

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached base prospectus (the **Base Prospectus**) and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Base Prospectus. In accessing the Base Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the Base Prospectus is confidential and intended only for you and you agree you will not forward, reproduce or publish this electronic transmission or the Base Prospectus to any other person.

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

**THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.**

In order to constitute "alternative finance investment bonds" (**AFIBs**) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended, Certificates (as defined herein) issued under the Programme (as defined herein) will need to satisfy (amongst other requirements) one of the conditions mentioned in paragraph (2)(f) of that Article, which includes that, if such Certificates are issued after 31 December 2020, they will need to be admitted to trading on a recognised investment exchange or a United Kingdom trading venue or admitted to the official list of the United Kingdom Financial Conduct Authority (the **FCA**). Any Certificates which do not constitute AFIBs will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (the **FSMA**)) which has not been authorised, recognised or otherwise approved by the FCA. 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 applicable Final Terms (as defined herein) and any other marketing materials relating to the Certificates is being addressed to, or directed at: (i) if the distribution (whether or not such Certificates are AFIBs) is being effected by a person who is not an authorised person under the FSMA, only the following persons: (a) 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**); (b) persons falling within any of the categories of persons described in Article 49 of the Financial Promotion Order; and (c) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (ii) if the Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (a) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the **Promotion of CISs Order**); (b) persons falling within any of the categories of person described in Article 22 of the Promotion of CISs Order; and (c) any other person to whom it may otherwise lawfully be promoted (all such persons together being referred to as relevant persons). Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any applicable Final Terms or any other marketing materials in relation to any Certificates. This communication is being directed only at persons having professional experience in matters relating to investments and any

investment or investment activity to which this communication relates will be engaged in only with such persons. No other person should rely on it.

**Confirmation of your representation:** By accessing the Base Prospectus you confirm to Sharjah Islamic Bank PJSC (SIB), to SIB Sukuk Company III Limited (in its capacities as issuer and as trustee, the **Trustee**) and to Standard Chartered Bank (the **Arranger**), to Standard Chartered Bank and any other dealers appointed under the Programme from time to time by SIB and the Trustee, which appointment may be for a specific issue of securities or on an ongoing basis (together, the **Dealers**) that: (i) you understand and agree to the terms set out herein; (ii) you are a relevant person; (iii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of any U.S. person, and, that you are not in the United States, its territories and possessions; (iv) you are a person who is permitted under applicable law and regulation to receive this Base Prospectus; (v) you consent to delivery of such Base Prospectus and any supplements thereto by electronic transmission; (vi) you will not transmit the Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person; and (vii) you acknowledge that you will make your own assessment regarding any credit, investment, legal, *Shari'a*, taxation or other economic considerations with respect to your decision to subscribe or purchase any of securities described in the Base Prospectus.

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

The Base Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that an offering of securities described in the Base Prospectus be made by a licensed broker or dealer and the Arranger and the Dealers or any affiliate of the Arranger or the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Arranger or Dealer or such affiliate on behalf of SIB, the Trustee or holders of the applicable securities in such jurisdiction.

The Arranger, the Dealers, the Delegate and the Agents (each as defined in the Base Prospectus) have not independently verified the information contained in the Base Prospectus. Accordingly, none of the Arranger, the Dealers, the Delegate, the Agents or any of their respective directors, affiliates, advisors or agents make any representation or warranty or accept any liability in relation to the information contained or incorporated by reference in the Base Prospectus or for any other information provided by the Trustee or SIB in connection with the programme described in the Base Prospectus (the **Programme**) nor is any responsibility or liability accepted by them as to the accuracy or completeness of the information contained in the Base Prospectus or any responsibility for any acts or omissions of the Trustee, SIB or any other person (other than the relevant Dealer) in connection with the Base Prospectus or the issue and offering of securities described in the Base Prospectus. To the fullest extent permitted by law, none of the Arranger, the Dealers, their respective directors, affiliates, advisors and agents and the Delegate and the Agents accepts any responsibility for the contents of the Base Prospectus and accordingly each disclaims all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of the Base Prospectus.

Recipients of the Base Prospectus who intend to subscribe for or purchase the securities described in the Base Prospectus are reminded that any subscription or purchase may only be made on the basis of the information contained in the Base Prospectus, the applicable Final Terms and/or supplement(s) to the Base Prospectus (if any).

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

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the SIB, the Trustee, the Arranger nor the Dealers nor any person who controls them nor any director, officer, employee nor agent of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from SIB, the Trustee, the Arranger and the Dealers. Please ensure that your copy is complete. Any reply e-mail communications, including those you generate by using the "reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Each of the Arranger and the Dealers are acting exclusively for SIB and the Trustee and no one else in connection with any offer of the securities described in the Base Prospectus. They will not regard any other person (whether or not a recipient of the Base Prospectus) as their client in relation to any offer of the securities described in the Base Prospectus and will not be responsible to anyone other than the SIB and the Trustee for providing the protections afforded to their clients nor for giving advice in relation to any offer of the securities described in the Base Prospectus or any transaction or arrangement referred to herein.



**SIB Sukuk Company III Limited**  
(incorporated in the Cayman Islands with limited liability)

**U.S.\$3,000,000,000**  
**Trust Certificate Issuance Programme**

Under the U.S.\$3,000,000,000 trust certificate issuance programme described in this Base Prospectus (the **Programme**), SIB Sukuk Company III Limited (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, SIB and the relevant Dealer (each 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.\$3,000,000,000 (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 20 December 2021 entered into between the Trustee, Sharjah Islamic Bank PJSC (SIB) and Citicorp 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. Certificates of each Series confer on the holders of the Certificates from time to time (the **Certificateholders**) the right to receive certain payments (as more particularly described herein) arising from a *pro rata* ownership interest in the assets of a trust declared by the Trustee in relation to the relevant Series (the **Trust**) over the Trust Assets (as defined below) which will include, *inter alia*: (i) the relevant Portfolio (as defined herein); and (ii) the relevant Transaction Documents (as defined below).

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 SIB, 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 as a base prospectus by the Central Bank of Ireland (the **Irish Central Bank**) as competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**). The Irish Central Bank only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the Irish Central Bank should not be considered as an endorsement of the Trustee or SIB or of the quality of the Certificates. Investors should make their own assessment as to the suitability of investing in the Certificates.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) 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 **Euronext Dublin Regulated Market**). Such approval relates only to the Certificates which are to be admitted to trading on the Euronext Dublin Regulated Market or any other regulated markets for the purposes of Directive 2014/65/EC on markets in financial instruments, as amended (MiFID II) (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**). The Euronext Dublin Regulated Market is a regulated market for the purposes of MiFID II.

This Base Prospectus has been approved by the Dubai Financial Services Authority (the **DFSA**) under Markets Rule 2.6 of the Markets Rules (MKT) Module of the DFSA Rulebook (**Market Rules**) and is therefore an approved prospectus for the purposes of Article 14 of the Markets Law (DIFC No. 1 of 2012) (**Markets Law 2012**). Application has also been made to the DFSA for Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of securities (the **DFSA Official List**) maintained by the DFSA and to Nasdaq Dubai for such Certificates to be admitted to trading on Nasdaq Dubai.

The DFSA does not accept any responsibility for the content of the information included in this Base Prospectus, including the accuracy or completeness of such information. The liability for the content of this Base Prospectus lies with the Trustee, SIB and such 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 Certificates to which this Base Prospectus relates 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 this Base Prospectus or are unsure whether the Certificates to which this Base Prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorised financial advisor.

References in this Base Prospectus to Certificates being **listed** (and all related references) shall mean that such Certificates have been (a) admitted to listing on the Official List and admitted to trading on the Euronext Dublin Regulated Market or, as the case may be, another MiFID Regulated Market and/or (b) admitted to listing on the DFSA Official List and admitted to trading on Nasdaq Dubai. 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, SIB 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 Euronext Dublin Regulated Market, will be published on the website of the Euronext Dublin on or around the date of issue of such Series.

The Trustee and SIB 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.

This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Certificates which are to be admitted to trading on a MiFID Regulated Market. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.

SIB has been assigned ratings of BBB+ by Fitch Ratings Ltd. (**Fitch**) with a stable outlook and A- by S&P Global Ratings Europe Limited (**S&P**) with a stable outlook. The Programme has been assigned a provisional rating of A- by S&P. The ratings assigned by S&P have been endorsed by S&P Global Ratings UK Limited and have not been withdrawn. The rating assigned by Fitch has been endorsed by Fitch Ratings Ireland Limited and has not been withdrawn. Each of S&P and Fitch Ratings Ireland Limited is established in the European Union and is registered under the Regulation (EU) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of S&P and Fitch Ratings Ireland Limited are included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation. Each of S&P Global Ratings UK Limited and Fitch is established in the United Kingdom and is registered under the Regulation (EU) No. 1060/2009 (as amended) as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK CRA Regulation**). As such, each of S&P Global Ratings UK Limited and Fitch is included in the list of credit rating agencies published by the Financial Conduct Authority (**FCA**) on its website (at <https://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras>) in accordance with the UK CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Certificates issued under the Programme may be rated or unrated. When a Series of Certificates is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

The Certificates have not been nor will be registered under the United States Securities Act of 1933, as amended (the **Securities Act**) nor 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 transaction structure relating to the Certificates (as described in this Base Prospectus) has been approved by the Internal *Shari’a* Supervisory Committee of SIB in liaison with the Global *Shari’ah* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari’a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari’a* principles.

**Arranger and Dealer**  
**Standard Chartered Bank**

The date of this Base Prospectus is 20 December 2021.

## IMPORTANT NOTICES

This Base Prospectus complies with the requirements in Part 2 of the Markets Law 2012 and Chapter 2 of the Markets Rules, and comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation and for the purpose of giving information with regard to the Trustee, SIB and the Certificates which, according to the particular nature of the Trustee, SIB and the Certificates, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Trustee and SIB.

Each of the Trustee and SIB accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of each of the Trustee and SIB, 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.

Certain information under the headings “*Risk Factors*”, “*Description of Sharjah Islamic Bank PJSC*”, and “*The United Arab Emirates Banking Sector and Prudential Regulations*” has been extracted from information provided by: (i) the Central Bank of the United Arab Emirates (the **UAE Central Bank**), in the case of “*Risk Factors*”; (ii) the United Arab Emirates (UAE) and Sharjah governments, and the UAE Central Bank, in the case of “*Description of Sharjah Islamic Bank PJSC*”; and (iii) the Abu Dhabi Securities Exchange, the Dubai Financial Market and the UAE Central Bank, in the case of “*The United Arab Emirates Banking Sector and Prudential Regulations*”, and, in each case, the relevant source of such information is specified where it appears under those headings.

Each of the Trustee and SIB confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading.

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.

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 or the United Kingdom nor offered in the European Economic Area or the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Regulation or the Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the **UK Prospectus Regulation**), as applicable, 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 SIB 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, SIB, the Dealers, the Delegate, the Agents (each as defined herein) or any other person. Neither the delivery of this Base Prospectus or any Final Terms 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 and the Dealers expressly do not undertake to review the financial condition or affairs of the Trustee or SIB at any point, including during the life of the Programme, or to advise any investor in the Certificates of any information coming to their attention.

Save for the Issuer or SIB, no other party (including the Dealers, the Delegate or the Agents) 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 party except for the Issuer or SIB as to (i) the accuracy, adequacy, reasonableness or completeness of the information contained in this Base Prospectus or any other information provided by SIB in connection with the Programme or (ii) the acts or omissions of the Trustee or SIB or any other person (other than the relevant Dealer, the Delegate or Agent) in connection with the issue or 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, SIB, 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 and

SIB. None of the Dealers, 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 SIB 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 may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the relevant Certificates, the merits and risks of investing in the relevant Certificates and the information contained in this Base Prospectus;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Certificates and the impact the relevant Certificates will have on its overall investment portfolio;
- (c) has 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) understands thoroughly the terms of the relevant Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

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 legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Certificates are legal investments for it; (ii) Certificates can be used as collateral for various types of financing; and (iii) 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, SIB, 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, *SHARI'A* ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, *SHARI'A*, 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, SIB, 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, SIB, 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, 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 of Bahrain, the State of 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 or the United Kingdom will be made pursuant to an exemption under the Prospectus Regulation or the UK Prospectus Regulation, as applicable, from the requirement to publish a prospectus for offers of Certificates. Accordingly, any person making or intending to make an offer in that Member State or the United Kingdom 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, SIB or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation or Article 23 of the UK Prospectus Regulation, in each case, as applicable in relation to such offer. None of the Trustee, SIB 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, SIB or any Dealer to publish or supplement a prospectus for such offer.

None of the Dealers, the Trustee, SIB, the Agents or the Delegate 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

### PRESENTATION OF FINANCIAL INFORMATION

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

- unaudited condensed consolidated interim financial statements as at and for the nine months ended 30 September 2021, (which include unaudited comparative financial information as at 31 December 2020 and for the nine months ended 30 September 2020), together with the accompanying notes thereto (the **Q3 2021 Financial Statements**);
- unaudited condensed consolidated interim financial statements as at and for the six months ended 30 June 2021, (which include unaudited comparative financial information as at 31 December 2020 and for the six months ended 30 June 2020), together with the accompanying notes thereto (the **H1 2021 Financial Statements**);
- audited consolidated financial statements as at and for the financial year ended 31 December 2020 which include unaudited comparative financial information as at and for the year ended 31 December 2019, together with the accompanying notes thereto (the **2020 Financial Statements**); and
- audited consolidated financial statements as at and for the financial year ended 31 December 2019 which include unaudited comparative financial information as at and for the year ended 31 December 2018, together with the accompanying notes thereto (the **2019 Financial Statements** and, together with the 2020 Financial Statements, the H1 2021 Financial Statements and the Q3 2021 Financial Statements, the **Financial Statements**).

