(134,135)	(418,973)	2,577,578
Cash and cash equivalents at beginning of year .....	1,135,196	1,001,061	582,088
Cash and cash equivalents at end of year .....	1,001,061	582,088	3,159,666

Cash and cash equivalents increased in the year ended 31 December 2017 to reach SAR 3,159.67 million (U.S.\$843.70 million) as at 31 December 2017 compared to SAR 582.09 million (U.S.\$155.43 million) and SAR 1,001 million (U.S.\$267.30 million) as at 31 December 2016 and 2015 respectively.

This increase during 2017 was due mainly as a result of SAR 1,436.51 million (U.S.\$383.58 million) of cash generated from operations and a SAR 1,150.76 million (U.S.\$307.28 million) of net increase in net debt. The decrease in cash and cash equivalents in 2016 compared to 2015 was primarily due to the repayment of a U.S.\$300 million international U.S. dollar-denominated sukuk in November 2016.

#### ***Net Cash From Operating Activities***

Net cash from operating activities was SAR 1,436.51 million (U.S.\$383.58 million) for the year ended 31 December 2017, compared to net cash from operating activities of SAR 690.52 million (U.S.\$184.38 million) for the year ended 31 December 2016 and net cash from operating activities of SAR 44.92 million (U.S.\$12.00 million) for the year ended 31 December 2015.

The increase in net cash from operating activities in the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily due to an increase in the land sales revenue. The increase in net cash from operating activities in the year ended 31 December 2016 compared to net cash used in operating activities in the year ended 31 December 2015 was primarily due to timely collection from customers in 2016.

#### ***Net Cash (Used in) Investing Activities***

Net cash used in investing activities was SAR 9.69 million (U.S.\$2.59 million) for the year ended 31 December 2017, compared to net cash used in investing activities of SAR 144.00 thousand (U.S.\$38.45 thousand) and SAR 4.00 million (U.S.\$1.07 million) for the years ended 31 December 2016 and 31 December 2015, respectively.

The increase in net cash used in investing activities for the year ended 31 December 2017 compared to the year ended 31 December 2016 was primarily due to the acquisition of furniture and equipment for administrative related purposes. The increase in net cash used in investing activities for year ended 31 December 2016 compared to the year ended 31 December 2015 was negligible.

#### ***Net Cash From (Used in) Financing Activities***

Net cash from financing activities was SAR 1,150.76 million (U.S.\$307.28 million) for the year ended 31 December 2017, compared to net cash used in financing activities of SAR 1,109 million (U.S.\$296.3 million) for the year ended 31 December 2016 and net cash used in financing activities of SAR 175.06 million (U.S.\$46.74 million) for the year ended 31 December 2015.

The increase in net cash generated from financing activities for the year ended 31 December 2017 as compared to the year ended 31 December 2016 was mainly due to the issuance of U.S.\$500 million Trust Certificates due 2022 by the Issuer on 10 April 2017. The increase in net cash used in financing activities in the year ended 31 December 2016 as compared to the year ended 31 December 2015 resulted from the repayment of U.S.\$300 million international U.S. dollar denominated sukuk from cash reserves in November 2016, which slightly offset the increase in new murabaha transaction.

## Summary of Contractual Obligations

The following table summarises Dar Al-Arkan's contractual obligations as of 31 December 2017, and also indicates in which future periods payments under these obligations will come due.

<b>Contractual Obligations (SAR 000)</b>	<b>Total</b>	<b>&lt; 1 year</b>	<b>1-5 years</b>
Borrowings* .....	6,480	1,690	4,790
Operating Lease Obligations** .....	3,488	1,025	2,463
Total*** .....	9,968	2,715	7,253

\* Represents payment obligations relating to Sukuk V, Sukuk VII, and other debt facilities of Dar Al-Arkan and excludes future profit payments associated with these borrowings. These borrowings are subject to various restrictive covenants under which the timing of payment may be accelerated in the case of non-compliance.

\*\* Represent minimum lease payment under non-cancellable operating lease rentals.

\*\*\* Excludes the contractual obligations related to the development of Dar Al-Arkan's current projects, as these contracts may be terminated at will by Dar Al-Arkan. Also, excludes end of service obligations as timing of these payment cannot be determined.

## Capital Expenditures

For the years ended 31 December 2017 and 2016, Dar Al-Arkan made capital expenditures in amounts of SAR 1.32 billion (U.S.\$352.94 million) and SAR 1.01 billion (U.S.\$269.36 million) respectively. These capital expenditures related to the development of Dar Al-Arkan's projects and the acquisition of land for future projects. Dar Al-Arkan funded these capital expenditure requirements with cash from operations, the proceeds from its other debt facilities.

As of 31 December 2017, Dar Al-Arkan had capital expenditure commitments of SAR 49 million (U.S.\$13.08 million), principally relating to the development of its master planned communities. Management expects Dar Al-Arkan to make a total of SAR 984 million (U.S.\$262.75 million) of capital expenditures during 2018, principally relating to purchase and development of land as well as in connection with the Shams Ar-Riyadh and I Love Florence projects. Dar Al-Arkan intends to fund these capital expenditures with a combination of cash from operations, its current and planned debt facilities including the proceeds from the offering of Certificates under this Programme.

## Critical Accounting Policies

In preparing its consolidated financial statements, management must make estimates and assumptions that affect the amounts reported and related disclosures. Several of these estimates and judgments are related to matters that are inherently uncertain as they pertain to future events. These estimates and judgments are evaluated at each reporting date and are based on historical experience, internal controls, advice from external experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may vary from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

## Revenue Recognition

Dar Al-Arkan recognises revenue on sale of its properties when significant risks and rewards of ownership transfer to the buyer, which is assessed to be at the time of legal completion of the sale or unconditional exchange.

With respect to land development, Dar Al-Arkan receives an initial non-refundable deposit upon signing the sale contract with the balance being paid on a deferred basis, which typically does not exceed three months. Dar Al-Arkan recognises the full amount of the consideration at the time the sale contract is signed.

With respect to residential and commercial projects, Dar Al-Arkan typically receives an initial deposit on the signature of the sales contract and a final payment on delivery of the units. Revenue from the sale of these properties is only recognised when the completed property is delivered to the purchaser.

With respect to residential and commercial projects sold under a construction contract or agreement and the objective and the outcome of such contracts can be estimated reliably, the revenue and cost of such developments are recognised as per under IFRS 15 in proportion to the performed/measured stages of completion against the total contractual obligations/milestones including variation, claims and incentives at the end of each reporting period, except where the performed work is not representative of the stage of completion.

With respect to lease rental income, Dar Al-Arkan recognises revenue on a straight line basis over the lease term in accordance with IFRS 16.

### **Recognition of Cost of Sales**

Dar Al-Arkan has developments which typically contain a number of individual projects within each development. In order to determine cost of sales related to properties or units sold during the year the management estimates and averages the costs of the entire developments, including infrastructure costs and overall construction and other directly attributable costs to arrive at the total estimated cost of the project. These estimated costs are allocated to each project within the development and each unit within a project. These estimates are reviewed regularly on a profit per project basis and revised as necessary. Any significant change in these estimates may result in additional costs being recorded in future periods related to revenue recognised in a prior period.

### **Measurement of contract assets and trade receivables**

Management makes significant assumptions on the estimation of expected credit loss in connection with contract assets and/or trade receivables which is assessed on the basis of the terms of the contracts. Evaluation is made where there is objective evidence, including customers with financial difficulties or in default on payments and the possibility of bankruptcy of customers, with the result that amounts may not be recovered in accordance with original terms of the contracts. Based on such periodic assessment, Dar Al-Arkan recognises expected losses for all contract assets and/or all trade receivables with or without significant financing transactions and for lease receivables. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses in accordance with IFRS 9.

### **Classification of Properties**

Dar Al-Arkan's properties are classified as either investment properties or development properties. Management has made various judgments to determine whether a property qualifies as an investment property which is held to earn rentals and/or for capital appreciation or both. These are not used for generating sales revenues through normal business operations. A development property comprises completed properties, developed land, property projects under construction, land projects under development and land awaiting development predominantly identified for sale in the ordinary course of business. In making its judgment, management considers its intended use of property. When management assesses that certain investment properties will be disposed of as part of normal business operation, their carrying cost will be transferred to development properties for final completion of development and transfer.

### **Subsequent Transfer of Investment Properties**

Investment properties are the interests in land and/or buildings that are held for their investment potential and not for sale in the ordinary course of business. Management assesses the intended use of its real estate properties on a continuous basis and summarises the portfolio at every reporting period. When the periodic management assessment identifies any change in the use of a property previously classified as investment properties, their carrying cost is transferred to development properties for further development and final transfer under the ordinary course of business. While re-assessing the intended use, management considers the holding period, the possibility of further appreciations, related economic activities around such properties and the need for further development to make the property ready for sale.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with the intent to sell.

### **Carrying Value of Development Properties**

Dar Al-Arkan's principal activity is currently the development and sale of land and residential and commercial property. Due to the nature of this activity, much of the development is speculative in nature. Accordingly, the consolidated statement of financial position as at 31 December 2017 reflects current assets that are not covered by forward sales contracts.

Dar Al-Arkan assesses the net realisable value of its development properties at each reporting date. This assessment is based on a profit per project basis and compares the carrying and estimated future costs with the expected selling price per unit based on historical activities and available comparables in the surrounding location. As a result of this process, there have been no instances where the estimated net realisable value of the site/unit was less than its current carrying value within the consolidated statement of financial position. A change of these estimates in the future could have an impact on the valuation of the development properties.



## OVERVIEW OF THE KINGDOM

*The information in this section has been derived from a number of different identified sources. The Trustee and Dar Al-Arkan confirm that such information has been accurately reproduced and that, so far as they are aware, and are able to ascertain from the information published by each of the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

### Background

The Kingdom, situated in the south-western part of Asia, comprises almost four-fifths of the Arabian Peninsula, an area approximately one-third the size of the continental United States. The Kingdom is the largest country in the Gulf Cooperation Council (the **GCC**) and the second-largest Arab country. The modern Kingdom was declared in 1932 by King Abdul Aziz ibn Abdul Rahman Al Saud. The capital of the Kingdom is Riyadh.

Since the discovery of oil fields in the eastern region along the coast of the Arabian Gulf in 1938, the Kingdom has experienced rapid growth and is now a leading producer of oil and natural gas. According to the Organization of the Petroleum Exporting Countries's (**OPEC**) 2017 Annual Statistical Bulletin, Saudi Arabia possessed the world's second largest proven oil reserves (accounting for 17.8 per cent. of the world's total oil reserves) as at 31 December 2016, and was the world's largest oil producer (accounting for 13.9 per cent. of the world's total oil production) and the world's largest oil exporter (accounting for 16.9 per cent. of the world's total oil exports by volume) in the year ended 31 December 2016.

According to the World Bank, Saudi Arabia had the twentieth largest economy in the world and the largest economy in the GCC region in the year ended 31 December 2016. Saudi Arabia's economy accounted for 47.5 per cent. of the combined nominal GDP of the GCC countries and 20.8 per cent. of the combined nominal GDP of the countries in the MENA region in the year ended 31 December 2016. The Kingdom has a history of economic stability and a modern infrastructure. Since 2005, the Kingdom has gained membership in the World Trade Organisation (the **WTO**). The Kingdom joined the Group of Twenty (the G20) in April 2009.

### Geography

The Kingdom comprises a land area of approximately 2,150,000 square km and is located in the Arabian Peninsula, a peninsula of south-west Asia situated north-east of Africa. Saudi Arabia has coastlines on the Red Sea to the west and the Arabian Gulf to the east. It is bordered in the north and north-east by Jordan and Iraq, in the east by Kuwait, Qatar and the United Arab Emirates, in the south-east by Oman, in the south by Yemen, and is connected to Bahrain by the King Fahd Causeway. Saudi Arabia is the largest country in the GCC.

The Kingdom has five geographical regions:

- Eastern Province, the industrial heart of the Kingdom's oil fields and associated industries, containing the cities of Jubail, Al Khobar, Dhahran and Dammam;
- Central Province, containing the city of Riyadh, the capital and the seat of the Government;
- Western Province, bordering the Red Sea and containing the holy cities of Makkah and Madinah, the major commercial city of Jeddah and the industrial city of Yanbu;
- Northern Province, a sparsely populated region containing the cities of Tabuk and Hail; and
- South West Province, a mountainous region containing the city of Abha and the port of Jizan.

Most of the Kingdom consists of arid or semi-arid land. Uninhabitable desert covers nearly half of the country. Less than 2 per cent. of Saudi land is classified as arable, and less than 1 per cent. of the country's land is dedicated to permanent crops. The Kingdom has undergone rapid urbanisation in recent decades, and over 80 per cent. of the population of the Kingdom currently lives in cities, with approximately half the population of the Kingdom being concentrated in the six largest cities of Riyadh, Jeddah, Makkah, Medina, Ta'if and Dammam.

## **Government and legal framework**

Saudi Arabia is a monarchy with a political system rooted in the traditions and culture of Islam. The Custodian of the Two Holy Mosques, the King of Saudi Arabia (the **King**), is both the head of state and the head of the Government. Royal Decree number A/90 dated 1 March 1992 (the **Basic Law of Governance**) provides that the Holy Quran and Sunnah (the teachings of the Prophet Muhammad (PBUH)) form the primary sources of law in Saudi Arabia. The Basic Law of Governance specifies that the King must be chosen from among the sons of the founding King, the Late King Abdulaziz bin Abdul Rahman Al Saud (**King Abdulaziz**), and their male descendants.

In 2006, the Allegiance Council (hay'at al-bay'ah) was established, comprising: (a) the surviving sons of King Abdulaziz; (b) one son of each deceased/incapacitated son of King Abdulaziz; and (c) one son of the incumbent King and one son of the incumbent Crown Prince, both appointed by the incumbent King, to determine which member of the royal family will be the next King and the next Crown Prince. The current King, Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, acceded to the throne on 23 January 2015. The current Crown Prince is His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al Saud, who also holds the positions of Deputy Prime Minister, Minister of Defence, Chairman of the Council for Economic and Development Affairs and Chairman of the Council for Political and Security Affairs.

The King controls the legislative, executive, and judicial bodies and royal orders and royal decrees that together form the basis of the Kingdom's legislation. The King is also the Prime Minister, and he presides over the Council of Ministers (Majlis al Wuzara), which was established by Royal Decree in 1953 and comprises the first deputy Prime Minister and 23 Ministers with portfolios and five Ministers of State. The King makes appointments to and dismissals from the Council of Ministers. The Council of Ministers is responsible for, among other things, executive and administrative matters such as foreign and domestic policy, defence, finance, health and education. The King and executive officials at the local, provincial and national levels also hold regular meetings, which are open to members of the public (majalis) and where members of the public may discuss issues and raise grievances.

Saudi Arabia is divided into 13 provinces, each of which has a governor and a provincial council. The provincial councils are empowered to determine the development needs of their respective provinces, make recommendations and request appropriations in the annual budget. Saudi Arabia's 13 provinces comprise Riyadh, Makkah, Medina, the Eastern Province, Asir, Al-Baha, Tabuk, Al-Qassim, Ha'il, Al-Jouf, the Northern Borders, Jizan and Najran. These provinces are further divided into 118 governorates, which are in turn subdivided into municipalities. Pursuant to the Law of Regulation of Municipalities and Rural Areas, issued by Royal Decree No. 5/M in 2003, the term of each municipal council is two years and half of the members of any municipal council must be chosen by elections, while the other half are appointed by the Minister of Municipal and Rural Affairs. In 2015, women were allowed to stand for election to, and vote for the members of, the municipal councils.

## **Legal and Judicial System**

Since the founding of the modern Kingdom in 1932, and in accordance with the Basic Law of Governance, Sharia (Islamic law) has been the pillar and source of the Kingdom's basic system of Government, and is the paramount body of law in the Kingdom.

The Sharia is comprised of a collection of fundamental principles derived from a number of different sources, which include the Holy Qu'ran and the Sunnah (the witnessed sayings and actions of the Prophet Mohammed). In addition to the Sharia, Saudi Arabian law is also derived from enacted legislation that may not conflict with Sharia principles. Legislation is enacted in various forms, the most common of which are Royal Orders, Royal Decrees, Council of Ministers' resolutions, High Orders, ministerial resolutions and ministerial circulars having the force of law. All such laws and regulations are ultimately subject to, and may not conflict with, the Sharia, and each Saudi Arabian court or other adjudicatory authority is required to interpret such legislation accordingly.

Saudi Arabia follows a civil law system. Saudi Arabia's judicial system comprises the general courts, which have general jurisdiction over most civil and criminal cases, and specialised courts covering certain specific areas of law, including a system of administrative courts known as the Board of Grievances, a Specialised Criminal Court, and various adjudicatory or quasi-judicial committees with special jurisdiction over such matters as banking transactions, securities regulation, intellectual property, labour disputes, tax, electricity industry disputes and medical malpractice.

In 2007, the Government announced a restructuring of the judicial system, including the establishment of courts of appeal and a supreme court, as well as the merger of most special adjudicatory committees into the general courts, though exceptions were made for certain adjudicatory committees. The committees that are exempted from the 2007 reforms include the Banking Disputes Committee, the Committee for the Enforcement of the Banking Control Law and the Committee for Resolution of Insurance Disputes and Violations, each of which operates under the aegis of SAMA; the Committee for the Resolution of Securities Disputes, which operates under the aegis of the CMA; and the Committee for Resolution of Custom Duties Disputes.

The Board of Grievances has exclusive jurisdiction to supervise insolvency and bankruptcy proceedings relating to commercial entities and hear claims against Government bodies. Before March 2012, the Board of Grievances also had exclusive jurisdiction to consider the enforcement of foreign judgments and arbitral awards; however, with the enactment of the Enforcement Law in March 2012, this jurisdiction has been transferred to newly-created "Enforcement Departments" staffed by specialised "enforcement judges". The Enforcement Departments may, at their discretion, enforce all or any part of a foreign judgment or arbitral award, subject to certain conditions, which include compliance of such judgment or award with public policy in Saudi Arabia.

Previously the Board of Grievances' also had jurisdiction over commercial disputes. However, pursuant to circular No. T/967 issued by the Supreme Judiciary Council on 01/01/1439H (21 September 2017), jurisdiction over commercial disputes passed to the newly formed commercial courts.

### **Vision 2030**

In April 2016, the Government announced its new strategy, known as "Vision 2030", which sets forth a comprehensive agenda of socio-economic reforms with the aim of achieving fundamental economic, social and structural changes in Saudi Arabia by the year 2030. Vision 2030 is based upon three fundamental existing strengths of Saudi Arabia: (i) its importance in the Arab and Islamic world; (ii) its leading investment capabilities; and (iii) its unique strategic geographical location with the ability to connect the three continents of Asia, Europe and Africa.

The key objectives of Vision 2030 include the diversification of Saudi Arabia's economy and decreased reliance upon oil-related revenues through, among other measures, the transformation of Saudi Aramco from an oil-producing company into a global industrial conglomerate and the transformation of the Public Investment Fund (the **PIF**) into a sovereign wealth fund. The Government expects to transfer ownership of Saudi Aramco to the PIF, and the PIF will continue to assist the private sector with the establishment of capital intensive projects. In addition, Vision 2030 aims to reform Government services to increase transparency and accountability, as well as to expand the variety and scope of digital services offered by the Government in order to improve efficiency and reduce bureaucracy.

Vision 2030 focuses on three broad themes, each of which aims to capitalise on Saudi Arabia's existing strengths in its society, culture, heritage and economy. The three themes highlighted in Vision 2030 are Societal Development, Economic Reform and Effective Governance.

The Council of Ministers has delegated to the Council for Economic and Development Affairs (**CEDA**) the overall responsibility for establishing and monitoring the measures required for the effective implementation of Vision 2030, and the CEDA has in turn established an integrated governance model to implement detailed programmes to attain the desired results.

For details on the several initiatives that have already been launched, or are anticipated to be launched in connection with the implementation of Vision 2030, see "*—Implementation of Vision 2030*" below. One of the key executive programmes that was launched in June 2016 in connection with the implementation of Vision

2030 is NTP 2020, which sets forth the objectives and detailed methodology, including clearly identified goals and targets, that are sought to be achieved in connection with the implementation of Vision 2030. For details on NTP 2020, see “—*The National Transformation Programme 2020*” below. The Fiscal Balance Programme, launched in December 2016 in connection with the implementation of Vision 2030, is another key executive programme and sets forth objectives and measures aimed at achieving a balanced budget by 2020. In April 2017, CEDA, in connection with the implementation of Vision 2030, launched ten new executive programmes, which, in addition to the NTP 2020 and the Fiscal Balance Programmes, are known as the Vision 2030 realisation programmes.

### ***Implementation of Vision 2030***

The Government has already launched a number of programmes that seek generally to achieve the aims and objectives of Vision 2030, which include the following:

- *The Government Restructuring Programme:* This programme has, to date, included the consolidation of a number of existing Government ministries under two newly-formed councils, the Council for Political and Security Affairs (CPSA) and the CEDA, with the intention of promoting greater efficiency and productivity between the various branches of Government and greater coordination between the respective ministries. A restructuring of various Governmental ministries and departments has also taken place.
- *The Fiscal Balance Programme:* This programme involves reviewing Saudi Arabia’s existing capital expenditure, including the approval mechanisms relating to such expenditure, and its measurable economic impact. This programme envisages that further measures will be introduced with the aim of achieving economic diversification and fiscal consolidation. The Fiscal Balance Programme sets forth objectives and measures for the achievement of a balanced budget by 2020.
- *The National Transformation Programme:* This programme was launched by the Government in June 2016 and establishes strategic objectives that are based on Vision 2030 and addresses various challenges involved in the implementation of Vision 2030 in accordance with the specified methodology and targets. As a result of the launch of the Vision 2030 realisation programmes, the Government is re-examining the scope of the NTP 2020 in order to eliminate overlaps between the NTP 2020 and other programmes and ensure that the NTP 2020 continues to meet the overall objectives of Vision 2030. For further details in respect of NTP 2020, see “—*The National Transformation Programme 2020*” below.
- *The Regulations Review Programme:* This programme includes the review and update of several of Saudi Arabia’s existing laws and regulations, in order to ensure that they accord with Saudi Arabia’s stated goals and priorities. Such laws have included, among others, laws relating to companies, nongovernmental organisations, fees on unused land and the General Authority for Endowments.
- *Enriching the Hajj and Umrah Experience Programme:* This programme aims to increase the number of people performing Hajj and Umrah including through the development of further infrastructure to support increased participation in Hajj and Umrah.
- *Lifestyle Improvement Programme:* This programme aims to increase participation in cultural, environmental and sporting activities.
- *National Companies Promotion Programme:* This programme aims to incentivise the growth and efficiency of a number of the most promising small and medium sized national companies and to create new job opportunities.
- *National Industrial Development Logistics Programme:* This programme aims to position Saudi Arabia as a logistics hub that benefits from its location at the intersection of three continents through improving infrastructure and developing logistics services.
- *The Housing Programme:* This programme aims to facilitate increased private home ownership through the development of the residential and construction sectors.

- *Public Investment Fund Programme*: This programme envisages the refinement of the PIF's investment capabilities, enabling it to manage a broader portfolio of assets with the aim of transforming the PIF into an active sovereign wealth fund.
- *Strategic Partnerships Programme*: This programme aims to build and deepen strategic economic partnerships with selected countries that have the capacity to contribute to Vision 2030. It aims also to build partnerships in the GCC and the region by facilitating the movement of people, goods and capital.
- *Financial Sector Development Programme*: This programme aims to increase the size, depth, and development of Saudi Arabia's capital markets, improve operators and users' experiences as well as the status of Saudi Arabian capital markets regionally, with the aim of making Saudi Arabia's capital markets the primary market in the Middle East and one of the most respected markets internationally. The programme aims to help create an advanced market that attracts local and foreign investors, which enables it to take on a pivotal role in developing the national economy and diversifying sources of income.
- *Privatisation Programme*: This programme aims to identify sectors suitable for privatisation and to implement a comprehensive privatisation programme.

In addition to the programmes outlined above, each of which have already been initiated and are at various stages of implementation, the Government is proposing to launch additional programmes that are intended to assist in achieving the aims of Vision 2030. These programmes include the Saudi Aramco Strategic Transformation Programme, a programme that envisages the transformation of Saudi Aramco from an oil producing company into a global industrial conglomerate.

### **National Transformation Programme 2020**

The NTP 2020 was launched in June 2016 across 24 governmental bodies operating in the economic and development sectors. At the time of its launch, the NTP 2020 included 16 ministries (including all the ministries represented in the CEDA) as well as eight governmental organisations closely connected with the overall objectives of Vision 2030 (such as the Saudi Commission for Tourism and National Heritage (**SCTH**), the Royal Commission for Jubail and Yanbu (**RCJY**), Saudi Arabian General Investment Authority (**SAGIA**) and the King Abdulaziz City for Science and Technology, among others).

NTP 2020 seeks to identify both the strategic objectives, as well as the challenges, involved in the implementation of Vision 2030, followed by the launch of specific initiatives and the attainment of well-defined goals to be achieved by each Government entity covered by NTP 2020. At the time of its commencement, a total of 543 initiatives (with 346 targets to be achieved) were approved for launch during 2016, and the NTP 2020 anticipated that the Government would spend approximately SAR 268.4 billion (U.S.\$71.6 billion) on these initiatives through to the year 2020. As a result of the launch of the Vision 2030 realisation programmes, the Government is re-examining the scope of the NTP 2020 in order to eliminate overlaps between the NTP 2020 and other programmes and ensure that the NTP 2020 continues to meet the overall objectives of Vision 2030.

One of the key features of NTP 2020 is maximising the private sector's participation in attaining the goals of NTP 2020, thereby reducing the costs to be borne by the Government and enhancing the financial and developmental returns from NTP 2020.

The CEDA has established procedures and processes for the transparent and effective implementation of the initiatives contained in NTP 2020, including comprehensive and ongoing performance measurement mechanisms to enable the supporting agencies, such as the newly created National Centre for Performance Measurement and the Delivery Unit, to evaluate performance and recommend adjustments and corrective action where required.

### ***Saudi Arabia's Position in the International Community***

As the only Arab nation member of the Group of Twenty (also known as the G-20), an international forum for the governments of 20 major economies, and a founding member of several major international organisations, including the United Nations (UN) and OPEC, Saudi Arabia plays an important role in the global economy and

international trade and diplomatic relations. Furthermore, as a founding member of the GCC, the Muslim World League, the Organisation of Islamic Cooperation (the **OIC**) and the Islamic Development Bank (each of which is headquartered in Saudi Arabia) as well as the Arab League, Saudi Arabia has also assumed a leadership position among both Arab countries and the broader Muslim world. As the world's largest oil producer (accounting for 13.9 per cent. of the world's total oil production) and the world's largest oil exporter (accounting for 16.9 per cent. of the world's total oil exports by volume) in the year ended 31 December 2016, according to OPEC's 2017 Annual Statistical Bulletin, Saudi Arabia occupies a central position in OPEC and the world oil markets.

Saudi Arabia is also a member of the International Monetary Fund (the **IMF**), the African Development Bank Group, the Asian Infrastructure Investment Bank and the European Bank for Restructuring and Development (the **EBRD**). The EBRD's mandate has recently been expanded to invest and promote private initiatives in certain Arab countries in the Middle East and North Africa region.

Saudi Arabia joined the World Bank Group in 1957, and is one of the larger shareholders of the World Bank among its 189 member countries. In recognition of its contributions to the global economy and international development, Saudi Arabia achieved the status of a 'single-country constituency' on the World Bank's Executive Board (the **Executive Board**) in 1986. Saudi Arabia is represented at World Bank meetings by its executive director and engages in direct consultations and negotiations with other executive offices with the aim of achieving the World Bank's primary objective of reducing global poverty. From time to time, Saudi Arabia's executive director has served as the chair of the Executive Board's standing committees, and several of the past Saudi executive directors have served as dean of the Executive Board.

Saudi Arabia acceded as a member of the WTO in November 2005, as a result of which the Government has implemented various structural reforms in order to create a more liberal trade regime and business-friendly environment. In addition to the WTO, Saudi Arabia is party to a number of multilateral business and trade related agreements, including the Convention Establishing the Multilateral Investment Guarantee Agency; the Inter-Arab Investment Guarantee Corporation; the UN Guiding Principles on Business and Human Rights; and the Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Saudi Arabia is also party to a number of trade and economic agreements aimed at promoting trade and economic development, including the Arab Economic Unity Agreement; the Arab League Investment Agreement; the League of Arab States Investment and the Agreement on Promotion, Protection and Guarantee of Investments among the Member States of the OIC.

Saudi Arabia plays a key role in the international fight against terrorism. Saudi Arabia is a member and an active participant in a number of international organisations and treaties pertaining to anti-money laundering (**AML**) and combatting the financing of terrorism (**CFT**). In December 2015, the Government announced the establishment of an intergovernmental military alliance of 34 countries based at a joint command centre in Riyadh, the primary objective of which is to combat terrorist organisations, including Da'esh, in line with UN and OIC initiatives on counter-terrorism.

Saudi Arabia is also a member of the International Chamber of Commerce, the World Intellectual Property Organisation, the Greater Arab Free Trade Area, the International Organisation of Securities Commissions and the Organisation for the Prohibition of Chemical Weapons.

Saudi Arabia has entered into bilateral economic, trade and technical cooperation agreements with 36 countries, which aim to develop economic, trade and technical cooperation and to enable the free inflow of goods, capital, and services and the free movement of individuals and investment between the contracting countries. Saudi Arabia has also entered into Avoidance of Double Taxation Agreements with 34 countries.

In addition, Saudi Arabia contributes significant amounts of development aid to other countries and institutions, including through the Saudi Fund for Development (the **SFD**). The SFD extends loans and credit support for the development of a range of projects in many developing countries, particularly in Asia and Africa, with a particular focus on the social infrastructure, agriculture, energy and industry sectors.

## *Economic overview*

According to the World Bank, Saudi Arabia had the twentieth largest economy in the world and the largest economy in the GCC region in the year ended 31 December 2016. Saudi Arabia's economy accounted for 47.5 per cent. of the combined nominal GDP of the GCC countries and 20.8 per cent. of the combined nominal GDP of the countries in the MENA region in the year ended 31 December 2016.

### *GDP*

Based on preliminary figures for 2016, Saudi Arabia's real GDP (based on constant 2010 prices) was SAR 2,589.6 billion (U.S.\$690.5 billion) in the year ended 31 December 2016, representing growth of 1.7 per cent. in real terms as compared to real GDP of SAR 2,545.2 billion (U.S.\$678.7 billion) in the year ended 31 December 2015, which itself represented growth of 4.1 per cent. in real terms as compared to real GDP of SAR 2,444.8 billion (U.S.\$652.0 billion) in the year ended 31 December 2014. This growth was partly attributable to ongoing Government expenditure on large development projects, such as the expansion of the Grand Mosque in Makkah, the Riyadh Metro system and the Haramain High Speed Rail network, as well as continuous structural and regulatory reforms aimed at achieving sustainable economic growth through diversifying the production base and increasing the contribution of the non oil sector.

Based on preliminary figures for 2016, Saudi Arabia's total nominal GDP was SAR 2,424.1 billion (U.S.\$646.4 billion) in the year ended 31 December 2016, a decrease of 1.2 per cent. as compared to SAR 2,453.5 billion (U.S.\$654.3 billion) in the year ended 31 December 2015, which was a decrease of 13.5 per cent. as compared to SAR 2,836.3 billion (U.S.\$756.4 billion) in the year ended 31 December 2014. The decline in Saudi Arabia's total nominal GDP in the years ended 31 December 2016 and 31 December 2015 was principally due to a decline in the nominal GDP of the oil sector by 8.9 per cent. and 44.9 per cent. respectively, resulting from price deflation in the oil sector during these periods.

### *The Oil Sector*

According to OPEC's 2017 Annual Statistical Bulletin, Saudi Arabia possessed the world's second largest proven oil reserves (accounting for 17.8 per cent. of the world's total oil reserves) as at 31 December 2016, and was the world's largest oil producer (accounting for 13.9 per cent. of the world's total oil production) and the world's largest oil exporter (accounting for 16.9 per cent. of the world's total oil exports by volume) in the year ended 31 December 2016. At Saudi Arabia's current production levels of 10.5 million bpd on average in the year ended 31 December 2016, and without taking into consideration the discovery of additional reserves or developments in the oil production process, Saudi Arabia's oil reserves of 266.2 billion barrels will last for approximately another 70 years.

Since oil was first discovered in Saudi Arabia in 1938, Saudi Arabia's economy has expanded rapidly, principally due to the revenues generated from the export of crude oil and related products. While the oil industry has historically dominated, and continues to be the largest part of, Saudi Arabia's economy, for the past several years Saudi Arabia has also been concentrating on the diversification of its economy. These efforts have gained special importance in light of the onset in mid-2014 of the current low oil price environment.

Based on preliminary figures for 2016, the non-oil sector of the economy contributed 74.1 per cent. and 72.1 per cent. to Saudi Arabia's nominal GDP in the years ended 31 December 2016 and 2015, respectively, and grew by 0.2 per cent. and 3.2 per cent. in real terms in the same time periods, with part of such growth being attributable to growth of 0.1 per cent. and 3.4 per cent. in real terms in the non-oil private sector in the years ended 31 December 2016 and 2015, respectively.

Furthermore, the prioritisation by the Government of the non-oil private sector, which is a key element of the Government's economic diversification policy, resulted in the non-oil private sector contributing 50.6 per cent. and 49.5 per cent. to the nominal GDP of Saudi Arabia for the years ended 31 December 2016 and 2015, respectively.