The 2020 Financial Statements and the 2019 Financial Statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (the **IASB**), the Q3 2021 Financial Statements and the H1 2021 Financial Statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting (**IAS 34**) and comply with the guidance of the UAE Central Bank, Islamic *Shari'a* principles and applicable requirements of the UAE Federal law No. 2 of 2015. The 2020 Financial Statements and 2019 Financial Statements have been audited in accordance with International Standards on Auditing (**ISA**) by PricewaterhouseCoopers (Dubai Branch) (**PwC**). PwC has reviewed the Q3 2021 Financial Statements and the H1 2021 Financial Statements in accordance with the International Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", and have issued an unmodified review conclusion on the H1 2021 Financial Statements as stated in PwC's review report appearing in the Q3 2021 Financial Statements and the H1 2021 Financial Statements (as applicable). See note 3 (*Significant accounting policies*) to the 2020 Financial Statements for information regarding the significant accounting policies adopted by SIB.

SIB presents its financial statements in UAE dirham.

Unless otherwise indicated, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity information incorporated by reference in this Base Prospectus relating to SIB have been derived:

- in respect of the financial information as at and for the years ended 31 December 2019 and 31 December 2018 from the 2019 Financial Statements, except for the 2019 financial information which was subsequently reclassified and hence is extracted or derived from the unaudited comparative column of the 2020 Financial Statements (see "*- Reclassifications to 2020 comparatives*" below for further detail);
- in respect of the financial information as at and for the year ended 31 December 2020 from the 2020 Financial Statements;
- in respect of the financial information as at and for the six months ended 30 June 2021 and 30 June 2020 from the H1 2021 Financial Statements; and
- in respect of the financial information as at and for the nine months ended 30 September 2021 and 30 September 2020 from the Q3 2021 Financial Statements.



### ***Restatement of comparatives in the Q3 2021 condensed consolidated interim statement of cash flows***

The condensed consolidated interim statement of cash flows for the nine month period ended 30 September 2020 was restated to correct the presentation of cash and cash equivalents as explained in note 23 to the Q3 2021 Interim Financial Statements. As such the 2020 Financial Statements and the H1 2021 Financial Statements should be read in conjunction with note 23 of the Q3 2021 Financial Statements.

### ***Reclassifications to 2020 comparatives***

The following financial information as at and for the year ended 31 December 2019 has been re-presented in the comparative period of the 2020 Financial Statements in order to align to the consistency of presentation of the 2020 Financial Statements:

- "Profit expense on Sukuk" and "Distribution to Depositors" were shown separately in the statement of profit or loss in the 2019 Financial Statements whereas in the 2020 Financial Statements, these have been combined and presented as "Distribution to depositors and sukuk holders";
- "Income from subsidiaries" was shown separately in the 2019 Financial Statements whereas in 2020 Financial Statements, this has been combined into "Investment, fees, commission and other income"; and
- "Revaluation gain on properties" was part of "Investment, fees commission and other income" in the 2019 Financial Statements and has been re-presented as a separate line item in the 2020 Financial Statements.

Accordingly, due to the change in presentation, in addition to the line items mentioned above "total operating income" and "investment, fees, commission and other income" as disclosed in the 2019 Financial Statements differ from those disclosed in the 2020 Financial Statements.

All financial information as at and for the year ended 31 December 2019 included elsewhere in this Base Prospectus has been extracted or derived from the 2019 Financial Statements, except for the items disclosed above which are extracted or derived from the 2020 Financial Statements.

### **ALTERNATIVE PERFORMANCE MEASURES**

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

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

<b>APM</b>	<b>Calculation</b>	<b>Rationale for inclusion</b>	<b>2020 Financial Statements page number(s) for items referred to in calculation</b>
Cost to income ratio	General and administrative expenses divided by the sum of Income from investments in Islamic financing and sukuk and investment, fees, commission and other income.	It is used to measure SIB's cost efficiencies, comparing cost to income.	9

<b>APM</b>	<b>Calculation</b>	<b>Rationale for inclusion</b>	<b>2020 Financial Statements page number(s) for items referred to in calculation</b>
Net profit margin	The sum of Income from investments in Islamic financing and sukuk and distribution to depositors divided by average earning assets (being the two year average of murabaha and wakalah with financial institutions plus investments in Islamic financing).	This is a profitability ratio and is a relevant comparable to the net interest margin in conventional terms, measuring the income/spread SIB makes on its financing investments.	9 and 11
Annualised return on average assets	Profit for the year divided by the average of total assets for two years.	This is a profitability ratio and efficiency measure, indicating how effectively SIB's assets are being used to generate profits.	8 and 10
Annualised return on average equity	Profit for the year divided by the average of total shareholders' equity for two years.	This is a profitability ratio, measuring the average return to shareholders for their investment in SIB. It indicates how effectively SIB's shareholders' equity is being used to generate profits.	8 and 10
Non-performing financing assets/net financing	Investments in Islamic financing (Stage 3) divided by the total carrying amount under investments in Islamic financing.	This indicates non-performing financing as a percentage of total financing, and is used to assess SIB's asset quality.	36
Financing/total deposits	Investments in Islamic financing divided by the sum of customers' deposits and due to banks.	This is used to assess the liquidity of SIB, as it indicates how much of SIB's deposits are being used for financing.	8
Earnings per share	Profit for the year divided by share capital.	This is a measure of management performance and profitability, and shows the portion of SIB's distributable profit allocated to each outstanding share.	8 and 9

APM	Calculation	Rationale for inclusion	2020 Financial Statements page number(s) for items referred to in calculation
Equity/total assets	Total shareholders' equity divided by total assets	This shows the proportion of shareholders equity in SIB's total assets.	8
Liquid assets/total assets	The sum of cash and balances with banks and financial institutions and murabaha and wakalah with financial institutions divided by total assets.	This liquidity ratio indicates SIB's current assets as a proportion of total assets, and is used to assess the liquidity of SIB.	8
Depositors' accounts/total deposits	Customers' deposits divided by total deposits (which is the sum of customers' deposits and due to banks).	This indicates the proportion/reliance on customer deposits in SIB's deposit base.	8
Financing/Depositors' account	Investments in Islamic financing divided by customers' deposits.	This is a measure of SIB's ability to fund its financing book through its deposit base.	8

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

## PRESENTATION OF UAE STATISTICAL INFORMATION

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

## PRESENTATION OF OTHER INFORMATION

In this Base Prospectus, references to:

- **Abu Dhabi, Dubai and Sharjah** are to the Emirate of Abu Dhabi, the Emirate of Dubai and the Emirate of Sharjah, respectively;
- **UAE Central Bank** means the Central Bank of the UAE;
- **dirham, AED and UAE dirham** are to the lawful currency of the UAE and references to fil are to the sub-unit of the dirham;
- **Emirate** means one or more of the seven emirates of the UAE;
- **euro** and **€** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union;
- the **GCC** are to the Gulf Co-operation Council;

- the **Group** are to SIB and its consolidated subsidiaries;
- the **MENA** region are to the Middle East and North Africa region; and
- **U.S.\$, USD or U.S. dollars** are to the lawful currency of the United States.

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

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

The language of the 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 on any website referred to herein does not form part of this Base Prospectus and has not been scrutinised or approved by the Irish Central Bank unless that information is incorporated by reference into the Base Prospectus.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some statements in this Base Prospectus may be deemed to be “forward-looking statements”. Forward-looking statements include statements concerning SIB’s plans, objectives, goals, strategies and future operations and performance and the assumptions underlying these forward-looking statements. When used in this Base Prospectus, the words “anticipates”, “estimates”, “expects”, “believes”, “intends”, “plans”, “aims”, “seeks”, “may”, “will”, “should” and any similar expressions generally identify forward-looking statements. These forward-looking statements are contained in the sections entitled “*Risk Factors*” and “*Description of Sharjah Islamic Bank PJSC*” and other sections of this Base Prospectus. SIB has based these forward-looking statements on the current view of its management with respect to future events and financial performance. Although SIB believes that the expectations, estimates and projections reflected in its forward-looking statements are reasonable as at the date of this Base Prospectus, if one or more of the risks or uncertainties materialise, including those identified below or which SIB has otherwise identified in this Base Prospectus, or if any of SIB’s underlying assumptions prove to be incomplete or inaccurate, SIB’s actual results of operation may vary from those expected, estimated or predicted. Investors are therefore strongly advised to read the sections “*Risk Factors*”, “*Description of Sharjah Islamic Bank PJSC*” and “*The United Arab Emirates Banking Sector and Prudential Regulations*”, which include a more detailed description of the factors that might have an impact on SIB’s business development and on the industry sector in which SIB operates.

The risks and uncertainties referred to above include:

- macro-economic and financial market conditions;
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions (in particular in relation to the real estate sector and the impact of COVID-19), the impact of provisions and impairments and concentration of SIB’s portfolio of Islamic financing and investing assets;
- liquidity risks, including the inability of SIB to meet its contractual and contingent cash flow obligations or the inability to fund its operations; and
- changes in profit rates and other market conditions.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*”.

These forward-looking statements speak only as at the date of this Base Prospectus. Without prejudice to any requirements under applicable laws, SIB expressly disclaims any obligation or undertaking to disseminate, after the date of this Base Prospectus, any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions or circumstances on which any forward-looking statement is based.



## **NOTICE TO RESIDENTS OF THE UNITED KINGDOM**

In order to constitute "alternative finance investment bonds" (AFIBs) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544), as amended, Certificates issued under the Programme will need to satisfy (amongst other requirements) one of the conditions mentioned in paragraph (2)(f) of that Article, which includes that, if such Certificates are issued after 31 December 2020, they will need to be admitted to trading on a recognised investment exchange or a United Kingdom trading venue or admitted to the official list of the United Kingdom Financial Conduct Authority (the FCA). Any Certificates which do not constitute AFIBs will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (the FSMA)) which has not been authorised, recognised or otherwise approved by the FCA. 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 applicable Final Terms and any other marketing materials relating to the Certificates is being addressed to, or directed at: (i) if the distribution (whether or not such Certificates are AFIBs) is being effected by a person who is not an authorised person under the FSMA, only the following persons: (a) 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); (b) persons falling within any of the categories of persons described in Article 49 of the Financial Promotion Order; and (c) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (ii) if the Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (a) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the Promotion of CISs Order); (b) persons falling within any of the categories of person described in Article 22 of the Promotion of CISs Order; and (c) any other person to whom it may otherwise lawfully be promoted (all such persons together being referred to as relevant persons). Persons of any other description in the United Kingdom may not receive and should not act or rely on this Base Prospectus, any applicable Final Terms or any other marketing materials in relation to any Certificates.

Potential investors in the United Kingdom in any Certificates 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.

## **NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS**

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

## **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the Capital Market Authority). The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of Certificates should conduct their own due diligence on the accuracy of the information relating to the Certificates. If a prospective purchaser does not understand the contents of this Base Prospectus he or she should consult an authorised financial adviser.

## **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain, Certificates 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 another currency or such other amount as the CBB may determine.

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and any related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this 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 (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or any related offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of Certificates 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 RESIDENTS OF THE STATE OF QATAR**

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

#### **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), read together with Schedule 9 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia (CMSA) as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time.

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

#### **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.

## **UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET**

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

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

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

Unless otherwise stated in the applicable Final Terms in respect of any of the Certificate, all Certificates issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### **VOLCKER RULE**

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits “banking entities” (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring a “covered fund”, and (iii) entering into certain relationships with “covered funds”. The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a “banking entity” as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal 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, SIB, the Arranger, 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.

### **STABILISATION**

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

### **USE OF BENCHMARK**

Amounts payable on certain Certificates issued under the Programme may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation



**(EU) 2016/1011, as amended (the Benchmarks Regulation) or Regulation (EU) 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the EUWA (the UK Benchmarks Regulation). If any such reference rate does constitute such a benchmark, the Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by ESMA and/or FCA pursuant to Article 36 of the Benchmarks Regulation or the UK Benchmarks Regulation, as applicable. Transitional provisions in the Benchmarks Regulation or in the UK Benchmarks Regulation, as applicable, may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks as established and maintained by ESMA or the FCA at the date of the Final Terms. The registration status of any administrator under the Benchmarks Regulation or under the UK Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Trustee does not intend to update the Final Terms to reflect any change in the registration status of the administrator.**

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## 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 25(1) of Commission Regulation (EC) No. 2019/980.*

*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.*

Issuer and Trustee: SIB Sukuk Company III Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 276136 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.

Issuer and Trustee's Legal Entity Identifier: 549300VEBV0EQP2FCP08

Seller and Service Agent: Sharjah Islamic Bank PJSC

Seller and Service Agent's Legal Entity Identifier: 254900ZQNTQPRR3WFS97

Risk Factors: There are certain factors that may affect the Trustee's ability to fulfil its obligations under Certificates issued under the Programme, and SIB'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 **Corporate Administrator**), who provide, amongst other things, certain administrative services for and on behalf of the Trustee pursuant to an amended and restated corporate services agreement dated on or about 30 September 2021 between the Trustee and the Corporate Administrator (the **Corporate Services Agreement**). The Corporate Administrator's registered office is P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands.