The oil sector continues to constitute the largest portion of Saudi Arabia's economy. The oil sector accounted for 44.0 per cent. and 43.2 per cent. of Saudi Arabia's real GDP and 24.8 per cent. and 26.9 per cent. of Saudi

Arabia's nominal GDP in the years ended 31 December 2016 and 2015, respectively, while oil revenues accounted for 64.2 per cent. and 72.9 per cent. of total Government revenues in the fiscal years 2016 and 2015, respectively. Oil exports accounted for 74.2 per cent. of Saudi Arabia's total export earnings in the year ended 31 December 2016.

In the year ended 31 December 2016, Saudi Arabia's total crude oil production was 3,828 million barrels, compared to 3,720 million barrels, 3,545 million barrels, 3,518 million barrels and 3,573 million barrels in the years ended 31 December 2015, 2014, 2013 and 2012, respectively. In the year ended 31 December 2016, Saudi Arabia's daily average of crude oil production was 10.5 million bpd, compared to 10.2 million bpd, 9.7 million bpd, 9.6 million bpd and 9.8 million bpd in the years ended 31 December 2015, 2014, 2013 and 2012, respectively. The increase in Saudi Arabia's total crude oil production during these periods was principally due to increased demand in the international oil markets.

The following table sets forth the yearly average OPEC Reference Basket price (a weighted average of prices per barrel for petroleum blends produced by the OPEC countries) and the price per barrel of Arabian Light Crude Oil (which is one of the types of crude oil produced by SaudiAramco and constitutes part of the OPEC Reference Basket) in each of the years indicated.

	Year ended 31 December									
	2016	2015	2014	2013	2012	2011	2010	2000	1990	1980
	(U.S.\$ per barrel)									
OPEC Reference Basket price.....	40.76	49.49	96.29	105.87	109.45	107.46	77.45	27.60	22.26	28.64
Arabian Light Crude Oil price.....	40.96	49.85	97.18	106.53	110.22	107.82	77.82	26.81	20.82	28.67

As illustrated by the data above, international oil prices have fluctuated significantly over the past two decades. More recently, world oil prices have witnessed a significant decline since mid 2014, with the OPEC Reference Basket price declining from a monthly average of U.S.\$107.89 in June 2014 to a monthly average of U.S.\$26.50 in January 2016, before partially recovering to a monthly average of U.S.\$ 64.47 in December 2017.

The current sustained decline in global oil prices can be attributed to a number of factors, including, but not limited to, a decline in demand for oil and natural gas due to a worsening of global economic conditions, the increase in oil production by other producers (including by reason of improvements in oil extraction technologies) and competition from alternative energy sources.

Until mid 2014, rising oil prices and production resulted in large external and fiscal surpluses for over a decade and, as a result, Saudi Arabia's public debt steadily decreased during that period. Accumulated fiscal surpluses enabled the Government to reduce its public debt by 93.5 per cent. from SAR 685.2 billion (U.S.\$182.7 billion) in 2002 to SAR 44.3 billion (U.S.\$11.8 billion) in 2014. As a consequence, Saudi Arabia's debt to GDP ratio decreased from 96.4 per cent. of nominal GDP in 2003 to 1.6 per cent. of nominal GDP in the year ended 31 December 2014, one of the lowest of any country in the world. However, given the significant contribution of the oil sector to Saudi Arabia's economy, the significant decline in global oil prices since mid 2014 has resulted in substantially lower oil exports by value and therefore lower Government revenues.

In the fiscal year 2014, the Government recorded a budget deficit equivalent to 2.3 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2014. In the fiscal year 2015, this increased to a budget deficit equivalent to 14.9 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2015. This increased budget deficit was principally due to a significant decline in the value of Saudi Arabia's exports, and therefore lower Government revenues, as a result of the sustained decline in global oil prices since mid 2014. In the fiscal year 2016, the budget deficit decreased to SAR 311.1 billion (U.S.\$83.0 billion), equivalent to 12.8 per cent. of Saudi Arabia's nominal GDP for the year ended 31 December 2016. Notwithstanding the recent budget deficits, the Government is able to rely on its significant financial reserves accumulated as a result of the fiscal surpluses in the years prior to the recent oil price decline. As at 31 December 2016, the Government's reserve assets amounted to SAR 2,009.2 billion (U.S.\$535.8 billion), a decrease of 13.1 per cent. from SAR 2,311.6 billion (U.S.\$616.4 billion) as at 31 December 2015, which itself was a decrease of 15.8 per cent. from SAR 2,746.3 billion (U.S.\$732.4 billion) as at 31 December 2014. This decrease in reserve assets was primarily attributable to utilising reserve assets to assist with financing the fiscal deficit resulting from the decline in foreign currency inflows in the years ended 31 December 2015 and 2016, which was attributable to the decline in the price of oil since mid 2014.



## ***Inflation***

The inflation rate in Saudi Arabia was 3.5 per cent. in the year ended 31 December 2016, compared to 2.2 per cent., 2.7 per cent., 3.5 per cent. and 2.9 per cent. in the years ended 31 December 2015, 2014, 2013 and 2012, respectively. The following table sets forth the cost of living index (the **COL Index**) and the percentage change, year-on-year, of consumer prices in Saudi Arabia for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	<b>Year ended 31 December</b>				
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
COL Index <sup>(1)</sup> .....	137.6	132.9	130.1	126.7	122.4
COL Index Inflation (%) .....	3.5	2.2	2.7	3.5	2.9

Source: GASTAT

Note:

(1) COL index based on 2007=100

The COL index in Saudi Arabia comprises 12 groups. The three groups with the largest weighting in the COL index are: (i) food and beverages (21.7 per cent. of total weight); (ii) housing, water, electricity and gas (20.5 per cent.); and (iii) transport (10.4 per cent.), which showed inflation levels of 0.6 per cent., 7.3 per cent. and 10.0 per cent., respectively, in the year ended 31 December 2016, compared to 1.7 per cent., 3.4 per cent. and 1.3 per cent., respectively, in the year ended 31 December 2015 and 3.3 per cent., 3.4 per cent. and minus 0.5 per cent., respectively, in the year ended 31 December 2014. Given its weight in the COL Index, inflation in the housing, water, electricity and gas group was the biggest overall contributor to the increase in the overall COL Index in 2016, 2015 and 2014.

## ***Population and demographics***

The population of Saudi Arabia is estimated by GASTAT to be 32.6 million as at 31 July 2017, representing growth of 2.6 per cent. as compared to 31.8 million as at 31 July 2016. Saudi nationals comprised 20.4 million, or 62.6 per cent. of the total population, and non-Saudi nationals comprised 12.2 million, or 37.4 per cent. of the total population as at 31 July 2017. Saudi Arabia has a young population, with over half of Saudi nationals being under the age of 30 and 30.4 per cent. under the age of 15. The following table sets forth Saudi Arabia's population estimates as at 31 July 2017, 2016, 2015, 2014 and 2013, respectively.

	<b>As at 31 July</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Saudi nationals .....	20,427,357	20,081,582	20,774,906	20,437,797	20,076,358]
<i>Male</i> .....	10,404,282	10,231,364	10,571,443	10,404,751	10,225,700
<i>Female</i> .....	10,023,075	9,850,218	10,203,463	10,033,046	9,850,658
Non-Saudi nationals .....	12,185,284	11,705,998	10,241,093	9,862,878	9,525,171
<i>Male</i> .....	8,341,564	8,028,355	7,080,706	6,875,129	6,664,129
<i>Female</i> .....	3,843,720	3,677,643	3,160,387	2,987,749	2,861,042
<b>Total population</b> .....	<b>32,612,641</b>	<b>31,787,580</b>	<b>31,015,999</b>	<b>30,300,675</b>	<b>29,601,529</b>
<b>Population growth (annual %)</b> .....	<b>2.6</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>

Source: GASTAT

The non-Saudi portion of Saudi Arabia's total population comprises expatriates from neighbouring states as well as significant numbers of expatriates from Asia (mostly from India, Pakistan, Bangladesh, Indonesia, and the Philippines), Europe, the Americas and other countries around the world. The official language of Saudi Arabia is Arabic, although English is widely spoken.

## ***Employment***

As at 31 December 2016, the total labour force in Saudi Arabia was 13.6 million, of which 11.3 million, or 83.6 per cent., were male and 2.2 million, or 16.4 per cent., were female. Saudi nationals in the age group from 25 to 39 years constituted 55.8 per cent. of the Saudi labour force as at 31 March 2017.

The overall unemployment rate in Saudi Arabia (with respect to all nationalities) as at 31 December 2016 was 5.6 per cent., comprising an unemployment rate of 2.6 per cent. among males and 21.3 per cent. among females. The overall unemployment rate for Saudi nationals as at 31 December 2016 was 12.3 per cent., comprising an unemployment rate of 5.9 per cent. among Saudi males and 34.5 per cent. among Saudi females.

In light of the Government's objective to better accommodate Saudi nationals in the work force, and in particular to encourage them to join the private sector, the Government has supported a number of initiatives to achieve these results, and towards this end the Ministry of Labour and Social Development has implemented the Saudi nationalisation scheme, or "Saudisation". Saudisation is intended to promote the employment of Saudi nationals in the private sector, which has traditionally been dominated by expatriate workers from Asia, Europe and other Arab countries. Current Saudisation requirements vary significantly depending on the relevant sector and the size of the employer. For example, entities engaging in wholesale and retail activities are required to maintain a Saudisation level of 10 to 25 per cent., depending on the size of the employer, whereas entities engaging in construction activities are required to maintain a Saudisation level of 5 to 7 per cent., depending on the size of the employer.

### *Interest rate development*

The three-month Saudi Arabia Inter-Bank Offer Rate (**SIBOR**) increased steadily during 2015 and this trend continued in the first ten months of 2016, with three-month average SIBOR reaching 2.4 per cent. as at 31 October 2016. The increase in SIBOR was largely attributable to certain macroeconomic developments, including the decline in global oil prices and a decrease in bank deposits as a result of domestic investment in bonds issued by the Government during this period. As a result of the increasing SIBOR, SAMA took several measures to ease liquidity conditions, including relaxing the loan-to-deposit ratio applicable to banks in Saudi Arabia from 85.0 per cent. to 90.0 per cent. in February 2016 and placing deposits in the banking system in June and October 2016. These measures, together with the various measures implemented by SAMA, significantly eased liquidity conditions and the SIBOR rate has been decreasing steadily since 31 October 2016, reaching 1.87 per cent. as at 31 December 2017.

The reverse repo rate was increased by SAMA in December 2015 from 25 basis points to 50 basis points, as a response to an increase in interest rates in the United States by the U.S. Federal Reserve, and was further increased by SAMA from 50 basis points to 75 basis points in December 2016, from 75 basis points to 100 basis points in March 2017 and from 100 basis points to 125 basis points in June 2017, as a response to recent developments in domestic and international financial markets. The following table sets forth the monthly average SIBOR, repo rate and reverse repo rate for the six months ended 30 June 2017 and for each of the years ended 31 December 2016, 2015, 2014, 2013 and 2012, respectively.

	Six months ended 30		Year ended 31 December			
	June		2015	2014	2013	2012
	2017	2016				
SIBOR (three-month average).....	1.7500	2.0662	0.8797	0.9358	0.9532	0.9163
Repo rate.....	2.0000	2.0000	2.0000	2.0000	2.0000	2.0000
Reverse repo rate.....	1.2500	0.7500	0.5000	0.2500	0.2500	0.2500

Source: SAMA

In order to allow for further transparency and reliability in the method of calculation of SIBOR, on 21 November 2016, SAMA announced the appointment of Thomson Reuters as the benchmark administrator and calculation agent for SIBOR. SAMA announced that a panel of banks will contribute initially to SIBOR, which will then be calculated and administered by Thomson Reuters based on documented methodology and procedures aligned with the International Organisation of Securities Commission Principles for Financial Benchmarks.

### *Stock market*

On 19 March 2007, the Council of Ministers approved the formation of the Saudi Arabian Stock Exchange (the **Tadawul**). According to data published by the World Federation of Exchanges as at 30 June 2017, the Tadawul is the largest stock exchange in the MENA region in terms of market capitalisation, and is also one of the most diversified, with its listed companies covering a range of sectors, including petrochemicals, retail, financial services, construction and telecommunications, providing potential investors with investment opportunities in a wide variety of sectors.

The following table sets forth various stock market indicators in respect of Tadawul for each of the years ended 31 December 2017, 2016, 2015, 2014 and 2013, respectively.

	Year ended 31 December				
	2017	2016	2015	2014	2013
	(SAR billions, unless indicated)				
Number of shares traded (millions).....	43,297	67,729	65,920	70,118	52,306
Value of shares traded.....	836.27	1,157	1,661	2,147	1,370
Market capitalisation.....	1691	1,682	1,579	1,813	1,753
Number of executed transactions (thousands).....	21,895	27,274	30,444	35,761	28,968
Tadawul All-Share Index.....	7,226.32	7,210.4	6,912	8,333	8,536

Source: SAMA, Tadawul

According to data published by Tadawul, as at 31 December 2017, 179 companies were listed on the Tadawul with a total market capitalisation of SAR 1,691 billion (U.S.\$451 billion) an increase of 0.5 per cent. compared to a total market capitalisation of SAR 1,682 billion (U.S.\$449 billion) as at 31 December 2016, which was an increase of 6.5 per cent. from a total market capitalisation of SAR 1,579 billion (U.S.\$422 billion) as at 31 December 2015. As at 31 December 2017, the Tadawul All-Share Index stood at 7,226 an increase of 0.2 per cent. from 7,210 as at 31 December 2016, which was an increase of 4.3 per cent. from 6,912 as at 31 December 2015.

### Credit rating

Saudi Arabia has been assigned credit ratings by Moody's Investors Service Limited (**Moody's**) and Fitch Ratings Limited (**Fitch**). Standard & Poor's Credit Market Services Europe Limited (**S&P**) also assigns a credit rating to Saudi Arabia on an unsolicited basis. The following table sets forth the credit rating assigned to Saudi Arabia by each of these rating agencies:

	Moody's	Fitch	S&P (unsolicited)
Long-term foreign currency.....	A1	A+	A-
Outlook.....	Stable	Stable	Stable

The current credit ratings assigned to Saudi Arabia by Moody's and Fitch are a result of a downgrade by each of these credit ratings agencies of Saudi Arabia's ratings from, in the case of Moody's, Aa3 to the current A1 in May 2016 and, in the case of Fitch, from AA- to the current A+ in March 2017. Furthermore, in February 2016, S&P, which rates Saudi Arabia on an unsolicited basis, cut Saudi Arabia's foreign and local currency credit ratings by two levels from A+/A-1 (Negative) to A-/A-2 (Stable). For each of the rating downgrades mentioned above, the relevant ratings agency cited a fall in oil prices having led to a material deterioration in Saudi Arabia's credit profile and the expectation of an increased Government budget deficit.

Each of Fitch, Moody's and S&P is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch, Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

### Foreign investment

The Saudi Arabian Foreign Investment Law requires all foreign investment in the Kingdom to be licensed by the Saudi Arabian General Investment Authority (**SAGIA**). Except for those areas expressly excluded by a list (referred to as the "negative list") issued by the Supreme Economic Council in accordance with Article 3 of the Saudi Arabian Foreign Investment Law, foreign investment is permitted in all investment activities. The negative list is regularly updated. As part of its effort to attract foreign investment, the Kingdom acceded to the WTO in December 2005. SAGIA has the jurisdiction to license foreign investment in the Kingdom, in addition to the licensing of particular types of investment which are entrusted to other agencies (for example, power generation and health care). Minimum investment thresholds for foreign investors may be amended by SAGIA from time to time. Currently, the minimum investment thresholds for obtaining foreign investment licences are set as follows: (i) SAR 25 million for agricultural projects; (ii) SAR 30 million for real estate projects; (iii) SAR 26.6 million for trade projects; and (iv) SAR 500,000 for general services. The major sectors attracting foreign investment in the Kingdom have been the construction and contracting, real estate and petrochemicals sectors.

In June 2016, SAGIA announced new regulations permitting 100 per cent. foreign ownership in the wholesale and retail sector for businesses that produce and retail their own products. The new rules, which were approved by the Council of Ministers in June 2016, create an exception to the current 75 per cent. cap on foreign ownership across several industry segments in the Kingdom, and are intended to encourage new entrants to Saudi wholesale and retail market, as well as to create additional training and technology transfer opportunities

In a move aimed at attracting foreign investment and further strengthening the Kingdom's capital markets, in June 2015, the CMA published regulations allowing Qualified Foreign Investors (**QFIs**) to directly invest in shares listed on the Tadawul in accordance with the applicable regulations. Furthermore, in August 2016, the CMA approved certain revisions to the existing regulations relating to participation by QFIs, which became effective in September 2016. These revisions are intended to further encourage participation by foreign investors by expanding the definition of a 'qualified foreign institution' and relaxing certain ownership thresholds and limits. It is anticipated that the opening of the Tadawul to foreign investors will support increased participation by institutional investors and thereby reduce market volatility as well as encourage Saudi companies listed on the Tadawul to adopt international best practices and benefit from the input of sophisticated foreign institutions.

## OVERVIEW OF THE REAL ESTATE SECTOR IN THE KINGDOM

*The information in this section has been derived from a number of different identified sources. The Trustee and Dar Al-Arkan confirm that such information has been accurately reproduced and that, so far as they are aware, and are able to ascertain from the information published by each of the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

### **Overview**

The Saudi real estate sector has grown steadily in recent years, benefiting from growing demand for residential and commercial properties as a result of the increasing population, changing demographics, the growing hotel and tourism industry and higher personal disposable income.

The population of Saudi Arabia is estimated by GASTAT to be 32.6 million as at 31 July 2017, representing growth of 2.6 per cent. as compared to 31.8 million as at 31 July 2016. Saudi nationals comprised 20.4 million, or 62.6 per cent. of the total population, and non-Saudi nationals comprised 12.2 million, or 37.4 per cent. of the total population as at 31 July 2017. Saudi Arabia has a young population, with over half of Saudi nationals being under the age of 30 and 30.4 per cent. under the age of 15. The population of the Kingdom will continue to grow at a rate of 2 per cent. per annum according to the IMF. The World Bank estimates that Kingdom's population will reach 35.5 million by 2025 and approximately 43.2 million by 2050. Overall, the total housing demand is estimated to reach 3.3 million units by 2027.

Together with the population increase, the Kingdom has undergone rapid urbanisation in recent decades and over 80 per cent. of the total population of the Kingdom currently lives in cities, with approximately half the population being concentrated in the six largest cities of Riyadh, Jeddah, Makkah, Medina, Ta'if and Dammam.

The real estate sector in Saudi Arabia, including the housing market, which is a large part of the real estate sector, is driven by a strong and growing economy as well as favourable demographic fundamentals. Despite the significant decline in oil prices since mid 2014, continued growth in other sectors of the economy is likely to drive continued growth in real estate development.

Saudi Arabia currently faces a shortage in the housing sector, particularly in the low to mid income levels. Estimates based on applications to the Ministry of Housing and the REDF indicate that the shortage of affordable housing for Saudi citizens is approximately 1.47 million homes. The reasons for the constraints in the housing market include the high cost of land in certain urban areas (in Riyadh, for example, land can constitute as much as 50 per cent. of the cost of a housing unit) as well as challenges faced by potential buyers, particularly private sector workers who are viewed as higher risk borrowers, in obtaining mortgages. In February 2016, SAMA increased the limit on real estate financing from 70 per cent. to 85 per cent. of the value of a home (effectively reducing the minimum required down payment on a home from 30 per cent. to 15 per cent.), on the basis that the previous requirement had resulted in a market slowdown and was prohibitive to many low- to middle-income Saudi nationals. In January 2017, SAMA allowed lenders to implement the change to the real estate financing limit.

### **Development of the housing and real estate sector**

As a result of the current housing shortage in the Kingdom, one of the key objectives of the Government is to develop the housing and real estate sector. The key real estate objectives of NTP 2020 (see "*Overview of the Kingdom*") are to (i) double the contribution of real estate activity to the Kingdom's economy to 10 per cent. by 2020, averaging out at a 7 per cent. annual growth; (ii) increase the percentage of Saudi families owning homes from 47 per cent. to 52 per cent. by 2020; (iii) increase the percentage of real estate financing to non-oil GDP from 8 per cent. to 15 per cent. by 2020; and (iv) reduce the waiting period for obtaining home financing from 15 years to 5 years by 2020. The NTP 2020 also aims to strengthen the Government's partnership with the private sector in order to address the housing supply shortage in the Kingdom.

The REDF has launched several financing programmes to help Saudi nationals own homes, including the Additional Financing Programme, the Accelerated Loan Programme and the Dhamin Programme. The

Additional Financing Programme allows private banks to collaborate with the REDF to provide additional financing to Saudi nationals that have been approved for the REDF loan. The Accelerated Loan Programme allows private banks to issue home loans to applicants on the REDF's waiting list at fixed and competitive profit rates, with REDF subsequently repaying the loan and allowing the customer to repay REDF over a specified period of time. The Dhamin Programme provides buyers with an additional source of financing by allowing REDF to guarantee the financing provided by banks to prospective home owners. In January 2017, Saudi Arabia's Ministry of Housing has launched the first phase of its "*My House*" initiative that will be given to nationals depending on income level and the number of family members. The program will also include nearly 280,000 residential and funding products for the allocation and delivery in all regions of the Kingdom. In addition, 75,000 residential lands will be made ready for construction as well as 85,000 with costs to be subsidized by the Government in partnership with the Real Estate Development Fund, banks and financial institutions. According to the SAMA Report, total outstanding loans disbursed by the REDF amounted to SAR 157.7 billion (U.S.\$ 42.11 billion) at the end of 2016. During 2016, REDF provided loans in an amount of SAR 11.8 billion.

The Government has plans to convert the REDF into a bank, with such conversion expected to take place by the end of 2018. The conversion of the REDF into a bank is expected to positively impact the growth of the housing market.

The Ministry of Housing has launched several initiatives focused on Saudi Arabia's housing sector, including the Wafi Programme, the Housing Public Private Partnership Programme and the Ejar Programme. The Wafi Programme assists individuals in the purchase of off plan houses while providing real estate developers with financing solutions. The Housing Public Private Partnership Programme establishes partnerships between the Government and local as well as international real estate developers with the aim of increasing the housing capacity in the Kingdom and enhancing its quality. The Ejar Programme establishes an online platform which is linked to SAMA's SADAD system and which is intended to protect the rights of all parties in a rental relationship (i.e., lessor, lessee and broker).

Another recent development in the housing sector is the establishment of Bidaya Home Finance, a real estate financing company established in 2015 and licensed by SAMA that offers a number of home financing products to middle-income home buyers across the Kingdom. Bidaya enables home ownership by requiring its clients to make a down payment of only 15 per cent. of the purchase price of the relevant property while the remaining amount is financed by Bidaya at a modest rate of profit. Bidaya is sponsored by the Public Investment Fund, which holds 22 per cent. of its shares, as well as the Islamic Corporation for the Development of the Private Sector, which holds 22.66 per cent. of its shares, along with other organisations committed to the enablement of home ownership.

The establishment of the Saudi Real Estate Refinance Company (**SREFC**), a company owned by the Public Investment Fund, pursuant to the Real Estate Financing Law (see the section below entitled "*Real Estate Laws and Regulation*") is expected to boost the real estate sector by refinancing residential mortgages up to an amount of SAR 75 billion over the next 5 years. It is expected that the SREFC will provide mortgage originating institutions with short, medium and long-term lending solutions and also purchase finance lease portfolios from these institutions in order to fund its operations and future growth.

Other Government initiatives expected to boost the real estate sector include the establishment of the "*Etmam*" e-portal in 2017, a Saudi company owned by the Ministry of Housing, which will be used to facilitate the obtaining of approvals for project planning thereby expediting the planning permission process and improving the execution of development process.

### ***Real Estate Laws and Regulation***

Until 2012, there had been no specific laws governing the provision of home finance in the Kingdom. On 2 July 2012, the Saudi Council of Ministers enacted five laws which together are intended to create the new Real Estate and Financing Law. These five laws are (i) the Real Estate Financing Law; (ii) the Financial Leasing Law; (iii) the Supervision of Finance Companies Law; (iv) the Execution Law; and (v) the Registered Real Estate Mortgage Law. The five laws provide a framework for companies to provide financing, including but not

limited to, real estate finance, general leasing finance and consumer finance under the Islamic principles of Shari'ah. SAMA published the implementing regulations of three of these laws, the Real Estate Financing Law; the Financial Leasing Law; the Supervision of Finance Companies Law; and the Execution Law. The implementing regulations in respect of the Registered Real Estate Mortgage Law is yet to be published.

The Real Estate Financing Law gives SAMA responsibility for the supervision of the real estate financing practice in the Kingdom. The Real Estate Financing Law requires a real estate financing company to obtain a special license from SAMA permitting it to engage only in real estate financing activities. According to the Supervision of Finance Companies Law, a real estate financing company may not engage in other types of financing activities.

The Real Estate Financing Law also allows real estate financing companies to refinance their finance obligations through a securitization in accordance with the Capital Market Law.

The Financial Leasing Law regulates the financial leasing market in the Kingdom. It deals with moveable and immovable assets which are the subject of finance leases and the registration of such leased assets. It also outlines the responsibilities of the lessor and the lessee in a Shari'ah compliant manner.

The Supervision of Finance Companies Law regulates finance companies in the Kingdom. It provides that a finance company must be in the form of a joint stock company and that a certain percentage of the finance company must be offered through a public offering after two financial years. SAMA will also be responsible for determining the maximum foreign ownership allowance in the finance company.

The Execution Law gives power to execution judges to enforce judgments and supervise such enforcements. Specifically, execution judges are responsible for enforcing judicial resolutions issued by the competent courts, judicial authorities, arbitration tribunal, as well as, judgments and arbitration awards issued outside the Kingdom. Execution judges also have authority under the Execution Law to seek police support in relation to enforcement. The Execution Law provides for the method for enforcement of attachments and for the sale of assets through auctions or other methods depending on the type of asset.

Prior to the implementation of the Execution Law, the process for enforcing security was reserved for the municipalities, or the "*Imarah*", of the cities, which had the power to enforce judgments through ordering the police or any of the other relevant executive authorities to enforce judgments. It remains to be seen whether judges will allow the foreclosure of properties pursuant to the Execution Law, although if judges are to allow foreclosure, the procedure would need to be compliant with Shari'ah principles.

The Registered Real Estate Mortgage Law requires the registration of real estate mortgages and provides that pledged assets be fully described in the mortgage contract to avoid uncertainty or the risk of fraud. The law gives the right to a mortgagee to apply to the courts to prevent any matters that may reduce the value of the collateral, while finance providers are given the right to request further security should the value of the collateral fall below the debt value as a result of the fault of the borrower. A mortgagee is also permitted transfer its mortgage to a third party. Given that the implementing regulations in respect of the Registered Real Estate Mortgage Law have not yet been published, there is uncertainty over the impact of the law on the real estate and mortgage industries in the Kingdom.

These new laws were introduced to positively impact the home financing market in the Kingdom, particularly among the middle-income market segment, increasing access to, and the availability of, home financing options.

According to SAMA, real estate lending by banks grew at a rate of 23.5 per cent. per annum for the 3 years prior to the year ended 31 December 2013, and 19.1 per cent. per annum for the 3 years following the year ended 31 December 2013 until 30 September 2016. Growth in outstanding loans was 16.6 per cent. per annum for the 3 years prior to the year ended 31 December 2013 for REDF, while annual growth was 11.0 per cent. for the period following the year ended 31 December 2013 until 31 March 2016.

### ***White Land Tax***

On 13 June 2016, the Council of Ministers approved a tax on vacant land in various municipalities across the Kingdom, which was implemented in March 2017. This tax, along with a tax on high-end properties, is intended to discourage investment in land solely for capital appreciation purposes and speculative buying of land. It is intended that the new law will encourage expenditure on low-income and middle-income housing and increase residential development. At a rate of 2.5 per cent., the ‘white land’ tax will be applied in stages to undeveloped land plots of over 10,000 square metres, located within master planned developments in areas specified by the Ministry of Housing. The Ministry of Housing is responsible for valuing the land and collecting the tax, in addition to imposing fines. Land valuation is based on factors including location, zone, surface condition, applicable building requirements, access to utilities and general neighbouring services. The application of the white land tax to serviced urban land is expected to address the supply side concerns by increasing the availability of land for development which otherwise would be lying vacant for speculative purposes

### ***Off-Plan Sales Regulations***

In January 2016, the Ministry of Commerce and Investment issued a new set of regulations permitting the sale of off-plan units, although strict measures shall apply to the sale of off-plan units. For example, down payments will not be permitted to exceed 20 per cent. of the unit’s value and must be made by cheque or bank transfer into escrow accounts, which can be accessed and monitored by authorities. The issuance of these new regulations is expected to increase off-plan sales significantly by the end of 2018 and will reduce execution risk to developers, increase developers’ profitability and reduce capital outlay. Dar Al-Arkan intends to proceed with the off-plan sales of units in the Shams Ar-Riyadh and Shams Al Arous developments during 2018, provided the pre-sale activities can achieve 40– 50 per cent. of off-plan sales. These off-plan sales will help Dar Al-Arkan to utilise less internal cash to finance projects hence increasing its profitability.



## BUSINESS

Dar Al-Arkan is a leading real estate developer in the Kingdom and is involved in all major aspects of real estate development, including sourcing and purchasing land, overseeing the design and construction of developments and sales and marketing. Dar Al-Arkan is a joint stock company registered in Riyadh. Dar Al-Arkan was initially incorporated as a limited liability company on 18 July 2000 and converted to a Joint Stock Company in 2005 under Ministerial decree number 1021 dated 17 July 2005 with commercial registration number 1010160195. The shares of Dar Al-Arkan are listed on the Tadawul All Share Index of the Saudi Stock Exchange. Dar Al-Arkan's registered office is PO Box 105633, Riyadh, 11656, Saudi Arabia and its telephone number is +966(11) 206 9888. In addition to its head office in Riyadh, Dar Al-Arkan has three branch offices located in Makkah, Jeddah and Madinah.

Dar Al-Arkan currently operates in three strategic business segments, as follows:

- **Real Estate Development:** comprising (i) land development projects, which focuses on the planning and developing of basic infrastructure for residential and commercial use on undeveloped land and (ii) residential and commercial projects, which focuses on the development and sale of residential and commercial properties.
- **Property Management:** focuses on the management of Dar Al-Arkan's investment properties.
- **Real Estate Development Related Investments:** focuses on minority investments in companies that are complementary to Dar Al-Arkan's real estate development operations.

As of the date of this Base Prospectus, the real estate development (comprising land development projects and residential and commercial projects) business segment currently accounts for the significant majority of Dar Al-Arkan's business.

During the year ended 31 December 2017, revenue from land development projects, which for accounting and financial reporting purposes is accounted for as sales of land, accounted for SAR 4.56 billion (U.S.\$ 1.22 billion), or 96.41 per cent. of Dar Al Arkan's total revenue, compared to SAR 1.73 billion (U.S.\$460.53 million), or 92.22 per cent. of revenue, in the year ended 31 December 2016. During the year ended 31 December 2017, there was no significant revenue from the sale of commercial properties, although revenue from residential projects (which, for accounting and financial reporting purposes is accounted for as sales of residential properties) accounted for SAR 21.43 million (U.S.\$ 5.72 million), or 0.45 per cent. of Dar Al Arkan's total revenue. There was no significant revenue from the sale of residential or commercial projects in the year ended 31 December 2016. Revenue from property management which, for accounting and financial reporting purposes, is accounted for as leasing of properties accounted for SAR 149.86 million (U.S.\$ 40.02 million), or 3.17 per cent. of Dar Al Arkan's total revenue in the year ended 31 December 2017, compared to SAR 145.55 million (U.S.\$38.87 million), or 7.78 per cent. of revenue, in the year ended 31 December 2016. There were no significant revenue from real estate development related investments in the years ended 31 December 2016 or 2017.

Dar Al-Arkan's business is evolving from buying and selling raw land to the planning and developing of master communities. Dar Al-Arkan's current business model aims to diversify its business away from a near-exclusive reliance on real estate development in the Kingdom, towards developing an asset base that will generate steady rental streams in each of its business segments in the future, as well as focusing on international real estate development, with the launch of its first real estate development project in Dubai announced in December 2017 and the opening of its sales offices in Dubai and Sarajevo in June 2017 and September 2017, respectively.

The table below shows Dar Al-Arkan's revenue, gross profit and net income for each of the years ended 31 December 2015, 2016 and 2017.

	<b>31 December (Audited)</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>(SAR thousand)</i>		
<b>Revenue</b> .....	2,211,349	1,870,229	4,734,682
<b>Gross Profit</b> .....	983,232	791,943	1,114,010
<b>Net Income</b> .....	359,157	250,834	553,368

## **History and development**

Below is a summary of the key stages of Dar Al-Arkan's development:

### ***Stage I (1994 to 1999)***

Dar Al-Arkan was formed in 1994 by members of the following six prominent business families in the Kingdom: (i) Al Shelash; (ii) Al Hethloul; (iii) Al Roumi; (iv) Al Jarallah; (v) Al Kasem; and (vi) Al Babteen. Dar Al-Arkan primarily operated in the Central region of the Kingdom during its initial years of operations. During this period Dar Al-Arkan began to monitor market dynamics, develop business processes and conduct market research. Dar Al-Arkan's operations during this period primarily consisted of purchasing large plots of undeveloped land and planning and developing basic infrastructure for residential and commercial use, such as water, sewage, electricity and other utilities, as well as paved streets and sidewalks. Dar Al-Arkan then typically sold the developed land to third party investors or developers. The development and sale of residential units was limited during this period.

### ***Stage II (2000 to 2006)***

During this period, Dar Al-Arkan's business began to expand to the Western and Eastern regions of the Kingdom. In addition to developing basic infrastructure on undeveloped land to sell to third parties, there was a gradual shift toward developing and selling residential units, particularly for the middle-income segment of the market. Dar Al-Arkan was also incorporated as a limited liability company during this period, formally being incorporated as a limited liability company on 18 July 2000. While initially Dar Al-Arkan had a capital base of SAR 140 million (U.S.\$37 million) Dar Al-Arkan increased its capital to SAR 5.40 billion (U.S.\$1.44 billion) through a private placement in the Saudi domestic market and converted to a Joint Stock Company in 2005 under Ministerial decree number 1021 dated 17 July 2005.