Arranger: Standard Chartered Bank

Dealer: Standard Chartered Bank

and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Series of Certificates.

Delegate: Citicorp Trustee Company Limited. Pursuant to the Master Trust Deed, the Trustee shall delegate to the Delegate certain of the present and future duties, powers, trusts, 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 Seller and/or the Service Agent and/or SIB following a Dissolution Event.

Principal Paying Agent and Transfer Agent:	Citibank N.A., London Branch
Registrar:	Citibank Europe plc
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> ”).
Programme Size:	Up to U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Trustee and SIB 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, SIB and the relevant Dealer.
Maturities:	The Certificates will have such maturities as may be agreed between the Trustee, SIB 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, SIB 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. 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:	<p>The Certificates will be issued in such face amounts as may be agreed between the Trustee, SIB 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 the United Kingdom or offered to the public in a Member State of the European Economic Area or the United Kingdom in circumstances which would require the publication of a prospectus under the Prospectus Regulation or the UK Prospectus Regulation (as the case may be) will be €100,000 (or, if the Certificates are issued in a currency other than euro, the equivalent amount in such currency).</p>
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: (a) the relevant Portfolio; (b) the Transaction Documents (other than: (i) in relation to any representations given to the Trustee by SIB 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 (ii) the covenant given to the Trustee pursuant to Clause 13.1 of the Master Trust Deed); (c) all monies standing to the credit of the relevant Transaction Account from time to time, and all proceeds of the foregoing listed (a) to (c) (the Trust Assets), 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:	<p>Certificateholders are entitled to receive Periodic Distribution Amounts out of the amounts transferred to the Transaction Account pursuant to the terms of the Service Agency Agreement and the other Transaction Documents, calculated on the basis specified in the applicable Final Terms.</p>
Redemption of Certificates:	<p>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.</p>
Dissolution Events:	<p>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 due but unpaid Periodic Distribution Amount and the relevant Return Accumulation Period may be adjusted accordingly. See Condition 14 (<i>Dissolution Events</i>).</p>
Early Dissolution for Tax Reasons:	<p>Where: (a) SIB has determined that the Trustee has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 11 (<i>Taxation</i>); or (b) SIB has or will become obliged to pay any additional amounts in respect of tax under the Service Agency Agreement, the Purchase Undertaking and/or the Sale Undertaking, in each case as a result of a change in the laws of a Relevant Jurisdiction (as defined in the Conditions) and such obligation cannot be avoided by the Trustee or SIB, as applicable, taking reasonable measures available to it, the Trustee may, following receipt</p>

of an exercise notice from SIB pursuant to the Sale Undertaking, redeem the Certificates in whole but not in part at an amount equal to the relevant Early Dissolution Amount (Tax) together with any due but unpaid Periodic Distribution Amounts on the relevant 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 Optional Dissolution (Call) is specified in the applicable Final Terms, the Trustee may, following receipt of an exercise notice from SIB pursuant to the Sale Undertaking, redeem in whole but not in part the Certificates of the relevant Series at the relevant Optional Dissolution Amount (Call) on the relevant Optional Dissolution Date and, if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable, the Optional Dissolution Date must be a Periodic Distribution Date.

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

For *Shari'a* reasons, the Optional Dissolution (Call) and the Certificateholder Put Right cannot both be specified as applicable in any single Series.

**Certificateholder Put Right:**

If so specified in the applicable Final Terms, Certificateholders may elect to redeem their Certificates on any Certificateholder Put Right Date(s) specified in the applicable Final Terms at an amount equal to the relevant Optional Dissolution Amount (Certificateholder Put) together with any due but unpaid Periodic Distribution Amounts in accordance with Condition 10.4 (*Dissolution at the option of the Certificateholders*). Following the payment by SIB of the relevant exercise price under the Purchase Undertaking, the Trustee will redeem the relevant Certificates on the relevant Certificateholder Put Right Date.

For *Shari'a* reasons, the Certificateholder Put Right and Optional Dissolution (Call) cannot both be specified as applicable in any single Series.

**Cancellation of Certificates held by SIB and/or any of its Subsidiaries:**

Pursuant to Condition 13 (*Purchase and Cancellation of Certificates*), SIB and/or any of its Subsidiaries may at any time purchase Certificates in the open market or otherwise. If SIB wishes to cancel such Certificates purchased by it and/or any of its Subsidiaries, SIB will deliver those Certificates to the Principal Paying Agent for cancellation. SIB may also exercise its right under the Sale Undertaking to require the Trustee to transfer to SIB an undivided ownership interest (each a **Cancellation Interest**) in the relevant Portfolio with an aggregate Value no greater than the aggregate face amount of the Certificates so delivered to the Principal Paying Agent for cancellation and, upon such cancellation, the Trustee will transfer those Assets to SIB, all as more particularly described in the Sale Undertaking. Each Cancellation Interest will be calculated as the ratio, expressed as a percentage, of the aggregate outstanding face amount of the relevant Certificates to be cancelled to the aggregate face amount of the Certificates outstanding immediately prior to the cancellation of such Certificates.

**Asset Substitution:**

SIB may substitute Assets in accordance with the relevant provisions of the Sale Undertaking, provided that no Dissolution Event has occurred and is continuing, the substitute assets are Assets and the Value of such substitute assets shall have an aggregate Value which is not less than the aggregate Value of the Assets to be so substituted.

Withholding Tax:	<p>All payments by SIB under, or pursuant to, the Purchase Undertaking and Sale Undertaking and all payments by the Service Agent under the Service Agency Agreement shall be made without withholding or deduction for, or on account of, any taxes, levies, imposts, duties, fees, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction unless the withholding is required by law. In the event that any such withholding or deduction is made, SIB and/or the Service Agent, as the case may be, will be required to pay additional amounts so that the Trustee will receive the full amounts that it would have received in the absence of such withholding or deduction.</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, levies, imposts, duties, fees, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction. In the event that any such withholding or deduction is made, the Trustee will, save in the limited circumstances provided in Condition 11 (<i>Taxation</i>), 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 such withholding or deduction.</p>
Negative Pledge:	The Purchase Undertaking contains a negative pledge given by SIB. See “ <i>Overview of the Principal Transaction Documents – Purchase Undertaking</i> ”.
Cross Default:	The Purchase Undertaking contains a cross default provision in relation to SIB. See “ <i>Overview of the Principal Transaction Documents – Purchase Undertaking</i> ”.
Trustee Covenants:	The Trustee has agreed to certain restrictive covenants as set out in Condition 5 ( <i>Covenants</i> ).
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. Whether or not each credit rating applied for in relation to the relevant Series of Certificates will be issued by a credit rating agency established in the European Union or the United Kingdom and registered under the CRA Regulation or the UK CRA Regulation, as applicable, will be disclosed in the applicable Final Terms.</p>
Certificateholder Meetings:	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 ( <i>Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination</i> ).
Tax Considerations:	See “ <i>Taxation</i> ” for a description of certain tax considerations applicable to the Certificates.
Listing and Admission to Trading:	<p>Application will be made in respect of each series to Euronext Dublin for Certificates issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to the Official List and for such Certificates to be admitted to trading on the Euronext Dublin Regulated Market.</p> <p>Application has been made to the DFSA for the Certificates issued under the Programme during the 12 months from the date of this Base</p>

Prospectus to be admitted to the DFSA Official List and to Nasdaq Dubai for such Certificates to be admitted for trading on Nasdaq Dubai.

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, SIB 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.

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.

Transaction Documents:

The transaction documents are the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Master Purchase Agreement, each Supplemental Purchase Contract, the Service Agency Agreement, the Purchase Undertaking, any agreement entered into under the Purchase Undertaking, the Sale Undertaking and any agreement entered into under the Sale Undertaking (each, a **Transaction Document** and, together, the **Transaction Documents**).

Governing Law and Dispute Resolution:

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 Service Agency Agreement, the Purchase Undertaking, the Sale Undertaking and any non-contractual obligations arising out of or in connection with the same will be governed by English law. In respect of any dispute under any such agreement or deed to which SIB is a party, SIB has consented to arbitration in London under the LCIA Arbitration Rules. Any dispute may also be referred to the courts in England (which shall have exclusive jurisdiction to settle any dispute arising from such documents) or any other court of competent jurisdiction.

The Master Purchase Agreement will be governed by the laws of Sharjah and, to the extent applicable in Sharjah, the federal laws of the UAE, and will be subject to the non-exclusive jurisdiction of the Sharjah courts. Each Supplemental Purchase Contract, each Sale Agreement entered into under the Purchase Undertaking and each Sale Agreement or Transfer Agreement entered into under the Sale Undertaking will be governed by the laws of Sharjah or, in the case of Real Estate Ijara Assets located in any other Emirate, the laws of that Emirate and, to the extent applicable in Sharjah or, as the case may be, that other Emirate, the federal laws of the UAE, and will be subject to the non-exclusive jurisdiction of the Sharjah Courts or, as the case may be, the courts of that other Emirate.

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.

Waiver of Immunity:

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



jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any legal proceedings.

*Shari'a* Compliance:

Each Transaction Document provides that, to the extent permitted by law, each of the Trustee (to the extent it is a party to the relevant Transaction Document) and SIB (to the extent it is a party to the relevant Transaction Document), as the case may be, agrees that it has accepted the *Shari'a* compliant nature of the Transaction Documents to which it is a party and further agrees that: (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is ultra vires or not compliant with the principles of *Shari'a*; (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

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 from the relevant Trust Assets.

Certificateholders will otherwise have no recourse to any assets of the Trustee and/or its directors, officers, administrators or shareholders, or SIB 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.

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, 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 of Bahrain, the State of Qatar (excluding the Qatar Financial Centre), Singapore, Hong Kong and Malaysia.

United States Selling Restrictions:

Regulation S, Category 2.

## **RISK FACTORS**

The purchase of 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 SIB believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the inability of the Trustee to pay any amounts on or in connection with any Certificate may occur for other reasons and neither the Trustee nor SIB represents that the statements below regarding the risks of holding any Certificate are exhaustive.

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

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

### **Risk factors relating to the Trustee**

The Trustee was incorporated in the Cayman Islands on 11 March 2013 as an exempted company with limited liability and has a limited operating history. The Trustee will not engage in, and has not as at the date of this Base Prospectus engaged in, any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in its capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents to which it is a party.

The Trustee's only material assets, which will be held on trust for the Certificateholders, in its capacity as Trustee, will be the Trust Assets, including its right to receive payments under the Transaction Documents. Therefore the Trustee is subject to all of the risks to which SIB is subject, to the extent that such risks could limit SIB's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party (see "*Risk factors relating to SIB and its business*" for a further description of these risks).

The ability of the Trustee to pay amounts due on the Certificates will primarily be dependent upon receipt by the Trustee of all amounts due under the Transaction Documents. Such amounts are to be paid by SIB. In the aggregate these amounts may not be sufficient to meet all claims under the Certificates and the Transaction Documents. Because the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process on it outside the Cayman Islands.

### **Risks relating to SIB and its business**

#### ***Political, economic and related risks***

The UAE is seen as a relatively stable political environment. Although the UAE enjoys domestic political stability and generally healthy international relations, because it is located in the MENA region, there is a risk that it could be impacted by regional geopolitical instability. The effects of such risk and geopolitical uncertainty can be varied, and it is not possible to predict the occurrence of events or circumstances such as war or hostilities, or the impact of such occurrences, and no assurance can be given that the UAE would be able to sustain its current economic growth levels if adverse political events or circumstances were to occur.

In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Libya, Lebanon, the Republic of Yemen, the Republic of Iraq (Kurdistan), Syria and Palestine. This unrest has ranged from public demonstrations to, in extreme cases, armed conflict (including the multinational conflict with the Islamic State (also known as Daesh, ISIS or ISIL)) and the overthrow of existing leadership, and has given rise to increased political uncertainty across the region. Further, in 2015, Saudi Arabia commenced a military intervention in the Republic of Yemen in response to requests for assistance from the Yemeni government against the Al Houthi militia. The UAE was a member of this intervention before withdrawing its military in 2020. In 2021, Saudi Arabia proposed a ceasefire in Yemen which the Al Houthi militia provisionally accepted in March 2021.

The UAE is a member of another Saudi Arabian led military coalition formed in December 2015 to combat Islamic extremism and, in particular, the Islamic State. Additionally, in June 2017 a number of MENA countries including the UAE, Saudi Arabia, Bahrain and Egypt severed diplomatic relations with the State of Qatar, citing Qatar's alleged support for terrorism and accusing Qatar of creating instability in the region. The termination of diplomatic relations included the withdrawal of ambassadors and imposing trade and travel bans. However, in January 2021, Saudi Arabia, Bahrain, Egypt and the UAE announced the ending of the blockade of Qatar including the restoration of diplomatic relations and the reopening of land and sea borders. Furthermore, since the United States withdrawal from its nuclear deal with Iran in 2018, there has been increased tension between these two countries. In January 2020, the United States carried out a military strike which killed a senior Iranian military commander. As a result of this military strike, Iran launched missiles at a U.S. base in Iraq. More recently, in August 2020, the UAE and Bahrain announced the normalisation of relations with Israel but these have since been strained due to an increase in tensions and violence between Israel and Palestine since April 2021, which has led to fears of a full-scale war and resulted in further volatility in the region.

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

Challenging economic conditions, the decline in oil prices since mid-2014 (which prices were approximately 31.9 per cent. lower in July 2021, as compared to June 2014, according to the monthly OPEC basket price of oil) and a weaker real estate sector have resulted in larger budget deficits across the GCC economies coupled with reduced fiscal budgets and public spending (see further "– *Market risk*"). Additionally, in the UAE, the significant fiscal reforms implemented by the federal government in response to the prevailing low oil price environment have had, and are expected to continue to have, a significant effect on the UAE economy. The UAE federal government has scaled back capital transfers to government-related entities, reduced government investment, raised electricity and water tariffs and removed fuel subsidies. More recently, lower oil prices and the COVID-19 pandemic have resulted in the UAE cutting its federal spending for 2021 by approximately 5.3 per cent. as compared to 2020. Further, with effect from 1 January 2018, the federal government introduced a value-added tax (VAT) regime in the UAE at a rate of 5 per cent. as part of a broader GCC-wide agreement. Bahrain joined the GCC VAT regime on 1 January 2019 and Oman implemented VAT on 16 April 2021. Qatar is expected to introduce VAT in 2021. Saudi Arabia, which implemented VAT on 1 January 2018 at the rate of 5 per cent., increased the rate to 15 per cent. effective from 1 July 2020.

Furthermore, the OPEC Reference Basket price saw significant volatility throughout 2020. In addition to a fall in the demand for oil as a result of the spread of COVID-19, factors such as the inability of OPEC and its allies to efficiently reach an agreement on oil production levels had a significant impact on the price of oil in 2020. OPEC officials proposed a plan to the OPEC countries and other non-OPEC countries, including Russia (collectively, **OPEC plus**), to reduce global oil production by 1.5 per cent. However, the parties were unable to reach agreement and the three-year partnership between OPEC and major non-OPEC providers was terminated as a result. This also resulted in "OPEC plus" failing to extend the agreement of cutting 2.1 million barrels per day that was set to expire at the end of March 2020. On 7 March 2020, Saudi Arabia announced that it would raise oil output and discount its oil in April 2020. However, in early April 2020, "OPEC plus" announced that it had reached an agreement to cut production by 9.7 million barrels a day, nevertheless this action failed to support sufficiently the oil market with prices falling in the days following that announcement. This agreement was extended until July 2020, beyond which a gradual easing of the cuts was scheduled. In January 2021, OPEC and Russia agreed to a slight easing of the oil production cuts by 500,000 barrels per day and in July 2021 the OPEC Reference Basket reached a monthly average of U.S.\$73.52. However, there can be no assurance that the agreement will be maintained by all relevant parties or achieve its stated goals or what effect the agreement will have on oil prices in the short to medium term.

The outbreak of communicable diseases on a global scale may affect investment sentiment and result in sporadic volatility in global markets. The coronavirus known as COVID-19 was first identified in Wuhan, Hubei Province, China in late 2019. While the spread of COVID-19 has slowed in China, it has spread to many countries around the world. In March 2020, certain countries, including the UAE, began imposing travel restrictions, social distancing and other restrictions, which aim to reduce in person interactions. These measures, while designed to slow the spread of COVID-19, resulted in significant reductions in economic activity globally. To date, the COVID-19 pandemic has negatively impacted the global economy, for example, it has resulted in lowered equity market valuations in many countries, created significant volatility and disruption in financial markets, decreased interest rates and increased unemployment levels, with global GDP contracting by 4.3 per cent. during 2020 according to data published by the World Bank.

The impact of the pandemic on the GCC region was relatively severe due to the resultant large drop in oil prices and concerns over excess oil production and its storage (as discussed further below). Though some restrictive measures have been reduced in certain countries and economic activity has begun to recover in certain markets, it

is currently unclear how long existing restrictions will be in place, the duration of possible future restrictions and what their ultimate impact will be on global and local economies.

In response to the impact of the COVID-19 virus on their domestic economies, various governments around the world have announced fiscal stimulus packages and numerous central banks have cut interest rates. Specifically, on 3 March 2020, the U.S. Federal Reserve cut its target range for the federal funds rate from the range of 1.50 per cent. and 1.75 per cent. to 1.00 per cent. and 1.25 per cent. and, on 15 March 2020, the target range was cut further to between 0 per cent. and 0.25 per cent. Similar cuts were announced by a number of other central banks, including the Bank of England which reduced interest rates to 0.1 per cent. in March 2020, and the central banks of countries such as Saudi Arabia and Bahrain, all of whom undertook similar action and cut their key rates in March 2020. Similarly, the UAE Central Bank announced that it would reduce the interest rate on certificates of deposit in line with the U.S. dollar rates and on 16 March 2020, the UAE Central Bank further cut the interest rate applicable to one-week certificates of deposit by 75 basis points from 1.00 per cent. to 0.25 per cent. and reduced rates applicable to the interim margin lending facility and the collateralised murabaha facility by 50 basis points to 50 basis points above the repurchase rate for UAE Central Bank certificates of deposits.

The continued impact of the COVID-19 pandemic is dependent on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and further actions taken by governmental authorities and other third parties in response to the pandemic.

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

#### ***Liquidity risk***

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

A dislocated credit environment creates the risk that SIB will not be able to access funds on favourable terms. For instance, although SIB has access to a diverse liquidity pool, including in the form of deposits, interbank financial transactions, syndicated financing and capital market instruments, the movement of global interest rates can cause a negative effect on liquidity (see "*– Market risk*" and "*– Political, economic and related risks*" in relation to current instability of interest rates across global markets, including in light of the COVID-19 outbreak). Moreover, although SIB considers that it has adequate access to sources of funding, the withdrawal of a significant proportion of its largest deposits may have an adverse on SIB's liquidity position (see further "*– Concentration Risk*"). These and other factors could also lead creditors to form a negative view of SIB's liquidity, which could result in less favourable credit ratings, higher funding costs and less accessible funds. Furthermore, in circumstances where financial institutions generally have ongoing limitations on their access to other sources of funding such as wholesale market derived funding, SIB's access to funds and its cost of funding (profit paid or expected to be paid) may be adversely affected. All of these factors related to liquidity risk could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

#### ***Liability mismatch risk***

As at 31 December 2020, 69.18 per cent. of SIB's customers' deposits, including short-term profit-sharing investment accounts, carried a maturity of less than three months. There may therefore be a potential mismatch in the asset and liability profile of SIB. The existence of maturity profile mismatches may increase SIB's vulnerability to price competition as SIB may face increased liquidity risks to the extent that SIB becomes unable to offer an adequate rate of return to customers. This could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

## ***Credit risk***

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

Credit risks could arise from a deterioration in the credit quality of specific counterparties of SIB, from a general deterioration in local or global economic conditions or from systemic risks within the financial systems, all of which could affect the recoverability and value of the assets of SIB which would require an increase in the provisions for the impairment of its assets and other credit exposures. As at the date of this Base Prospectus, the prevailing unstable macro-economic climate has prompted reduced fiscal budgets and lower public spending plans in recent years in the UAE and across the GCC economies, with particular concerns around the ongoing impact of the volatility of global crude oil prices, the effects of the economic slowdown in emerging markets generally and the COVID-19 outbreak (see further "*The UAE's economy is highly dependent upon its oil revenues*" and "*Political, economic and related risks*").

As a result of these recent adverse market conditions (see "*Market risk*"), certain customers to which SIB directly extends credit and counterparties of SIB may experience decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs and some of these companies have been unable to meet their service obligations or other expenses as they become due, including amounts payable to SIB. For instance, the COVID-19 outbreak has had, and continues to have, a significant adverse effect on the businesses of customers and counterparties of SIB in the aviation, hospitality, real estate and retail sectors. This has resulted in SIB recognising total impairment on financial assets – net of recoveries of AED 256 million for the year ended 31 December 2020 as compared to AED 97 million for the year ended 31 December 2019. Although SIB maintains a credit risk management strategy (see further "*Description of Sharjah Islamic Bank PJSC – Risk Management*"), there can be no assurance that such measures eliminate or reduce, or will continue to eliminate or reduce, credit risks. Accordingly, SIB may experience a higher level of credit defaults (including non-performing financings and consequential increases in impairment allowances for doubtful financings and advances) in the immediate future, which could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

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

In connection with financing activities, SIB periodically establishes impairment allowances for financing losses, which are recorded in its income statement. SIB's overall level of impairment allowances is based upon its assessment of prior loss experience, the volume and type of financing being conducted, collateral held, industry standards, past due financings, economic conditions and other factors related to the recoverability of various financings. Although SIB endeavours to establish an appropriate level of impairment allowances based on its best estimate of the amount of incurred loss, it may have to significantly increase its impairment allowances for financing losses in the future as a result of increases in non-performing assets, deteriorating economic conditions leading to increases in defaults and bankruptcies, or for other reasons. For more information, see "*Political, economic and related risks*" and note 4(i) (*Key accounting estimates and judgements – Impact of COVID-19 – Credit risk management*) to the H1 2021 Financial Statements. Any significant increase in impairment allowances for financing losses or a significant change in SIB's estimate of the risk of loss inherent in its portfolio of non-impaired financings, as well as the occurrence of financing losses in excess of the impairment allowances allocated with respect thereto, would have an adverse effect on its business, results of operations and financial condition.

## ***Concentration risk***

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations in the financing and deposit portfolio of SIB subject it to further credit risks in the form of default by its larger clients, exposure to particular sectors of the UAE economy and/or withdrawal of large deposits. Concentration of credit risk by (a) industrial sector for investment in Islamic financing and (b) geographical distribution are set out in the 2020 Financial Statements (which are incorporated by reference in this Base Prospectus).

In addition, SIB's 10 largest private sector clients represented 15 per cent. of SIB's gross investments in Islamic financing (which refers to SIB's investment in Islamic financing before loss allowance) as at 31 December 2020.

As at 31 December 2020, SIB's largest funded exposure to a private sector client was AED 1,102 million, which constituted 3.6 per cent. of SIB's gross investments in Islamic financing (as at 31 December 2020) and 14.1 per cent. of its total regulatory capital (total regulatory capital being AED 7.8 billion as at 31 December 2020).

In terms of the industry concentration of SIB's financing portfolio, as at 31 December 2020, financing to individuals (including high net worth individuals) accounted for 38 per cent. of SIB's gross investments in Islamic financing (compared to 21 per cent. as at 31 December 2019), the Government of Sharjah (the **Government**), other local governments and their respective dependencies accounted for 35 per cent. (compared to 27 per cent. as at 31 December 2019), trade and manufacturing accounted for 8 per cent. (compared to 9 per cent. as at 31 December 2019), construction and real estate combined accounted for 13 per cent. (compared to 29 per cent. as at 31 December 2019) and other sectors accounted for 7 per cent. (compared to 14 per cent. as at 31 December 2019).

As at 31 December 2020, SIB's wholesale banking customers represented 83.5 per cent. of its combined total customers' deposits (compared to 82.6 per cent. as at 31 December 2019). Although SIB considers that it has adequate access to sources of funding, the withdrawal of a significant portion of these large deposits may have an adverse effect on the financial condition and results of operations of SIB as well as its ability to meet the UAE Central Bank capital adequacy requirements.

A downturn in the fortunes of any of SIB's depositors or in the sectors in which they operate, such as aviation, hospitality, real estate and retail (for example, as a result of the COVID-19 outbreak discussed in "*Political, economic and related risks*" and "*Credit risk*"), could have an adverse effect on the business, results of operations, financial condition and prospects of SIB.

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

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

### **Market risk**

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

SIB, in common with other financial institutions, is susceptible to changes in the macro-economic environment and the performance of financial markets generally. As at the date of this Base Prospectus, global debt and equity markets continue to be adversely impacted by the ongoing volatility in the macro-economic climate. For instance, the prevailing macro-economic climate has prompted reduced fiscal budgets and lower public spending plans in recent years in the UAE and across the GCC economies, with particular concerns around the ongoing impact of the volatility of global crude oil prices, the effects of the economic slowdown in emerging markets generally, the impact of the COVID-19 outbreak (see further "*Political, economic and related risks*" below), and the broader impact thereof on global debt and equity markets, as well as the current uncertainty of interest rates across global markets. Contributing factors to such uncertainty include the decisions between December 2015 and December 2018, of the U.S. Federal Reserve to increase U.S. overnight interest rates by an aggregate 225 basis points (in nine separate increments of 25 basis points each). In 2019 and 2020, the U.S. Federal Reserve then lowered the U.S. overnight interest rate by an aggregate 75 basis points (in three separate increments of 25 basis points each), and in response to the COVID-19 outbreak, the U.S. Federal Reserve rates were lowered to effectively zero per cent., with similar actions being taken by a number of central banks globally including the UAE Central Bank as discussed in "*Political, economic and related risks*". Any future movements in such rates could further exacerbate the reduced liquidity environment. Additionally, the pressures faced by regional oil producing countries in response to the

volatility of oil prices to remove the foreign exchange "peg" of their domestic currencies to the U.S. dollar poses systemic risks to the banking systems in the GCC (see further "*Foreign exchange movements may adversely affect the profitability of SIB*").

The performance of global financial markets has also been affected by the hostile economic environment, with international equity markets being particularly impacted by the economic slowdown in emerging markets generally and volatility in the Chinese economy in particular, where economic growth slowed during 2020 to 2.3 per cent. of GDP (source: World Bank). These volatile market conditions have resulted in reduced liquidity, widening of credit spreads and lack of price transparency in credit and capital markets.