By 2005, Dar Al-Arkan operated in all three of the major regions of the Kingdom (i.e. Eastern, Western and Central), although it continued to expand operations relating to the development and sale of residential units. In 2006, Dar Al-Arkan significantly increased the scope of its projects when it began developing Al-Qasr, its first Master-Planned Community.

### ***Stage III (2007 to 2010)***

During this period, Dar Al-Arkan continued to expand the scope of its development operations, in particular, by developing master-planned communities. In 2007, Dar Al-Arkan began development of the Shams Ar-Riyadh project, its second Master-Planned Community and in 2009; Dar Al-Arkan announced the Shams Al-Arous project, its third Master-Planned Community.

In December 2007, Dar Al-Arkan listed its ordinary shares on the Tadawul All Share Index of the Saudi Stock Exchange, and its founding shareholders offered the equivalent of 11.01 per cent. of Dar Al-Arkan's then outstanding shares to the public through an initial public offering of Dar Al-Arkan's ordinary shares in the Kingdom. Dar Al-Arkan increased its capital again in October 2008 and July 2009 by issuing to its shareholders 180 million and 360 million bonus shares of par value of SAR 10 each, respectively. To fund the growth of its operations, Dar Al-Arkan began to access the domestic and international capital markets. Dar Al-Arkan raised funds through three offerings of sukuk, two international offerings in 2007 for U.S.\$600 million and U.S.\$1 billion, and one domestic offering in May 2009 for SAR 750 million (U.S.\$200 million).

#### *Stage IV (2010 to 2017)*

As a result of the negative impact of the international credit crisis on the global financial markets and the resultant deterioration in the global economic outlook, which led to a general reduction in liquidity and available financing, Dar Al-Arkan prioritised building its cash reserves in order to ensure that it had sufficient funds available to meet its financial commitments as they fell due.

During this period, Dar Al-Arkan repaid four international and one local offering of sukuk, a SAR 2.25 billion (U.S.\$600 million) international sukuk which matured in March 2010, a SAR 3.75 billion (U.S.\$1 billion) international sukuk which matured in July 2012, a SAR 750 million (U.S.\$200 million) local sukuk which matured in April 2014, a U.S.\$450 million international sukuk which matured in February 2015 and a U.S.\$300 million international sukuk which matured in November 2016. The repayment of these sukuk has helped Dar Al-Arkan to substantially reduce its debt-to-equity ratio. As of 31 December 2017, Dar Al-Arkan's debt-to-equity ratio stood at 34.16 per cent. compared to 28.69 per cent. at 31 December 2016 and Dar Al-Arkan had a cash balance of SAR 3,160 million (U.S.\$843.70 million).

Dar Al-Arkan has also prioritised the completion of its existing projects. In 2010, Dar Al-Arkan completed phase one of Al-Tilal project, a project built on an area of 165,000 square metres, consisting of 499 residential villas, of which 220 were sold and the balance retained as investment properties to provide rental income. While in 2012, Dar Al-Arkan completed Al-Qasr, its first Master-Planned Community. Al-Qasr has a built up area of approximately 1.2 million square metres, which includes approximately 20,000 square metres of leasable office space and 56,000 square metres of leasable retail space. Al-Qasr was designed to accommodate approximately 13,000 people and comprises approximately 3,051 residential units (254 villas and 2,797 apartments). Al-Qasr also includes various public service and commercial facilities, including mosques, public parks, green belts, schools and entertainment and retail facilities. Dar Al-Arkan has retained 2,416 apartments and 66 villas and 77,506 square metres of commercial space as investment properties and as of 31 December 2017, 45 per cent. of the investment properties have been rented.

In June 2012, Dar Al-Arkan opened Al-Qasr Mall, one of the largest malls in Riyadh, with a built-up area of 230,312 square metres and 499 units across four floors and parking capacity for more than 1,800 cars. Al-Qasr Mall includes a children's amusement zone, a food court and the largest exterior lighting façade in the Middle East. A number of high profile international and regional retailers have leased retail space in Al-Qasr Mall including Carrefour, Landmark Group, Al Shaya and SACO. Dar Al-Arkan has retained Al-Qasr Mall as a leasable asset as part of its investment properties portfolio and, as of 31 December 2017, the leasing ratio (being the ratio of leased area divided by net leasable area) of Al-Qasr Mall was 79 per cent.

On 27 April 2014, Dar Al-Arkan announced a new master-planned community project in the Eastern Province located between Dammam and RasTanura (the **Juman Project**). The Juman Project is intended to be an integrated community project, providing residential units, together with public service and commercial facilities, hotels, educational institutions and retail areas and will be developed on a total land area of approximately 8.2 million square metres, of which 1.5 million square metres is owned by Dar Al-Arkan. Dar Al-Arkan will act as the master developer of the project, undertaking the master planning and infrastructure development. The Juman Project is in its preliminary stages, with the planning and design of the project ongoing and land surveys and market studies being conducted.

#### *Stage V (2017 to date)*

While continuing to focus on real estate development in the Kingdom, rebranding and launching the Parisiana South, Parisiana Living, Parisana Boulevard and Naeem Al-Jiwar projects in the Kingdom, Dar Al-Arkan launched its first international real estate development project in December 2017, with the launch of the I Love Florence Tower, comprising bespoke apartments with luxury interiors designed by Roberto Cavalli on the Dubai Canal, United Arab Emirates, as part of its international growth strategy.

## **Dar Al-Arkan's business segments**

### ***Real estate development***

Dar Al-Arkan's Real Estate Development business segment comprises (i) land development projects and (ii) residential and commercial projects.

### ***Land development projects***

Dar Al-Arkan's land development projects involve the purchase of undeveloped land and the planning and development of basic infrastructure for residential and commercial use. Once this basic infrastructure has been completed, Dar Al-Arkan either sells the developed land to third party investors or to developers, develops a Residential and Commercial Project on the developed land, or develops a Residential and Commercial Project on a portion of the developed land and retains the remaining portion to sell once its value has appreciated due to the completion of the relevant Residential and Commercial Project.

The Qasr Khozam land development project, which commenced in 2011, is being developed pursuant to a joint venture agreement between Dar Al-Arkan (51 per cent.) and the Jeddah Development and Urban Regeneration Company (49 per cent.), a wholly-owned subsidiary of the municipal government of Jeddah. The total estimated cost of the Qasr Khozam land development project is approximately SAR 12 billion (U.S.\$3.2 billion). For a further discussion of the Qasr Khozam land development project, see the section below entitled "*Projects under Development - Land Development Projects - Qasr Khozam*".

As of 31 December 2017, Dar Al-Arkan's land bank consisted of SAR 11.15 billion (U.S.\$2.98 billion) of undeveloped land and land under development and SAR 0.85 billion (U.S.\$0.23 billion) of developed land, all of which was valued on its balance sheet at cost. Dar Al-Arkan's land bank is geographically diversified within the Kingdom. As at 31 December 2017, the majority of Dar Al-Arkan land bank (approximately 67 per cent. of the total land bank) was located in Jeddah, with approximately 8 per cent. of the total land bank located in Riyadh, 25 per cent. of the total land bank located in Makkah and the remaining land in Madinah and the Eastern Regions.

Management continuously reviews Dar Al-Arkan's inventory of undeveloped land and land under development and sells plots that it considers non-core to Dar Al-Arkan's real estate development operations. For a further discussion of Dar Al-Arkan's current land bank, see the section below entitled "*Current Development Projects – Land Bank*".

### ***Residential and commercial projects***

Dar Al-Arkan's residential and commercial projects are targeted towards the diversified income segment of the population in the Kingdom. Historically, these projects related primarily to the development and sale of residential units and Dar Al-Arkan has completed and delivered approximately 15,000 residential units and 500,000 square metres of commercial space since incorporation.

In 2006, Dar Al-Arkan significantly increased the scope of its residential and commercial projects when it began the development of Al-Qasr, its first Master-Planned Community, which was completed in 2012. In addition to various types of residential villas and apartments, Dar Al-Arkan's Master Planned Communities include commercial facilities (for example shopping centres and restaurants), public service facilities (for example parks, mosques and schools) and office buildings. Management expects that Dar Al-Arkan's future residential and commercial projects will most likely be master-planned communities.

In 2017, Dar-Al-Arkan refurbished the interior and exterior of its residential units forming part of the Al Qasr and Al Tilal projects, which were subsequently relaunched under the new brands Parisiana and Naeem Al Jiwar, respectively.

As of 31 December 2017, Dar Al-Arkan is developing three residential and commercial projects, with the development of two master-planned communities with Shams Ar-Riyadh, located in Riyadh and Juman Project, located in the Eastern Province between Dammam and Ras Tanura and one other residential tower named I Love Florence in Dubai, United Arab Emirates.

Phase 1 of the master-planned communities have an aggregate estimated cost of SAR 3.8 billion (U.S.\$1.0 billion) and cover approximately 11.4 million square metres of land. The master-planned communities are expected to include significant number of residential units, which will be either developed directly by Dar Al-Arkan or by Sub-Developers. Dar Al-Arkan expects to retain and lease a portion of these residential units, with the remainder to be offered for sale. For a further discussion of these projects, see the section below entitled “*Completed Projects and Projects under Development*”.

### ***Property management***

The Property Management business comprises the management of Dar Al-Arkan’s investment properties, which, as of 31 December 2017, had a book value of SAR 3.29 billion U.S.\$ 0.88 billion), compared to SAR 3.42 billion U.S.\$ 0.91 billion as of 31 December 2016. Once Dar Al-Arkan has completed residential and commercial projects, it may retain certain commercial and residential units as rental properties. By retaining such units, management intends to build an income-generating portfolio of rental properties, with the goal of establishing a steady revenue stream from rental income and fees received from management operations and maintenance of residential and commercial buildings and to enable Dar Al-Arkan to benefit from any potential appreciation in the value of such properties.

Dar Al-Arkan and its consolidated subsidiaries legally and beneficially own a geographically and functionally diverse range of properties within the Kingdom, which include villas, townhouses, apartments, offices, shopping malls, supermarkets and retail facilities. For further discussion of rental properties on Dar Al-Arkan’s projects, see the section below entitled “*Dar Al-Arkan’s Business Segments – Land Development Projects – Residential and Commercial Projects*”.

### ***Real estate development related investments***

Dar Al-Arkan makes strategic investments in companies that management believes are complementary to Dar Al-Arkan’s real estate development operations. Companies in which Dar Al-Arkan has made strategic investments include Saudi Home Loans Company, a home financing provider in the Kingdom, Alkhair Capital Saudi Arabia, regulated by the CMA which provides investment banking and other financial services in the Kingdom and the United Arab Emirates, and Khozam Real Estate Development Company, which owns the Qasr Khozam land development project. As of 31 December 2017, Dar Al-Arkan had made strategic investments in companies that ranged between 15 per cent. and 51 per cent. of the investee’s share capital and accumulated share of profits totalled SAR 811.19 million (U.S.\$ 216.60 million). The following is a summary of Dar Al-Arkan’s key strategic minority investments as at the date of this Base Prospectus:

#### ***Saudi Home Loans Company***

Saudi Home Loans Company was formed on 4 April 2007 pursuant to a shareholders’ agreement between Arab National Bank, Dar Al-Arkan, Kingdom Installment Company, certain founding shareholders of Dar Al-Arkan, and the International Finance Corporation. As of 31 December 2017, equity ownership of Saudi Home Loans Company is currently divided as follows: Arab National Bank (40 per cent.), Kingdom Installment Company (40 per cent.), Dar Al-Arkan (15per cent.) and the International Finance Corporation (5 per cent.).

Saudi Home Loans Company provides mortgage financing to home buyers in the Kingdom, primarily to the middle to lower income segment of the market. All of Saudi Home Loans Company’s financing products are structured to comply with Sharia guidelines. Saudi Home Loans Company finances the purchase of homes developed by Dar Al-Arkan’s by purchasing the homes directly from Dar Al-Arkan on behalf of individuals who sign lease-to-own contracts with Saudi Home Loans Company. Saudi Home Loan Company leases the homes to such individuals and these individuals take ownership of the homes upon expiration of the lease term if they have satisfied all of their obligations under the lease to own contract.

#### ***Alkhair Capital Saudi Arabia***

Alkhair Capital Saudi Arabia (**Alkhair**) (previously known as Unicorn Capital Saudi Arabia) is licensed by the CMA to deal as principal and agent (except for the implementation of marginal deals), underwriting, management, arrangement and financial advisory services in the Kingdom and the United Arab Emirates. It is a

closed Joint Stock Company, registered in Riyadh under commercial registration No.1010264915 dated 27/3/1430H (corresponding to 3/24/2009G), with its headquarters in Riyadh. As at 31 December 2017, Dar Al-Arkan owned 34 per cent. of the issued share capital of Alkhair.

#### ***Khozam Real Estate Development Company***

Khozam Real Estate Development Company was established exclusively for the development of Qasr Khozam land development project, and is a joint venture between Jeddah Development and Urban Regeneration Company, and Dar Al-Arkan. Khozam Real Estate Development Company is registered in Jeddah under Commercial Registration No. 4030193909 dated 25/10/1430H, (corresponding to 14/10/2009G), and is established as a limited liability company with headquarters based in Jeddah. Its share capital is SAR 540 million (U.S.\$144 million). By virtue of the joint venture agreement between Dar Al-Arkan and Jeddah Development and Urban Regeneration Company, 51 per cent. of Khozam Real Estate Development Company's share capital was issued to Dar Al-Arkan against a cash contribution by Dar Al-Arkan of SAR 275 million (U.S.\$73 million) and the remaining 49 per cent. of the share capital was issued to the Jeddah Development and Urban Regeneration Company against a land contribution valued at SAR 265 million (U.S.\$71 million).

#### ***Eastern Juman Company***

Eastern Juman Company was established for the development of the Juam project located between Dammam and Ras Tanura. The company is registered in Riyadh under Commercial Registration No. 1010462791 dated 15/10/1437H, (corresponding to 20/07/2016G), and is established as a limited company with headquarters based in Riyadh. Its share capital is SAR 8.2 million (U.S.\$2.19 million). By virtue of the Articles of the Association of the company, on incorporation, 18.29 per cent. of its share capital was issued to Dar Al-Arkan against a cash contribution by Dar Al-Arkan of SAR 1.5 million (U.S.\$0.40million). and the remaining 81.71 per cent. was issued to nine other shareholders against a cash contribution amounting to SAR 6.7 million (U.S.\$1.79 million).

#### **Competitive strengths**

Management believes that Dar Al-Arkan has a number of competitive strengths, including:

##### ***Ability to develop large scale projects such as master-planned communities***

Management believes that Dar Al-Arkan is one of the few real estate developers in the Kingdom with the financial resources, capacity and expertise (both in-house and through its strategic alliances with companies such as Saudi Home Loans Company and Khozam Real Estate Development Company) to undertake and execute large scale residential and commercial projects in the Kingdom. In addition, management believes that Dar Al-Arkan's experience in developing projects in the Kingdom, including the development and completion of Al-Qasr in 2012, has provided Dar Al-Arkan with experience in obtaining the required regulatory approvals for such developments. Management believes that the economies of scale afforded by large scale projects, such as master-planned communities, permits Dar Al-Arkan to offer quality housing at more affordable prices than its competitors. Management also believes that Dar Al-Arkan's ability to provide attractive prices combined with the quality and convenience of life provided by Dar Al-Arkan's master-planned communities, provides Dar Al-Arkan with an advantage over its competitors in addressing the demand for housing among the diversified income segment of the Kingdom's housing market.

##### ***Strong reputation for delivering quality affordable housing***

Management believes that Dar Al-Arkan was the first major private real estate developer to target the middle-income segment of the Kingdom's housing market on a large scale, and that Dar Al-Arkan has a strong reputation among the middle-income segment of the housing market as a company that delivers quality homes at affordable prices. Since incorporation, Dar Al-Arkan completed and delivered approximately 15,000 residential units. In addition, the management believes that Dar Al-Arkan's reputation in the Kingdom among land owners and real estate brokers provides Dar Al-Arkan with opportunities to acquire land that may not be available to other real estate developers in the Kingdom. Management believes Dar Al-Arkan's reputation among customers, land owners and real estate brokers provides Dar Al-Arkan an advantage over its competitors in addressing the demand for housing among the diversified income segments of the Kingdom's housing market.

### ***Substantial land bank consisting of developed land, undeveloped land and land under development***

Dar Al-Arkan has a substantial land bank consisting of developed and undeveloped plots. Management believes that Dar Al-Arkan's land bank allows it to take advantage of market opportunities to develop and sell projects with greater efficiency than competitors that need to source and acquire land first before developing a project.

As of 31 December 2017, Dar Al-Arkan's land bank consisted of SAR 11.15 billion (U.S.\$2.98 billion) of undeveloped land and land under development and SAR 0.85 billion (U.S.\$0.23 billion) of developed land, all of which was valued on its balance sheet at cost. Dar Al-Arkan's land bank is geographically diversified within the Kingdom. As at 31 December 2017, the majority of Dar Al-Arkan land bank (approximately 67 per cent. of the total land bank) was located in Jeddah, with approximately 8 per cent. of the total land bank located in Riyadh, 25 per cent. of the total land bank located in Makkah and the remaining land in Madinah and the Eastern Regions

### ***Prudent financial policy***

Dar Al-Arkan adopts a prudent financial policy, prioritising the building of cash reserves, where necessary, in order to ensure that it has sufficient funds available to meet its financial commitments as they fall due. As at 31 December 2017 Dar Al-Arkan had a cash balance of SAR 3,159.67 million (U.S.\$843.70 million).

### ***Experienced management team***

Dar Al-Arkan's senior management has significant experience in both the real estate development industry and their respective areas of specialty. Dar Al-Arkan's Managing Director, Abdullatif Abdullah Al Shelash, has been with Dar Al-Arkan since it was founded and has over 20 years of experience in the real estate development industry in the Kingdom. He leads a team of professionals heading development and construction, project management and sales and marketing. Dar Al-Arkan's Chief Executive Officer, Mr. Ziad El Chaar, has over 24 years of experience in the real estate development and operation sectors and, prior to joining Dar Al-Arkan, held key corporate positions in the real estate development sector including Executive Director and Managing Director of DAMAC Properties in Dubai, United Arab Emirates, and Chief Executive Officer of Fattal Holding Group, in Beirut, Lebanon.

### ***Access to the international and domestic capital markets***

The real estate development industry is capital intensive by its nature. In addition, "off-plan" and "pre-finished" sales of homes are not common practice in the Kingdom, which makes access to financing even more essential in the Kingdom's real estate development industry. As of 31 December 2017, Dar Al-Arkan had three sukuk outstanding, a U.S.\$450 million international U.S. dollar-denominated sukuk due 2018, a U.S.\$400 million international U.S. dollar-denominated sukuk due 2019 and a U.S.\$500 million international U.S. dollar-denominated sukuk due 2022.

These offerings, together with five previous sukuk offerings of U.S.\$600 million, U.S.\$1 billion, SAR 750 million (U.S.\$200 million), U.S.\$450 million sukuk and U.S.\$300 million which were redeemed at maturity by Dar Al-Arkan in March 2010, July 2012, April 2014, February 2015 and November 2016 respectively, are the only sukuk offerings to date by a real estate developer in the Kingdom. In addition, in December 2007, Dar Al-Arkan listed its shares on the Saudi Stock Exchange (Tadawul).

### ***Strong future growth prospects in the Kingdom***

Dar Al-Arkan believes that it is strategically positioned to benefit from the Government's recent initiatives to develop the housing and real estate sector. As a result of the current housing shortage in the Kingdom, one of the key objectives of the Government is to develop the housing and real estate sector. The key real estate related objectives of NTP 2020 (see "*Overview of the Kingdom – National Transformation Programme 2020* ") are to (i) double the contribution of real estate activity to the Kingdom's economy to 10 per cent. by 2020, averaging out at a 7 per cent. annual growth; (ii) increase the percentage of Saudi families owning homes from 47 per cent. to 52 per cent. by 2020; (iii) increase the percentage of real estate financing to non-oil GDP from 8 per cent. to 15 per cent. by 2020; and (iv) reduce the waiting period for obtaining home financing from 15 years to 5 years by 2020.

The following are some of the key Government initiatives expected to boost the real estate sector and in turn benefit Dar Al-Arkan's business and future growth prospects:

#### *Off-plan sales*

In January 2016, the Ministry of Commerce and Investment issued a new set of regulations permitting the sale of off-plan units. The issuance of these new regulations is expected to increase off-plan sales significantly by the end of 2018 and will reduce execution risk to developers, increase developers' profitability and reduce capital outlay. Dar Al-Arkan intends to proceed with the off-plan sales of units in the Shams Ar-Riyadh developments during 2018. These off-plan sales will help Dar Al-Arkan to utilize less internal cash to finance projects hence increasing its profitability.

#### *Etmam*

The Ministry of Housing has launched the "Etmam" e-portal to develop the real estate sector and facilitate its procedures. The e-portal is aimed at creating an attractive opportunity to increase the volume of investments in the sector from within and outside the Kingdom in a manner that will accelerate the pace of work in housing projects. The e-portal will provide a number of services, notably receiving applications for the approval of initial housing plans, with a view to speeding up the provision of all necessary services including issuance of construction permits, accomplishment certificates, on-the-map sales, exemption requests, land division approvals, labour visas and approval and revision of development plans.

#### *REDF funding cost subsidy*

In January 2017, the Ministry of Housing launched the first phase of its "My House" initiative that will be given to nationals depending on income level and the number of family members. The program includes nearly 280,000 residential and funding products for the allocation and delivery in all regions of Kingdom. Pursuant to the initiative, 75,000 residential lands will be made ready for construction as well as 85,000 with funding support with costs to be subsidized by the Government in partnership with the REDF, banks and financial institutions.

REDF provides funding cost subsidies up to an amount of SAR 500,000 to eligible REDF applicants. Dar Al-Arkan expects to benefit from these eligible REDF applicants as the company intends to market their residential units to such applicants.

#### *Saudi Real Estate Financing Company*

The establishment of the SREFC, a company owned by the Public Investment Fund, pursuant to the Real Estate Financing Law is expected to boost the real estate sector by refinancing residential mortgages up to an amount of SAR 75 billion over the next 5 years. It is expected that the SREFC will provide mortgage originating institutions with short, medium and long-term lending solutions and also purchase finance lease portfolios from these institutions in order to fund its operations and future growth. As a real estate developer, Dar Al-Arkan will indirectly benefit from the increase in mortgage activity as a result of SREFC's initiatives.

#### *Loan-to-value ratio*

In February 2016, SAMA increased the limit on real estate financing from 70 per cent. to 85 per cent. of the value of a home (effectively reducing the minimum required down payment on a home from 30 per cent. to 15 per cent.), on the basis that the previous requirement had resulted in a market slowdown and was prohibitive to many low- to middle-income Saudi nationals. In January 2018, SAMA further increased the limit on real estate financing from 85 per cent. to 90 per cent. for first time home buyers. The increase in the loan-to-value is expected to encourage mortgage financing which could benefit the real estate sector. Dar Al-Arkan will be a direct beneficiary of increased availability of mortgages.

### **Business strategy**

Management's strategy is to maintain its leadership position in the real estate development industry in the Kingdom by focusing on its core competencies, land development projects and residential and commercial



projects, and by expanding its business operations to include property management and investment in businesses which complement Dar Al-Arkan's real estate development operations. This strategy is aimed at diversifying Dar Al-Arkan's business activities in order to develop both fixed and variable sources of income generated by each of its three business segments.

The following is a summary of key aspects of Dar Al-Arkan's business strategy:

***Increase revenues from master-planned community projects***

Dar Al-Arkan is currently developing three master-planned communities: Shams Ar-Riyadh, located in Riyadh; Qasr Khozam, located in Jeddah and the Juman Project located in the Eastern Province between Dammam and Ras Tanura. The first phases of Shams Ar Riyadh, Qasr Khozam and the Juman Project are expected to be completed in 2020, 2020 and 2021 respectively. Management expects revenue from residential and commercial projects to increase over time as units in these projects become available for sale. Management believes that competitive prices combined with the quality and convenience of life provided by master-planned communities will allow Dar Al-Arkan to address the demand for quality affordable housing in the Kingdom. Continuing development of residential and commercial projects will allow Dar Al-Arkan to balance its revenue generation in line with its overall strategy to diversify the composition of its revenue sources.

***Continue to provide affordable quality housing***

Demographic trends in the Kingdom, including a young and growing population and decreasing average household sizes, are expected to create demand in the Kingdom for approximately 3 million new homes by the end of 2025, according to the Saudi Arabian Ministry of Housing. In addition, the middle class in the Kingdom is expected to grow as a proportion of the overall population due to Government initiatives such as the establishment of new universities and regulations that require companies in the Kingdom to employ a certain number of citizens of the Kingdom. Since incorporation Dar Al-Arkan completed and delivered approximately 15,000 residential units. Dar Al-Arkan intends to continue to focus its residential and commercial projects on addressing demand for housing among the middle-income segment of the market, in particular through the development of its master-planned communities.

***Expanding the business through property rental and property management services***

Dar Al-Arkan acquires and retains certain commercial and residential units in its master-planned communities as rental properties (see the section above entitled "*Dar Al-Arkan's Business Segments – Land Development Projects – Residential and Commercial Projects*"). By retaining such units, management intends to build an income-generating portfolio of rental properties, with the goal of establishing a steady revenue stream from rental income, management operation, maintenance of residential and commercial buildings and public facilities and to enable Dar Al-Arkan to benefit from any appreciation in the value of such properties over time.

For the year ended 31 December 2017, revenue generated by property management accounted for SAR 149.86 million (U.S.\$ 40.02 million) representing 3.17 per cent. of Dar Al Arakan's total revenue for the period, showing an increase compared to SAR 145.55 million (U.S.\$ 38.87 million) representing 7.78 per cent. of Dar Al Arakan's total revenue and SAR 136.09 million (U.S.\$ 36.34 million), representing 6.15 per cent. of Dar Al Arakan's total revenue generated during the years ended 31 December 2016 and 2015 respectively. Management expects the revenue from Leasing Properties to increase over time as Dar Al-Arkan continues to build its portfolio of income-generating rental properties.

***Continue to make strategic minority investments in businesses complementing real estate development operations***

Dar Al-Arkan makes, and intends to continue to make, strategic investments in companies that the management believes are complementary to Dar Al-Arkan's real estate development operations. Companies in which Dar Al-Arkan has made strategic investments include Saudi Home Loans Company, a leading home financing provider in the Kingdom, Alkhair Capital Saudi Arabia, regulated by CMA which provides investment banking and other financial services in the Kingdom and Khozam Real Estate Development Company, which owns the Qasr Khozam land development project.

### ***Continue its international expansion***

As part of its international growth strategy, Dar Al-Arkan opened sales offices in Duai and Sarajevo in June 2017 and September 2017, respectively. Dar Al-Arkan also launched its first international real estate development project in December 2017, with the launch of the I Love Florence Tower, a development of bespoke apartments with luxury interiors designed by Roberto Cavalli on the Dubai Canal, United Arab Emirates. Dar Al-Arkan intends to continue to utilise its real estate development expertise to undertake further international real estate development projects. Dar Al-Arkan's decision to commence operations in a particular country will be based on numerous factors, including economic and political stability at that time, the state of development of that particular country (favouring emerging economies where greater returns can be realised), the level of competition in the country and the macro-economic conditions of the country.

### ***Enhancing Shareholder Value***

In order to enhance the shareholder value, Dar Al-Arkan is currently exploring the possibility of selling a 30 per cent. stake in its subsidiary, Dar Al-Arkan Properties (Real Estate) Company, which undertakes property management and leasing services, to the public through an initial public offering. Advisors in connection with the potential initial public offering were appointed in January 2018. Any potential initial public offering would be subject to the receipt of relevant legal and regulatory approvals.

### ***Project development process***

Dar Al-Arkan applies quality management systems in its project development process and was the first real estate development company in the Kingdom to obtain an ISO 9001 Certification for quality management systems.

The development cycle for a land development project is typically between one and two years. Depending on the size, the development cycle for a Residential and Commercial Project ranges between three and seven years. master-planned communities generally have development cycles at the high end of this range. For large residential and commercial projects such as master-planned communities, Dar Al-Arkan typically divides development into separate phases. In initial phases, a limited number of residential units are constructed. In later phases, larger numbers of residential units are constructed as well as public facilities, commercial and office superstructures. For each phase, Dar Al-Arkan enters into separate sets of agreements with contractors, which, among other things, allows it to assess construction costs at the time of development. At the end of each phase, completed units are sold and/or leased. On a typical Residential and Commercial Project multiple phases in different stages of development are implemented simultaneously.

Phased development allows Dar Al-Arkan to retain the flexibility to speed up or slow down the development of a project based on market conditions, and to avoid carrying a large inventory of unsold and/or unleased units in the event of unexpected market declines. In addition, phased development enables Dar Al-Arkan to adapt construction of each phase to meet changes in demand for different types, styles and sizes of units that may occur due to changes in consumer preferences or other related factors. Phased development also limits the amount of capital that Dar Al-Arkan must commit to a single project during a particular period of time. In addition, phased development allows Dar Al-Arkan to use revenues from the sale or rental of units in an earlier phase to help fund the development of later phases.

### ***Stages of project development***

Dar Al-Arkan divides the project development process into six separate stages. Each of these stages are described in further detail below:

#### ***Stage one—land sourcing and acquisition***

Land sourcing is a critical part of the first stage in the development process. Dar Al-Arkan sources land either through solicitations or its own market research. Dar Al-Arkan regularly receives invitations to purchase undeveloped land from land owners and real estate brokers. Management analyses each invitation to ascertain the suitability of the land for development, including a review of key considerations such as the location and

size of the land parcel. Dar Al-Arkan also conducts extensive market research to identify areas within the Kingdom which could benefit from its development projects, particularly its master-planned communities. Once identified, Dar Al-Arkan searches for appropriate land parcels for development.

Dar Al-Arkan's land acquisition process involves extensive due diligence and feasibility analysis. The process is overseen by Dar Al-Arkan's senior management. Due diligence involves a number of steps to verify that the land available is suitable for development. These steps include a review of land deeds, a review of government and public institution publications related to the area, investigative and interrogative interviews with municipalities, local notary publics and reputable master planners, and site inspection by Dar Al-Arkan's senior management. Feasibility analysis involves a number of considerations to determine the potential profitability of the land, including topography and its location within a particular municipality or neighbourhood, as well as previous offers for undeveloped and developed land in the area. If a decision is made to acquire the land then Dar Al-Arkan conducts negotiations with the vendor to acquire it.

#### *Stage two—project planning*

The creation of a master plan is the first part of the second stage in the development process. Preparation of the master plan is done in co-operation with third party planning and real estate consultants and is overseen by Dar Al-Arkan's business planning and engineering department along with its senior management. The master plan relates to site improvements necessary for the undeveloped land to be zoned for residential and commercial purposes. The master plan will typically allocate approximately 10 per cent. of the land for basic infrastructure, such as water, sewage, electricity and other utilities, as well as paved streets and sidewalks. The master plan must ultimately be approved by the local municipal government. To obtain such approval, the master plan must also allocate a minimum of 33 per cent. of the land to accommodate public facilities, such as roads, schools, police stations and mosques. Once a master plan is created, a budget and schedule is prepared for the project. Next, a detailed design for the project is created in co-operation with third party design consultants and is overseen by Dar Al-Arkan's engineering department and its senior management.

#### *Stage three—site development*

The site development stage primarily involves site clearance, design, lay-out and other land planning activities. Dar Al-Arkan does not directly engage in any construction of its projects, including construction relating to site development. Site development construction is contracted to third parties through an open tender process. For further discussion of the process involved in selecting contractors see the section below entitled “— *Contracting and Sub-Contracting*”.

#### *Stage four—land development*

The land development stage involves construction of basic infrastructure relating to residential and commercial use, such as water, sewage, electricity and other utilities, as well as paved streets and sidewalks. Dar Al-Arkan ensures that the basic infrastructure is adequate to allow the land to be zoned for its intended use. As in the site development stage, the actual construction is contracted to third parties through an open tender process. Dar Al-Arkan oversees all aspects of the land development stage, including the application of materials and technology used in the construction.

At the end of this stage, Dar Al-Arkan owns developed land plots and decides to either:

- sell the developed land to third party investors or developers;
- develop a Residential and Commercial Project on the developed land; or
- develop a Residential and Commercial Project on a portion of the developed land and attempt to sell the remaining portion once its value has appreciated due to the completion of the Residential and Commercial Project.

These decisions vary on a project by project basis and are based on several factors relating to potential profitability, including market conditions and the topography and location of the land. These decisions are made by senior management with contributions and oversight from Dar Al-Arkan's development department, the

Executive Committee of Dar Al-Arkan's Board of Directors, as well as project consultants. In line with its revenue mix strategy, Dar Al-Arkan continues to identify land plots for developing its residential and commercial projects.

It typically takes between one and two years for Dar Al-Arkan to complete a land development project. The project timeline depends on the size of the site and its topography, as well as other requirements, mainly relating to the relevant soil characteristics.

#### *Stage five—superstructure*

If developed land is allocated for residential and commercial projects, Dar Al-Arkan undertakes to develop the appropriate superstructures for villas and apartments. In master-planned communities, apartment buildings may contain commercial space on the ground floor. Dar Al-Arkan also typically develops parks and mosques on its master-planned communities, although for other public facilities (e.g., schools and police stations), Dar Al-Arkan allocates the land and the relevant municipal government is responsible for the development of those structures. With respect to developed land allocated for standalone commercial and office buildings, Dar Al-Arkan makes a business decision on a project-by-project basis about which buildings it will retain as rental properties. Where Dar Al-Arkan intends to retain a building as a rental property, it will undertake to construct the building. Where Dar Al-Arkan does not intend to retain a building as a rental property, it will sell the developed land to another developer who will undertake to construct the building.

The superstructure stage includes developing a design and construction plan with an architectural firm. The design and construction of superstructures is contracted to third parties through an open tender process. Dar Al-Arkan and the architectural firm each oversee the construction of superstructures. Any deviations from the original designs or plans must be approved by Dar Al-Arkan and the architectural firm. Continuous application of advanced engineering techniques, project management and control systems reduce costs and enable the project to be completed within allocated time and budget. At the conclusion of this stage, Dar Al-Arkan owns semi-developed buildings.

#### *Stage six—finishing*

The final stage relates to finishing work on the semi-developed buildings, which includes cladding, ceramic and woodwork, mechanical and electrical work, plastering and painting, and internal and external decorative work. At the end of this stage Dar Al-Arkan owns fully developed and finished buildings.

#### ***Contracting and sub-contracting***

Dar Al-Arkan contracts with third parties for much of the work related to the development of its projects, which involves awarding and managing work performed by several contractors and sub-contractors. These third parties include companies that perform site clearance and the construction of basic infrastructure relating to water, sewage, electricity and other utilities, as well as paved streets and sidewalks. Dar Al-Arkan also contracts with architecture firms and construction companies to design and build superstructures on its projects, as well as with contractors to perform other work related to superstructures, such as cladding, ceramic, wood, mechanical, electrical, plumbing, plastering, painting and decorative work.

Dar Al-Arkan has, with the assistance of project consultants, developed an in-house rating system to ascertain the expertise and qualifications of contractors in its database. Dar Al-Arkan has developed this database by inviting the majority of the contractors operating in the Kingdom to submit to Dar Al-Arkan's internal rating system and become part of the database. Criteria relating to the internal rating system include: financial review, previous projects undertaken and completed, feedback from previous clients and site visits.

Dar Al-Arkan invites all contractors meeting a certain threshold pursuant to its internal rating systems to bid for providing services on a project-by-project basis. Bids are assessed by Dar Al-Arkan's bid committee (made up of representatives from the risk management, internal audit and engineering departments) and senior management, with assistance from project consultants. Preliminary recommendations are then made to the Executive Committee, which makes final decisions on awarding of contracts. Dar Al-Arkan seeks to award contracts to multiple contractors for each project to avoid concentration of risk.

Dar Al-Arkan's agreements with contractors typically specify a fixed price to be paid to the contractor and a schedule for the completion of their work. Under the agreements, contractors are responsible for obtaining and paying for all labour, materials and equipment necessary to complete their work. Contractors are also required to purchase and maintain insurance related to the project while under development and their work on the project. In certain instances, price adjustments during the term of the contract are permitted in the event that the costs of construction materials increases significantly, however any such price increase must be based upon evidence of the cost increase provided by the contractor to Dar Al-Arkan and the amount of any such price increase must be agreed to by Dar Al-Arkan. In addition, price adjustments may occur during the term of an agreement in the event that Dar Al-Arkan materially increases the scope of the work required from the contractor.

### ***Raw materials***

Contractors and subcontractors that work on Dar Al-Arkan's development projects are directly responsible for sourcing and purchasing construction materials related to their work on the development projects.

However, the availability and price of construction materials to contractors and subcontractors impacts the ultimate contract price. For further discussion regarding the availability and fluctuation of prices of construction materials see the section entitled "*Risk Factors—The total estimated costs of Dar Al-Arkan's development projects may be subject to unanticipated increases*".

### ***Municipal governments***

The primary regulators that Dar Al-Arkan interacts with in developing its projects are the municipal governments where the projects are located. Dar Al-Arkan must obtain approvals from such municipalities at various stages during the development of its projects.

Before development of a project can begin, Dar Al-Arkan must submit the master plan to the relevant municipality for approval. The master plan sets forth site improvements necessary for the undeveloped land to be zoned for residential and commercial purposes. In order to receive the municipality's approval, a minimum of 33 per cent. of the land must be allocated to accommodate public facilities, such as schools, police stations, mosques and roads. Municipalities also require that the master plan meet certain other requirements, such as providing for roads that are wide enough to accommodate anticipated traffic on the project.

Once the master plan is approved, Dar Al-Arkan must submit to the relevant municipality a detailed plan relating to the project's infrastructure. Municipalities require the infrastructure plan to provide for enough sewage, water and electricity to accommodate the total built-up area of the project, the expected number of inhabitants and the number of commercial and residential units. The infrastructure plan is reviewed by various departments within the relevant municipality before it is approved. When the infrastructure plan is approved, Dar Al-Arkan is issued a final approval certificate from the municipality and it is permitted to commence construction of the project's infrastructure.

To construct residential and commercial units, Dar Al-Arkan must receive a construction permit from the relevant municipality. To obtain this permit, Dar Al-Arkan submits a plan to the relevant municipality showing the plan for each building. The plan for each building must meet standards set by the relevant municipality, which, among other things, require a building to be built on only a certain percentage of the land allocated for that building. Once the relevant municipality grants the construction permit, Dar Al-Arkan is permitted to commence construction of the residential and commercial units.

Upon the completion of residential and commercial units in accordance with the plans that were approved by the relevant municipality, Dar Al-Arkan is issued building completion certificates from the municipality which allows Dar Al-Arkan to sell or lease the units.

## **Marketing and sales**

### ***Marketing and sales of land development projects***

Dar Al-Arkan sells its land development projects to a wide variety of participants in the real estate market, including high-net worth individuals, institutional investors, corporates and small to medium sized real estate developers. Dar Al-Arkan typically sells its land development projects in one of three ways:

- through its own sales teams based in Dar Al-Arkan's branch offices;
- through local real estate agents/brokers (such agents/brokers are compensated directly by the buyer); or
- through public auctions held on-site, which are actively pre-marketed (extensive analysis is performed to determine the potential profitability of an auction before this manner is chosen).

Dar Al-Arkan sells land development projects pursuant to a standard form sales contract, under which it delivers title to the developed land in exchange for the agreed purchase price. Once a contract is signed and title is delivered to a buyer, Dar Al-Arkan has no further obligations with respect to the developed land. Dar Al-Arkan directly extends credit to certain buyers that management deems credit worthy. In such cases, Dar Al-Arkan typically receives a deposit of approximately 20 per cent. at the time the sales contract is signed, and the balance is paid in instalments over a period that is generally no longer than three months. As of 31 December 2017, there had never been a payment default with respect to such credit sales.

### ***Marketing and sales of residential and commercial projects***

There are three stages during which Dar Al-Arkan may opt to market and sell units on a Residential and Commercial Project to the end buyer:

- After Stage Four (Land Development) in the project development cycle described above, in which case such units are referred to as being sold "off-plan"; or
- After Stage Five (Superstructure) in the project development cycle described above (when approximately 75 per cent. of the relevant residential unit has been completed), in which case such units are referred to as being sold "pre-finished"; or
- After completion of Stage Six (Finishing), in which case such units are referred to as being sold "finished".

Dar Al-Arkan's senior management, together with the Executive Committee of its board of directors, determines the portion of residential and commercial projects to be marketed and sold during the three stages identified above.

Dar Al-Arkan has historically marketed and sold substantially all of the units on its residential and commercial projects during the "finished" stage. "Off-plan" and "pre-finished" home sales are not common in the Kingdom. However, as the Kingdom's housing market matures and becomes more familiar with the concept of master-planned communities, management expects that more residential units will be marketed and sold during the off-plan and pre-finished stages. With the recent implementation of the mortgage law, management expects the Shams Ar-Riyadh Master-Planned Community to be the first Residential and Commercial Project of Dar Al-Arkan to be marketed and sold during the pre-finished stages.

Dar Al-Arkan sells the majority of units in its residential and commercial projects through sales offices set up on-site and designed to cater to walk-in clients or leads obtained via Dar Al-Arkan's central call centre. In 2017, Dar Al-Arkan launched an e-sales centre to allow its customers to purchase residential units more easily. Dar Al-Arkan also opened sales offices in Dubai and Sarajevo in June 2017 and September 2017, respectively, as part of its increased focus on international real estate development.

All prospective customers are handled by a sales team responsible for operating and managing the on-site sales offices and compensated on a salary/commission basis. Such sales are facilitated by heavy marketing campaigns undertaken by Dar Al-Arkan for each Residential and Commercial Project via various media channels, including

television, newspaper and magazine advertisements, the internet and billboards throughout the Kingdom. Additionally, Dar Al-Arkan sells a small number of residential and commercial projects through real estate agencies.

Dar Al-Arkan sells residential units on its residential and commercial projects pursuant to a standard form sales contract, under which it delivers possession of the unit, subject to the conditions agreed in the sales contract, with the title deed delivered only upon the receipt of the full purchase price. The sales contract also provides for ownership of a prorated share of any common areas in the Residential and Commercial Project to be allocated to the home buyer. The home buyers are liable to pay annual maintenance fees in respect of the residential units until such time as a home owners association is formed, at which point the home owners association becomes responsible for payment of the annual maintenance fees and the home buyers are liable to the home owners association for such fees. In addition, the sales contract assigns to home buyers the ten year statutory warranty on the superstructure that is made by the contractors who construct the units.

### ***Marketing and leasing of commercial and residential units on master-planned communities***

Dar Al-Arkan has expanded its business to include property management services for its rental properties and for third parties. Dar Al-Arkan retains certain commercial and residential units on its master-planned communities. With respect to Dar Al-Arkan's first Master-Planned Community, Al-Qasr, Dar Al-Arkan leases commercial space on the ground levels of apartment buildings, residential apartment, offices spaces and commercial mall developed on the project.

For commercial units, Dar Al-Arkan targets tenants that provide the products and services it believes are necessary to make its master-planned communities self-contained living environments. Such tenants include banks, pharmacies, dry cleaners, convenience stores, cafes and restaurants. For residential units, Dar Al-Arkan targets individuals and families, as well as bulk leases for hospitality companies and employees of corporations, universities and hospitals.

Dar Al-Arkan generally rents commercial and residential units pursuant to standard form lease agreements. The standard form residential lease agreement lasts one year and requires tenants to pay the full amount of annual rent at the beginning of each year in the lease term. Dar Al-Arkan is responsible for maintaining its residential rental units, including common areas. Tenants pay Dar Al-Arkan annual maintenance fees in consideration of these maintenance services. The standard form commercial lease agreement lasts one year and requires tenants to pay annual rent in two instalments, the first at the beginning of the year and the second at the end of the first six months of the year. Dar Al-Arkan is responsible for maintaining its commercial rental units. A tenant must use the commercial unit for the sole purpose stipulated in the commercial lease agreement, which cannot be changed without Dar Al-Arkan's prior written consent. A tenant cannot sub-lease the unit without Dar Al-Arkan's prior written consent.

## **Completed Projects and Projects under Development**

### ***Properties***

The following table sets out information in respect of Dar Al-Arkan's properties and current projects:

<b>COMPLETED PROJECTS</b>								
<b>Project name</b>	<b>Location</b>	<b>Residential units sold or for sale</b>	<b>Residential units for rent</b>	<b>Residential plots for sale (m2)</b>	<b>Commercial plots for sale (m2)</b>	<b>Commercial Leasing (m2)</b>	<b>Acquisition /Completion date</b>	<b>Estimated cost (SAR mn)</b>
<i>Land Development Project</i>								
Al-Tilal <sup>(1)</sup>	Medinah	-	-	209,279	4,020	-	2010	52
<i>Master Planned Communities</i>								
Al-Qasr <sup>(2)</sup>	Riyadh	635	2,416	-	-	75,963	2012	2,023
Shams Al Arous	Jeddah	-	-	299,266	196,505	-	2009	681
<i>Residential and Commercial Project</i>								

Al Maseef Villas	Riyadh	26		-	-	-	2007	25
Al Azizia Towers	Makkah	-	282	-	-	-	2011	550
Al-Tilal Villas	Medinah	220	279	-	-	-	2010	375
Al-Qasr Mall	Riyadh	-	-	-	-	78,956	2012	924
-	-	881	2,977	508,545	200,525	154,919	-	4,630

Notes:

- (1) Al-Tilal Project has been launched under the new brand name, Al-Jiwar.
- (2) Al-Qasr has been launched under the new brand name, Parisiana.

PROJECTS UNDER DEVELOPMENT									
Project name	Location	Residential units sold or for sale	Residential units for rent	Residential plots for sale (m2)	Commercial plots for sale (m2)	Commercial Plots for Least (m2)	Completion %	Estimated Completion date	Estimated cost (SAR mn)
<i>Land Development Projects</i>									
Qasr Khozam***	Jeddah	-	-	165,000	-	-	81%	2020	586
<i>Master Planned Communities</i>									
Shams Ar-Riyadh*	Riyadh	325	1,160	456,558	490,898	-	49%	2020	3,440
Juman Project**	Eastern Province	-	-	2,707,000	2,346,000	-	0%	2021	328
<i>Residential and Commercial Projects</i>									
I Love Florence Tower	Dubai, UAE	400	-	-	-	-	30%	2021	500
		729	1,160	3,328,558	2,836,898	-	-	-	4,854

\* Based on Phase 1 development plan. In future, Dar Al-Arkan could develop part of the residential and commercial plots marked for sale depending on Dar Al-Arkan's assessment of opportunity at that time.

\*\* Represents the phase 1 cost i.e., land reclamation & infrastructure cost and only represents Dar Al-Arkan's share of 18 per cent..

\*\*\* Represents the phase 1 cost



## **Completed Projects**

### *Land Development Projects*

#### *Al Tital project*

The Al-Tital project is located in southern Medinah, south of Hijra Road, approximately nine kilometres from the Holy Prophet Mosque and partially within the boundary of the Haram zone, which is considered to be a desirable area by many Muslims. The project is in the Bani Bayyada Area to the east of Mount Ayr, which overlooks the project. The Haram area boundary line passes through the project from east to west and divides the project into two sections, north and south.

This comprises the land available from the project after completion of 499 villas development. The land is fully developed and being sold to sub developers and brokers for further development. As of 31 December 2017, 209,279 square metres of residential plots and 4,020 square metres of commercial plots remain with Dar Al-Arkan.

### *Master Planned Communities*

#### *Al-Qasr*

Al-Qasr was Dar Al-Arkan's first Master-Planned Community and is located in the Al-Suwaidi suburb of Riyadh. Al-Qasr has a built up area of approximately 1.2 million square metres which includes approximately 20,000 square metres of office space and 56,000 square metres of commercial space. Al-Qasr includes various public service and commercial facilities, including mosques, public parks, green belts, schools, entertainment areas and retail areas. Al-Qasr is designed to cater to the middle-income market segment and can house approximately 13,000 people.

Al-Qasr is divided into five zones and has 3,051 residential units, comprised of 254 villas and 2,797 apartments in varying styles and sizes. As at 31 December 2017 Dar Al-Arkan has retained 2,416 apartments and 66 villas as rental properties, and approximately 58 per cent. of these have been leased. Dar Al-Arkan has also retained the office space and retail facilities as investment properties. The majority of the lease contracts are long-term, ranging between three and five years and signed with Government agencies and private entities. Management expects that the regular cash flow derived from these long-term contracts will facilitate the process of obtaining external financing backed by these leased assets and will in turn reduce the cost of borrowing for Dar Al-Arkan in future. Dar Al-Arkan had sold all units available for sale in this project by the end of 2013.

The total cost of Al-Qasr, excluding the cost of the commercial mall (see the section above entitled "Al-Qasr Mall"), was approximately SAR 2.0 billion (U.S.\$534 million).

#### *Shams Al Arous*

The Shams Al-Arous project is Dar Al-Arkan's third Master-Planned Community and is located approximately 12 kilometres east of downtown Jeddah, covering an area of approximately 2.8 million square metres. Development of the Shams Al Arous project will be completed in stages. Phase 1 of the project, comprising land development and access to Palestine road, one of the main highways in Jeddah, has been completed. The total cost incurred on Phase 1 was SAR 1.1 billion (U.S.\$293 million). Dar Al-Arkan has commenced selling land plots to sub-developers and brokers and as at 31 December 2017, 47 per cent. of the total land has been sold and a number of developments have been completed by the purchasers. The remaining developed land consists of 0.5 million square metres of saleable land with 196,505 square metres of land plots for commercial developments and 299,266 square metres for residential developments. The development of 3,304 residential units is currently under review.

## *Residential and Commercial Properties*

### *Al Maseef Villas*

The Al Maseef Villa project is a cluster of 26 four bedroom villas in a compound in North Riyadh. The compound also consists of an open swimming pool. The entire compound has been leased to Nesma & Partners Contracting Co. Ltd., a Saudi construction company, as a residence for its senior staff. The construction of villas for the Al Maseef Project was completed in 2007. All villas have been earmarked for sale and as of 31 December 2017, 16 units have been sold. The total cost of the Al Maseef villas amounted to approximately SAR 25 million (U.S.\$ 6.67 million)

### *Al Azizia Towers*

The Al Azizia Tower project is seven towers comprising of 282 residential units constructed over 5,841 square metres of land and is located in Makkah city at a significantly important location on Aziziah Street next to the Holy Mosque and the Jamarat. All accommodation is furnished and fully leased to King Abdulaziz Medical City on a long term lease. The total cost of Al Azizia Towers amounted to SAR 550 million (US\$ 158 million). The construction of the towers were completed in 2011.

### *Al-Tilal Villas*

The Al-Tilal Villas project is located in southern Medinah, south of Hijra Road, approximately nine kilometres from the Holy Prophet Mosque and partially within the boundary of the Haram zone, which is considered to be a desirable area by many Muslims. The project is in the Bani Bayyada Area to the east of Mount Ayr, which overlooks the project. The Haram area boundary line passes through the project from east to west and divides the project into two sections, north and south.

The Al-Tilal Villas project was designed to cater to the middle-income market segment and consists of 499 residential villas built on an area of 165,000 square metres, designed in traditional Arabic and Neo-classical architectural themes. The construction of villas for the Al-Tilal project was completed in 2010 with a leasable area of 87,025 square metres. As at 31 December 2017, 279 villas have been retained by the company as investment property for generating rental revenue, of which 20 per cent. have been leased. The remaining 220 villas have been sold. The total cost of the Al Tilal Villas was approximately SAR 375 million (U.S.\$ 100 million).

### *Al-Qasr Mall*

Al-Qasr Mall, which opened in June 2012, is located adjacent to the Al-Qasr residential and commercial project (see the section entitled "*Master Planned Communities -Al-Qasr*"), mid-south of Riyadh, a strategic choice of location for such a project in an area of Riyadh with a shortage of such trading centres and a relatively affluent local population.

Al-Qasr Mall was developed using high quality, modern design, building and finishing standards, with a built-up area of 220,000 square metres, comprising 499 shops over four floors and parking capacity for more than 1,800 cars. In addition, Al-Qasr Mall includes a children's amusement zone, a food court and an 800 metre long exterior lighting façade (currently the largest in in the Middle East) which is utilised for advertising purposes.

Tenants in Al-Qasr Mall include department and retail stores, cafes, restaurants and a hypermarket. A number of high profile international and regional retailers have leased retail space in Al-Qasr Mall including Carrefour, Landmark Group, Al Shaya and SACO.

Dar Al-Arkan has retained Al-Qasr Mall as a leasable asset as part of its investment properties portfolio. It consists of approximately 79,000 square metres of net leasable commercial space.

The leasing ratio of Al-Qasr Mall stood at 79 per cent. as of 31 December 2017. The total cost of the Al-Qasr Mall was approximately SAR 924 million (U.S.\$247 million).

## **Projects under Development**

### *Land Development Projects*

#### *Qasr Khozam*

The Qasr Khozam land development project was announced in 2008. The project is being developed as a joint venture between Dar Al-Arkan and Jeddah Development and Urban Regeneration Company, with Dar Al-Arkan having 51 per cent. ownership. Khozam Real Estate Development Company was formed in October 2009 to develop the Qasr Khozam project.

The project consists of approximately 4 million square metres of land located in the central south east region of Jeddah, near the port and the district of Al Balad, the original city centre of Jeddah. The project is intended to revitalise the city centre of Jeddah into a fully sustainable central business district. The land area will be completely redeveloped, with existing infrastructure replaced entirely with new infrastructure that will support wide roads, a light rail transportation system and high-rise buildings with existing dwellings being demolished.

Dar Al-Arkan is responsible for performing a feasibility study and creating a master plan for the project. In addition, Dar Al-Arkan is responsible for developing basic infrastructure relating to residential and commercial use, such as water, electricity and other utilities, as well as paved streets and sidewalks.

The Khozam Real Estate Development Company has obtained all required approvals for the project, including the approval of master plan by the Ministry of Municipal and Rural Affairs and all permissions and licenses required for processing the deeds for the first phase of the project.

The project has been divided into five phases. The first phase of the project involves the development of 165,000 square metres of land, which is approximately 81 per cent. complete as at 31 December 2017, with only some infrastructure work pending. The total expected cost for the entire Qasr Khozam project is estimated to be SAR 12 billion (U.S.\$3.2 billion) as at 31 December 2017.

### *Master Planned Communities*

#### *Shams Ar-Riyadh*

The Shams Ar-Riyadh project is Dar Al-Arkan's second Master-Planned Community and is located in Riyadh's Al-Dariyia district. The Shams Ar-Riyadh project is one of the largest residential development projects ever initiated in the Kingdom by size, comprising a total area of approximately five million square metres, of which 1.8 million square metres were strategically sold by Dar Al-Arkan to the Saudi Basic Industries Corporation (**SABIC**). SABIC purchased the land to provide housing for its senior executives and their families. This was a strategic decision that Dar Al-Arkan believes will enhance the visibility, demand and price for the development. Notable features of Shams Ar-Riyadh project include highland altitude, wide roads, pedestrian sidewalks and scenic landscaping. Shams Ar-Riyadh is designed to cater to the middle to upper bracket of the middle-income market segment.

In accordance with Dar Al-Arkan's strategy of phased development, the infrastructure development of the Shams Ar-Riyadh project commenced in 2007. This covered the completion of grading works, development of the project's frontage, construction of a bridge passing over the natural valley linking commercial and residential areas and the construction of two electrical power substations. In 2017, Dar Al-Arkan awarded the redesign contract for the project's backbone (main roads) and related infrastructure to Saudi Consult. At the end of 2017, the main road construction work was completed.

The Shams Ar-Riyadh project being developed by Dar Al-Arkan is expected to include apartments and villas, of which few are expected to be retained as investment properties by Dar Al-Arkan for rent. The project is also expected to include 325 residential villas for sale to retail customers and provide 500,000 square metres of commercial plots for sale to sub developers and brokers and 3.2 million square metres of commercial built-up area developments. Dar Al-Arkan may, in the future, also retain some portions of this land to develop residential and/or commercial units depending on the market opportunities. The master plan of the project provides ample scope for public services and facilities such as mosques, healthcare centres, hotels, a culture centre, educational

services, a mall and a commercial centre with landscaping and open spaces. The total cost of phase 1 of the project is estimated at approximately SAR 3.4 billion (U.S.\$908 million) and as on 31 December 2017, 49 per cent. of the project has been completed.

#### *Juman Project*

Juman Project is Dar Al-Arkan's fourth Master-Planned Community and the project started in 2014 as a joint venture between Dar Al-Arkan Real Estate Development Company and a group of high net worth Saudi businessmen based in the Kingdom. In addition to being a shareholder in this project with an 18 per cent. equity share, Dar Al-Arkan will undertake the master plan development and project management.

Juman Project will be developed over a total land area of 8.2 million square meters as an integrated, mixed use, master planned community. This vibrant community will be located on the waterfront near the City of Dammam in the Eastern Region of the Kingdom.

Phase 1 of the project consists of reclamation of approximately 8.1 million square metres of land and completion of the infrastructure works at a cost of SAR 1.8 billion (US\$ 487 million), which includes the construction of bridges to provide a direct connection between Dammam and Ras Tanura where the Juman project is located. This phase is expected to be completed by 2021.

The future development of the project will consist of commercial areas which include business centres, shopping centres, hotels, entertainment and resorts. The project will create economic opportunities and provide excellent investment returns due to the superb design, phasing, product mix and strategic location of the site.

The project master's plan includes residential areas that will be built on a land area of 3.65 million square metres. The residential development will provide a variety of housing solutions that meet the needs of families and individuals in the Eastern Region. The project will also offer large recreational and public service facilities areas.

#### *Residential and Commercial Projects*

##### *I Love Florence Tower*

The I Love Florence Tower is a 34 storey residential tower, located on the Dubai canal. The I Love Florence Tower will contain bespoke apartments with luxury interiors designed by Roberto Cavalli and is located on the Dubai Canal, United Arab Emirates.

The I Love Florence Tower is designed to cater to middle to high-income market segment and comprises 400 modern apartments with a built up area of approximately 42,000 square metres. The I Love Florence Tower was announced in December 2017 and work has commenced at the site and expected to be completed by 2021. The total cost of the I Love Florence Tower is estimated to be SAR 500 million (U.S.\$ 134 million).

#### **Land bank**

As of 31 December 2017, Dar Al-Arkan's land bank consisted of SAR 11.15 billion (U.S.\$2.98 billion) of undeveloped land and land under development and SAR 0.85 billion (U.S.\$0.23 billion) of developed land, all of which was valued on its balance sheet at cost. Dar Al-Arkan's land bank is geographically diversified within the Kingdom. As at 31 December 2017, the majority of Dar Al-Arkan land bank (approximately 67 per cent. of the total land bank) was located in Jeddah, with approximately 8 per cent. of the total land bank located in Riyadh, 25 per cent. of the total land bank located in Makkah and the remaining land in Madinah and the Eastern Regions

#### **Administrative systems and technology**

Dar Al-Arkan uses state of the art information technology systems to organise its project development operations. Dar Al-Arkan uses an oracle based enterprise resource planning tool (which includes a property management module), as well as Primavera, an engineering and project management application.

## Intellectual property

Save for Dar Al-Arkan's logo, which is registered as a trademark in the Kingdom, there are no other trademarks, patents, copyright or other intellectual property rights which are material in relation to Dar Al-Arkan's business or profitability or on which Dar Al-Arkan is dependent.

## Market research

Dar Al-Arkan has invested significantly in market research. Management believes this has contributed to Dar Al-Arkan's growth over the past few years. Since its inception, Dar Al-Arkan has invested more than SAR 28 million (U.S.\$7.5 million) in market research. Dar Al-Arkan also commissions research on the real estate development and real estate finance markets. Going forward, Dar Al-Arkan plans to continue to invest in market research.

## Competition

In recent years larger regional real estate developers have entered the Kingdom's real estate development market, in particular developers from the United Arab Emirates. Certain of these competitors are developing projects similar to Dar Al-Arkan's master-planned communities. These competitors have greater expertise and financial, technical, and marketing resources than the smaller developers with which Dar Al-Arkan has historically competed. Notwithstanding this increase in competition, management believes that Dar Al-Arkan remains a leading real estate developer in the Kingdom, particularly with respect to master-planned communities targeted to the diversified income segments of the population.

## Employees

As of 31 December 2017, Dar Al-Arkan employed 429 employees (excluding third party consultants and contractors). Approximately 84 per cent. of Dar Al-Arkan's workforce is located in Riyadh where its headquarters are situated. The remaining employees are located in Dar Al-Arkan's four branch offices in Makkah, Jeddah and Madinah in the Kingdom and Dubai in the United Arab Emirates. Of Dar Al-Arkan's 429 employees, 253 are engaged in general and administrative activities, 18 are engaged in activities related to project development, 145 are engaged in activities relating to sales and 13 are engaged in activities relating to marketing.

The table below sets out a breakdown of Dar Al-Arkan's employees by office/branch and nationality, as of 31 December 2017:

<b>Office/Branch</b>	<b>Number of non-Saudi employees</b>	<b>Number of Saudi employees</b>	<b>Total number of employees</b>
<i>Kingdom</i>			
Riyadh .....	187	173	360
Makkah .....	5	-	5
Jeddah .....	5	17	22
Madinah .....	9	2	11
<i>United Arab Emirates</i>			
Dubai .....	31	-	31
<b>Total</b> .....	<b>237</b>	<b>192</b>	<b>429</b>

Dar Al-Arkan seeks qualified recruits in local and international labour markets and aims to offer competitive remuneration in order to retain a competent and skilled workforce.

## Related party transactions

During the three financial years preceding the date of this Base Prospectus, Dar Al-Arkan has not entered into significant transactions with companies in which Dar Al-Arkan's founding shareholders, directors and/or officers have material interests, and has not entered into any contracts or material interest for any of its directors, the General Manager or the Chief Financial Officer or with any other related party.

Dar Al-Arkan has previously sold residential units to individuals financed by Saudi Home Loans Company, an associate and a related party, where it paid Dar Al-Arkan on behalf of the buyers with no recourse to Dar Al-Arkan if such lending by Saudi Home Loans Company results in a bad debt. As of 31 December 2017, no amounts were due for such transactions from this related party due to Dar Al-Arkan having not sold any residential units to individuals financed by Saudi Home Loans Company in 2017.

### **Disputes**

Dar Al-Arkan 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 Dar Al-Arkan 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 Dar Al-Arkan.

### **Capital structure**

As of 31 December 2017, Dar Al-Arkan's issued capital stood at SAR 10.80 billion (U.S.\$2.88 billion) divided into 1.08 billion ordinary shares of par value of SAR 10 each (U.S.\$2.67). The shares of Dar Al-Arkan are listed on the Tadawul All Share Index of the Saudi Stock Exchange. As of 31 December 2017, no shareholder held more than 5 per cent. of Dar Al-Arkan's issued share capital.

As of the date of this Base Prospectus, Dar Al-Arkan has not issued any options or other rights to acquire shares in its share capital.

### **Corporate structure**

Dar Al-Arkan has established a number of subsidiary companies in order to diversify its investment portfolio and sources of income.

The following is a summary of Dar Al-Arkan's principal operating subsidiaries:

#### ***Dar Al-Arkan Projects Company***

Dar Al-Arkan Projects Company is a limited liability company registered in Riyadh with commercial registration no. 1010247583, dated 28/3/1429H (corresponding to 5/4/2008G). Its principal operations include construction of residential and commercial buildings, including construction, maintenance, demolition and restructuring.

#### ***Dar Al-Arkan Properties (Real Estate) Company***

Dar Al-Arkan Properties (Real Estate) Company is a limited liability company registered in Riyadh with commercial registration no. 1010254063, dated 25/7/1429H (corresponding to 28/7/2008G). Its principal operations include the development and acquisition of commercial and residential real estate and the provision of management and operational services and the maintenance of residential and commercial buildings and public facilities.

#### ***Dar Al-Arkan Commercial Investment Company***

Dar Al-Arkan Investment Company is a limited liability company registered in Riyadh with commercial registration no. 1010247585, dated 28/3/1429H (corresponding to 5/4/2008G). Its principal operations include real estate investment.

#### ***Dar Al-Arkan Properties Company***

Dar Al-Arkan Properties Company is a limited liability company registered in Riyadh with commercial registration no. 1010521509, dated 22/6/1438H (corresponding to 21/3/2017G). Its principal operations include the development of real estate and the provision of leasing, management and operational services.

***Dar Al-Arkan Sukuk Company***

Dar Al-Arkan Sukuk Company is a limited liability company registered in Riyadh with commercial registration no. 1010256421, dated 16/9/1429H (corresponding to 16/9/2008G). Its principal operations include real estate development and investment.

***Al-Arkan Sukuk Company***

Al-Arkan Sukuk Company, Investment Manager for Sukuk IV, is a limited liability company registered in Riyadh with commercial registration no. 1010274407, dated 11/10/1430H (corresponding to 1/10/2009G). Its principal operations include the development, maintenance and management of real estate, purchase of land and general contracting.

***Thawabit Investment Company***

Thawabit Investment Company is a limited liability company, a wholly owned subsidiary, registered in Riyadh with commercial registration no. 1010275449, dated 30/10/1430H (corresponding to 19/10/2009G). It operates in real estate investment and development in the Kingdom.

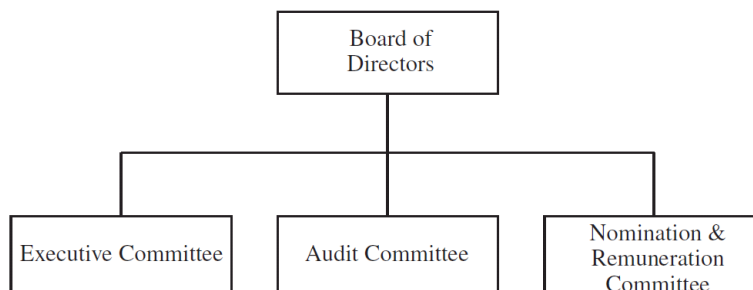
***Dar Al-Arkan Sukuk International Company***

Dar Al-Arkan Sukuk International Company (formally Siyada Investment Company) is a limited liability company, a wholly owned subsidiary, registered in Riyadh with commercial registration no. 1010275448, dated 30/10/1430H (corresponding to 19/10/2009G). It operates as the Investment Manager under the Programme.

## MANAGEMENT

### Overview

The following chart shows the structure of Dar Al-Arkan’s corporate governing bodies, including its Board of Directors and committees of the Board of Directors:



### Board of Directors

Dar Al-Arkan’s Board of Directors is responsible for the management of Dar Al-Arkan’s business. It consists of eleven members who are elected by a regular meeting of the general assembly of the shareholders for a period not exceeding three years. The current Board of Directors will be allowed to serve until the end of 2018.

The Managing Director of Dar Al-Arkan is appointed by the Board of Directors and the Board of Directors also determines his powers and remuneration. The Board of Directors cannot elect the Chairman of the Board of Directors to be the Managing Director of the Company.