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

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

#### ***Foreign exchange movements may adversely affect the profitability of SIB***

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

In response to the continuing volatility in oil prices, certain regional oil producing countries that have traditionally "pegged" their domestic currencies to the U.S. dollar have faced pressure to remove these foreign exchange "pegs". As at the date of this Base Prospectus, each of Kazakhstan and Azerbaijan have chosen to unwind the U.S. dollar peg of their domestic currencies. While the likelihood of the GCC states pursuing a similar course of action is unclear (the UAE Central Bank has publically stated its intention to retain the UAE dirham peg against the U.S. dollar), there remains a risk that any such future de-pegging by the GCC states (in the event that the current challenging market conditions persist for a prolonged period) would pose a systemic risk to the regional banking systems by virtue of the inevitable de-valuation of any such de-pegged currency against the U.S. dollar and the impact this would have on the open cross-currency positions held by regional banks, including SIB. Further, any de-pegging could adversely impact SIB's net profit margins and funding costs. As at 31 December 2020, 92.7 per cent. of SIB's total financings were denominated in U.S. dollars (97.3 per cent. as at 31 December 2019).

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

#### ***Limited profitability***

SIB maintains a conservative outlook towards its growth plans which are based on a prudent risk management approach of increasing the size of its financing portfolio and investment securities (predominantly sukuk investments) by focusing only on medium to long term financing with a limited number of counterparties. Whilst this is a prudent approach that is consistent with SIB's cautious attitude to risk, the maintenance of a small financing portfolio may restrict SIB's potential to maximise profit, which could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

#### ***Impact of regulatory changes and legal risk***

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

SIB is subject to the laws, regulations, administrative actions and policies in the UAE. These regulations may limit SIB's activities and changes in supervision and regulation could materially adversely affect SIB's business, the products or services offered, the value of its assets, and its financial condition. Future changes in regulatory, fiscal,

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

In addition, the UAE Central Bank has recently issued a high volume of new regulations and standards, some of which are already in effect and others which will become effective in the near future. In particular, new regulations and standards have been proposed that cover consumer protection and Islamic financing. As part of the process of introducing internal controls and action plans to comply with the UAE Central Bank's regulations and standards, such actions may have an adverse effect on SIB's business, results of operations and financial condition.

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

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

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

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

Although the UAE has a more diversified economy than most of the other countries in the GCC, the UAE's economy is highly dependent upon its oil and affiliated sectors' revenues. According to OPEC data, as at 31 December 2019, the UAE had approximately 6.3 per cent. of the world's proven crude oil reserves (giving it the seventh largest oil reserves in the world) (source: OPEC Annual Statistical Bulletin 2020) while, according to preliminary data produced by The Federal Competitiveness and Statistics Centre, the hydrocarbon sector (mining and quarrying (including crude oil and natural gas)) accounted for 25 per cent. of the UAE's GDP in 2019 and oil and gas revenues accounted for 41.2 per cent. of total public revenues in 2019. According to the OPEC website, the price of the OPEC Reference Basket has fluctuated significantly in recent years, although with some recovery to a monthly average price of U.S.\$73.52 per barrel in July 2021. The OPEC Reference Basket price has seen significant volatility throughout 2020 (see further "*Political, economic and related risks*") and in April 2020, the OPEC Reference Basket price was U.S.\$17.64. Continued volatility in international prices for hydrocarbon could have a material adverse effect on SIB's clients, customers and depositors and therefore on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

Oil prices have fluctuated in response to changes in many factors over which SIB has no control. These factors include, but are not limited to:

- (in the near-to-medium term) the effect of COVID-19 on global economic activity and the demand for oil and gas;
- economic and political developments in oil producing regions, particularly in the Middle East;
- global and regional supply and demand dynamics, and expectations regarding future supply and demand, for oil products;



- the ability of members of OPEC and other crude oil producing nations to agree upon and maintain specified global production levels and prices;
- the impact of international environmental regulations designed to reduce carbon emissions;
- other actions taken by major crude oil producing or consuming countries;
- prices and availability of alternative fuels, global economic and political conditions, prices and availability of new technologies using alternative fuels; and
- global weather and environmental conditions.

### ***Principal shareholders and Governmental interests***

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

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

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

### ***Competition***

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

The UAE could be viewed as an over-banked market, even by regional standards, with 58 commercial banks licensed to operate inside the UAE as at 30 June 2021 (source: UAE Central Bank), serving a population estimated to be in the region of 9.9 million people at the end of 2020 (source: Statistical Yearbook 2020 edition, United Nations Department of Economic and Social Affairs, Statistics Division). There has traditionally been little impetus for consolidation. However, the mergers between National Bank of Abu Dhabi P.J.S.C. and First Gulf Bank P.J.S.C., which was consummated on 30 March 2017, and Abu Dhabi Commercial Bank P.J.S.C., Union National Bank P.J.S.C. and Al Hilal Bank P.J.S.C., which was consummated on 1 May 2019, are anticipated to stimulate further moves towards greater consolidation amongst UAE banks. In addition, in January 2020, Dubai Islamic Bank P.J.S.C. completed the acquisition of Noor Bank P.J.S.C. Such mergers are likely lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources with which to absorb capital costs, such as information technology system development.

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

### **Risk factors relating to enforcement**

#### ***UAE Bankruptcy Law***

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

### ***Enforcement risk***

Ultimately, the payments under the Certificates are dependent upon SIB making payments to the Trustee in the manner contemplated under the Transaction Documents. If SIB fails to do so, it may be necessary to bring an action against it to enforce its obligations and/or to claim damages, as appropriate, which may be costly and time consuming.

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

SIB has irrevocably agreed that each of the Master Trust Deed, each Supplemental Trust Deed, the Agency Agreement, the Service Agency Agreement and the Purchase Undertaking (the **Relevant Documents**) will be governed by English law and that any dispute arising from such documents will, unless the option to litigate has been exercised, be referred to arbitration in London under the LCIA Arbitration Rules. The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the **New York Convention**) entered into force in the UAE on 19 November 2006. In the absence of any other multilateral or bilateral enforcement convention, an arbitration award rendered in London should be enforceable in Sharjah in accordance with the terms of the New York Convention. Under the New York Convention, the UAE has an obligation to recognise and enforce foreign arbitration awards, unless the party opposing enforcement can prove one of the grounds under Article V of the New York Convention to refuse enforcement, or the Sharjah courts find that the subject matter of the dispute is not capable of settlement by arbitration or enforcement would be contrary to the public policy of the UAE. There have been limited instances where the UAE courts, most notably the Fujairah Court of First Instance and the Dubai Court of Cassation, have ratified or ordered the recognition and enforcement of foreign arbitration awards under the New York Convention.

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

Under the Conditions and the Relevant Documents, any dispute may also be referred by certain parties (other than SIB) to the courts in England or any other court(s) of competent jurisdiction. Where an English judgment has been obtained, there is no assurance that SIB has or would at the relevant time have assets in the United Kingdom against which such a judgment could be enforced. SIB is a UAE company and is incorporated in and has all of its material operations and assets located in the UAE. Under current UAE law, the UAE courts (including courts of Sharjah) are unlikely to enforce an English judgment without first re-examining the merits of the claim and may not observe the choice by the parties of English law as the governing law of the Relevant Documents or the Certificates. In the UAE, foreign law is required to be established as a question of fact and the interpretation of English law, by a court

in the UAE, may not accord with the interpretation by an English court. In principle, courts in the UAE recognise the choice of foreign law if they are satisfied that an appropriate connection exists between the relevant transaction agreement and the foreign law which has been chosen. However, even if English law is accepted as the governing law, this will only be applied to the extent that it is compatible with the laws of Sharjah, the UAE and public policy, order or morals in the UAE. This may mean that the Sharjah courts may seek to interpret English law governed documents as if governed by UAE law and there can therefore be no certainty that in those circumstances the Sharjah courts would give effect to such documents in the same manner as the parties may intend or uphold an agreement to resolve any disputes by arbitration contained in such documents. The enforcement of a foreign judgment or arbitral award may be a lengthy process in the UAE. In addition, in the event that a dispute is referred, for whatever reason, to the courts in Sharjah, the related document(s) may not be enforceable or admissible in evidence before such courts unless translated into Arabic. In the event of a conflict between the English text and the Arabic text, the courts in Sharjah would rely on the Arabic version.

As stated above, the UAE judicial system is based on a civil code and judicial precedents in the UAE have no binding effect on subsequent decisions. In addition, there is no formal system of reporting court decisions in the UAE. These factors create greater judicial uncertainty than would be expected in some other jurisdictions.

### ***Waiver of sovereign immunity***

SIB has in the Transaction Documents waived its rights, if any, to sovereign immunity. However, there can be no assurance as to whether such waivers of immunity from suit, execution or attachment or other legal process by SIB under the Transaction Documents to which it is a party are valid and binding under the laws of the UAE and applicable in Sharjah.

### **Risk factors relating to the Certificates**

#### ***The regulation and reform of benchmarks may adversely affect the value of Certificates linked to such benchmarks.***

LIBOR, EURIBOR and other indices which are deemed to be benchmarks are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or 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 such a benchmark.

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. Among other things it (i) requires 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) prevents 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 UK Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the UK. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-UK based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by UK supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-UK based, not deemed equivalent or recognised or endorsed).

Any of the international, national or other proposals for reform, 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.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. The FCA has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. On 5 March 2021, ICE Benchmark Administration Limited (**IBA**), the administrator of LIBOR, published a statement confirming its intention to cease publication of all LIBOR settings, together with the dates on which this will occur, subject to the FCA exercising its powers to require IBA to continue publishing such LIBOR settings using a changed methodology (the **IBA announcement**). Concurrently, the FCA published a statement on the future cessation and loss of representatives of all LIBOR currencies and tenors, following the dates on which IBA has indicated it will cease publication (the **FCA announcement**). Permanent cessation will occur immediately after 31 December 2021 for all Euro and Swiss Franc LIBOR tenors and certain Sterling, Japanese Yen and US Dollar LIBOR settings and immediately after 30 June 2023 for certain other US Dollar LIBOR settings. In relation to the remaining LIBOR

settings (1-month, 3-month and 6-month Sterling, US Dollar and Japanese Yen LIBOR settings), the FCA will consult on, or continue to consider the case for, using its powers to require IBA to continue their publication under a changed methodology for a further period after end-2021 (end-June 2023 in the case of US Dollar LIBOR). The FCA announcement states that consequently, these LIBOR settings will no longer be representative of the underlying market that such settings are intended to measure immediately after 31 December 2021, in the case of the Sterling and Japanese Yen LIBOR settings and immediately after 30 June 2023, in the case of the USD LIBOR settings. Any continued publication of the Japanese Yen LIBOR settings will also cease permanently at the end of 2022.

Such factors may have (without limitation) the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to such benchmark; (ii) trigger changes in the rules or methodologies used in the benchmarks; or (iii) lead to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have a material adverse effect on the value of any return on any Certificates linked to a benchmark.

The Conditions provide for certain fallback arrangements in the event that a Benchmark Event occurs, including, if an original Reference Rate and/or any page on which an original Reference Rate may be published, (or any other successor service) becomes unavailable or a Benchmark Event, otherwise occurs. The IBA announcement and FCA announcement referred to above each constitutes such a Benchmark Event. This will have triggered certain of the fallback arrangements although, the consequences of such fallbacks being triggered are not immediately effective under the Conditions. Such fallback arrangements include the possibility that the Rate (or the relevant component part thereof) could be set by reference to a Successor Rate or an Alternative Reference Rate, with or without the application of an Adjustment Spread, and may include amendments to the Conditions, the Master Trust Deed and/or any other Transaction Document to ensure the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser (following consultation with SIB), acting in good faith and in a commercially reasonable manner, and without the requirement for the consent or sanction of Certificateholders. An Adjustment Spread, if applied, is a spread (which may be positive, negative or zero) or formula or methodology for calculating a spread which (a) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the original Reference Rate with the Successor Rate by any Relevant Nominating Body (which may include a relevant central bank, supervisory authority or group of central banks/supervisory authorities), or (b) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the original Reference Rate, or (c) (if the Independent Adviser determines that no such spread, formula or methodology is customarily applied) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate, as the case may be, or (d) (if the Independent Adviser determines that there is no such industry standard) the Independent Adviser determines in their sole discretion to be appropriate. Accordingly, the application of an Adjustment Spread may result in the Certificates performing differently (which may include payment of a lower Rate) than they would do if the original Reference Rate were to continue to apply in its current form. If no Adjustment Spread can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the Rate (or the relevant component part thereof). The use of a Successor Rate or Alternative Reference Rate (including with or without the application of an Adjustment Spread) may still result in any Certificates linked to or referencing an original Reference Rate performing differently (which may include payment of a lower Rate) than they would if the original Reference Rate were to continue to apply in its current form.

If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of the calculation of the Rate (or the relevant component part thereof) for the relevant immediately following Return Accumulation Period may result in the use of a Rate (or the relevant component part thereof) equal to 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. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or UK Benchmarks Regulation reforms, investigations and licensing issues in making any investment decision with respect to the Certificates linked to a benchmark.

#### ***Absence of secondary market/limited liquidity***

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 Euronext Dublin and Nasdaq Dubai 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 Certificates are limited recourse obligations***

The 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. 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 SIB to perform its obligations under the Transaction Documents to which it is a party.

Certificateholders will have no recourse to any assets of the Trustee or SIB in respect of any shortfall in the expected amounts due under the relevant Trust Assets. SIB is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Delegate will have direct recourse against SIB to recover such payments due to the Trustee pursuant to the Transaction Documents to which it is a party.