The Board of Directors has the power to propose its compensation for approval to the general assembly of the shareholders.

The following table shows a list of current members of the Board of Directors.

Name	Capacity
Yousef Abdullah Al Shelash	Chairman
Abdullatif Abdullah Al Shalash	Managing Director
Hethloul Saleh Al Hethloul	Member
Abdul Aziz Abdullah Al Shalash	Member
Khalid Abdullah Al Shalash	Member
Majed Roumi Soliman Al Roumi	Member
Tariq Mohammad Ali Al Jarallah	Member
Majed Abdul Rahman Al Qasem	Member
Ibrahim Abdulaziz Al Mana	Member
Ahmed Mohammed Othman Al Dahash	Member

In the five years preceding the date of this Base Prospectus, no member of the Board of Directors of Dar Al-Arkan has been convicted of any fraudulent offence, served as director, partner, founder or senior manager of any organisation at the time of any bankruptcy, receivership, any official public incrimination or sanctions by statutory or regulatory authorities, including designated professional bodies, or has been disqualified by a court from acting as a director of an issuer or from acting in the management or conduct of affairs of any issuer.

There are no conflicts of interest between the private interests or other duties of Dar Al-Arkan’s directors and their duties to Dar Al-Arkan. The business address of each of the Directors is c/o Dar Al-Arkan Real Estate Development Company, Maathar Street, P.O. Box 105633, Riyadh 11656, Kingdom of Saudi Arabia.

Eight of the ten members of Dar Al-Arkan’s board of directors are also founding shareholders of Dar Al-Arkan. Set forth below are brief biographies of each member of the Board of Directors.



*Mr. Yousef Abdullah Al Shelash (Chairman)*

Mr. Yousef Abdullah Al Shelash is chairman of the board. He is a Saudi national and a founding shareholder of Dar Al-Arkan. Mr. Al Shelash holds a bachelor's degree in Islamic Jurisprudence from Imam Mohammed bin Saud University in Riyadh, KSA. He is also the chairman of the following entities:

- Saudi Home Loans Company;
- Alkhair Capital Saudi Arabia; and
- Bank Alkhair B.S.C. (c).

*Mr. Abdullatif Abdullah Al Shalash (Managing Director)*

Mr. Abdullatif Abdullah Al Shalash is the managing director of Dar Al-Arkan. He is a Saudi national and has been with Dar Al-Arkan since its inception. Mr. Al Shalash holds a bachelor's degree in organisation leadership and supervision from Purdue University, Indiana, USA. He is also a board member of the following entities:

- Saudi Home Loans Company;
- Alkhair Capital Saudi Arabia;
- Bank Alkhair B.S.C. (c); and
- T'azur Company B.S.C. (c).

*Mr. Hethloul Saleh Al Hethloul*

Mr. Hethloul Saleh Al Hethloul is a Saudi national and a founding shareholder of Dar Al-Arkan. He is also a board member of the following entities:

- Saudi Home Loans Company; and
- Alkhair Capital Saudi Arabia.

*Mr. Khalid Abdullah Al Shalash*

Mr. Khalid Abdullah Al Shalash is a Saudi national and a founding shareholder of Dar Al-Arkan. Mr. Al Shalash is a graduate of the King Fahad Security Academy.

*Mr. Majed Abdul Rahman Al Qasem*

Mr. Majed Abdul Rahman Al Qasem is a Saudi national and a founding shareholder of Dar Al-Arkan. He holds a bachelor's degree in Islamic Studies from Imam Mohammed bin Saud University in Riyadh, KSA. He is also a Board Member of Bank Alkhair B.S.C. (c).

*Mr. Tariq Mohammed Ali Al Jarallah*

Mr. Tariq Mohammed Ali Al Jarallah is a Saudi national and a founding shareholder of Dar Al-Arkan. He holds a bachelor's degree in management from King Saud University, in Riyadh, KSA.

*Mr. Abdul Aziz Abdullah Al Shalash*

Mr. Abdul Aziz Abdullah Al Shalash is a Saudi national and a founding shareholder of Dar Al-Arkan. Mr. Al Shalash holds a bachelor's degree in Islamic Studies from Imam Mohammed bin Saud University, in Riyadh, KSA.

*Mr. Majed Roumi Soliman Al Roumi*

Mr. Majed Roumi Soliman Al Roumi is a Saudi national and a founding shareholder of Dar Al-Arkan. Mr. Al Roumi is a graduate of the Teacher's College of Riyadh, KSA.

*Dr. Ibrahim Abdulaziz Al Mana*

Dr. Al Mana is a Saudi national and holds a PhD and master's degree in Civil Engineering from Stanford University. Dr. Al Mana has held several key positions in the Kingdom, including as a member of the Consultative Assembly of Saudi Arabia (AlShura), as Minister of State and as President of the Saudi Ports Authority. Dr. Al Mana is also an Associate Professor at the King Fahad University of Petroleum.

*Mr. Ahmed Mohammed Othman Al Dahash*

Mr. Ahmed Mohammed Othman Al Dahash is a Saudi national and has over 50 years of experience in a number of business sectors, including real estate, contracting and oil and gas. Mr. Al Dahash is also a board member of Saba' Real Estate Company.

**Committees**

*Executive Committee*

The Executive Committee is comprised of the Chairman of the Board of Directors in addition to three board members, all of whom are appointed by the Board of Directors. Its major responsibilities are as follows:

- meet on a weekly basis to evaluate commitments and progress of various projects as well as to monitor and evaluate the land acquisition and investment process in conjunction with senior management;
- monitor and evaluate the overall performance of Dar Al-Arkan and resolve any issues of production progress, action plans, resource allocations;
- review and resolve any outstanding financial and administrative issues; and
- take corrective measures in order to ensure that Dar Al-Arkan achieves its periodical targets.

*Audit Committee*

The Audit Committee is comprised of four board members who are recommended by the Board of Directors and appointed by the general assembly of the shareholders. Its major functional responsibilities are as follows:

- audit financial transactions to ensure compliance with predetermined budget and accounting systems;
- monitor internal control systems, processes and related policies to ensure their effective functioning, in addition to monitoring risk;
- monitor compliance with quality control processes;
- insures economic viability of various sources of funding as well as compliance of such sources to Islamic finance principles; and
- instantaneous reporting to appropriate levels of management on any significant control failure or weakness identified.

*Nominations and Remuneration Committee*

The Nomination and Remuneration Committee is comprised of the Chairman of the Board of Directors in addition to three board members, all of whom are appointed by the general assembly of the shareholders of Dar Al-Arkan. The major functional responsibilities of this committee are as follows:

- nominate individuals for membership to the Board of Directors;
- conduct annual reviews of capabilities and scope of responsibilities relating to board membership and to report on the same regularly;
- recommend appropriate changes/modifications to (including but not limited to) compensation structures and nomination procedures;

- report on any conflict of interest and recommend remedial actions; and
- develop clear policies and criteria for rewarding board members.

### Senior Management

The senior management of Dar Al-Arkan is composed of professionals with significant experience in the field of real estate development and their respective areas of specialty. Each member of the senior management has specific responsibilities and is subject to the oversight by the Managing Director of the Board of Directors.

The aggregate annual compensation of the senior executive officers including Managing Director, Chief Executive Officer and Chief Financial Officer for the year ended 31 December 2017 was SAR 8.64 million (U.S.\$2.31 million). Senior management are also eligible for discreet annual performance bonuses of up to 25 per cent. of their base salaries.

The following table shows a list of current members of Dar Al-Arkan’s senior management:

<b>Name</b>	<b>Position</b>
Abdullatif Abdullah Al Shalash	Managing Director
Ziad El Chaar	Chief Executive Officer
Mika Toivola	Chief Financial Officer
Badr Al Harbi	Chief Shared Services Officer
Joseph El Kourani	Senior General Manager, Sales
Assaad Najem	Director of Operations - International Development
Ibrahim Almuhanha	Investor Relations Director

In the five years preceding the date of this Base Prospectus, no member of Dar Al-Arkan’s senior management has been convicted of any fraudulent offence, served as director, partner, founder or senior manager of any organisation at the time of any bankruptcy, receivership, any official public incrimination or sanctions by statutory or regulatory authorities, including designated professional bodies.

There are no conflicts of interest between the private interests or other duties of Dar Al-Arkan’s senior management and their duties to Dar Al-Arkan.

Set forth below are brief biographies of each member of the senior management of Dar Al-Arkan:

*Mr. Abdullatif Abdullah Al Shalash (Managing Director)*

See the section above entitled “Board of Directors” for Mr. Al Shalash’s biography.

*Ziad El Chaar (Chief Executive Officer)*

Mr. Ziad El Chaar joined Dar Al-Arkan in early 2017 as Chief Executive Officer. Mr. El Chaar is a graduate of the American University, Beirut, with a degree in biology and a master of business administration degree. He has over 24 years of experience in the real estate industry and, prior to joining Dar Al-Arkan, held key corporate positions in the field of real estate development including Executive Director and Managing Director of DAMAC Properties in Dubai, United Arab Emirates, and Chief Executive Officer of Fattal Holding Group in Beirut, Lebanon.

*Mr. Mika Toivola (Chief Financial Officer)*

Mr. Mika Toivola joined Dar Al-Arkan in 2013 as Chief Financial Officer. He possesses more than 18 years of experience in finance and holds a B.Sc degree in National Economics from University of Jyväskylä, Finland. Prior to joining Dar Al-Arkan, Mr. Toivola was Chief Financial Officer at Al-Arrab General Contracting.

*Mr. Badr Al Harbi (Chief Shared Services Officer)*

Mr. Badr Al-Harbi is the Chief Shared Services Officer of Dar Al Arkan. Mr. Al-Harbi supervises the effective implementation of the company's strategy by coordinating the activities of human resources, administration, procurement and contracts, legal affairs and information technology departments. He holds a master of business administration degree from Cambridge International College, United Kingdom. Mr. Al-Harbi has over 18 years of experience in different fields, including support services and facility and utility management. Prior to joining Dar Al-Arkan, he occupied high-level positions such as the General Manager of Saudi Building Materials Company Limited (SBM) and the General Manager of Support Services across Saudi Arabia at the Saudi Post (government sector). He also occupied senior positions in Arabian Cement, Riyadh Cement and Saudi White Cement.

*Mr. Joseph El Kourani*

Mr. Joseph El Kourani joined Dar Al-Arkan in July 2017 as Senior General Manager of Sales. He holds a degree in business from the University of Balamand in Lebanon. Mr. El Kourani has more than 20 years of experience in sales and building distribution channels in various industries in 12 different countries. Prior to joining Dar Al-Arkan, he served for 14 years as Sales Director for the GCC region with MetLife, followed by six years as Vice President of Sales at Damac Properties in Dubai, United Arab Emirates.

*Mr. Assaad Najem*

Mr. Assaad Najem joined Dar Al-Arkan in 2017 as Director of Operations - International Development. Mr. Najem holds a degree in management and finance from Pigier Business School, France with over 10 years of experience in the real estate industry. Prior to joining Dar Al-Arkan, Mr. Najem held key corporate positions in major real estate development companies including the Head of Compliance and Director of Corporate Affairs at Damac Properties and Director of Finance at Tatweer in Dubai, United Arab Emirates.

*Mr. Ibrahim Almuhanha*

Mr. Ibrahim Almuhanha is the Investor Relations Director of Dar Al-Arkan. He holds a master's degree in financial economics from California State Polytechnic University, United States of America. Mr. Almuhanha has more than 7 years of experience in corporate finance, investment banking, corporate governance and investor relations possessing a proven track record successfully advising institutions on regulatory requirements and capital market transactions.

### **Ownership of Shares by Directors and Senior Management**

Details of the Directors' and the Senior Management's shareholdings are published each year in Dar Al-Arkan's annual report. As of 31 December 2017, other than Khalid Abdullah Al Shalash who held 2.57 per cent. of Dar Al Arkan, with a shareholding of 27,723,293 shares, no director or member of Senior Management held more than 1 per cent. of Dar Al-Arkan.

### **Corporate Governance**

The Capital Markets Authority issued a resolution dated 16/5/1438H (corresponding to 13/2/2017), which approves new Corporate Governance Regulations (the **Corporate Governance Regulations**). Dar Al-Arkan has implemented all of the mandatory rules set out in Articles 9, 12 and 14 of the Corporate Governance Regulations issued by CMA.

Dar Al-Arkan has also implemented the majority of the advisory guidelines set out in the Corporate Governance Regulations, in particular, the guidelines relating to the rights of shareholders and compliance with disclosure and transparency procedures. Dar Al-Arkan received the award for Best Corporate Governance, Saudi Arabia in 2016 from World Finance and, for the third consecutive year, it received the award for Corporate Governance Company of the Year in 2015 (Middle East and North Africa) from The European.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).*

### **The Investment Management Agreement**

Pursuant to the Investment Management Agreement, the Sukuk Proceeds of each Series will be applied by the Trustee through the Investment Manager to invest in a single portfolio of investments (relating to that Series) comprising an Ijara Agreement and a Murabaha Agreement entered into between the Investment Manager and certain Restricted Subsidiaries of Dar Al-Arkan (each as defined in the Conditions) (together with any further and/or replacement Ijara Agreements and Murabaha Agreements entered into from time to time between the Investment Manager and certain Restricted Subsidiaries in accordance with the terms of the Investment Management Agreement, each a **Sukuk Portfolio**) in accordance with the relevant Investment Plan (as defined below). The Investment Management Agreement provides that a minimum amount corresponding to 51 per cent. of the face amount of the Certificates of the relevant Series outstanding must be invested in Ijara Agreements at all times, except during the period necessary for the replacement of any Ijara Agreement which is terminated as a result of the occurrence of a Total Loss.

The **Investment Plan** means the requirement for the Investment Manager: (i) to invest the relevant Sukuk Proceeds into a portfolio of Sukuk Contracts which generates returns at least equal to each relevant Periodic Distribution Amount for a period which is equal to or greater than the remaining duration of the relevant Certificates which are outstanding at the time of the relevant investment; and (ii) to ensure satisfaction of the Underlying Value Conditions. The Investment Manager is not entitled to commingle its own assets with any Sukuk Portfolio. The Investment Manager has undertaken to the Trustee that so long as any Certificates remain outstanding, it shall not conduct any business or enter into any transactions other than those expressly permitted under, or contemplated by the Investment Management Agreement and the related Sukuk Contracts.

The **Underlying Value Conditions** are the following conditions which are to be met by the Investment Manager with respect to each Series in accordance with the terms of the Investment Management Agreement:

- (a) proper application of the relevant Sukuk Proceeds in appropriate revenue-generating Sukuk Contracts in accordance with the Investment Management Agreement;
- (b) proper monitoring and timely enforcement of the performance of each counterparty under such Sukuk Contracts;
- (c) ensuring that each such Sukuk Contract remains in full force and effect whilst any Certificates of the relevant Series remain outstanding, unless it expires or is terminated in accordance with its terms, and to the extent that a Sukuk Contract expires or is terminated prior to the relevant Scheduled Dissolution Date and a Dissolution Event Redemption Date, an Early Tax Dissolution Date or an Early Dissolution Date (Trustee Call) (if applicable), as the case may be, has not occurred, ensuring that such Sukuk Contract is replaced by a contract of equal or greater aggregate value (being the amounts payable under the relevant Sukuk Contract by the counterparty to such Sukuk Contract including, without limitation, compliance with limb (i) of the definition of Investment Plan) on the same day of such expiry or termination of the relevant Sukuk Contract, save where (i) an Ijara Agreement has been terminated as a result of a Total Loss, in which case a replacement Ijara Agreement will be entered into within six days of the occurrence of such Total Loss; or (ii) any Certificates have been purchased by Dar Al-Arkan and/or any subsidiary thereof and are proposed to be cancelled pursuant to Condition 13, in which case such Sukuk Contract must be replaced only if and to the extent required to ensure compliance with the terms of the relevant Investment Plan; and
- (d) not waiving or forgiving the obligation of any counterparty under any such Sukuk Contract and not entering into any arrangement to dispose at a discount of any rights under any such Sukuk Contract.

Each Ijara Agreement relating to the relevant Series must be entered into substantially on the terms set out in the Investment Management Agreement and the initial Ijara Agreement relating to the relevant Series will be entered into on the relevant Issue Date. Pursuant to each Ijara Agreement, land and/or other real estate assets (the **Leased Assets**) are leased by the Investment Manager, acting as lessor (the **Lessor**) to the Ijara counterparty (who the Investment Manager has agreed must be a Restricted Subsidiary of Dar Al-Arkan) acting as lessee (the **Lessee**) for payments of rental and other amounts to be made by the Lessee in respect of the Leased Assets on regular lease payment dates corresponding to the Periodic Distribution Dates. The Investment Manager must also enter into the following contracts in connection with each Ijara Agreement, each substantially in the form of those set in the Investment Management Agreement:

- **Sale and Purchase Agreement:** the contract pursuant to which the relevant Leased Assets are purchased by the Lessor from Dar Al-Arkan prior to entering into the Ijara Agreement;
- **Service Agency Agreement:** the contract pursuant to which the Lessor appoints the relevant Lessee as service agent in respect of the relevant Leased Assets. The Lessee is responsible for, amongst other things, obtaining and maintaining Takaful insurance and certain maintenance and repair obligations in respect of the relevant Leased Assets; and
- **Purchase Undertaking:** an undertaking pursuant to which the relevant Restricted Subsidiary (in its capacity as obligor thereunder) undertakes to purchase the Leased Assets from the Investment Manager (in its capacity as beneficiary under the Purchase Undertaking) in the circumstances set out in the Purchase Undertaking (including if the Ijara Agreement is terminated in accordance with its terms prior to the Scheduled Dissolution Date of the Certificates of the relevant Series).

Each Murabaha Agreement relating to the relevant Series must be entered into substantially on the terms set out in the Investment Management Agreement and the initial Murabaha Agreement relating to the relevant Series will be entered into on the relevant Issue Date. Pursuant to each Murabaha Agreement, the Investment Manager agrees to buy commodities from a commodities agent, and then sells the commodities on to a Murabaha counterparty (who the Investment Manager has agreed must be a Restricted Subsidiary of Dar Al-Arkan) in consideration for payment of a deferred purchase price.

The services to be provided by the Investment Manager under the Investment Management Agreement in respect of each Series will commence on the relevant Issue Date and will end on the later of (i) the date falling two Business Days prior to the relevant Scheduled Dissolution Date, any Dissolution Event Redemption Date, an Early Tax Dissolution Date, any Early Dissolution Date (Trustee Call) or the date on which the Guarantor purchases all (but not some only) of the outstanding Certificates of the relevant Series pursuant to a Mandatory Offer to Purchase Certificates and (ii) the date on which the Sukuk Portfolio Liquidation Proceeds are paid by the Investment Manager to the Principal Paying Agent on behalf of the Trustee in accordance with the Investment Management Agreement.

On the date falling two Business Days prior to each Periodic Distribution Date relating to the relevant Series of Certificates, the Investment Manager will collect all sums due from the counterparties to the relevant Ijara Agreements and relevant Murabaha Agreements (the **Profit Collections**) and on the same date pay such Profit Collections to the Principal Paying Agent on behalf of the Trustee by depositing the same in the relevant Transaction Account. The Principal Paying Agent will in turn apply such amounts to pay the Periodic Distribution Amount to the relevant Certificateholders on the relevant Periodic Distribution Date.

On the date falling two Business Days prior to the Scheduled Dissolution Date, a Dissolution Event Redemption Date, an Early Tax Dissolution Date or an Early Dissolution Date (Trustee Call) relating to a Series of Certificates, as the case may be, the Investment Manager will liquidate the relevant Sukuk Portfolio in accordance with the Investment Management Agreement and pay the proceeds of such liquidation (the **Sukuk Portfolio Liquidation Proceeds**) to the Principal Paying Agent (on behalf of the Trustee) by depositing the same in the relevant Transaction Account who will in turn apply such amounts to pay the Dissolution Amount to the Certificateholders on the Scheduled Dissolution Date, Dissolution Event Redemption Date, Early Tax Dissolution Date or Early Dissolution Date (Trustee Call), as the case may be.

The Investment Management Agreement is governed by the laws of the Kingdom of Saudi Arabia.

## **The Guarantee**

### *Nature of the Guarantee*

Pursuant to the Guarantee, the Guarantor irrevocably and unconditionally, in each case in favour of the Trustee and the Delegate (in respect of each Series): (a) guarantees for the purpose of paragraph (b) and (c) below (without double-counting), and only to the extent that a Distribution Shortfall Restoration Amount or a Value Restoration Amount (as the case may be) is due and payable, the prompt performance by each relevant Sukuk Contract Counterparty of its obligations under those Sukuk Contract(s); (b) undertakes to pay to the Principal Paying Agent (on behalf of the Trustee), immediately on receipt of a Payment Notice from (or on behalf of) the Trustee, the relevant Distribution Shortfall Restoration Amount (if any) specified in that Payment Notice by depositing the same in the relevant Transaction Account; (c) undertakes to pay to the Principal Paying Agent (on behalf of the Trustee), immediately upon receipt of a Payment Notice from (or on behalf of) the Trustee, the relevant Value Restoration Amount (if any) referred to in that Payment Notice by depositing the same in the relevant Transaction Account; and (d) agrees with the Trustee that, to the extent any amount claimed under (a) to (c) above is not recoverable from the Guarantor on the basis of a guarantee, then the Guarantor will be liable (but without double-counting) as a principal debtor and primary obligor to indemnify the Trustee in respect of any loss (i) incurred as a result of any relevant Sukuk Contract Counterparty failing to pay any amount expressed to be due and payable by it under a Sukuk Contract when it should have been paid; (ii) incurred by the Trustee and payable by the Investment Manager in the circumstances set out in the Investment Management Agreement; and (iii) incurred as a result of the Investment Manager failing to pay any additional amounts expressed to be due and payable under certain provisions of the Investment Management Agreement.

The Guarantee will constitute a general unsecured obligation of the Guarantor, granted in favour of the Trustee and the Delegate. The Guarantee will not contain any provisions limiting the recourse of the Trustee or the Delegate to the Guarantor for any due but unpaid Distribution Shortfall Restoration Amounts or Value Restoration Amounts.

The Guarantee will be governed by English law.

### *Dar Al-Arkan Events*

The Guarantor will agree under the Guarantee that certain events or circumstances shall constitute a Dar Al-Arkan Event, the occurrence of which, together with certain other events, shall constitute a Dissolution Event under the Certificates. For a full list of Dar Al-Arkan Events and a description of the consequences of a Dissolution Event, see Condition 14 under “*Terms and Conditions of the Certificates*”.

### *Repurchase of Certificates following a Change of Control*

The Guarantor will agree that within 30 days following a Change of Control, the Guarantor will make an offer (to remain open for not less than 30 nor more than 60 days) to Certificateholders to repurchase all outstanding Certificates at a purchase price equal to the Change of Control Repurchase Amount set out in the applicable Final Terms, plus all accrued and unpaid Periodic Distribution Amounts, if any, to the date of purchase (subject to the right of Certificateholders of record on the relevant record date to receive a Periodic Distribution Amount on the relevant Periodic Distribution Date).

A **Change of Control** will occur if:

- (a) any **person** (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than one or more Permitted Holders, is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50 per cent. of the total voting power of the Voting Stock of the Guarantor; provided, however, that the Permitted Holders do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the Board of Directors (for the purposes of this clause (a), such other person shall be deemed to beneficially own any Voting Stock of a specified person held by a parent entity, if such other person is

the beneficial owner (as defined in this clause (a)), directly or indirectly, of more than 50 per cent. of the voting power of the Voting Stock of such parent entity and the Permitted Holders do not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of such parent entity);

- (b) individuals who on the relevant Issue Date constituted the Board of Directors (together with any new directors whose election by such Board of Directors or whose nomination for election by the shareholders of the Guarantor was approved by a vote of a majority of the directors of the Guarantor then still in office who were either directors on the relevant Issue Date or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office;
- (c) the adoption of a plan relating to the liquidation or dissolution of the Guarantor; or
- (d) the merger or consolidation of the Guarantor with or into another Person or the merger of another Person with or into the Guarantor, or the sale of all or substantially all the assets of the Guarantor (determined on a consolidated basis) to another Person other than (i) a transaction in which the survivor or transferee is a Person that is controlled by Permitted Holders or (ii) a transaction following which (A) in the case of a merger or consolidation transaction, holders of securities that represented 100 per cent. of the Voting Stock of the Guarantor immediately prior to such transaction (or other securities into which such securities are converted as part of such merger or consolidation transaction) own directly or indirectly at least a majority of the voting power of the Voting Stock of the surviving Person in such merger or consolidation transaction immediately after such transaction and in substantially the same proportion as before the transaction and (B) in the case of a sale of assets transaction, each transferee becomes an obligor in respect of the relevant Certificates and a Subsidiary of the transferor of such assets.

#### ***Repurchase of Certificates following exercise of Investor Put Option***

If the applicable Final Terms specifies that Certificateholder Put Option is applicable to the Series, Dar Al-Arkan shall make an offer (each a **Certificateholder Put Option Offer**) (which shall remain open for not less than 45 nor more than 60 days) to repurchase any or all outstanding Certificates of the relevant Series at the Certificateholder Put Option Repurchase Amount, plus accrued and unpaid Periodic Distribution Amounts, if any, to the date of purchase, on the Certificateholder Put Option Repurchase Date(s) specified in the applicable Final Terms.

#### ***Covenants***

The Certificateholders of each Series will also have the benefit of certain restrictive and financial covenants given by Dar Al-Arkan in the Guarantee. In particular, the Guarantor will undertake that:

##### **1. *General Undertakings***

###### **1.1 *Notification of default***

The Guarantor shall notify the Trustee and the Delegate of any Dar Al-Arkan Event (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

###### **1.2 *Pari passu ranking***

The Guarantor shall ensure that all payments by and obligations of the Guarantor and the Investment Manager under any Transaction Document to which it is a party rank:

- (a) in priority to any distributions (by way of profits, dividends or otherwise) by the Guarantor to its shareholders or by the Investment Manager to the Guarantor, as the case may be; and
- (b) at least *pari passu* with the claims of all the unsecured and unsubordinated creditors of the Guarantor or the Investment Manager (as the case may be).



### **1.3 Insurance**

The Guarantor shall take out and maintain, or cause to be taken out and maintained, Islamic Takaful insurance in respect of its assets and activities in such amounts, covering such risks, and on such terms as are customary in the Kingdom of Saudi Arabia by a prudent person engaged in business of the same or a similar nature to the Guarantor.

### **1.4 Compliance with laws**

The Guarantor shall comply, and shall procure compliance by the Investment Manager, with all laws to which the Guarantor or the Investment Manager (as the case may be) may be subject, save to the extent that any failure to so comply would not prevent the performance in full by the Guarantor or the Investment Manager (as the case may be) of its obligations under the Transaction Documents to which it is a party.

### **1.5 Tax Affairs (Guarantor)**

The Guarantor shall, to the extent applicable:

- (a) promptly file all tax returns required to be filed by it in any jurisdictions; and
- (b) promptly pay all Taxes or, if any Tax is being contested in good faith and by appropriate means, maintain adequate provision for payment of that Tax.

### **1.6 Tax Affairs (Investment Manager)**

The Guarantor shall, to the extent applicable, procure that the Investment Manager:

- (a) promptly files all tax returns required to be filed by the Investment Manager in any jurisdiction; and
- (b) promptly pays all Taxes payable by the Investment Manager or, if any Tax is being contested in good faith and by appropriate means, maintain adequate provision for payment of that Tax.

## **2. Covenants**

### **2.1 Limitation on Indebtedness**

- (a) The Guarantor will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness; provided, however, that the Guarantor and any Restricted Subsidiary will be entitled to Incur Indebtedness if, on the date of such Incurrence and after giving effect thereto on a pro forma basis, the Consolidated Coverage Ratio is (for so long as any 2019 Sukuk Certificate is outstanding) at least 2.5 to 1.0 and (at any time thereafter) at least 2.0 to 1.0.
- (b) Notwithstanding the foregoing clause (a), the Guarantor and the Restricted Subsidiaries will be entitled to Incur any or all of the following Indebtedness:
  - (1) Indebtedness Incurred by the Guarantor pursuant to a Credit Facility; provided, however, that, after giving effect to any such Incurrence, the aggregate principal amount of all Indebtedness Incurred under this clause (1) and then outstanding does not exceed SAR 1.87 billion less the sum of all principal payments with respect to such Indebtedness pursuant to clause (a)(3)(A) and (a)(3)(C) of Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*);
  - (2) Indebtedness (including any Ijara agreements and Murabaha agreements) owed to and held by the Guarantor or a Restricted Subsidiary; provided, however, that (A) any subsequent issuance or transfer of any Capital Stock which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Guarantor or a Restricted Subsidiary)

shall be deemed, in each case, to constitute the Incurrence of such Indebtedness by the obligor thereon and (B) if the Guarantor is the obligor on such Indebtedness, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to its Guarantee;

- (3) Indebtedness outstanding on the relevant Issue Date (other than Indebtedness described in clause (b)(1) or (b)(2) of this covenant) and the incurrence of Indebtedness represented by the Guarantee and any obligations of the Investment Manager to make any payment(s) to the Trustee in accordance with the Investment Management Agreement (to the extent deemed to constitute Indebtedness);
- (4) Indebtedness (**Acquired Indebtedness**) of a Restricted Subsidiary Incurred and outstanding on or prior to the date on which such Subsidiary was acquired by the Guarantor (other than Indebtedness Incurred in connection with, or to provide all or any portion of the funds or credit support utilised to consummate, the transaction or series of related transactions pursuant to which such Subsidiary became a Subsidiary or was acquired by the Guarantor); provided, however, that on the date of such acquisition and after giving pro forma effect thereto, the Guarantor would have been entitled to Incur at least SAR 1.00 of additional Indebtedness pursuant to clause (a) of this Paragraph 2.1;
- (5) Refinancing Indebtedness in respect of Indebtedness Incurred pursuant to clause (a) or pursuant to clauses (b)(3) or (b)(4) or this clause (b)(5);
- (6) Hedging Obligations directly related to Indebtedness permitted to be Incurred by the Guarantor and the Restricted Subsidiaries pursuant to the Guarantee entered into in the ordinary course of business and designed solely to protect the Guarantor or the relevant Restricted Subsidiary from fluctuations in interest rates or financing costs, currencies or the price of commodities and not for speculation;
- (7) Workers' compensation claims, self-insurance obligations, obligations in respect of performance, bid and surety bonds and completion guarantees incurred or provided by the Guarantor or any Restricted Subsidiary in the ordinary course of business;
- (8) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of its Incurrence;
- (9) Indebtedness arising from agreements of the Guarantor or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the acquisition or disposition of any business, assets or Capital Stock of the Guarantor or any Restricted Subsidiary; provided that (A) the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds (including the Fair Market Value of non-cash consideration) actually received by (or held in escrow as a collateral for such Indebtedness for later release to) the Guarantor and its Restricted Subsidiaries in connection with such disposition (without giving effect to any subsequent changes in value) and (B) such Indebtedness is not, on the date of its Incurrence, reflected on the balance sheet of the Guarantor or any Restricted Subsidiary (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet shall not be deemed to be reflected on such balance sheet for purposes of this clause (b)(9)(B));
- (10) Indebtedness Incurred by the Guarantor or any Restricted Subsidiary for the purpose of financing (i) all or any part of the purchase price of real or personal property or

equipment to be used in the Permitted Business in the ordinary course of business through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon such acquisition, become a Restricted Subsidiary or (ii) all or any part of the purchase price or the cost of acquisition, development, construction or improvement of real or personal property or equipment to be used in the Permitted Business by the Guarantor or such Restricted Subsidiary in the ordinary course of business; provided, however that (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 60 days after the acquisition of such property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (b)(10) (together with Refinancing thereof) does not exceed an amount equal to 15 per cent. of Total Assets; and

- (11) Indebtedness of the Guarantor and the Restricted Subsidiaries in an aggregate principal amount which, when taken together with all other Indebtedness of the Guarantor and the Restricted Subsidiaries outstanding on the date of such Incurrence (other than Indebtedness permitted by clause (a) or clauses (b)(1) through (b)(10)) does not (for so long as any 2019 Sukuk Certificate is outstanding) exceed SAR 300 million (or the SAR Equivalent thereof) and (at any time thereafter) SAR 500 million (or the SAR Equivalent thereof).
- (c) Notwithstanding the foregoing, the Guarantor will not Incur any Indebtedness pursuant to the foregoing clause (b) if the proceeds thereof are used, directly or indirectly, to Refinance any Subordinated Obligations of the Guarantor unless such Indebtedness shall be subordinated to the relevant Certificates or the applicable Guarantee to at least the same extent as such Subordinated Obligations.
- (d) For purposes of determining compliance with this covenant:
- (1) any Indebtedness outstanding on the relevant Issue Date under the Credit Facilities will be treated as Incurred under clause (1) of paragraph (b) above;
  - (2) in the event that an item of Indebtedness (or any portion thereof) meets the criteria of more than one of the types of Indebtedness described above, the Guarantor, in its sole discretion, will classify such item of Indebtedness (or any portion thereof) at the time of Incurrence and will only be required to include the amount and type of such Indebtedness in one of the above clauses; and
  - (3) the Guarantor will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described above.
- (e) For purposes of determining compliance with any SAR denominated restriction on the Incurrence of Indebtedness where the Indebtedness Incurred is denominated in a different currency, the amount of such Indebtedness will be the SAR Equivalent determined on the date of the Incurrence of such Indebtedness; provided, however, that if any such Indebtedness denominated in a different currency is subject to a Currency Agreement with respect to SAR covering all principal, premium, if any, and interest payable on such Indebtedness, the amount of such Indebtedness expressed in SAR will be as provided in such Currency Agreement. The principal amount of any Refinancing Indebtedness Incurred in the same currency as the Indebtedness being Refinanced will be the SAR Equivalent, as appropriate, of the Indebtedness Refinanced, except to the extent that (1) such SAR Equivalent was determined based on a Currency Agreement, in which case the Refinancing Indebtedness will be determined in accordance with the preceding sentence, and (2) the principal amount of the Refinancing Indebtedness exceeds the principal amount of the Indebtedness being Refinanced,

in which case the SAR Equivalent of such excess, as appropriate, will be determined on the date such Refinancing Indebtedness is Incurred.