No Certificateholder shall be entitled to proceed directly against the Trustee and/or SIB unless (i) the Delegate having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing; and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders who propose to proceed directly against the Trustee or SIB, as the case may be) holds at least one-fifth of the then aggregate outstanding face amount of the Certificates pertaining to the relevant Series. There is no assurance that the net proceeds of the realisation of any enforcement action with respect to the Trust Assets (which will be by way of enforcing SIB's and the Trustee's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the relevant Certificates. After enforcing or realising the rights in respect of the Trust Assets of a Series and distributing the net proceeds of such Trust Assets in accordance with Condition 4.2 (*Application of Proceeds from the Trust Assets*), the obligations of the Trustee in respect of the Certificates of the relevant Series shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of such Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents (which includes the Purchase Undertaking). The sole right of the Trustee, the Delegate and the Certificateholders against SIB shall be to enforce the obligation of SIB to perform its obligations under the Transaction Documents to which it is a party.

### ***The Trust may be subject to early dissolution and, in consequence, the Certificates may be redeemed early***

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 SIB is 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 UAE (in the case of SIB), 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 SIB's cost of inward financing 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.

## **Risk factors relating to the Assets**

### ***Ownership of the Assets***

In order to comply with the requirements of *Shari'a*, an ownership interest in the Assets comprised within the relevant Portfolio will pass to the Trustee under the relevant Purchase Agreement. The Trustee will declare a trust in respect of such Portfolio and the other Trust Assets in favour of the Certificateholders of the relevant Series pursuant to the relevant Trust Deed. Accordingly, Certificateholders will, through the ownership interest of the Trustee, have an ownership interest in the relevant Portfolio unless the transfer of the Portfolio is prohibited by, or ineffective under, any applicable law (see “*Transfer of the Assets*” below).

No investigation or enquiry will be made and no due diligence will be conducted in respect of any Assets comprised within any Portfolio and in particular, no investigation will be made as to whether SIB is in actual or constructive possession, custody or control of any of the Assets at any time. Such Assets will be selected by SIB and the Certificateholders, the Trustee and the Delegate will have no ability to influence such selection. Only limited representations will be obtained from SIB in respect of the Assets of any Series. In particular, the precise terms of the Assets will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by SIB to give effect to the transfer of the Assets). No steps will be taken to perfect the transfer of the ownership interest (including registration) in the Assets with any relevant regulatory authority in the UAE or otherwise give notice to any lessee or obligor in respect thereof.

In addition, if and to the extent that a third party is able to establish a direct claim against the Trustee, the Delegate or any Certificateholders on the basis of any ownership interest in the Assets of any Series, SIB has agreed in the relevant Trust Deed to indemnify the Trustee, the Delegate and the Certificateholders against any such liabilities except as may result from the Trustee's or Delegate's wilful default, gross negligence or fraud. In the event that SIB is unable to meet any such claims then the Certificateholders may suffer losses in excess of the original face amount invested.

### ***Transfer of the Assets***

No investigation has been or will be made as to whether (i) any Assets may be transferred as a matter of the law governing the contracts (if any) underlying such Assets, the law of the jurisdiction where such assets are located or any other relevant laws or (ii) SIB has or will continue to have actual or constructive possession, custody or control of any of the Assets. No investigation will be made to determine if the relevant Purchase Agreement will have the effect of transferring the Assets of the relevant Series of Certificates.

Nevertheless, as indicated earlier, although, in order to comply with the requirements of *Shari'a*, an ownership interest in the Assets comprised within the relevant Portfolio will pass to the Trustee under the relevant Purchase Agreement, the Certificateholders will not have any rights of enforcement as against the Assets and their rights are limited to enforcement against SIB of its obligation to purchase the Assets pursuant to the terms of the Purchase Undertaking. Accordingly, any such restriction on the ability of SIB to perfect the sale of the Assets to the Trustee is likely to be of limited consequence to the rights of the Certificateholders.

### ***Limitations relating to the indemnity provisions under the Purchase Undertaking and the Master Trust Deed***

SIB has undertaken in the Purchase Undertaking and the Master Trust Deed that if:

- (a) at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, SIB (acting in any capacity) remains in actual or constructive possession, custody or control of all or any part of the Portfolio; and
- (b) following delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, the Portfolio Exercise Price or the Certificateholder Put Right Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever,

SIB shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the relevant Certificates and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price.

Subject to the satisfaction of the conditions in (a) and (b) as described above, if SIB fails to pay the relevant Exercise Price in accordance with the Purchase Undertaking, the Delegate (on behalf of the Certificateholders) may, subject to the matters set out in Condition 14 (*Dissolution Events*) and the terms of the Master Trust Deed, seek to enforce,

*inter alia*, the provisions of the Purchase Undertaking and the Master Trust Deed against SIB by commencing arbitral or judicial proceedings.

However, investors should note that, in the event that SIB (acting in any capacity) does not have actual or constructive possession, custody or control of all or any part of the Assets comprising the Portfolio at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, the condition in (a) as described above will not be satisfied and, therefore, no amounts will be payable by SIB under the separate indemnity provisions.

Accordingly, in such event, the Delegate (on behalf of the Certificateholders) may be required to establish that there has been a breach of contract by SIB in order to prove for damages. Such breach of contract may be due to (i) a breach by SIB of the requirement to purchase the Trustee's rights, title, interests, benefits and entitlements in, to and under the Portfolio on the relevant Scheduled Dissolution Date or Dissolution Date pursuant to the provisions of the Purchase Undertaking; and/or (ii) a breach by SIB (acting in its capacity as Service Agent pursuant to the provisions of the Service Agency Agreement) of its undertaking to maintain actual or constructive possession, custody or control of all or any part of the Assets comprising the Portfolio, in each case in accordance with the terms of the relevant Asset Contracts.

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

### **Additional risk factors**

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

One or more independent credit rating agencies may assign credit ratings to the Certificates. The ratings may not reflect the potential impact of all risks related to the transaction structure, the market, the additional factors discussed above or any other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of repayment and may be revised, suspended or withdrawn by the assigning rating agency at any 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 European Union (EU) 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).

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

The list of registered and certified rating agencies published by ESMA or FCA on its website in accordance with the CRA Regulation or the UK CRA Regulation, as applicable, is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA or FCA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

#### ***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.

### ***Shari'a rules***

The Internal *Shari'a* Supervisory Committee of SIB and the Global *Shariah* Supervisory Committee of Standard Chartered Bank have reviewed the Transaction Documents. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be *Shari'a* compliant by any *Shari'a* board or *Shari'a* scholars or the courts in the United Arab Emirates. None of the Trustee, SIB or the Dealers makes any representation as to the *Shari'a* compliance of the Certificates and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. Potential investors should obtain their own independent *Shari'a* advice as to the compliance of the Transaction Documents and the issue and trading of the Certificates with *Shari'a* principles.

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 arbitration under English law or court proceedings under the laws of: (a) Sharjah and, to the extent applicable in Sharjah, the federal laws of the UAE; or (b) England and Wales. In such circumstances, the arbitrator or, as the case may be, judge may apply the relevant law of the Transaction Document in determining the obligation of the parties. In the event that proceedings take place in a court in the United Arab Emirates and a judge sitting in such court applies core *Shari'a* principles in determining the obligations of the parties, potential investors should also note that the pronouncement of the *Shari'a* advisors would not bind that court, and any court will have the discretion to make its own determination about whether the Transaction Documents and the Certificates comply with *Shari'a* principles.



## DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the auditors' review report and the unaudited condensed consolidated interim financial statements of SIB as at and for the nine month period ended 30 September 2021 which include unaudited comparative financial information as at 31 December 2020 and for the nine months ended 30 September 2020, together with the accompanying notes thereto (available at: [https://www.sib.ae/docs/default-source/default-document-library/q3\\_20214af30398-813d-46cd-8912-92ea7056416f.pdf?sfvrsn=8e7cf582\\_1](https://www.sib.ae/docs/default-source/default-document-library/q3_20214af30398-813d-46cd-8912-92ea7056416f.pdf?sfvrsn=8e7cf582_1));
- (b) the auditors' review report and the unaudited condensed consolidated interim financial statements of SIB as at and for the six month period ended 30 June 2021 which include unaudited comparative financial information as at 31 December 2020 and for the six months ended 30 June 2020, together with the accompanying notes thereto (available at: [https://www.sib.ae/docs/default-source/default-document-library/2q\\_2021.pdf?sfvrsn=e4d865c9\\_2](https://www.sib.ae/docs/default-source/default-document-library/2q_2021.pdf?sfvrsn=e4d865c9_2));
- (c) the auditors' report and the audited consolidated financial statements of SIB as at and for the financial year ended 31 December 2020 which include unaudited comparative financial information as at and for the year ended 31 December 2019, together with the accompanying notes thereto (available at: [https://www.sib.ae/docs/default-source/default-document-library/fy\\_2020.pdf?sfvrsn=169fe9de\\_4](https://www.sib.ae/docs/default-source/default-document-library/fy_2020.pdf?sfvrsn=169fe9de_4));
- (d) the auditors' report and the audited consolidated financial statements of SIB as at and for the financial year ended 31 December 2019 which include unaudited comparative financial information as at and for the year ended 31 December 2018, together with the accompanying notes thereto (available at: [https://www.sib.ae/docs/default-source/default-document-library/fy\\_20198d44b2bc-7449-45e8-a57c-d29c0bb68998.pdf?sfvrsn=20c89c4d\\_1](https://www.sib.ae/docs/default-source/default-document-library/fy_20198d44b2bc-7449-45e8-a57c-d29c0bb68998.pdf?sfvrsn=20c89c4d_1)); and
- (e) the Terms and Conditions of the Certificates contained on pages 35 to 66 (inclusive) in the base prospectus dated 28 May 2020 prepared by the Trustee in connection with the Programme (available at: [https://ise-prod-nr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/Base+Prospectus\\_5e6923b5-e057-4008-9420-a1a2dc2a5d2f.PDF](https://ise-prod-nr-eu-west-1-data-integration.s3-eu-west-1.amazonaws.com/legacy/Base+Prospectus_5e6923b5-e057-4008-9420-a1a2dc2a5d2f.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 23 of the Prospectus Regulation. 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.

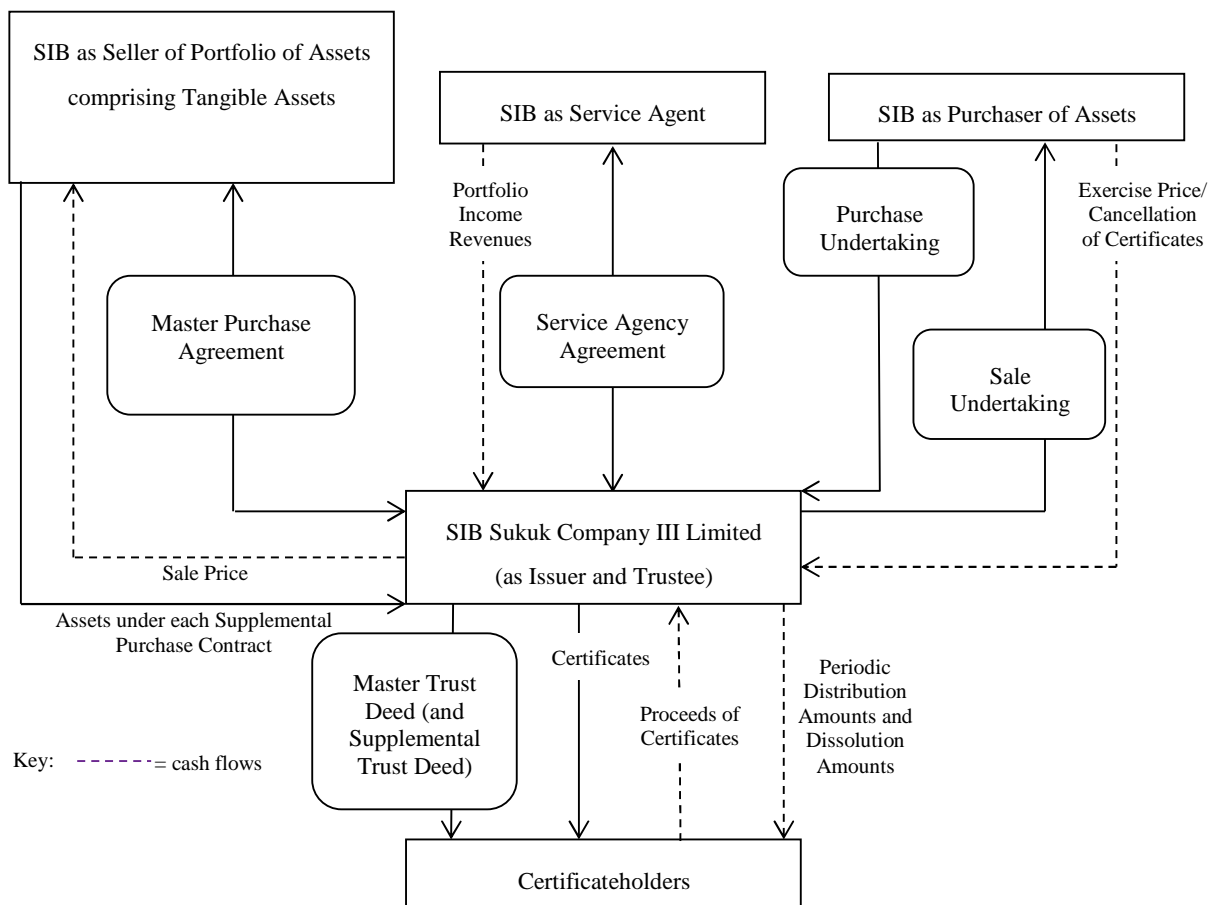
Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

The Trustee and SIB will, in the event of any significant new factor, material mistake or material 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



### Payments by the Certificateholders and the Trustee

On the Issue Date of each Tranche of Certificates, the Trustee will use the proceeds for the relevant Series to purchase from SIB a portfolio (the **Initial Portfolio**) of: (a) real estate assets (**Real Estate Ijara Assets**) (including the related real estate *ijara* contracts and all rights thereunder; provided, however, that such real estate asset is in existence on the date on which it purchases the relevant Initial Portfolio); (b) non-real estate *ijara* assets (including the related non-real estate *ijara* contracts and all rights thereunder; provided, however, that such non-real estate asset is in existence on the date on which it enters the relevant Initial Portfolio) (each such asset, a **Non-Real Estate Ijara Asset**, and together with the Real Estate Ijara Assets, each an **Ijara Asset**); (c) any asset, other than an Ijara Asset, which is an income generating asset (including, without limitation, any *sukuk* or trust certificates) that (i) has associated with it underlying tangible assets; and (ii) is originated, held or owned by SIB in accordance with the *Shari'a* principles laid down by SIB's Internal *Shari'a* Supervisory Committee (including any agreements or documents relating to such asset) (each such asset, an **Other Tangible Asset** and, together with the Ijara Assets, each a **Tangible Asset** or an **Asset**).