## **2.2 Limitation on Restricted Payments**

- (a) The Guarantor will not, and will not permit any Restricted Subsidiary, directly or indirectly, to make a Restricted Payment if at the time the Guarantor or such Restricted Subsidiary makes such Restricted Payment:
- (1) a Default shall have occurred and be continuing (or would result therefrom);
  - (2) the Guarantor is not entitled to Incur an additional SAR 1.00 of Indebtedness pursuant to clause (a) of the covenant described under Paragraph 2.1 (*Limitation on Indebtedness*); or
  - (3) the aggregate amount of such Restricted Payment and all other Restricted Payments since the relevant Issue Date would exceed the sum of (without duplication):
    - (A) (for so long as any 2019 Sukuk Certificate is outstanding) 50 per cent. of the Consolidated Net Income and (at any time thereafter 66 per cent. of the Consolidated Net Income) accrued during the period (treated as one accounting period) from the beginning of the fourth fiscal quarter prior to the fiscal quarter during which the relevant Issue Date occurs to the end of the most recent fiscal quarter for which financial statements are available (or, in case such Consolidated Net Income shall be a deficit, minus 100 per cent. of such deficit); plus
    - (B) 100 per cent. of the aggregate Net Cash Proceeds received by the Guarantor from the issuance or sale of its Capital Stock (other than Disqualified Stock) subsequent to the beginning of the fourth fiscal quarter prior to the fiscal quarter during which the relevant Issue Date occurs (other than an issuance or sale to a Subsidiary of the Guarantor and other than an issuance or sale to an employee stock ownership plan or to a trust established by the Guarantor or any of its Subsidiaries for the benefit of their employees to the extent such sale to an employee stock ownership plan or similar trust is financed by loans or guaranteed by the Guarantor or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) and 100 per cent. of any cash capital contribution received by the Guarantor from its shareholders subsequent to the beginning of the fourth fiscal quarter prior to the fiscal quarter during which the relevant Issue Date occurs; plus
    - (C) the amount by which Indebtedness of the Guarantor is reduced on the Guarantor's balance sheet upon the conversion or exchange subsequent to the beginning of the fourth fiscal quarter prior to the fiscal quarter during which the relevant Issue Date occurs of any Indebtedness of the Guarantor convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Guarantor (less the amount of any cash, or the fair value of any other property, distributed by the Guarantor upon such conversion or exchange); provided, however, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Guarantor or any Restricted Subsidiary from the sale of such Indebtedness (excluding Net Cash Proceeds from sales to a Subsidiary of the Guarantor or to an employee stock ownership plan or a trust established by the Guarantor or any of its Subsidiaries for the benefit of their employees); plus

- (D) an amount equal to the sum of (x) the net reduction in the Investments (other than Permitted Investments) made by the Guarantor or any Restricted Subsidiary in any Person resulting from repurchases, repayments or redemptions of such Investments by such Person, proceeds realised on the sale of such Investment and proceeds representing the return of capital (excluding dividends and distributions), in each case received by the Guarantor or any Restricted Subsidiary, and (y) to the extent such Person is an Unrestricted Subsidiary, the portion (proportionate to the Guarantor's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; provided, however, that the foregoing sum shall not exceed, in the case of any such Person or Unrestricted Subsidiary, the amount of Investments (excluding Permitted Investments) previously made (and treated as a Restricted Payment) by the Guarantor or any Restricted Subsidiary in such Person or Unrestricted Subsidiary.
- (b) The preceding provisions will not prohibit:
- (1) any Restricted Payment made out of the Net Cash Proceeds of the substantially concurrent sale of, or made by exchange for, Capital Stock of the Guarantor (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Guarantor or an employee stock ownership plan or to a trust established by the Guarantor or any of its Subsidiaries for the benefit of their employees to the extent such sale to an employee stock ownership plan or similar trust is financed by loans or guaranteed by the Guarantor or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination) or a substantially concurrent cash capital contribution received by the Guarantor from its shareholders; provided, however, that (A) such Restricted Payment shall be excluded in the calculation of the amount of Restricted Payments and (B) the Net Cash Proceeds from such sale or such cash capital contribution (to the extent so used for such Restricted Payment) shall be excluded from the calculation of amounts under clause (3)(B) of clause (a) above;
  - (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Obligations of the Guarantor made by exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Indebtedness of such Person which is permitted to be Incurred pursuant to Paragraph 2.1 (*Limitation on Indebtedness*); provided, however, that such purchase, repurchase, redemption, defeasance or other acquisition or retirement for value shall be excluded in the calculation of the amount of Restricted Payments;
  - (3) dividends paid within 60 days after the date of declaration thereof if at such date of declaration such dividend would have complied with this Paragraph; provided, however, that such dividend shall be included in the calculation of the amount of Restricted Payments;
  - (4) so long as no Default has occurred and is continuing, the purchase, redemption or other acquisition of shares of Capital Stock of the Guarantor or any of its Subsidiaries from employees, former employees, directors or former directors of the Guarantor or any of its Subsidiaries (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell or are granted the option to purchase or sell, shares of such Capital Stock; provided, however, that the aggregate amount of such Restricted Payments (excluding amounts representing

cancellation of Indebtedness) shall not exceed SAR 20 million in any calendar year; provided further, however, that such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;

- (5) the declaration or payments of dividends on Disqualified Stock issued pursuant to Paragraph 2.1 (*Limitation on Indebtedness*); provided, however, that, at the time of declaration or payment of such dividend, no Default shall have occurred and be continuing (or result therefrom); provided further, however, that such dividends shall be excluded in the calculation of the amount of Restricted Payments;
- (6) repurchases of Capital Stock deemed to occur upon exercise of stock options if such Capital Stock represents a portion of the exercise price of such options; provided, however, that such Restricted Payments shall be excluded in the calculation of the amount of Restricted Payments;
- (7) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Guarantor; provided, however, that any such cash payment shall not be for the purpose of evading the limitation of this Paragraph (as determined in good faith by the Board of Directors); provided further, however, that such payments shall be excluded in the calculation of the amount of Restricted Payments;
- (8) in the event of a change of control with respect to the relevant Subordinated Obligations, and if no Default shall have occurred and be continuing, the payment, purchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations of the Guarantor, in each case, at a purchase price not greater than 101 per cent. of the principal amount of such Subordinated Obligations, plus any accrued and unpaid interest thereon; provided, however, that prior to such payment, purchase, redemption, defeasance or other acquisition or retirement, the Guarantor (or a third party to the extent permitted by the Guarantee) has made a Change of Control Offer (to the extent required) with respect to the relevant Certificates as a result of such Change of Control and has repurchased all Certificates validly tendered and not withdrawn in connection with such Change of Control Offer; provided further, however, that such payments, purchases, redemptions, defeasances or other acquisitions or retirements shall be included in the calculation of the amount of Restricted Payments;
- (9) payments of intercompany subordinated Indebtedness, the Incurrence of which was permitted under clause (b)(2) of Paragraph 2.1 (*Limitation on Indebtedness*); provided, however, that no Default has occurred and is continuing or would otherwise result therefrom; provided further, however, that such payments shall be excluded in the calculation of the amount of Restricted Payments;
- (10) the making of strategic minority Investments in Persons that are engaged in a Related Business and made primarily for the commercial benefit of the Guarantor and the Restricted Subsidiaries (as determined by the Guarantor in good faith) in an aggregate amount, taken together with all Investments made pursuant to this clause (10), not to exceed 10 per cent. of Total Assets; provided, however, that (A) at the time of each such minority Investment, no Default shall have occurred and be continuing or would otherwise result therefrom, (B) such Investment is approved by the Board of Directors and is entered into in good faith on an arm's length basis and (C) on the date of making such strategic minority Investment and after giving pro forma effect thereto, the Guarantor would have been entitled to Incur at least SAR 1.00 of additional Indebtedness pursuant to clause (a) of the covenant described under Paragraph 2.1 (*Limitation on Indebtedness*); provided further, however, that

such payments shall be excluded from the calculation of the amount of Restricted Payments under clause (a)(3) of this Paragraph 2.2;

- (11) Restricted Payments in an amount which, when taken together with all Restricted Payments made pursuant to this clause (11), does not exceed SAR 100 million (or the SAR Equivalent thereof); provided, however, that (A) at the time of each such Restricted Payment, no Default shall have occurred and be continuing (or result therefrom) and (B) such payments shall be included in the calculation of the amount of Restricted Payments; or
- (12) the declaration or payment of dividends by the Guarantor to holders of its ordinary shares, par value of SAR 10 each, listed on the Saudi Stock Exchange (Tadawul) under the symbol 4300, in an aggregate amount, taken together with all other payments of dividends made pursuant to this clause (12), not to exceed 25 per cent. of the Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the fourth fiscal quarter prior to the fiscal quarter during which the relevant Issue Date occurs to the end of the most recent fiscal quarter for which financial statements are available (or in the case such Consolidated Net Income shall be a deficit, minus 100 per cent. of such deficit); provided, however, that at the time of declaration and payment of such dividend, no Default shall have occurred and be continuing (or result therefrom) and the Guarantor is entitled to Incur an additional SAR 1.00 of Indebtedness pursuant to clause (a) of the covenant described under Paragraph 2.1 (*Limitation on Indebtedness*); provided further, however, such dividends shall be excluded from the calculation of Restricted Payments under clause (a)(3) of this Paragraph 2.2.

### **2.3 *Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Guarantor will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to (i) pay dividends or make any other distributions on its Capital Stock to the Guarantor or a Restricted Subsidiary or pay any Indebtedness owed to the Guarantor or a Restricted Subsidiary, (ii) make any loans or advances to the Guarantor or a Restricted Subsidiary or (iii) transfer any of its property or assets to the Guarantor or a Restricted Subsidiary, except:

- (a) with respect to (i), (ii) and (iii),
  - (1) any encumbrance or restriction pursuant to an agreement in effect at or entered into on the relevant Issue Date;
  - (2) any encumbrance or restriction with respect to a Restricted Subsidiary pursuant to an agreement relating to any Acquired Indebtedness and outstanding on such date;
  - (3) any encumbrance or restriction pursuant to an agreement effecting a Refinancing of Indebtedness Incurred pursuant to an agreement referred to in clause (1) or (2) of clause of this covenant or this clause (3) or contained in any amendment to an agreement referred to in clause (1) or (2) of clause (a) of this covenant or this clause (3); provided, however, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such refinancing agreement or amendment are no less favourable to the Certificateholders than encumbrances and restrictions, taken as a whole, with respect to such Restricted Subsidiary contained in such predecessor agreements;
  - (4) any encumbrance or restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

- (5) any encumbrance or restriction contained in the terms of any Indebtedness permitted to be Incurred pursuant to Paragraph 2.1 (*Limitation on Indebtedness*) or any agreement pursuant to which such Indebtedness was issued if (x) either (i) the encumbrance or restriction applies only in the event of and during the continuance of a payment default or a default with respect to a financial covenant contained in such Indebtedness or agreement or (ii) the Guarantor determines at the time any such Indebtedness is Incurred (and at the time of any modification of the terms of any such encumbrance or restriction) that any such encumbrance or restriction will not materially affect the Guarantor's ability to make principal or Periodic Distribution Amount payments on the relevant Certificates and any other Indebtedness that is an obligation of the Guarantor; and (y) the encumbrance or restriction is not materially more disadvantageous to the holders of the Certificates than is customary in comparable financings or agreements (as determined by the Guarantor in good faith);
  - (6) Liens permitted to be incurred under Paragraph 2.8 (*Limitation on Liens*) that limit the right of the debtor to dispose of assets subject to such Liens;
  - (7) any encumbrance or restriction that is as a result of applicable law or regulation; and
  - (8) any encumbrances or restrictions imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in sub clauses (1) through (7) above; provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Board of Directors of the Guarantor, not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in the dividends or other payment restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing; and
- (b) with respect to (iii) only,
- (1) any encumbrance or restriction consisting of customary non-assignment provisions in leases governing leasehold interests to the extent such provisions restrict the transfer of the lease or the property leased thereunder; and
  - (2) any encumbrance or restriction contained in security agreements or mortgages securing Indebtedness of a Restricted Subsidiary to the extent such encumbrance or restriction restricts the transfer of the property subject to such security agreements or mortgages.

## **2.4 *Limitation on Sales of Assets and Subsidiary Stock***

- (a) The Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Disposition unless:
  - (1) the Guarantor or such Restricted Subsidiary receives consideration at the time of such Asset Disposition at least equal to the Fair Market Value (including as to the value of all non-cash consideration), as determined in good faith by the Board of Directors, of the shares and assets subject to such Asset Disposition;
  - (2) at least 75 per cent. of the consideration thereof received by the Guarantor or such Restricted Subsidiary is in the form of (i) cash, (ii) cash equivalents, (iii) Additional Assets or (iv) a combination of the consideration specified in (i) to (iii); and



- (3) an amount equal to 100 per cent. of the Net Available Cash from such Asset Disposition is applied by the Guarantor (or such Restricted Subsidiary, as the case may be):
- (A) first, to the extent the Guarantor elects (or is required by the terms of any Indebtedness), to prepay, repay, redeem or purchase Senior Indebtedness of the Guarantor or Indebtedness (other than any Disqualified Stock) of a Restricted Subsidiary (in each case other than Indebtedness owed to the Guarantor or an Affiliate of the Guarantor) within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash;
  - (B) second, to the extent of the balance of such Net Available Cash after application in accordance with clause (A) of this clause (a)(3) of this Paragraph 2.4, to the extent the Guarantor elects, to invest in any Additional Assets or Replacement Assets within one year from the later of the date of such Asset Disposition or the receipt of such Net Available Cash; and
  - (C) third, to the extent of the balance of such Net Available Cash after application in accordance with clauses (A) and (B) of this clause (a)(3) of this Paragraph 2.4, to make an offer to the holders of each Series of Certificates then outstanding (and to holders of other Senior Indebtedness of the Guarantor designated by the Guarantor) to purchase Certificates (and such other Senior Indebtedness) (the **Asset Disposition Offer**) pursuant to and subject to this Paragraph 2.4;

provided, however, that in connection with any prepayment, repayment or purchase of Indebtedness pursuant to clause (A) or (C) of this Paragraph 2.4(a)(3), the Guarantor or such Restricted Subsidiary shall permanently retire such Indebtedness and shall cause the related loan commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid or purchased.

Notwithstanding the foregoing provisions of this Paragraph 2.4(a), the Guarantor and the Restricted Subsidiaries will not be required to apply any Net Available Cash in accordance with this Paragraph except to the extent that the aggregate Net Available Cash from all Asset Dispositions which is not applied in accordance with this Paragraph exceeds SAR 100 million (or the SAR Equivalent thereof). Pending application of Net Available Cash pursuant to this Paragraph, such Net Available Cash shall be invested in Temporary Cash Investments or applied temporarily to reduce revolving credit indebtedness.

For the purposes of this Paragraph, the following are deemed to be cash or cash equivalents:

- (1) the assumption or discharge of Indebtedness of the Guarantor (other than obligations in respect of Disqualified Stock of the Guarantor) or any Restricted Subsidiary and the release of the Guarantor or such Restricted Subsidiary from all liability on such Indebtedness in connection with such Asset Disposition; and
  - (2) securities received by the Guarantor or any Restricted Subsidiary from the transferee that are promptly converted by the Guarantor or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.
- (b) In the event of an Asset Disposition that requires the purchase of Certificates of each Series then outstanding (and other Senior Indebtedness) pursuant to clause (a)(3)(C) of this Paragraph 2.4, the Guarantor will purchase Certificates tendered pursuant to an offer by the Guarantor for the Certificates (and such other Senior Indebtedness) at a purchase price of 100 per cent. of their face amount (or, in the event such other Senior Indebtedness was issued with significant original issue discount, 100 per cent. of the accreted value thereof), without premium, plus accrued but unpaid Periodic Distribution Amounts (or, in respect of such other

Senior Indebtedness, such lesser price, if any, as may be provided for by the terms of such Senior Indebtedness). If the aggregate purchase price of the securities tendered exceeds the Net Available Cash allotted to their purchase, the Guarantor will select the securities to be purchased on a pro rata basis but in round denominations, which in the case of the relevant Certificates will be the relevant Specified Denominations set out in the applicable Final Terms. The Guarantor shall not be required to make such an offer to purchase Certificates of each Series then outstanding (and other Senior Indebtedness) pursuant to this Paragraph if the Net Available Cash available therefor is less than SAR 100 million (or the SAR Equivalent thereof) (which lesser amount shall be carried forward for purposes of determining whether such an offer is required with respect to the Net Available Cash from any subsequent Asset Disposition). Upon completion of such an offer to purchase, Net Available Cash will be deemed to be reduced by the aggregate amount of such offer. All Certificates purchased by the Guarantor pursuant to an Asset Disposition Offer shall be surrendered for cancellation by the Trustee in accordance with Condition 13.

- (c) The Guarantor will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Certificates pursuant to this Paragraph. To the extent that the provisions of any securities laws or regulations conflict with provisions of this Paragraph, the Guarantor will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Paragraph by virtue of its compliance with such securities laws or regulations.
- (d) Paragraph 2.4(a)(3) shall only apply for so long as any 2019 Sukuk Certificate is outstanding.

## **2.5 Limitation on Affiliate Transactions**

- (a) The Guarantor will not, and will not permit any Restricted Subsidiary to, enter into or permit to exist any transaction (including the purchase, sale, lease or exchange of any property, employee compensation arrangements or the rendering of any service) with, or for the benefit of, any Affiliate of the Guarantor or any of its Restricted Subsidiaries (an **Affiliate Transaction**) unless:
  - (1) the terms of the Affiliate Transaction are no less favourable to the Guarantor or such Restricted Subsidiary than those that could be obtained at the time of the Affiliate Transaction in arm's-length dealings with a Person who is not an Affiliate of the Guarantor or any of its Restricted Subsidiaries;
  - (2) if such Affiliate Transaction involves an amount in excess of SAR 50 million (or the SAR Equivalent thereof), the terms of the Affiliate Transaction are set forth in writing and a majority of the directors of the Guarantor disinterested with respect to such Affiliate Transaction have determined in good faith that the criteria set forth in clause (1) are satisfied and have approved the relevant Affiliate Transaction as evidenced by a resolution of the Board of Directors; and
  - (3) if such Affiliate Transaction involves an amount in excess of SAR 150 million (or the SAR Equivalent thereof), the Board of Directors shall also have received a written opinion from an Independent Qualified Party to the effect that such Affiliate Transaction is fair, from a financial standpoint, to the Guarantor and its Restricted Subsidiaries or is not less favourable to the Guarantor and its Restricted Subsidiaries than could reasonably be expected to be obtained at the time in an arm's-length transaction with a Person who was not an Affiliate.
- (b) The provisions of the preceding clause (a) will not prohibit:

- (1) any Permitted Investment other than paragraphs (1) (in respect of the making of an Investment that causes such Person to become a Restricted Subsidiary), (2) and (13) of such defined term;
  - (2) Restricted Payments (other than any Restricted Payments made pursuant to Clauses 2.2(b) (10) and (11) of Paragraph 2.2 (*Limitation on Restricted Payments*)) that do not violate the covenant set forth in Paragraph 2.2 (*Limitation on Restricted Payments*);
  - (3) any issuance of securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock options and stock ownership plans approved by the Board of Directors;
  - (4) loans or advances to employees in the ordinary course of business in accordance with the past practices of the Guarantor or its Restricted Subsidiaries;
  - (5) the payment of reasonable fees to directors of the Guarantor and its Restricted Subsidiaries;
  - (6) any transaction with the Guarantor, a Restricted Subsidiary or joint venture or similar entity which would constitute an Affiliate Transaction solely because the Guarantor or a Restricted Subsidiary owns an equity interest in or otherwise controls such Restricted Subsidiary, joint venture or similar entity, including, but not limited to, any transaction with Saudi Home Loans Company;
  - (7) the issuance or sale of any Capital Stock (other than Disqualified Stock) of the Guarantor;
  - (8) transactions entered into on or prior to the relevant Issue Date;
  - (9) transactions between the Guarantor and any Restricted Subsidiary or between Restricted Subsidiaries; and
  - (10) arrangements with customers, suppliers, contractors, lessors or sellers of goods or services that are negotiated with an Affiliate, in ease case, which are in the ordinary course of business and otherwise in compliance with the terms of the Guarantee provided that the terms and conditions of any such transaction or agreement as applicable to the Guarantor and its Restricted Subsidiaries (a) are fair to the Guarantor and its Restricted Subsidiaries and are on terms more favourable to the Guarantor and its Restricted Subsidiaries than those that could have reasonably been obtained in respect of an analogous transaction or agreement that would not constitute an Affiliate Transaction, (b) the performance by the Guarantor and any of its Restricted Subsidiaries in respect of any such arrangements are for its own behalf and in its own name and (c) the Guarantor and its Restricted Subsidiaries do not assume, and are otherwise not liable for any performance or breach in respect of any such arrangements by the relevant Affiliate.
- (c) The provisions of clause 2.5(a)(3) shall not apply to Affiliate Transactions resulting from a competitive tendering process instituted by the Guarantor or a Restricted Subsidiary in the ordinary course of business of the Guarantor or a Restricted Subsidiary resulting in at least three *bona fide* bids by Persons who are not Affiliates of the Guarantor or a Restricted Subsidiary and which Affiliate Transactions are subsequently disclosed as required to the Saudi Stock Exchange (Tadawul All Share Index) and to the Guarantor's shareholders at its next annual general assembly.

## **2.6**     ***Limitation on Line of Business***

The Guarantor will not, and will not permit any Restricted Subsidiary to, engage in any business other than a Related Business.

## **2.7**     ***Limitation on Conduct of Business of Investment Manager***

The Guarantor will ensure that the Investment Manager does not enter into any transaction or conduct any activities (including the incurrence of any Indebtedness) other than as may be permitted under, or contemplated by, the Investment Management Agreement and each Sukuk Contract save that it may enter into the subscription agreement (howsoever named) and related documents in connection with any issue of Certificates.

## **2.8**     ***Limitation on Liens***

The Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur or permit to exist any Lien (the **Initial Lien**) of any nature whatsoever on any of its properties, assets or revenues (including Capital Stock of a Restricted Subsidiary), whether owned at the relevant Issue Date or thereafter acquired, other than Permitted Liens, without effectively providing that the obligations of the Guarantor and the Restricted Subsidiaries pursuant to the Transaction Documents shall be secured for the benefit of the Certificateholders of each Series then outstanding by the creation of a Lien which is the same as the Initial Lien and (i) if such Indebtedness is Senior Indebtedness, equally and rateably with the obligations or (ii) if such Indebtedness is Subordinated Indebtedness, prior to the obligations so secured, in each case, for so long as such obligations are so secured, or by such other Lien as shall be approved by an Extraordinary Resolution of the Certificateholders.

Any Lien created for the benefit of the Certificateholders of each Series then outstanding pursuant to the preceding sentence shall provide by its terms that the Trustee or the Delegate (as the case may be) shall provide such assistance as may be reasonably required by the Guarantor to unconditionally release and discharge their Lien upon the release and discharge of the Initial Lien.

## **2.9**     ***Limitation on Sale/Leaseback Transactions***

The Guarantor will not, and will not permit any Restricted Subsidiary to, enter into any Sale/Leaseback Transaction with respect to any property unless:

- (1) the Guarantor or such Restricted Subsidiary would be entitled to (A) incur Indebtedness in an amount equal to the Attributable Debt with respect to such Sale/Leaseback Transaction pursuant to Paragraph 2.1 (*Limitation on Indebtedness*) and (B) create a Lien on such property securing such Attributable Debt without equally and rateably securing the relevant Certificates pursuant to Paragraph 2.8 (*Limitation on Liens*);
- (2) the net proceeds received by the Guarantor or any Restricted Subsidiary in connection with such Sale/Leaseback Transaction are at least equal to the Fair Market Value (as determined by the Board of Directors) of such property; and
- (3) the Guarantor applies the proceeds of such transaction in compliance with Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*).

## **2.10**    ***Merger and Consolidation***

The Guarantor will not consolidate with or merge with or into, or convey, transfer or lease, in one transaction or a series of transactions, directly or indirectly, all or substantially all its assets to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the **Successor Company**) shall be a Person organised and existing under the laws of the Kingdom of Saudi Arabia, any state which is a member of the European Union, Canada, the United States, any state thereof or the District of Columbia and the Successor Company (if not the Guarantor) shall expressly assume, by a

guarantee supplemental thereto, executed and delivered to the Trustee and the Delegate, in form satisfactory to Trustee and the Delegate, all the obligations of the Guarantor under the Certificates of each Series then outstanding and the Guarantee;

- (2) immediately after giving pro forma effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any Subsidiary as a result of such transaction as having been Incurred by such Successor Company or such Subsidiary at the time of such transaction), no Default shall have occurred and be continuing;
- (3) immediately after giving pro forma effect to such transaction, (i) the Successor Company would be able to Incur an additional SAR 1.00 of Indebtedness pursuant to paragraph (a) of Paragraph 2.1 (*Limitation on Indebtedness*) or (ii) the Consolidated Coverage Ratio would be no less than the Consolidated Coverage Ratio immediately prior to such transaction; and
- (4) the Guarantor shall have delivered to the Trustee and the Delegate an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger or transfer and such supplemental guarantee (if any) comply with the Guarantee,

provided, however, that clause (3) will not be applicable to (A) a Restricted Subsidiary consolidating with, merging into or transferring all or part of its properties and assets to the Guarantor (so long as no Capital Stock of the Guarantor is distributed to any Person) or (B) the Guarantor merging with an Affiliate of the Guarantor solely for the purpose and with the sole effect of reincorporating the Guarantor in another jurisdiction.

For purposes of this Paragraph 2.10, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Guarantor, which properties and assets, if held by the Guarantor instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Guarantor on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Guarantor.

The Successor Company will be the successor to the Guarantor and shall succeed to, and be substituted for, and may exercise every right and power of, the Guarantor under the Guarantee, and the predecessor Guarantor, except in the case of a lease, shall be released from the obligation to pay the principal of and Periodic Distribution Amounts on the relevant Certificates.

## **2.11 Reports**

As long as any Certificates of the relevant Series are outstanding, the Guarantor will furnish to the Certificateholders of the relevant Series, the Trustee and the Delegate:

- (1) within 120 days after the end of the Guarantor's fiscal year, annual reports containing audited consolidated balance sheets of the Guarantor as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Guarantor for the three most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements;
- (2) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Guarantor beginning with the quarter ending immediately after the relevant Issue Date quarterly reports containing an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the quarterly and year to date periods ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure;
- (3) promptly after the occurrence of a material acquisition, disposition, restructuring or change in auditors or any other material event, a report containing a description of such event; and

- (4) at the times specified for such information, such information as the Guarantor is required to report by any stock exchange on which the Certificates are for the time being listed or admitted to trading.

Substantially concurrently with the furnishing to the Trustee, the Delegate and the relevant Certificateholders of the reports specified above, the Guarantor shall also (1) use its commercially reasonable efforts to post copies of such reports on such website as may be then maintained by the Guarantor and its subsidiaries or a direct or indirect parent of the Guarantor or (2) to the extent the Guarantor determined in good faith that it cannot make such reports available in the manner described in the preceding clause (1) after the use of its commercially reasonable efforts, furnish at its expense such reports to prospective purchasers of the Certificates, upon their request.

## **2.12 Changes in Covenants When Certificates are Rated Investment Grade**

If, on any date following the date of the Guarantee, the Certificates of any Series have an Investment Grade rating from both of the Rating Agencies and no Dissolution Event or Dar Al-Arkan Event has occurred and is continuing (a **Suspension Event**), then, beginning on the day the Investment Grade rating has been received and continuing until such time, if any, at which those Certificates cease to have an Investment Grade rating from either of the Rating Agencies, the following provisions of the Guarantee will not apply to those Certificates: Paragraphs 2.1 (*Limitation on Indebtedness*), 2.2 (*Limitation on Restricted Payments*), 2.3 (*Limitation on Restrictions on Distributions from Restricted Subsidiaries*), 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*), 2.5 (*Limitation on Affiliate Transactions*), 2.6 (*Limitation on Line of Business*) and 2.9 (*Limitation on Sale/Leaseback Transactions*).

Such Paragraphs will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Guarantor properly taken during the continuance of the Suspension Event, and Paragraph 2.2 (*Limitation on Restricted Payments*) will be interpreted as if it had been in effect since the date of the Guarantee except that no Dar Al-Arkan Event will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

## **Defeasance**

Under the terms of the Guarantee, Dar Al-Arkan will have the option to elect with respect to all (but not some only) outstanding Series of Certificates: (i) not to be bound by its obligation to repurchase Certificates following a Change of Control or comply with certain covenants prescribed in the Guarantee; and (ii) that the operation of the Dar Al-Arkan Events entitled “Cross Default” and with respect of Significant Subsidiaries only, the Dar Al-Arkan Event entitled “Insolvency” no longer apply to Dar Al-Arkan and/or its Significant Subsidiaries, as the case may be. In order to exercise this option, Dar Al-Arkan must: (a) irrevocably deposit in trust with the Trustee money or Government Obligations that, through the payment of principal and profit and/or other distributions in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay an amount equal to the Required Defeasance Amount; and (b) obtain certain certificates and legal opinions, as more particularly described in the Guarantee. Such money or government obligations and all other sums derived therefrom and rights in respect thereof will form part of the relevant Trust Assets and will be held in such manner as the Delegate shall approve in its absolute discretion.

## **Definitions**

For purposes of the Guarantee, unless otherwise defined or unless the context otherwise requires, terms used shall have the meanings set forth in the Master Trust Deed, the relevant Supplemental Trust Deed, the applicable Final Terms or the Conditions, and the following terms shall have the following meanings:

**2019 Sukuk Certificates** means any of the U.S.\$400 million Certificates due 2019 issued by Dar Al-Arkan Sukuk Company Ltd. in May 2014;

**Additional Assets** means:

- (1) any real property whether undeveloped, in development or developed, plant or equipment used in a Related Business together with any improvements thereon;
- (2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Guarantor or another Restricted Subsidiary; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary, provided, however, that any such Restricted Subsidiary described in (2) or (3) above is primarily engaged in a Related Business.

**Affiliate** of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, **control** when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms **controlling** and **controlled** have meanings correlative to the foregoing. For purposes of Paragraphs 2.2 (*Limitation on Restricted Payments*), 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*) and 2.5 (*Limitation on Affiliate Transactions*) only, **Affiliate** shall also mean any beneficial owner of Capital Stock representing 5 per cent. or more of the total voting power of the Voting Stock (on a fully diluted basis) of the Guarantor or of rights or warrants to purchase such Capital Stock (whether or not currently exercisable) and any Person who would be an Affiliate of any such beneficial owner pursuant to the first sentence hereof.

**Asset Disposition** means any sale, lease, transfer or other disposition (or series of related sales, leases, transfers or dispositions) by the Guarantor or any Restricted Subsidiary, including any disposition by means of a merger, consolidation or similar transaction (each referred to for the purposes of this definition as a **disposition**), of:

- (1) any shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Guarantor or a Restricted Subsidiary);
- (2) all or substantially all the property or assets of any division or line of business of the Guarantor or any Restricted Subsidiary; or
- (3) any other assets of the Guarantor or any Restricted Subsidiary outside of the ordinary course of business of the Guarantor or such Restricted Subsidiary.

Notwithstanding (1), (2) and (3) above, the following shall not be Asset Dispositions:

- (A) sales, transfers or other dispositions of inventory, receivables and other current assets and investment properties and development properties reflected on the Guarantor's consolidated statement of financial position, in each case in the ordinary course of business;
- (B) a disposition by a Restricted Subsidiary to the Guarantor or by the Guarantor or a Restricted Subsidiary to a Restricted Subsidiary;
- (C) for purposes of Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*) only, a disposition that constitutes a Restricted Payment (or would constitute a Restricted Payment but for the exclusions from the definition thereof) and that is not prohibited by Paragraph 2.2 (*Limitation on Restricted Payments*);
- (D) a disposition of assets with a Fair Market Value of less than SAR 5.0 million in any transaction or series of related transactions;
- (E) a disposition of cash or Temporary Cash Investments;
- (F) the creation of a Lien (but not the sale or other disposition of the property subject to such Lien);
- (G) an issuance of Capital Stock by a Restricted Subsidiary to the Guarantor or to another Restricted Subsidiary;

- (H) transactions permitted under Paragraph 2.10 (*Merger and Consolidation*);
- (I) dispositions in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements; and
- (J) the grant of licenses to intellectual property rights to third parties on an arm's length basis in the ordinary course of business.

**Asset Disposition Offer** has the meaning given to it in Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*).

**Attributable Debt** in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (implicit in the lease determined in accordance with IFRS or the periodic distribution rate borne by the relevant Certificates, compounded annually) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended); provided, however, that if such Sale/Leaseback Transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capital Lease Obligation".

**Average Life** means, as of the date of determination, with respect to any Indebtedness, the quotient obtained by dividing:

- (1) the sum of the product of the numbers of years from the date of determination to the dates of each successive scheduled principal payment of or redemption or similar payment with respect to such Indebtedness multiplied by the amount of such payment by
- (2) the sum of all such payments.

**Base Prospectus** means the base prospectus relating to the Programme most recently published prior to the relevant Issue Date, including any supplements relating thereto.

**Board of Directors** means the Board of Directors of the Guarantor or any committee thereof duly authorised to act on behalf of such Board.