The Assets, together with all amounts credited to the Principal Collection Account, which comprise the portfolio from time to time are together referred to in this Base Prospectus as the **Portfolio**. The Service Agent will be appointed as service agent to service each Portfolio under the terms of the Service Agency Agreement.

### Periodic Distribution Payments

Prior to each Periodic Distribution Date, the Service Agent will pay to the Trustee (by way of a payment into the relevant Transaction Account) an amount reflecting returns generated (other than returns in the nature of sale, capital

or principal payments) by the relevant Portfolio (**Portfolio Income Revenues**) during the relevant Distribution Period, which is intended to be sufficient to fund the Periodic Distribution Amounts payable by the Trustee under the relevant Series and shall be applied by the Trustee for that purpose.

In the event that the Portfolio Income Revenues to be paid by the Service Agent into the relevant Transaction Account on any Distribution Determination Date are greater than the Required Amount (as defined below) (having first paid: (a) any Liquidity Facility, and/or (b) any Service Agency Liability Amounts (as defined below) for the relevant Distribution Period) for the relevant Series on the immediately following Periodic Distribution Date, the amount of any excess shall be retained by the Service Agent as a reserve and credited to a separate book-entry ledger account (in respect of each Series, the **Income Reserve Collection Account**) maintained by the Service Agent.

If there is a shortfall on any Distribution Determination Date (after transfer of the Portfolio Income Revenues into the relevant Transaction Account as described above) between: (a) the amounts standing to the credit of the relevant Transaction Account, and (b) an amount (the **Required Amount**) equal to the aggregate of the Periodic Distribution Amounts and any other amounts payable by the Trustee in respect of the relevant Certificates on the immediately following Periodic Distribution Date (a **Shortfall**), the Service Agent shall first apply the amounts standing to the credit of the relevant Income Reserve Collection Account (if any) towards such Shortfall by transferring into the relevant Transaction Account from such Income Reserve Collection Account on that Distribution Determination Date an amount equal to the Shortfall (or such lesser amount as is then standing to the credit of such Income Reserve Collection Account). If, having applied such amounts standing to the credit of the relevant Income Reserve Collection Account (if any) and after payment to the relevant Transaction Account of all other amounts payable pursuant to any other Transaction Document, any part of the Shortfall still remains, the Service Agent may either:

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

in each case in the amount required to ensure that there is no Shortfall and on terms that such funding is settled from Portfolio Income Revenues in the future or from Portfolio Revenues on the date on which the Certificates of the relevant Series are redeemed in full (each a **Liquidity Facility**).

### ***Dissolution Payments***

On each Scheduled Dissolution Date, the Trustee will have the right under the Purchase Undertaking to require SIB to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the relevant Portfolio. The exercise price payable by SIB is intended to fund the Final Dissolution Amount payable by the Trustee under the relevant Certificates.

The Trust in relation to any Series may be dissolved prior to the relevant Scheduled Dissolution Date for the following reasons: (a) redemption following a Dissolution Event; (b) an early redemption for tax reasons; (c) if so specified in the applicable Final Terms, at the option of the Trustee (following the receipt of an exercise notice from SIB in accordance with the terms of the Sale Undertaking) on an Optional Dissolution Date; and (d) if so specified in the applicable Final Terms, at the option of the Certificateholders on any Certificateholder Put Right Date.

In the case of sub-paragraphs (a) to (c) above inclusive, the amounts payable by the Trustee on the due date for dissolution will be funded in a similar manner as for the payment of the Final Dissolution Amount. Upon the exercise by Certificateholders of the redemption right described in sub-paragraph (d), the Trustee will redeem the relevant Certificates on the Certificateholder Put Right Date at the Optional Dissolution Amount (**Certificateholder Put**). Any such redemption shall be funded through the exercise by the Trustee of its right under the Purchase Undertaking to require SIB to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under a portion of the relevant Portfolio with an aggregate Value (as defined below under "*Overview of the Principal Transaction Documents – Service Agency Agreement*") no greater than the aggregate face amount of the Certificates to be redeemed.

## 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.

### Global Certificates

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 beneficial 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 (**Definitive Certificates**).

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

### Payments to registered holder

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 (*Register*)) 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 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 (*Payments in respect of the Certificates*)) immediately preceding the due date for payment in the manner provided in the Conditions.

### Exchange for definitives

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 (*Notices*) if an Exchange Event occurs. For these purposes, **Exchange Event** means that: (i) a Dissolution Event (as defined in Condition 14 (*Dissolution Events*)) 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 are 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.

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further tranche is issued which is intended to form a single Series with an existing tranche at a point after the Issue Date of the further tranche, the Certificates of such further tranche shall be assigned a Common Code and ISIN Code which are different from the Common Code and ISIN Code assigned to Certificates of any other tranche of the same Series until such time as the tranches are consolidated and form a single Series.

Interests in a Certificate may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Certificate. No beneficial owner of an interest in a Certificate will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, to the extent applicable.

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.]

**[UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (i) the target market for the Certificates is only eligible counterparties, as defined in the United Kingdom Financial Conduct Authority Handbook Conduct of Business Sourcebook (**COBS**), and professional clients as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**) / (**UK MiFIR**); and (ii) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommend the Certificates (a **distributor**) should take into consideration the manufacturer ['s/s'] target market assessment; however, a distributor subject to UK MiFIR is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the SFA) –** *[Notice to be included if classification of the Certificates is not "prescribed capital markets products", pursuant to Section 309B of the SFA and Excluded Investment Products, as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products.]]*

## **FORM OF FINAL TERMS<sup>1</sup>**

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

**[Date]**

**SIB Sukuk Company III Limited**  
Legal Entity Identifier: 549300VEBV0EQP2FCP08

**Issue of [Aggregate Face Amount of Series] [Title of Certificates]  
under the U.S.\$3,000,000,000  
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 20 December 2021 [and the supplement[s] dated [•] [and [•]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) [for the purposes of Regulation (EU) 2017/1129 (the **Prospectus Regulation**)<sup>2</sup>]. This document constitutes the Final Terms of the Certificates described herein [for the purposes of Article 8 of the Prospectus Regulation<sup>3</sup>] and must be read in conjunction with the Base Prospectus [as so supplemented].

Full information on the Trustee and Sharjah Islamic Bank PJSC (**SIB**) 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 [as so supplemented] is available for viewing during normal business hours at the registered office of the Trustee at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and copies may be obtained from the registered office of the Principal Paying Agent at Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom. [The Base Prospectus [as so supplemented] has been published in accordance with the Prospectus Regulation on the website of Euronext Dublin

<sup>1</sup> All references to Regulation (EU) 2017/1129 should be deleted if an issuance of Certificates is not Prospectus Regulation compliant.

<sup>2</sup> To be deleted in the event that the Certificates are unlisted.

<sup>3</sup> To be deleted in the event that the Certificates are unlisted.

(<https://www.euronext.com/en/markets/dublin>) and the Dubai Financial Service Authority's website (<https://www.dfsa.ae/DFSA-Listing-Authority/Approved-Documents>).<sup>5]]</sup><sup>6</sup>

[Terms used herein shall be deemed to be defined as such for the purposes of, and shall be read in conjunction with [the terms and conditions contained in the Master Trust Deed dated 28 May 2020 (the **2020 Conditions**) and set forth in the base prospectus dated 28 May 2020 which are incorporated by reference into the base prospectus dated 20 December 2021 (the **Base Prospectus**). This document constitutes the applicable Final Terms of the Certificates described herein for the purposes of the Regulation (EU) 2017/1129 (the **Prospectus Regulation**) and must be read in conjunction with the 2020 Conditions, the Base Prospectus [and the supplement[s] thereto dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation.

Full information on the Trustee and Sharjah Islamic Bank PJSC (**SIB**) 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 2020 Conditions and the Base Prospectus [as so supplemented] is available for viewing during normal business hours at the registered office of the Trustee at P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands and copies may be obtained from the registered office of the Principal Paying Agent at Citibank N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom. [The 2020 Conditions and the Base Prospectus [as so supplemented] has been published in accordance with the Prospectus Regulation on the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>) and the Dubai Financial Service Authority's website (<https://www.dfsa.ae/DFSA-Listing-Authority/Approved-Documents>).]]<sup>7</sup>

- |    |   |   |
|----|---|---|
| 1. | Issuer and Trustee:   | SIB Sukuk Company III Limited   |
| 2. | Service Agent:  | Sharjah Islamic Bank PJSC   |
| 3. | (a) Series Number:  | [•]   |
|    | (b) Tranche Number:   | [•]/Not applicable  |
| 4. | Specified Currency:   | [•]   |
| 5. | Aggregate Face Amount of:   | [•]   |
|    | (a) Series:   | [•]   |
|    | (b) Tranche:  | [•]   |
|    | (c) Date on which the Certificates will be consolidated and form a single Series: | [The Certificates will be consolidated and form a single Series with [•] on [the Issue Date]/[the date that is 40 days after the Issue Date]/[Not Applicable]   |
| 6. | Issue Price:  | 100 per cent. of the Aggregate Face Amount [plus [Specified Currency] [•] in respect of [•] days of accrued Periodic Distribution amounts from (and including) [•] to (but excluding) the Issue Date] |
| 7. | (a) Specified Denominations:  | [•]   |
|    | (b) Calculation Amount:   | [•]   |
| 8. | (a) Issue Date:   | [•]   |
|    | (b) Return Accrual Commencement Date:   | [•] / [Issue Date]  |
| 9. | Scheduled Dissolution Date:   | [•]   |

<sup>4</sup> To be deleted in the event that the Certificates are unlisted.

<sup>5</sup> To be deleted in the event that the Certificates are unlisted.

<sup>6</sup> To be deleted in the event it is an issuance under the 2020 Conditions.

<sup>7</sup> To be deleted in the event it is not an issuance under 2020 Conditions.

- |     |  |  |
|-----|--|--|
| 10. | Periodic Distribution Amount Basis:                        | [[•] per cent. Fixed Periodic Distribution Amount] [[•] +/- [•] per cent. Floating Periodic Distribution Amount] |
| 11. | Dissolution Basis:   | Dissolution at par   |
| 12. | Change of Periodic Distribution Basis:                     | [Applicable]/[Not Applicable]  |
| 13. | Put/Call Options:  | [Not Applicable]/[Certificateholder Put Right]/[Optional Dissolution (Call)]                                     |
| 14. | Status:  | Unsubordinated   |
| 15. | Method of distribution:                                    | [Syndicated]/[Non-syndicated]  |
| 16. | Date of Board Approval for issue of Certificates obtained: | [•] in the case of the Trustee<br>[•] in the case of SIB   |

#### PROVISIONS RELATING TO PERIODIC DISTRIBUTIONS PAYABLE

- |     |  |   |
|-----|--|---|
| 17. | Fixed Periodic Distribution Provisions:                  | [Applicable]/[Not Applicable]   |
|     | (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]                                  |
|     | (e) Day Count Fraction:                                  | [Actual/Actual (ICMA)]/[30/360]   |
|     | (f) Determination Date(s):                               | [[•] in each year]/[Not Applicable]   |
| 18. | Floating Periodic Distribution Provisions:               | [Applicable]/[Not Applicable]   |
|     | (a) Specified Periodic Distribution Dates:               | [•]/[Not Applicable]  |
|     | (b) Specified Period:                                    | [•]/[Not Applicable]  |
|     | (c) Business Day Convention:                             | [Floating Rate Convention]/[Following Business Day Convention]/[Modified Following Business Day Convention]/[Preceding Business Day Convention] |
|     | (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 ( <i>Screen Rate Determination</i> )) applies  |
|     | (f) Screen Rate Determination:                           | Applicable  |
|     | (i) Reference Rate:                                      | [•] month [[currency] LIBOR / EURIBOR / SHIBOR / HIBOR / KIBOR / KLIBOR / EIBOR / SIBOR /   |