**Business Day** means each day which is not a Legal Holiday.

**Capital Lease Obligation** means an obligation that is required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with IFRS, and the amount of Indebtedness represented by such obligation shall be the capitalised amount of such obligation determined in accordance with IFRS; and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be terminated by the lessee without payment of a penalty. For purposes of Paragraph 2.8 (*Limitation on Liens*), a Capital Lease Obligation will be deemed to be secured by a Lien on the property being leased.

**Capital Stock** of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, but excluding any debt securities convertible into such equity.

**Compliance Certificate** means the certificate to be provided by the Guarantor to the Delegate pursuant to Clause 8.1(d) of the Master Trust Deed.

**Conditions** means the terms and conditions relating to the Certificates as set out in Schedule 2 to the Master Trust Deed (as the same may from time to time be modified in accordance with the provisions of the Master Trust Deed) as modified, with respect to any Certificate represented by a Global Certificate, by the provisions of the relevant Global Certificate and the applicable Final Terms, and any reference in the Guarantee to a numbered **Condition** is to the corresponding numbered provision thereof.



**Consolidated Coverage Ratio** as of any date of determination means the ratio of (x) the aggregate amount of EBITDA for the period of the most recent four consecutive fiscal quarters ending at least 60 days prior to the date of such determination to (y) Consolidated Finance Cost for such four fiscal quarters; provided, however, that:

- (1) if the Guarantor or any Restricted Subsidiary has Incurred any Indebtedness since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Coverage Ratio is an Incurrence of Indebtedness, or both, EBITDA and Consolidated Finance Cost for such period shall be calculated after giving effect on a pro forma basis to such Indebtedness as if such Indebtedness had been Incurred on the first day of such period;
- (2) if the Guarantor or any Restricted Subsidiary has repaid, repurchased, defeased or otherwise discharged any Indebtedness since the beginning of such period or if any Indebtedness is to be repaid, repurchased, defeased or otherwise discharged (in each case other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) on the date of the transaction giving rise to the need to calculate the Consolidated Coverage Ratio, EBITDA and Consolidated Finance Cost for such period shall be calculated on a pro forma basis as if such discharge had occurred on the first day of such period and as if the Guarantor or such Restricted Subsidiary had not earned the interest or profit income actually earned during such period in respect of cash or Temporary Cash Investments used to repay, repurchase, defease or otherwise discharge such Indebtedness;
- (3) if since the beginning of such period the Guarantor or any Restricted Subsidiary shall have made any Asset Disposition, EBITDA for such period shall be reduced by an amount equal to EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Disposition for such period, or increased by an amount equal to EBITDA (if negative), directly attributable thereto for such period and Consolidated Finance Cost for such period shall be reduced by an amount equal to the Consolidated Finance Cost directly attributable to any Indebtedness of the Guarantor or any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Guarantor and its continuing Restricted Subsidiaries in connection with such Asset Disposition for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Finance Cost for such period directly attributable to the Indebtedness of such Restricted Subsidiary to the extent the Guarantor and its continuing Restricted Subsidiaries are no longer liable for such Indebtedness after such sale);
- (4) if since the beginning of such period the Guarantor or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of assets occurring in connection with a transaction requiring a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, EBITDA and Consolidated Finance Cost for such period shall be calculated after giving pro forma effect thereto (including the Incurrence of any Indebtedness) as if such Investment or acquisition had occurred on the first day of such period; and
- (5) if since the beginning of such period any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Guarantor or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Disposition, any Investment or acquisition of assets that would have required an adjustment pursuant to clause (3) or (4) above if made by the Guarantor or a Restricted Subsidiary during such period, EBITDA and Consolidated Finance Cost for such period shall be calculated after giving pro forma effect thereto as if such Asset Disposition, Investment or acquisition had occurred on the first day of such period.

For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Finance Cost associated with any Indebtedness Incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting Officer of the Guarantor. If any Indebtedness bears a floating rate of interest or profit and is being given pro forma effect, the interest or profit on such Indebtedness shall be calculated as if

the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months). If any Indebtedness is incurred under a revolving credit facility and is being given pro forma effect, the interest on such Indebtedness shall be calculated based on the average daily balance of such Indebtedness for the four fiscal quarters subject to the pro forma calculation to the extent that such Indebtedness was incurred solely for working capital purposes.

**Consolidated Finance Cost** means, for any period, the total interest expense or finance cost of the Guarantor and its consolidated Restricted Subsidiaries, plus, to the extent not included in such total interest expense or finance cost, and to the extent incurred by the Guarantor or its Restricted Subsidiaries, without duplication:

- (1) interest expense or other finance costs attributable to Capital Lease Obligations;
- (2) amortisation of debt discount and debt issuance cost;
- (3) capitalised interest or other finance costs;
- (4) non-cash interest expense or finance costs;
- (5) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;
- (6) net payments pursuant to Hedging Obligations;
- (7) dividends accrued in respect of all Disqualified Stock of the Guarantor held by Persons other than the Guarantor or a Wholly Owned Subsidiary (other than dividends payable solely in Capital Stock (other than Disqualified Stock) of the Guarantor);
- (8) interest or finance cost incurred in connection with Investments in discontinued operations;
- (9) interest or finance cost accruing on any Indebtedness of any other Person to the extent such Indebtedness is Guaranteed by (or secured by the assets of) the Guarantor or any Restricted Subsidiary; and
- (10) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest, finance cost or fees to any Person (other than the Guarantor) in connection with Indebtedness Incurred by such plan or trust.

**Consolidated Net Income** means, for any period, the net income of the Guarantor and its consolidated Subsidiaries; provided, however, that there shall not be included in such Consolidated Net Income:

- (1) any net income (but not the loss) of any Person (other than the Guarantor) if such Person is not a Restricted Subsidiary, except that subject to the exclusion contained in clause (4) below, the Guarantor's equity of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Guarantor or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below);
- (2) any net income (or loss) of any Person acquired by the Guarantor or a Subsidiary in a pooling of interests transaction (or any transaction accounted for in a manner similar to a pooling of interests) for any period prior to the date of such acquisition;
- (3) solely for the purpose of determining the amount available for Restricted Payments under Clause (a)(3) and (b)(12) of Paragraph 2.2 (*Limitation on Restricted Payments*), any net income (but not the loss) of any Restricted Subsidiary if such Restricted Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly (other than any restriction permitted under Paragraph 2.3(a)(1), (2), (3), (5) and (8) (to the extent Clause (8) refers to Clauses (1), (2), (3) or (5))), to the Guarantor, except that subject to the

exclusion contained in clause (4) below, the Guarantor's equity of any such Restricted Subsidiary for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Restricted Subsidiary during such period to the Guarantor or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to another Restricted Subsidiary, to the limitation contained in this clause);

- (4) any gain (or loss) realised upon the sale or other disposition of any assets of the Guarantor, its consolidated Subsidiaries or any other Person (including pursuant to any sale-and-leaseback arrangement) which are not sold or otherwise disposed of in the ordinary course of business and any gain (or loss) realised upon the sale or other disposition of any Capital Stock of any Person;
- (5) extraordinary gains or losses; and
- (6) the cumulative effect of a change in accounting principles,

in each case, for such period. Notwithstanding the foregoing, for the purposes of Paragraph 2.2 (*Limitation on Restricted Payments*) only, there shall be excluded from Consolidated Net Income any repurchases, repayments or redemptions of Investments, proceeds realised on the sale of Investments or return of capital to the Guarantor or a Restricted Subsidiary to the extent such repurchases, repayments, redemptions, proceeds or returns increase the amount of Restricted Payments permitted under clause (a)(3)(D) of Paragraph 2.2 (*Limitation on Restricted Payments*).

**Credit Facility** means any credit agreement or any agreement or arrangement (including any capital markets issuance-related) having the commercial effect of either a borrowing, or a drawing under a credit agreement, to be entered into by the Guarantor or its Restricted Subsidiaries, together with all related documents thereto (including any Ijara agreements and Murabaha agreements which are not entered into for speculation, any capital markets issuance-related documentation, the term loans and revolving loans under a credit agreement, any guarantees and security documents), as amended, extended, renewed, restated, supplemented or otherwise modified (in whole or in part, and without limitation as to amount, terms, conditions, covenants and other provisions) from time to time, whether entered into in accordance with the principles of Sharia or otherwise, including, without limitation, the Existing Credit Facilities, and any agreement (and related document) governing Indebtedness incurred to Refinance, in whole or in part, the borrowings, payment obligations and commitments then outstanding or permitted to be outstanding under such Credit Facility or a successor Credit Facility, whether by the same or any other lender, holder of securities or counterparty or group of lenders, holders of securities or counterparties, whether in accordance with the principles of Sharia or otherwise.

**Currency Agreement** means any foreign exchange contract, currency swap agreement, cross currency profit rate swap agreement or other similar agreement with respect to currency values whether entered into in accordance with the principles of Sharia or otherwise.

**Current Assets** means the aggregate amount of the Guarantor and its consolidated Subsidiaries' cash and cash equivalents, net accounts receivable, projects under construction, developed lands, prepaid expenses and short term investments.

**Current Liabilities** means the aggregate amount of the Guarantor and its consolidated Subsidiaries' obligations (other than contingent obligations) for the payment or repayment of money on demand or within a year from the date of computation, whether actual or contingent.

**Current Ratio** means Current Assets divided by Current Liabilities.

**Dar Al-Arkan Event** has the meaning given to it in Condition 14.2 under "*Terms and Conditions of the Certificates*".

**Default** means a Dar Al-Arkan Event or any event which is, or after notice or passage of time or both would be, a Dar Al-Arkan Event.

**Disqualified Stock** means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

- (1) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;
- (2) is convertible or exchangeable at the option of the holder for Indebtedness or Disqualified Stock; or
- (3) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part;

in each case on or prior to the first anniversary of the Stated Maturity of the relevant Certificates; provided, however, that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an Asset Disposition or Change of Control or Certificateholder Put Option occurring prior to the first anniversary of the Stated Maturity of the relevant Certificates shall not constitute Disqualified Stock if:

- (1) the Asset Disposition or Change of Control or Certificateholder Put Option provisions applicable to such Capital Stock are not more favourable to the holders of such Capital Stock than the terms applicable to the relevant Certificates and contained in Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*) and “*Terms and Conditions of the Certificates-Repurchase of Certificates following a Change of Control and Certificateholder Put Option*”; and
- (2) any such requirement only becomes operative after compliance with such terms applicable to the relevant Certificates, including the purchase of any Certificates tendered pursuant thereto.

The amount of any Disqualified Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined; provided, however, that if such Disqualified Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Stock as reflected in the most recent financial statements of such Person.

**Distribution Shortfall Restoration Amount** has the meaning given to it in Condition 4.1 under “*Terms and Conditions of the Certificates*”.

**EBITDA** for any period means the sum of Consolidated Net Income, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) all imputed tax expense relating to income or profits (excluding implied property tax, social tax and value-added tax) of the Guarantor and its consolidated Restricted Subsidiaries;
- (2) Consolidated Finance Cost;
- (3) depreciation and amortisation expense of the Guarantor and its consolidated Restricted Subsidiaries (excluding amortisation expense attributable to a prepaid item that was paid in cash in a prior period); and
- (4) all other non-cash charges of the Guarantor and its consolidated Restricted Subsidiaries (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash expenditures in any future period) less all non-cash items of income of the Guarantor and its consolidated Restricted Subsidiaries (other than accruals of revenue by the Guarantor and its consolidated Restricted Subsidiaries in the ordinary course of business),

in each case for such period. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortisation and non-cash charges of, a Restricted Subsidiary shall be added to Consolidated Net Income to compute EBITDA only to the extent (and in the same proportion, including by reason of minority interests) that the net income or loss of such Restricted Subsidiary was included in

calculating Consolidated Net Income and only if a corresponding amount would be permitted at the date of determination to be dividended to the Guarantor by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to such Restricted Subsidiary or its stockholders.

**Exchange Act** means the U.S. Securities Exchange Act of 1934, as amended.

**Existing Credit Facilities** has the meaning given to it in the relevant Supplemental Trust Deed.

**Existing Sukuk Certificate** has the meaning given to it in the relevant Supplemental Trust Deed.

**Extraordinary Resolution** has the meaning given to it in the Master Trust Deed.

**Fair Market Value** means, with respect to any asset or property, the price which could be negotiated in an arm's length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair Market Value will be determined in good faith by the Board of Directors, whose determination will be conclusive and evidenced by a resolution of such Board of Directors. For purposes of determining the Fair Market Value of Capital Stock, the value of the Capital Stock of a Person shall be based upon such Person's property and assets, exclusive of goodwill or any similar intangible asset.

**Financial Statements** means the Guarantor's audited financial statements for the three most recent financial years preceding the relevant Issue Date.

**Government Obligation** means direct obligations (or certificates or other instruments representing an ownership interest in such obligations) of the United States (including any agency or instrumentality thereof) issued in compliance with the principles of Sharia, for the payment of which the full faith and credit of the United States is pledged and which are not callable at the issuer's option.

**Hedging Obligations** of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

**Holder** or **Certificateholder** means the Person in whose name a Certificate is registered on the relevant Register.

**IFRS** means International Financial Reporting Standards as in effect from time to time.

**Ijara Agreements** means, in respect of each Series of Certificates, the ijara agreements to be entered into between the Investment Manager and the relevant Restricted Subsidiaries substantially in the form of Part A of Schedule 1 of the Investment Management Agreement, together with the related Sale and Purchase Agreements, Purchase Undertakings and Service Agency Agreements.

**Incur** means issue, assume, guarantee, incur or otherwise become liable for; provided, however, that any Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Restricted Subsidiary. The term **Incurrence** when used as a noun shall have a correlative meaning. Solely for purposes of determining compliance with Paragraph 2.1 (*Limitation on Indebtedness*):

- (1) amortisation of debt discount or the accretion of principal with respect to a non-interest bearing or other discount security;
- (2) the payment of regularly scheduled interest in the form of additional Indebtedness of the same instrument or the payment of regularly scheduled dividends on Capital Stock in the form of additional Capital Stock of the same class and with the same terms; and
- (3) the obligation to pay a premium in respect of Indebtedness arising in connection with the issuance of a notice of redemption or the making of a mandatory offer to purchase such Indebtedness,

will not be deemed to be the Incurrence of Indebtedness.

**Indebtedness** means, with respect to any Person on any date of determination (without duplication):

- (1) the principal in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds, trust certificates or other similar instruments for the payment of which such Person is responsible or liable, including, in each case, any premium or profit on such indebtedness to the extent such premium or profit has become due and payable;
- (2) all Capital Lease Obligations of such Person and all Attributable Debt in respect of Sale/Leaseback Transactions entered into by such Person;
- (3) all obligations of such Person issued or assumed as the deferred purchase price of property, assets or services, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding any accounts payable or other liability to trade creditors arising in the ordinary course of business);
- (4) the amount of all payment obligations under any other transaction (including any Sharia compliant financing, purchase agreement, forward sale or forward purchase agreement, lease agreement, sale and sale back or sale and leaseback agreement) having the commercial effect of either a borrowing or a drawing under a credit facility;
- (5) all obligations of such Person for the reimbursement of any obligor on any letter of credit, bankers' acceptance or similar credit transaction (other than obligations with respect to letters of credit securing obligations (other than obligations described in clauses (1) through (3) above) entered into in the ordinary course of business of such Person to the extent such letters of credit are not drawn upon or, if and to the extent drawn upon, such drawing is reimbursed no later than the tenth Business Day following payment on the letter of credit);
- (6) the amount of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock of such Person;
- (7) all obligations of the type referred to in clauses (1) through (6) of other Persons and all dividends of other Persons for the payment of which, in either case, such Person is responsible or liable, directly or indirectly, as obligor, guarantor or otherwise, including by means of any Indebtedness Guarantee as defined;
- (8) all obligations of the type referred to in clauses (1) through (7) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person), the amount of such obligation being deemed to be the lesser of the Fair Market Value of such property, assets or revenue and the amount of the obligation so secured; and
- (9) to the extent not otherwise included in this definition, Hedging Obligations of such Person.

Notwithstanding the foregoing, for the avoidance of doubt, any indebtedness in respect of deposits made by potential or actual purchasers of real estate of the Guarantor in the ordinary course of its day to day real estate and development activities shall not constitute Indebtedness and in connection with the purchase by the Guarantor or any Restricted Subsidiary of any business, the term "Indebtedness" will exclude post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; provided, however, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter.

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above; provided, however, that in the case of Indebtedness sold at a discount, the amount of such Indebtedness at any time will be the accreted value thereof at such time.

**Indebtedness Guarantee** means, in relation to any Indebtedness of any person, any obligation of another person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness.

**Independent Qualified Party** means an investment banking firm, accounting firm or appraisal firm of international standing; provided, however, that such firm is not an Affiliate of the Guarantor.

**Interest Rate Agreement** means any interest rate or profit rate swap agreement, interest rate or profit rate cap agreement or other financial agreement or arrangement with respect to exposure to interest rates or profit rates whether entered into in accordance with the principles of Sharia or otherwise.

**Investment** in any Person means any direct or indirect advance, loan (other than advances to suppliers in the ordinary course of business that are recorded as accounts receivable on the balance sheet of the lender) or other extensions of credit (including by way of guarantee or similar arrangement) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by such Person. If the Guarantor or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Guarantor or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment at such time. The acquisition by the Guarantor or any Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Guarantor or such Restricted Subsidiary in such third Person at such time. Except as otherwise provided for herein, the amount of an Investment shall be its Fair Market Value at the time the Investment is made and without giving effect to subsequent changes in value.

For purposes of the definition of “Unrestricted Subsidiary”, the definition of “Restricted Payment” and Paragraph 2.2 (*Limitation on Restricted Payments*):

- (1) **Investment** shall include the portion (proportionate to the Guarantor’s equity interest in such Subsidiary) of the Fair Market Value of the net assets of any Subsidiary of the Guarantor at the time that such Subsidiary is designated an Unrestricted Subsidiary; provided, however, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Guarantor shall be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary equal to an amount (if positive) equal to (A) the Guarantor’s “Investment” in such Subsidiary at the time of such redesignation less (B) the portion (proportionate to the Guarantor’s equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and
- (2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, in each case as determined in good faith by the Board of Directors.

**Investment Grade** means a rating of “AAA”, “AA”, “A” or “BBB” as modified by a “+” or “-” indication or an equivalent rating representing one of the four highest rating categories by S&P or any of its successors or assigns or a rating of “Aaa”, or “Aa”, “A” or “Baa”, as modified by a “1”, “2” or “3” indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody’s or any of its successors or assigns or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Guarantor as having been substituted for S&P or Moody’s or both, as the case may be.

**Legal Holiday** means a Saturday, a Sunday or a day on which banking institutions are not required to be open in London and the principal financial centre of the Specified Currency of the relevant Certificates.

**Lien** means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

**Moody's** means Moody's Investors Service and its affiliates.

**Murabaha Agreements** means, in respect of each Series of Certificates, the murabaha agreements to be entered into between the Investment Manager, the relevant Restricted Subsidiaries and the relevant commodities agent named therein substantially in the form of Part E of Schedule 1 of the Investment Management Agreement.

**Net Available Cash** from an Asset Disposition means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to such properties or assets or received in any other non-cash form), in each case net of:

- (1) all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all Federal, state, provincial, foreign and local taxes required to be accrued as a liability under IFRS, as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders in Restricted Subsidiaries as a result of such Asset Disposition;
- (4) the deduction of appropriate amounts provided by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the property or other assets disposed in such Asset Disposition and retained by the Guarantor or any Restricted Subsidiary after such Asset Disposition; and
- (5) any portion of the purchase price from an Asset Disposition placed in escrow, whether as a reserve for adjustment of the purchase price, for satisfaction of indemnities in respect of such Asset Disposition or otherwise in connection with that Asset Disposition; provided, however, that upon the termination of that escrow, Net Available Cash will be increased by any portion of funds in the escrow that are released to the Guarantor or any Restricted Subsidiary.

**Net Cash Proceeds**, with respect to any issuance or sale of Capital Stock or Indebtedness, means the cash proceeds of such issuance or sale net of attorneys' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

**Obligations** means, with respect to any Indebtedness, all obligations for principal, premium, interest, penalties, fees, indemnifications, reimbursements and other amounts payable pursuant to the documentation governing such Indebtedness.

**Officer** means the Managing Director, General Manager, Chief Financial Officer or General Legal Counsel of the Guarantor.

**Officer's Certificate** means a certificate signed by one Officer.

**Opinion of Counsel** means a written opinion from legal counsel who is acceptable to the Trustee and the Delegate. The counsel may be an employee of or counsel to Dar Al-Arkan, the Trustee or the Delegate.

**Permitted Business** means any business conducted or proposed to be conducted (as described in the Base Prospectus) by the Guarantor and its Restricted Subsidiaries on the relevant Issue Date and other businesses reasonably related or ancillary thereto.

**Permitted Holders** means (1) Yousef Abdullah Al Shelash, Hethloul Saleh Al Hethloul, Khalid Abdullah Al Shalash, Majed Abdul Rahman Al Qasem, Tariq Mohammed Ali Al Jarallah, Abdul Aziz Abdullah Al Shelash, Majed Roumi Soliman Al Roumi, Abdul Karim Hamad Al Babteen and Abdullatif Abdullah Al-Shalash; (2)



with respect to each of the persons identified in clause (1), his parents, spouse and any of his or his spouse's relatives or descendants; (3) with respect to each of the persons identified in clauses (1) and (2), any trust or estate in which such person collectively owns 50 per cent. or more of the total beneficial interests; or (4) with respect to each of the persons identified in clauses (1) and (2), any corporation or other organisation in which such person are the owners, directly or indirectly, collectively of 50 per cent. or more of the equity interests.

**Permitted Investment** means an Investment by the Guarantor or any Restricted Subsidiary in:

- (1) the Guarantor, a Restricted Subsidiary (including investments in Ijara and Murabaha contracts, between and among the Guarantor, Restricted Subsidiaries, including but not limited to those Ijara and Murabaha contracts existing on the relevant Issue Date) or a Person that will, upon the making of such Investment, become a Restricted Subsidiary; provided, however, that the primary business of such Restricted Subsidiary is a Related Business; provided further, however, that Murabaha contracts may include a Person other than the Guarantor or a Restricted Subsidiary as a party to the extent required to effect the arrangements contemplated therein so long as there is no Investment in such Person;
- (2) another Person if, as a result of such Investment, such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all its assets to, the Guarantor or a Restricted Subsidiary; provided, however, that such Person's primary business is a Related Business;
- (3) cash and Temporary Cash Investments;
- (4) receivables owing to the Guarantor or any Restricted Subsidiary if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; provided, however, that such trade terms may include such concessionary trade terms as the Guarantor or any such Restricted Subsidiary deems reasonable under the circumstances;
- (5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) loans or advances to employees made in the ordinary course of business consistent with past practices of the Guarantor or such Restricted Subsidiary;
- (7) stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Guarantor or any Restricted Subsidiary or in satisfaction of judgments;
- (8) any Person to the extent such Investment represents the non-cash portion of the consideration received for (i) an Asset Disposition as permitted pursuant to Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*) or (ii) a disposition of assets not constituting an Asset Disposition;
- (9) any Person where such Investment was acquired by the Guarantor or any of its Restricted Subsidiaries in exchange for any other Investment or accounts receivable held by the Guarantor or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganisation or recapitalisation of the issuer of such other Investment or accounts receivable or (b) as a result of a foreclosure by the Guarantor or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;
- (10) any Person to the extent such Investments consist of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business by the Guarantor or any Restricted Subsidiary;
- (11) any Person to the extent such Investments consist of Hedging Obligations otherwise permitted under clause (b)(6) of Paragraph 2.1 (*Limitation on Indebtedness*);
- (12) any Person to the extent such Investment exists on the relevant Issue Date, and any extension, modification or renewal of any such Investments existing on the relevant Issue Date, but only to the extent not involving additional advances, contributions or other Investments of cash or other assets or

other increases thereof (other than as a result of the accrual or accretion of interest or original issue discount or the issuance of pay-in-kind securities, in each case, pursuant to the terms of such Investment as in effect on the relevant Issue Date); and

- (13) the relevant Certificates.

**Permitted Liens** means, with respect to any Person:

- (1) pledges or deposits by such Person under workers' compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business;
- (2) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review and Liens arising solely by virtue of any statutory or common law provision relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; provided, however, that (A) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by the Guarantor and (B) such deposit account is not intended by the Guarantor or any Restricted Subsidiary to provide collateral to the depository institution;
- (3) Liens for property taxes not yet subject to penalties for non-payment or which are being contested in good faith by appropriate proceedings;
- (4) Liens in favour of issuers of surety bonds or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business; provided, however, that such letters of credit do not constitute Indebtedness;
- (5) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not Incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (6) Liens (including extensions and renewals thereof) upon real or personal property acquired after the relevant Issue Date; provided that (a) such Lien is created solely for the purpose of securing Indebtedness Incurred under clause (b)(10) of Paragraph 2.1 (*Limitation on Indebtedness*) and such Lien is created prior to, at the time of or within 60 days after the later of the acquisition or the completion of construction, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100 per cent. of the purchase price or the cost of acquisition, development, construction or improvement of such real or personal property and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item;
- (7) Liens to secure Indebtedness permitted under the provisions described in Paragraph 2.1(b)(2) (*Limitation on Indebtedness*);
- (8) Liens existing on the relevant Issue Date;
- (9) Liens on property or shares of Capital Stock of another Person at the time such other Person becomes a Subsidiary of such Person; provided, however, that the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (other than assets and property affixed or appurtenant thereto);

- (10) Liens on property at the time such Person or any of its Subsidiaries acquires the property, including any acquisition by means of a merger or consolidation with or into such Person or a Subsidiary of such Person; provided, however, that the Liens may not extend to any other property owned by such Person or any of its Restricted Subsidiaries (other than assets and property affixed or appurtenant thereto);
- (11) Liens securing Indebtedness or other obligations of a Subsidiary of such Person owing to such Person or a Restricted Subsidiary of such Person;
- (12) Liens securing Hedging Obligations so long as such Hedging Obligations are permitted to be Incurred under the Guarantee;
- (13) Liens to secure any Refinancing (or successive Refinancings) as a whole, or in part, of any Indebtedness secured by any Lien referred to in the foregoing clauses (6), (7), (8), (9), (10) or (14) provided, however, that:
  - (A) such new Lien shall be limited to all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and
  - (B) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (x) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clause (6), (7), (8), (9), (10) or (14) at the time the original Lien became a Permitted Lien and (y) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement; and
- (14) Liens securing Indebtedness or other obligations, other than Relevant Indebtedness, of such Person or its Subsidiaries so long as, on the date of creation of such Liens, no Default has occurred and is continuing and the incurrence of such Lien would not result in the aggregate amount of Total Assets of the Guarantor and its Restricted Subsidiaries which are free of and not encumbered by or subject to any Lien (including any Permitted Liens) being less than 1.25 times the aggregate amount of Indebtedness that is not subject to any Lien or other Security Interest of the Guarantor and its Restricted Subsidiaries as determined by the Guarantor in good faith.

Notwithstanding the foregoing, “Permitted Liens” will not include any Lien described in clauses (9) or (10) above to the extent such Lien applies to any Additional Assets acquired directly or indirectly from Net Available Cash pursuant to Paragraph 2.4 (*Limitation on Sales of Assets and Subsidiary Stock*). For purposes of this definition, the term **Indebtedness** shall be deemed to include interest on such Indebtedness.

**Person** means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity.

**Purchase Undertakings** means, in respect of each Series of Certificates, the purchase undertakings to be entered into by the relevant Restricted Subsidiaries (in their capacities as obligors thereunder) in connection with each Ijara Agreement in favour of the Investment Manager (in its capacity as beneficiary under such Purchase Undertakings) substantially in the form of Part C of Schedule 1 of the Investment Management Agreement.

**Rating Agencies** means (i) S&P, (ii) Moody’s and (iii) if S&P or Moody’s or both shall not make a rating of the relevant Certificates publicly available, an internationally recognised securities rating agency or agencies, as the case may be, selected by the Guarantor, which shall be substituted for S&P or Moody’s or both, as the case may be.

**Refinance** means, in respect of any Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Indebtedness in exchange or replacement for, such Indebtedness. “Refinanced” and “Refinancing” shall have correlative meanings.

**Refinancing Indebtedness** means Indebtedness that Refinances any Indebtedness of the Guarantor or any Restricted Subsidiary existing on the relevant Issue Date or Incurred in compliance with the Guarantee, including Indebtedness that Refinances Refinancing Indebtedness; provided, however, that:

- (1) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being Refinanced;
- (2) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being Refinanced;
- (3) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding (plus fees and expenses, including any premium and defeasance costs) under the Indebtedness being Refinanced; and
- (4) if the Indebtedness being Refinanced is subordinated in right of payment to the relevant Certificates, such Refinancing Indebtedness is subordinated in right of payment to the relevant Certificates at least to the same extent as the Indebtedness being Refinanced,

provided further, however, that Refinancing Indebtedness shall not include (A) Indebtedness of a Subsidiary that Refinances Indebtedness of the Guarantor or (B) Indebtedness of the Guarantor or a Restricted Subsidiary that Refinances Indebtedness of an Unrestricted Subsidiary.

**Related Business** means any business in which the Guarantor and any of the Restricted Subsidiaries was engaged in on the relevant Issue Date and any businesses related, ancillary or complementary to such business.

**Relevant Indebtedness** means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (including trust certificates, sukuk and any other instruments intended to be issued in accordance with the principles of Sharia) which for the time being are, or are intended to be, or are capable of being quoted, listed or dealt in or traded on any stock exchange or over the counter or other securities market.

**Replacement Assets** means properties and assets that replace the properties and assets that were the subject of an Asset Disposition or properties and assets that are, or will be, used in the Guarantor's business or in that of the Restricted Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors are Related Businesses, and, in each case, any capital expenditure relating thereto.

**Required Defeasance Amount** means, in respect of each Series of Certificates, the aggregate of all sums which would be required to be paid under the relevant Sukuk Contracts required to be entered into in accordance with the Investment Management Agreement to ensure compliance with the Underlying Value Conditions, for the period from the date on which the relevant deposit is made into the defeasance trust in full, up to and including the Scheduled Dissolution Date.

**Restricted Payment** with respect to any Person means:

- (1) the declaration or payment of any dividends or any other distributions of any sort in respect of its Capital Stock (including any payment in connection with any merger or consolidation involving such Person) or similar payment to the direct or indirect holders of its Capital Stock (other than (A) dividends or distributions payable solely in its Capital Stock (other than Disqualified Stock), (B) dividends or distributions payable solely to the Guarantor or a Restricted Subsidiary and (C) pro rata dividends or other distributions made by a Subsidiary that is not a Wholly Owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation));
- (2) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Capital Stock of the Guarantor held by any Person (other than by a Restricted Subsidiary) or of any Capital Stock of a Restricted Subsidiary held by any Affiliate of the Guarantor (other than by a Restricted Subsidiary), including in connection with any merger or consolidation and including the

exercise of any option to exchange any Capital Stock (other than into Capital Stock of the Guarantor that is not Disqualified Stock);

- (3) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment of any Subordinated Obligations of the Guarantor (other than (A) from a Restricted Subsidiary or (B) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of such purchase, repurchase, redemption, defeasance or other acquisition or retirement); or
- (4) the making of any Investment (other than a Permitted Investment) in any Person.

**Restricted Subsidiary** means any Subsidiary of the Guarantor that is not an Unrestricted Subsidiary.

**S&P** means Standard & Poor's Ratings Services and its affiliates.

**Sale and Purchase Agreement** means, in respect of each Series of Certificates, the sale and purchase agreements to be entered into between the Investment Manager and Dar Al-Arkan in connection with any Ijara Agreement substantially in the form of Part B of Schedule 1 of the Investment Management Agreement.

**Sale/Leaseback Transaction** means an arrangement relating to property owned by the Guarantor or a Restricted Subsidiary on the relevant Issue Date or thereafter acquired by the Guarantor or a Restricted Subsidiary whereby the Guarantor or a Restricted Subsidiary transfers such property to a Person and the Guarantor or a Restricted Subsidiary leases it from such Person. Notwithstanding the foregoing, "Sale/Leaseback Transaction" will not include any transfers and/or leases (a) between the Guarantor and a Restricted Subsidiary; (b) between Restricted Subsidiaries entered into pursuant to the Investment Management Agreement; or (c) entered into by the Guarantor or any Restricted Subsidiary solely for the purposes of a financing structured on a Sharia-compliant basis, provided that (i) such financing is Incurred for the benefit of the Guarantor or such Restricted Subsidiary; and (ii) on the date of such Incurrence and after giving effect thereto on a pro forma basis, the Guarantor is in compliance with the requirements of Paragraph 2.1 (*Limitation on Indebtedness*).

**SAR** means the lawful currency of the Kingdom of Saudi Arabia.

**SAR Equivalent** means with respect to any monetary amount in a currency other than SAR, at any time for determination thereof, the amount of SAR obtained by converting such foreign currency involved in such computation into SAR at the spot rate for the purchase of SAR with the applicable foreign currency as published in The Wall Street Journal in the "Exchange Rates" column under the heading "Currency Trading" on the date two Business Days prior to such determination.

Except as described under Paragraph 2.1 (*Limitation on Indebtedness*), whenever it is necessary to determine whether the Guarantor has complied with any covenant in the Guarantee or a Default has occurred and an amount is expressed in a currency other than SAR, such amount will be treated as the SAR Equivalent determined as of the date such amount is initially determined in such currency.

**SEC** means the U.S. Securities and Exchange Commission.

**Security Interest** means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any affiliate of the seller, or any agreement to give any security interest) securing any obligation of any person.

**Senior Indebtedness** means with respect to any Person:

- (1) Indebtedness of such Person, whether outstanding on the relevant Issue Date or thereafter Incurred; and
- (2) all other Obligations of such Person (including interest accruing on or after the filing of any petition in bankruptcy or for reorganisation relating to such Person whether or not post-filing interest is allowed in

such proceeding) in respect of Indebtedness described in clause (1) above, unless, in the case of clauses (1) and (2), in the instrument creating or evidencing the same or pursuant to which the same is outstanding, it is provided that such Indebtedness or other Obligations are subordinate in right of payment to the relevant Certificates or the Guarantee of such Person, as the case may be; provided, however, that Senior Indebtedness shall not include:

- (1) any obligation of such Person to the Guarantor or any Subsidiary of the Guarantor;
- (2) any liability for Federal, state, local or other taxes owed or owing by such Person;
- (3) any accounts payable or other liability to trade creditors arising in the ordinary course of business;
- (4) any Indebtedness or other Obligation of such Person which is subordinate or junior in any respect to any other Indebtedness or other Obligation of such Person; or
- (5) that portion of any Indebtedness which at the time of Incurrence is Incurred in violation of the Guarantee.

For the avoidance of doubt, each Series of Certificates shall constitute Senior Indebtedness.

**Service Agency Agreement** means, in respect of each Series of Certificates, the service agency agreements to be entered into between the Investment Manager and Restricted Subsidiaries in connection with any Ijara Agreement substantially in the form of Part D of Schedule 1 of the Investment Management Agreement.

**Shareholders' Equity** means, at any date, the capital, statutory reserves, general reserves, treasury stock and retained earnings of the Guarantor; and in addition, to the extent accounted for as equity in accordance with IFRS, the equity element with respect to any financial instrument.

**Significant Subsidiary** means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Guarantor within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC.

**Stated Maturity** means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

**Subordinated Obligation** means, with respect to a Person, any Indebtedness of such Person (whether outstanding on the relevant Issue Date or thereafter Incurred) which is subordinate or junior in right of payment to the relevant Certificates or a Guarantee of such Person, as the case may be, pursuant to a written agreement to that effect.

**Subsidiary** means, with respect to any Person, any corporation, association, partnership or other business entity of which more than 50 per cent. of the total voting power of shares of Voting Stock is at the time owned or controlled, directly or indirectly, by:

- (1) such Person;
- (2) such Person and one or more Subsidiaries of such Person; or
- (3) one or more Subsidiaries of such Person.

**Sukuk Contracts** means, in respect of each Series of Certificates, the Ijara Agreements (and related Sale and Purchase Agreements, Purchase Undertakings and Service Agency Agreements) and the Murabaha Agreements entered into between the Investment Manager and Restricted Subsidiaries from time to time.

**Sukuk Contract Counterparties** means the counterparties to the relevant Sukuk Contracts (other than the Investment Manager).

**Supplemental Trust Deed** means, in respect of each Series of Certificates, the supplemental trust deed entered into between the Trustee, the Delegate and Dar Al-Arkan on the relevant Issue Date.

**Tax or Taxes** means any present or future taxes, zakat, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld, or assessed by or on behalf of the Kingdom of Saudi Arabia or any political subdivision thereof or any authority therein or thereof having the power to tax.

**Temporary Cash Investments** means any of the following:

- (1) any investment in direct obligations of the Kingdom of Saudi Arabia, a member of the European Union, the United States or any agency thereof or obligations guaranteed by the Kingdom of Saudi Arabia, a member of the European Union or the United States or any agency thereof;
- (2) investments in demand and time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organised under the laws of the Kingdom of Saudi Arabia, a member of the European Union or the United States or any state thereof, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of U.S.\$50.0 million (or the foreign currency equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognised statistical rating organisation;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank meeting the qualifications described in clause (2) above;
- (4) investments in commercial paper, maturing not more than 90 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Guarantor) organised and in existence under the laws of the Kingdom of Saudi Arabia, a member of the European Union or the United States with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's Investors Service, Inc. or "A-1" (or higher) according to Standard & Poor's Ratings Group;
- (5) investments in securities with maturities of six months or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the Kingdom of Saudi Arabia, a member of the European Union or the United States, or by any political subdivision or taxing authority thereof, and rated at least "A" by Standard & Poor's Ratings Group or "A" by Moody's Investors Service, Inc.; and
- (6) investments in money market funds that invest substantially all their assets in securities of the types described in clauses (1) through (5) above.

**Total Assets** means, at any date, the total consolidated book value of all assets, plus accumulated depreciation and amortisation, of the Guarantor and its Subsidiaries, prepared in accordance with IFRS.

**Total Liabilities** means the aggregate of all consolidated Indebtedness of the Guarantor and its Subsidiaries and all other obligations of the Guarantor for the payment or repayment of money, whether present or future.

**Underlying Value Conditions** has the meaning given to such term in Condition 22 under "*Terms and Conditions of the Certificates*".

**Unrestricted Subsidiary** means:

- (1) any Subsidiary of the Guarantor that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided below; and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors may designate any Subsidiary of the Guarantor (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Capital Stock or Indebtedness of, or holds any Lien on any property of, the Guarantor or any Subsidiary of the

Guarantor that is not a Subsidiary of the Subsidiary to be so designated; provided, however, that either (A) the Subsidiary to be so designated has total assets of U.S.\$1,000 or less or (B) if such Subsidiary has assets greater than U.S.\$1,000, such designation would be permitted under Paragraph 2.2 (*Limitation on Restricted Payments*); provided, however, that the Investment Manager and any Sukuk Contract Counterparty can never be designated to be an Unrestricted Subsidiary.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided, however, that immediately after giving effect to such designation (A) the Guarantor could Incur SAR 1.00 of additional Indebtedness under clause (a) under Paragraph 2.1 (*Limitation on Indebtedness*) and (B) no Default shall have occurred and be continuing. Any such designation by the Board of Directors shall be evidenced to the Trustee and the Delegate by promptly filing with the Trustee and the Delegate a copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing provisions.

**Value Restoration Amount** has the meaning given to it in Condition 4.1 under "*Terms and Conditions of the Certificates*".

**Voting Stock** of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

**Wholly Owned Subsidiary** means a Restricted Subsidiary all the Capital Stock of which (other than directors' qualifying shares) is owned, directly or indirectly, by the Guarantor or one or more other Wholly Owned Subsidiaries.

#### **Trust Deed**

The Master Trust Deed was entered into on 2 March 2018 between Dar Al-Arkan, the Trustee and the Delegate and will be governed by English law. A Supplemental Trust Deed between the same parties will be entered into on the Issue Date of each Series and will also be governed by English law.

Upon issue of the Global Certificate initially representing any Series, the Master Trust Deed and the relevant Supplemental Trust Deed shall together constitute the Trust declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series comprise (unless otherwise specified in the relevant Supplemental Trust Deed), *inter alia*, (i) the Trustee's rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Portfolio, (ii) its rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than in relation to any representations given to the Trustee by Dar Al-Arkan pursuant to any of the Transaction Documents and any rights which have been expressly waived by the Trustee in any of the Transaction Documents), (iii) all monies standing to the credit of the relevant Transaction Account and (iv) all proceeds of the foregoing.

Each Trust Deed will specify that, on or after the relevant Scheduled Dissolution Date or, as the case may be, Dissolution Date of a Series, the rights of recourse in respect of the relevant Certificates shall be limited to the amounts from time to time available and comprising the Trust Assets of that Series, subject to the priority of payments set out in the Trust Deed, the relevant Certificates and the Conditions. The Certificateholders have no claim or recourse against Dar Al-Arkan Sukuk Company Ltd. in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

Pursuant to each Trust Deed, the Trustee will, in relation to each Series, *inter alia*:

- (a) hold the relevant Trust Assets on trust absolutely for the relevant Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder; and
- (b) act as trustee in respect of the relevant Trust Assets, distribute the income from the relevant Trust Assets and perform its duties in accordance with the provisions of the relevant Trust Deed.



In the Master Trust Deed, the Trustee by way of security for the performance of all covenants, obligations and duties of the Trustee to the Certificateholders will irrevocably and unconditionally appoint the Delegate to be its attorney and in its name and on its behalf to execute, deliver and perfect all documents and to exercise all the present and future powers, authorities and discretions (including but not limited to the authority to request instructions from any Certificateholders and the power to sub-delegate and the power to make any determinations to be made under each Trust Deed) vested in the Trustee by each Trust Deed, the Guarantee or any other Transaction Document that the Delegate may consider to be necessary or desirable in order upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or prefunded to its satisfaction to perform the present and future powers, authorities and discretions vested in the Trustee by the relevant provisions of each Trust Deed and any of the other Transaction Documents (provided that no obligations, duties, liabilities or covenants of the Trustee pursuant to the Master Trust Deed or any other Transaction Document will be imposed on the Delegate by virtue of such delegation). The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and will not affect the Trustee's continuing role and obligations as trustee.

The Master Trust Deed specifies, *inter alia*, that in relation to each Series:

- (i) following the distribution of the proceeds of the relevant Trust Assets to the relevant Certificateholders such that those Trust Assets have been exhausted in accordance with the Conditions and the Agency Agreement, no Certificateholder shall be entitled to proceed directly against the Trustee, the Delegate, the Investment Manager and/or Dar Al-Arkan in respect of such Trust Assets to enforce the performance of any of the provisions of the relevant Trust Deed or any other Transaction Document. In particular, no Certificateholder shall be entitled to take any action which could result in the winding-up of the Trustee;
- (ii) no Certificateholder shall be entitled to proceed directly against, or to provide instructions to the Trustee to pursue any claim against, the Trustee, the Investment Manager and/or Dar Al-Arkan arising under the relevant Trust Assets or the relevant Certificates or to enforce the performance of any provisions of any of the Transaction Documents or for any other reason unless the Delegate having become bound so to proceed, (i) fails to do so within a reasonable period, or (ii) is unable by reason of an order of a court having competent jurisdiction to do so, and the failure or inability is continuing. Under no circumstances shall the Trustee, the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the relevant Trust Assets, except pursuant to the terms of the Transaction Documents or under the Conditions and the sole right of the Trustee, the Delegate and the Certificateholders against the Investment Manager and/or Dar Al-Arkan shall be to enforce their respective obligations under the Transaction Documents to which they are party; and
- (iii) neither the Delegate nor the Trustee shall be bound in any circumstances to take any action in relation to any Trust Assets or any Dissolution Event or take any action or other steps under the Conditions or any Transaction Document unless:
  - (a) the Delegate and/or the Trustee, as the case may be, is satisfied that it will be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities which may be incurred in connection with such action or step and may demand prior to taking any such action that there be paid to it in advance such sums as it considers (without prejudice to any further demand) shall be sufficient so to indemnify it; and
  - (b) in the case of the Delegate only, directed or requested to do so by a Certificateholders' Direction.

Pursuant to the Master Trust Deed, Dar Al-Arkan further covenants and undertakes that if the Distribution Shortfall Restoration Amount and the Value Restoration Amount are not paid in respect of the Scheduled Dissolution Date, the Dissolution Event Redemption Date, the Early Tax Dissolution Date or the Early Dissolution Date (Trustee Call), as the case may be, in accordance with clauses 2.1(b) and 2.1(c) of the Guarantee, respectively, for any reason whatsoever, Dar Al-Arkan shall (but without double counting, as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of

redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the sum of the Distribution Shortfall Restoration Amount and the Value Restoration Amount.

A Transaction Account will be established in London in the name of the Trustee. Moneys received in the Transaction Account will, inter alia, comprise payments of Periodic Distribution Amounts and/or Dissolution Amounts (if any) immediately prior to each Periodic Distribution Date and/or any Dissolution Date, as the case may be. The Master Trust Deed shall provide that all moneys credited to the Transaction Account from time to time will be applied in the order of priority set out in the Master Trust Deed.

### **Shari'a Compliance**

Each Transaction Document provides that each of Dar Al-Arkan Sukuk Company Ltd. and Dar Al-Arkan Real Estate Development Company agrees that it has accepted the Shari'a compliant nature of the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (c) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of Shari'a;
- (d) it shall not take any steps or bring any proceedings in any forum to challenge the Shari'a compliance of the Transaction Documents to which it is a party; and
- (e) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which is a party are not compliant with the principles of Shari'a.

## TAXATION

*The following is a general description of certain tax and zakat considerations relating to Certificates issued under the Programme. It does not purport to be a complete analysis of all tax and zakat considerations relating to the Certificates. Prospective purchasers of any Certificates should consult their tax and zakat advisers as to the consequences under the tax and zakat laws of the country of which they are resident for tax and zakat purposes of acquiring, holding and disposing of the relevant Certificates and receiving payments under those Certificates. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.*

### **Kingdom of Saudi Arabia**

*The following is a general description of certain tax and zakat considerations relating to Certificates issued under the Programme. It does not purport to be a complete analysis of all tax and zakat considerations relating to the Certificates. The summary below is not intended as tax or zakat advice, does not consider any investor's particular circumstances and does not consider tax or zakat consequences other than those arising under Saudi law. Prospective purchasers of any Certificates should consult their tax and zakat advisers (if applicable) as to the consequences under the tax and zakat laws (if applicable) of the country of which they are resident for tax purposes of acquiring, holding and disposing of the relevant Certificates and receiving payments under those Certificates. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any prospective or retrospective change in law that may take effect after such date.*

### **Overview of Saudi Tax and Zakat Law**

#### *Income Tax*

According to Saudi Arabian tax law, a resident capital company with foreign ownership (on its foreign partner's (shareholder's) share) and a non-resident who does business in the Kingdom through a Permanent Establishment (as defined below) are subject to corporate income tax in Saudi Arabia at a rate of 20 per cent. Companies which are wholly owned by Saudi nationals are subject to zakat instead of corporate income tax. Companies owned jointly by Saudi/GCC and non-Saudi/non-GCC nationals pay tax on the portion of income attributable to the non-Saudi/non-GCC nationals and zakat on the portion of income attributable to Saudi nationals. Shares held directly by GCC nationals or via other GCC companies (where the shareholding structure does not fall outside of the GCC) in a Saudi capital company are subject to zakat and not income tax. In determining the tax/zakat profile, the Saudi Tax Authorities apply a "look-through" approach to determine whether the up-stream shareholding structure at any point exists outside of the GCC.

#### *Zakat*

The guidance on zakat in Saudi Arabia is based on the provisions of Royal Decrees, Ministerial Resolutions, Fatwas and the General Authority for Zakat and Tax (**GAZT**) (formerly Department of Zakat and Income Tax (**DZIT**)) circulars that are in force. In Saudi Arabia, zakat is assessed on Saudi and GCC nationals and on Saudi companies wholly owned by such individuals. There are certain rules that apply to the method of calculating the zakat liability. In general, zakat is levied at a fixed rate of 2.5 per cent. on the higher of the adjusted zakatable profits or the zakat base which, in general, comprises equity, loans and provisions reduced by deductible investments and fixed assets.

#### *Withholding Tax (WHT)*

The Saudi Arabian tax law provides for actual WHT at different rates on payments made to non-Resident parties (including those located in the GCC) by a Saudi Resident from a source of income in Saudi Arabia. Services are defined to mean anything done for consideration other than the purchase and sale of goods and other property. Loan charges paid to non-Residents generally attract five per cent. Saudi WHT, unless such WHT is reduced or eliminated pursuant to the terms of an applicable double tax treaty.

### ***Withholding tax implications in connection with the transaction***

As the Trustee is not a Saudi resident, the payment of Profit Collections by the Investment Manager to the Trustee pursuant to the Investment Management Agreement (or the payment of such amounts by the Guarantor under the Guarantee) will be subject to a five per cent. withholding tax. In accordance with the Income Tax Regulation (as defined below) the Investment Manager will be responsible for withholding and settling the tax with the GAZT on payments of Profit Collections. If such payments (and/or payments of Sukuk Portfolio Liquidation Proceeds) are subject to any withholding or deduction on account of tax in Saudi Arabia, the Guarantee and the Investment Management Agreement provide for the Guarantor and the Investment Manager, respectively, to pay additional amounts as will result in the Trustee receiving the amounts which would otherwise be receivable.

### ***Certain tax and zakat implications for Certificateholders***

#### ***GCC Certificateholders who are Resident in Saudi Arabia***

Certificateholders who are GCC Persons (as defined below) and Resident in Saudi Arabia are not subject to any Saudi Arabian corporate income tax, whether by WHT or direct assessment in respect of any profit payment received or gain realised in respect of the Certificates. However, such Certificateholders will be subject to zakat in respect of any profit payment received or gain realised in respect of the Certificates. Additionally, the GAZT does not allow an investment in the Certificates to be deducted from the zakat base of such a Certificateholder, as stipulated under Ministerial Resolution No. 1005 dated 15 May 2007.

#### ***Non-GCC Certificateholders who are Resident in Saudi Arabia***

Certificateholders who are non-GCC Persons and Resident in Saudi Arabia will be subject to Saudi Arabian corporate income tax at the rate of 20 per cent. on any profit payment received or gain realised in respect of the Certificates but they will not be subject to any zakat.

#### ***Certificateholders who are not Resident in Saudi Arabia***

Certificateholders, either natural persons or legal entities, who are not Residents in Saudi Arabia (whether such Certificateholders are Saudi Arabian nationals or non-Saudi Arabian nationals (including Certificateholders resident in the GCC)) will not be subject to Saudi Arabian withholding tax (as the payments will be received from a Saudi non-resident) or zakat on any payments received by them in respect of the Certificates. However, natural persons having the nationality of a GCC country other than Saudi Arabia who are not Resident but have a Permanent Establishment in Saudi Arabia and legal entities established under the laws of a GCC country other than Saudi Arabia with a Permanent Establishment in Saudi Arabia are subject to Saudi Arabian corporate income tax at the rate of 20 per cent. in respect of any profit payment received or gain realised in respect of the Certificates but will not be subject to *zakat*.

### ***Indirect and Transfer Taxes***

There are no indirect or transfer taxes currently applicable in Saudi Arabia.

### ***General***

For the purposes of this summary:

**GCC** means the Kingdom of Bahrain, Kuwait, the Sultanate of Oman, the State of Qatar, Saudi Arabia and the United Arab Emirates.

A **GCC Person** means (a) a natural person having the nationality of any of the countries within the GCC and (b) any legal entity owned by GCC nationals and established under the laws of a country in the GCC. A GCC Person will include a company owned by both Saudi/GCC and non-Saudi/(non-GCC) nationals (“mixed companies”), to the extent it is ultimately owned by Saudi/GCC nationals.

Subject to the exceptions stipulated in the Income Tax Regulations, a **Permanent Establishment** of a non-Resident in Saudi Arabia represents a permanent place for the non-Resident's activity where he conducts the activity either fully or partly; this also includes the activity conducted by the non-Resident through an agent. A non-Resident carrying out an activity in Saudi Arabia through a licensed branch is considered to have a Permanent Establishment in Saudi Arabia.

A person is a **Resident** in Saudi Arabia (as defined in Article 3 of the Income Tax Regulation issued under Royal Decree No. M/1 dated 15/01/1425H (the **Income Tax Regulation**)) if it meets the following conditions:

- (a) a natural person is considered a Resident in Saudi Arabia for a taxable year if he meets either of the two following conditions:
  - (i) he has a permanent place of abode in Saudi Arabia and is physically present in Saudi Arabia for a total of not less than 30 days in the taxable year; or
  - (ii) he is physically present in Saudi Arabia for a period of not less than 183 days in the taxable year; and
- (b) a company is considered Resident in Saudi Arabia during a taxable year if it meets either of the following conditions:
  - (i) it is formed in accordance with the Saudi Companies Regulations issued pursuant to Royal Decree No. 17/3 dated 28/1/1437H (corresponding to 10/11/2015G); or
  - (ii) its place of central control and management is located in Saudi Arabia.

Certificateholders will not be deemed to be Resident in Saudi Arabia solely by reason of holding any Certificates.

### **Cayman Islands**

*The following is a discussion on certain Cayman Islands income tax consequences of an investment in Certificates to be issued under the Programme. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances and does not consider tax consequences other than those arising under Cayman Islands law.*

Under existing Cayman Islands laws payments on Certificates to be issued under the Programme will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of Certificates nor will gains derived from the disposal of Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

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 brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$854. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### **The proposed financial transactions tax (FTT)**

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Certificates are advised to seek their own professional advice in relation to the FTT.

### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as **FATCA**, a **foreign financial institution** (as defined by FATCA) 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 Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Certificates, such withholding would not apply prior to 1 January 2019 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 Certificates.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the **Programme Agreement**) dated 2 March 2018, agreed with the Trustee, Dar Al-Arkan and the Investment Manager a basis upon which they or any of them may from time to time agree to purchase Certificates. Any such agreement will extend to those matters stated under “*Terms and Conditions of the Certificates*”. In the Programme Agreement, each of the Trustee, Dar Al-Arkan and the Investment Manager has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue, offer and sale of Certificates under the Programme.

### SELLING RESTRICTIONS

#### United States

The Certificates and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Certificates (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Certificates on a syndicated basis, the relevant lead manager, of all Certificates of the Series of which such Certificates are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with an applicable exemption from the registration requirements of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Certificates during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Certificates, an offer or sale of such Certificates within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

#### Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Certificates to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Certificates referred to above shall require the Trustee, Dar Al-Arkan or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- the expression an **offer of Certificates to the public** in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;
- the expression **Prospectus Directive** means Directive 2003/71/EC (as amended).

### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Certificates which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or Dar Al-Arkan; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

### **Cayman Islands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no invitation or offer, whether directly or indirectly, to subscribe for the Certificates has been or will be made to the public in the Cayman Islands.

### **Japan**

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not directly or indirectly, offered or sold Certificates and that it will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.



### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that the Certificates to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

### **Dubai International Financial Centre**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Certificates to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the **DFSA**) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

### **Kingdom of Saudi Arabia**

No action has been or will be taken in 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 Certificates pursuant to any offering should note that the offer of Certificates is a private placement under Article 11 or Article 12 of the “Offers of Securities Regulations” as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 3-151-2016 dated 21 December 2016 (the **KSA Regulations**), through a person authorised by the Capital Market Authority to carry on the securities activity of arranging and following a notification to the Capital Market Authority under 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 11 of the KSA Regulations or by way of a limited offer under Article 12 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates by it to a Saudi Investor will be made in compliance with Articles 11 or 12 of the KSA Regulations.

Each offer of Certificates shall not therefore constitute a “public offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 18 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 11 or Article 12 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 11 of the KSA Regulations); (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds SAR 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 18 of the KSA Regulations.

### **Kingdom of Bahrain**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an **accredited investor** means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person’s principal place of business;
- (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).

### **Qatar (excluding the Qatar Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except (i) in compliance with all applicable laws and regulations of the State of Qatar; and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar.

### **Singapore**

Each Dealer has acknowledged that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold and that it will not offer or sell any 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 Base Prospectus or any other document or material in connection with the offer or sale or invitation for subscription or purchase, of any Certificates, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**)) pursuant to Section 274 of the SFA, or (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Trust 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 (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:
  - (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, 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 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (c) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (iii) 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 or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (d) 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 in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to any Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### **Malaysia**

This Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the **CMSA**). Accordingly, Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase the Certificates has been or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons or in categories falling within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)), 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 Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

### **General**

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers any Certificates or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, Dar Al-Arkan, the Investment Manager, the Delegate and any other Dealer shall have any responsibility therefor.

None of the Trustee, Dar Al-Arkan, the Investment Manager, the Delegate and any of the Dealers represents that Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale. Persons into whose possession this Base Prospectus or any Certificates may come must inform themselves about, and observe, any applicable restrictions on the distribution of this Base Prospectus and the offering and sale of Certificates.

With regard to each Series, the relevant Dealer will be required to comply with any additional restrictions agreed between the Trustee, Dar Al-Arkan and the relevant Dealer and set out in the relevant subscription agreement or dealer confirmation letter, as the case may be.

## GENERAL INFORMATION

### Authorisation

The update of the Programme and the issue of Certificates have been duly authorised by a resolution of the Board of Directors of the Trustee dated 26 February 2018. The Trustee has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of Certificates to be issued under the Programme and the execution and performance of the Transaction Documents to which it is a party. The entry into of the Transaction Documents to which it is a party relating to the update of the Programme has been duly authorised by a resolution of the shareholders of the Investment Manager dated 28 February 2018. The entry into of the Transaction Documents to which it is a party relating to the update of the Programme has been duly authorised by a resolution of the Board of Directors of Dar Al-Arkan dated 28 February 2018.

### Listing

The admission of Certificates to the Official List will be expressed as a percentage of their nominal amount (excluding any due but unpaid Periodic Distribution Amounts). It is expected that each Series of Certificates which is to be admitted to the Official List and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of a Global Certificate initially representing the Certificates of such Series.

This Base Prospectus has been approved by the Irish Central Bank as competent authority under the Prospectus Directive. Such approval relates only to the Certificates which are to be admitted to trading on the Main Securities Market or any other MiFID Regulated Markets or which are to be offered to the public in any Member State. The Irish Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for Certificates issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to listing on the Official List and admitted to trading on the Main Securities Market. However, Certificates may be issued pursuant to the Programme which will not be listed on the Irish Stock Exchange or any other stock exchange or which will be listed on such stock exchange as the Trustee and the relevant Dealer may agree.

### Documents Available

For the period of 12 months following the date of this Base Prospectus, physical copies of the following documents will, when published, be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the offices of the Trustee and at the offices of the Paying Agent for the time being in London:

- (a) the Transaction Documents including each Supplemental Trust Deed and each Sukuk Contract in relation to each Series (save that any such documents relating to a Series which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of the relevant Certificates and identity);
- (b) the Memorandum and Articles of Association of the Trustee and the constitutional documents of Dar Al-Arkan;
- (c) the consolidated audited financial statements of Dar Al-Arkan in respect of the two financial years ended 31 December 2017 and 31 December 2016 together with the audit reports prepared in connection therewith. Dar Al-Arkan currently prepares audited consolidated accounts on an annual basis. The Trustee is not required to, and does not intend to, publish any annual financial statements;

- (d) the most recently published annual audited and unaudited condensed consolidated interim financial statements (if any) of Dar Al-Arkan, together with any audit or review reports prepared in connection therewith. Dar Al-Arkan currently prepares unaudited consolidated interim accounts on a quarterly basis. The Trustee is not required to, and does not intend to, publish any interim financial statements;
- (e) this Base Prospectus; and
- (f) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to a Certificate which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of the relevant Certificates and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

### **Clearing Systems**

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Series will be specified in the applicable Final Terms.

If the Certificates are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Third Party Information**

Where information in this Base Prospectus has been sourced from third parties this information has been accurately reproduced, and as far as the Trustee and Dar Al-Arkan are aware and are able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading.

### **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 financial position or prospects of the Trustee, in each case, since the date of its incorporation.

There has been (i) no significant change in the financial or trading position of Dar Al-Arkan and its subsidiaries, taken as a whole, and (ii) no material adverse change in the financial position or prospects of Dar Al-Arkan and its subsidiaries, taken as a whole, in each case, since 31 December 2017.

### **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) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

Neither Dar Al-Arkan nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which Dar Al-Arkan is aware) during the 12 months preceding the date of the Base Prospectus that may have or have in such period had a significant effect on the financial position or profitability of Dar Al-Arkan and/or its subsidiaries, respectively.

**Auditors**

The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

The auditors of Dar Al-Arkan are AIKharashi, chartered accountants, who have audited Dar Al-Arkan's accounts, without qualification, in accordance with IFRS for each of the two financial years ended on 31 December 2017 and 31 December 2016. AIKharashi is regulated in the Kingdom of Saudi Arabia by SOCPA and the Ministry of Commerce and Investment. AIKharashi does not have any material interest in Dar Al-Arkan.

**Dealers transacting with Dar Al-Arkan**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, Dar Al-Arkan (and its affiliates) in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

**TRUSTEE**

**Dar Al-Arkan Sukuk Company Ltd.**

c/o MaplesFS Limited  
P.O. Box 1093, Queensgate House  
Grand Cayman, KY1-1102  
Cayman Islands

**INVESTMENT MANAGER**

**Dar Al-Arkan Sukuk International Company**

c/o Dar Al-Arkan Real Estate  
Development Company  
Maathar Street  
P.O. Box 105633, Riyadh 11656  
Kingdom of Saudi Arabia

**GUARANTOR**

**Dar Al-Arkan Real Estate Development Company**

Maathar Street  
P.O. Box 105633, Riyadh 11656  
Kingdom of Saudi Arabia

**STATUTORY AUDITORS TO THE GUARANTOR**

**AlKharashi & Co.**

P.O. Box 8306, Riyadh 11482  
Kingdom of Saudi Arabia

**DELEGATE**

**Deutsche Trustee Company Limited**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**PRINCIPAL PAYING AGENT**

**Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

**REGISTRAR AND TRANSFER AGENT**

**Deutsche Bank Luxembourg S.A.**

2 Boulevard Konrad Adenauer  
L-1115 Luxembourg  
Luxembourg

**LEGAL ADVISERS**

*To the Trustee as to Cayman Islands law*

**Maples and Calder (Dubai) LLP**

The Exchange Building, 5th Floor  
Dubai International Financial Centre  
P.O. Box 119980  
Dubai  
United Arab Emirates

*To Dar Al-Arkan as to English law*

**Latham & Watkins LLP**

Dubai International Financial Centre  
Precinct Building 1, Level 3  
P.O. Box 506698  
Dubai  
United Arab Emirates

*To Dar Al-Arkan as to Saudi law*

**Law Office of Salman M. Al-Sudairi  
in association with Latham & Watkins LLP**

7th Floor, Tower 1, Al-Tatweer Towers  
King Fahad Highway  
P.O. Box 17411  
Riyadh 11484  
Kingdom of Saudi Arabia

*To the Dealers as to English law*

**Allen & Overy LLP**

11th Floor  
Burj Daman Building  
Happiness Street  
Dubai International Financial Centre  
P.O. Box 506678  
Dubai

*To the Dealers as to Saudi law*

**Khoshaim & Associates**

P.O. Box 230667  
17th Floor, Tower B  
Olaya Towers, Olaya District  
P.O. Box 230667  
Riyadh, 11321  
Kingdom of Saudi Arabia

United Arab Emirates

*To the Delegate as to English law*

**Allen & Overy LLP**  
One Bishops Square

London E1 6AD  
United Kingdom

**ARRANGERS AND DEALERS**

**Alkhair Capital (Dubai) Limited**  
Dubai International Financial Center  
Level 9, North Tower – Emirates Financial Towers  
Dubai  
United Arab Emirates

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom



## ANNEX B

### SHARI'A ADVISERS

#### *Shari'a Supervisory Board of Bank Alkhair*

The Shari'a Supervisory Board of Bank Alkhair currently comprises the six members set out in the following table:

Name	Title
Dr. Ali Muhyealdin Al-Quradaghi	Vice Chairman & Executive
Dr. Mohammad Daud Bakar	Member
Sh. Nizam Mohammad Saleh Yaqouby	Chairman

Brief biographies of each of the members of the Shari'a Supervisory Board of Bank Alkhair are set out below.

#### *Dr. Ali Muhyealdin Al-Quradaghi*

Dr. Al-Quradaghi worked as a Professor and Chairman of the Department of Jurisprudence and its Principles, in the faculty of Shari'a Law and Islamic Studies at the University of Qatar. He is a member of the Shari'a board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Islamic Fiqh Academy, Organization of Islamic Conference in the Kingdom of Saudi Arabia and a member of the European Council for Fatwa and Research. He also sits on the Shari'a Supervisory Board for a number of Islamic Banks and other Islamic financial institutions, either as chairman or member. He holds a Master's degree in Sharia in 1980 and Ph.D in Shari'a and Laws in 1985 from Al-Azhar University, Egypt.

#### *Dr. Mohammad Daud Bakar*

Dr. Bakar is currently the Chairman of the Shari'a Advisory Council at the Central Bank of Malaysia. Previously, he was the Deputy Rector (Student Affairs and Development) at the International Islamic University Malaysia. Dr. Bakar is a Shari'a board member of various financial institutions, including the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), The International Islamic Financial Market, The Securities Commission of Malaysia, and many other Islamic banks. He has published more than 30 articles in various academic journals and presented more than 180 papers at various conferences, both local and overseas. In 2002, Dr. Bakar has a Bachelor of Jurisprudence at the University of Malaya. He has a Degree in Shari'a from the University of Kuwait in 1988 and a Ph.D from the University of St. Andrews, United Kingdom in 1993.

#### *Sh. Nizam Mohammed Yaqouby*

Sheikh Nizam is an internationally acclaimed Shari'a scholar in the Islamic banking industry. Sheikh Nizam has taught Islamic subjects in Bahrain and lectured all over the world. He is a member of many International Boards including the Shari'a Council of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Dow Jones Islamic Index, Central Bank of Bahrain Shari'a Committee and IIFM Shari'a Council. Sheikh Nizam has edited several Arabic manuscripts and has more than 500 audio-visual lectures and lessons in both Arabic and English. He has a background in both traditional Islamic sciences with senior scholars from different parts of the Muslim world and also a Master's degree in Economics from McGill University in Canada.

***Dr. Hussein Hamed Hassan***

Dr. Hassan either chairs or is a member of the Shari'a supervisory boards of more than twenty Islamic financial institutions across the world, including Emirates Islamic Bank, Dubai Islamic Bank, National Bank of Sharjah, Islamic Development Bank, Dubai Islamic Insurance and Re-Insurance (Aman), Tamweel, AMLAK and the Liquidity.

Dr. Hassan is the author of over 21 books on Islamic law, finance, economics, social studies and art, in addition to more than 400 research articles on these subjects. He served as Assistant Professor, Associate Professor and Professor of Shari'a in the Faculty of Law and Economics at Cairo University between 1960 and 2002. Dr. Hassan received his Ph.D. from the Faculty of Shari'a at Al Azhar University in Cairo, Egypt in 1965. He also holds two degrees in Law from the International Institute of Comparative Law, University of New York and two degrees in Law and Economics from Cairo University.