SAIBOR / TRLIBOR / TRYLIBOR / AUD LIBOR /  
JPY LIBOR / CHF LIBOR]

- (ii) Periodic Distribution Determination Date: [•]
- (iii) Relevant Screen Page: [•]
- (iv) Relevant Time: [•]
- (g) Linear Interpolation [Not Applicable] / [Applicable – the Rate for the [long/short] [first/last] Return Accumulation Period shall be calculated using Linear Interpolation (*specify for each short or long return accumulation period*)]
- (h) Margin: [+/-][•] per cent. per annum
- (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 DISSOLUTION

- 19. Optional Dissolution (Call): [Applicable]/[Not Applicable]
  - (a) Optional Dissolution Amount (Call): [Final Dissolution Amount]/[[•] per Calculation Amount]
  - (b) Optional Dissolution Amount (Call) Percentage: [•] per cent.
  - (c) Optional Dissolution Date: [•]/[Any Periodic Distribution Date]
- 20. Certificateholder Put Right: [Applicable]/[Not Applicable]
  - (a) Optional Dissolution Amount (Certificateholder Put): [Final Dissolution Amount]/[[•] per Calculation Amount]
  - (b) Optional Dissolution Amount (Certificateholder Put) Percentage: [•] per cent.
  - (c) Certificateholder Put Right Date(s): [•]/[Any Periodic Distribution Date]
- 21. Final Dissolution Amount: [•] per Calculation Amount
- 22. Early Dissolution Amount (Tax): [Final Dissolution Amount]/[[•] per Calculation Amount]
- 23. Dissolution Amount pursuant to Condition 14 (*Dissolution Events*): [Final Dissolution Amount]/[[•] per Calculation Amount]

## GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

- |     |                               |  |
|-----|-------------------------------|--|
| 24. | Form of Certificates:         | Registered Certificates<br><br>Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate |
| 25. | Additional Financial Centres: | [•]/[Not applicable]   |

## PROVISIONS IN RESPECT OF THE TRUST ASSETS

- |     |  |   |
|-----|--|---|
| 26. | Assets on the Issue Date:                  | The Initial Portfolio as scheduled to the Supplemental Purchase Contract specified below under the section headed “28. <i>Other Transaction Document Information: (b) Supplemental Purchase Contract</i> ”. |
| 27. | Trust Assets:                              | Condition 4.1 ( <i>The Trust Assets</i> ) applies   |
|     | (a) Transaction Account:                   | SIB Sukuk Company III Limited Transaction Account No: [•] with [•] for Series No.[•]  |
|     | (b) Currency:                              | [•]   |
| 28. | Other Transaction Document Information:    |   |
|     | (a) Supplemental Trust Deed:               | Supplemental Trust Deed dated [•] between SIB Sukuk Company III Limited, SIB and the Delegate   |
|     | (b) Supplemental Purchase Contract:        | Supplemental Purchase Contract dated [•] between SIB Sukuk Company III Limited (as Purchaser) and SIB (as Seller)   |
|     | (c) [Declaration of Commingling of Assets: | Declaration of Commingling of Assets dated [•] executed by SIB Sukuk Company III Limited]   |

## RESPONSIBILITY

The Trustee and SIB accepts responsibility for the information contained in these Final Terms.

Signed on behalf of

**SIB SUKUK COMPANY III LIMITED**

By: .....

*Duly authorised*

Signed on behalf of

**SHARJAH ISLAMIC BANK PJSC**

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 Issuer and Trustee (or on its behalf) for the Certificates to be admitted to trading on the regulated market of Euronext Dublin with effect from [•].]
- [Application is expected to be made by the Issuer and Trustee (or on its behalf) for the Certificates to be admitted to trading on the regulated market of Euronext Dublin with effect from [•].]
- [Application has been made by the Issuer and Trustee (or on its behalf) for the Certificates to be admitted to trading on Nasdaq Dubai and to the official list of securities maintained by the Dubai Financial Services Authority with effect from [•].]
- [Application is expected to be made by the Issuer and Trustee (or on its behalf) for the Certificates to be admitted to trading on Nasdaq Dubai and to the official list of securities maintained by the Dubai Financial Services Authority with effect from [•].]
- [Not Applicable.]
- (ii) Estimate of total expenses related to admission to trading: [•]

### 2. RATINGS

- Ratings: [S&P: [•]]
- [Fitch: [•]]
- [Moody's: [•]]
- [•] / [Other: [•]]

[[•] is established in the [European Union]/[United Kingdom] and has applied for registration under [Regulation (EU) No. 1060/2009 (as amended) (the **CRA Regulation**)]/[Regulation (EU) No. 1060/2009 (as amended) as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK CRA Regulation**)], although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority]/[European Securities and Markets Authority]/[United Kingdom Financial Conduct Authority].]

[[•] is established in the [European Union]/[United Kingdom] and is registered under [Regulation (EU) No. 1060/2009 (as amended) (the **CRA Regulation**)]/[Regulation (EU) No. 1060/2009 (as amended) as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK CRA Regulation**)].]

[[•] is not established in the [European Union]/[United Kingdom] but the rating it has given to the Certificates is endorsed by [•], which is established in the [European Union]/[United Kingdom] and is registered under [Regulation (EU) No. 1060/2009 (as amended) (the **CRA Regulation**)]/[Regulation (EU) No. 1060/2009 (as amended) as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK CRA Regulation**)].]

[[•] is not established in the [European Union]/[United Kingdom] but is certified under [Regulation (EU) No. 1060/2009 (as amended) (the **CRA Regulation**)]/[Regulation (EU) No. 1060/2009 (as amended) as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK CRA Regulation**)].]

[[•] is not established in the European Union or the United Kingdom and is not certified under Regulation (EU) No. 1060/2009 (as amended) (the **CRA Regulation**) or under Regulation (EU) No. 1060/2009 (as amended) as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK CRA Regulation**), as applicable, and the rating it has given to the Certificates is not endorsed by a credit rating agency established in the European Union or the United Kingdom and registered under the CRA Regulation or the UK CRA Regulation, as applicable.]

### 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 SIB is aware, no person involved in the issue of the Certificates has an interest material to the offer.]

The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, SIB and its affiliates in the ordinary course of its business for which they may receive fees.]

### 4. REASONS FOR THE OFFER

Reasons for the offer: [See "*Use of Proceeds*" wording in the Base Prospectus]/[•]

### 5. ESTIMATED NET PROCEEDS

Estimated net proceeds: [•]

### 6. [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.]

### 7. OPERATIONAL INFORMATION

- (i) ISIN Code: [•] / [Until the Certificates are consolidated, become fungible with and form a single series with the original Certificates, the Certificates will have the temporary ISIN [•]. After that, the Certificates will have the same ISIN as the original Certificates, which is [•]]

- |       |  |   |
|-------|--|---|
| (ii)  | Common Code:   | [•] / [Until the Certificates are consolidated, become fungible with and form a single series with the original Certificates, the Certificates will have the temporary Common Code [•]. After that, the Certificates will have the same Common Code as the original Certificates, which is [•]] |
| (iii) | [FISN:   | [•] / [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]]   |
| (iv)  | [CFI Code:   | [•] / [See the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]]   |
| (v)   | Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): | [Not Applicable]/[give name(s) and number(s)]   |
| (vi)  | Delivery:  | Delivery [against/free of] payment  |
| (vii) | Names of Managers:   | [•]   |

## 8. THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*specify source*]. The Trustee and SIB confirm that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not applicable.]

## 9. BENCHMARKS REGULATION

Relevant Benchmark[s]:	[[ <i>specify benchmark</i> ] is provided by [ <i>administrator legal name</i> ]. [As at the date hereof, [ <i>administrator legal name</i> ]]appears]/[does not appear]] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 ( <i>Register of administrators and benchmarks</i> ) of the Benchmarks Regulation]/[As far as the Trustee is aware, as at the date hereof, [ <i>specify benchmark</i> ] does not fall within the scope of the Benchmarks Regulation]/ [As far as the Trustee is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that [ <i>name of administrator</i> ] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence)]// [As at the date hereof, [[ <i>administrator legal name</i> ] [appears]/[does not appear] in the register of administrators and benchmarks established and maintained pursuant by the FCA pursuant to Article 36 of the UK Benchmarks Regulation]/[As far as the Trustee is aware, as at the date hereof, [ <i>specify benchmark</i> ] does not fall within the scope of the UK Benchmarks Regulation]/ [As far as the Trustee is aware, the transitional provisions in Article 51 of the UK Benchmarks Regulation apply, such that [ <i>name of administrator</i> ] is not currently
------------------------	--

required to obtain authorisation/registration (or, if located outside the United Kingdom, recognition, endorsement or equivalence)] / [Not Applicable]

## 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, and attached to, each Certificate in definitive form issued under the Programme and will be incorporated by reference into each Global Certificate.*

*The applicable Final Terms in relation to any Series shall complete the following Terms and Conditions and, to the extent inconsistent with the following Terms and Conditions, modify the following Terms and Conditions for the purpose of such Series.*

SIB Sukuk Company III Limited (in its capacities as issuer and trustee, the **Trustee**) has established and updated a programme (the **Programme**) for the issuance of up to U.S.\$3,000,000,000 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 the Certificate.

Certificates issued under the Programme are issued in series (each a **Series**). The applicable Final Terms complete these Conditions and shall, to the extent inconsistent with these Conditions, modify these Conditions for the purposes of this Certificate.

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: (a) an amended and restated master trust deed (the **Master Trust Deed**) dated 20 December 2021 and made between the Trustee, Sharjah Islamic Bank PJSC (**SIB**) and Citicorp Trustee Company Limited (the **Delegate** which expression shall include any co-Delegate or any successor); and (b) a supplemental trust deed (the **Supplemental Trust Deed** and, together with the Master Trust Deed, the **Trust Deed**) having the details set out in the applicable Final Terms.

Payments relating to the Certificates will be made pursuant to an amended and restated agency agreement dated 20 December 2021 (the **Agency Agreement**) made between the Trustee, the Delegate, SIB, Citibank N.A., 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 or other calculation agent named in the applicable Final Terms) and as transfer agent (in such capacity and together with the Principal Paying Agent and Calculation Agent, the **Transfer Agents**, which expression shall include any successors) and Citibank Europe plc in its capacity as a registrar (in such capacity, the **Registrar**, which expression shall include any successor). The Paying Agents, the Calculation Agent 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 (*Payments in respect of the Certificates*)), any additional amounts (other than relating to Periodic Distribution Amounts (as defined in Condition 6.2 (*Periodic Distribution Amount*))) which may be payable under Condition 11 (*Taxation*), 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 (*Taxation*) 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 principal office of the Trustee (presently at PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands) and at the specified office for the time

being of 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) an amended and restated master purchase agreement between SIB Sukuk Company III Limited (in its capacity as Trustee and in its capacity as purchaser, the **Purchaser**) and SIB (in its capacity as seller, the **Seller**) dated 20 December 2021 (the **Master Purchase Agreement**);
- (b) the supplemental purchase contract (the **Supplemental Purchase Contract** and, together with the Master Purchase Agreement, the **Purchase Agreement**) having the details set out in the applicable Final Terms;
- (c) the amended and restated service agency agreement between the Trustee and SIB (in its capacity as service agent, the **Service Agent**) dated 20 December 2021 (the **Service Agency Agreement**);
- (d) the amended and restated purchase undertaking granted by SIB for the benefit of the Trustee and the Delegate dated 20 December 2021 (the **Purchase Undertaking**) together with any sale agreement that may be entered into as a result of the exercise of rights under the Purchase Undertaking;
- (e) the amended and restated sale undertaking granted by the Trustee for the benefit of SIB dated 20 December 2021 (the **Sale Undertaking**) together with any sale agreement that may be entered into as a result of the exercise rights under the Sale Undertaking;
- (f) the Master Trust Deed (and the applicable Supplemental Trust Deed entered into in respect of each Series);
- (g) the Agency Agreement; and
- (h) an amended and restated corporate services agreement dated 30 September 2021 between MaplesFS Limited (as provider of corporate services to the Trustee) and the Trustee (the **Corporate Services Agreement**),

each as may be amended and restated and/or supplemented from time to time. In addition, the applicable Final Terms in respect of each tranche of a Series will be made available for inspection and obtainable free of charge in the same manner as (a) – (h) above.

The documents listed in paragraphs (a) to (g) (inclusive) 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 Master Trust Deed as supplemented by the applicable Supplemental Trust Deed and the Agency Agreement.

Each Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed, in respect of each Series, to authorise and direct the Trustee, on behalf of the Certificateholders, (i) to apply the sums paid by it in respect of its Certificates to the Seller in accordance with the Purchase Agreement; and (ii) to enter into each Transaction Document to which it is a party, subject to the provisions of the Master Trust Deed as supplemented by the relevant Supplemental 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, SIB 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, SIB 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 Trustee and 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 the applicable Final Terms.

**Specified Denominations** have the meaning given to it in the applicable Final Terms.

## 1.2 ***Register***

The Registrar will maintain a register (the **Register**) of Certificateholders 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, SIB 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, SIB 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 moneys payable in respect of such Certificate or face amount.

# 2 **TRANSFERS OF CERTIFICATES**

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

Transfers of 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. An 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: (a) 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; and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such regulations as SIB Sukuk Company III Limited, SIB, 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), 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 (and including) 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 of the relevant Series issued under the Programme.

### 3.2 ***Limited Recourse***

The proceeds of the Trust Assets are the sole source of payments on the Certificates of each Series. Save as provided in the next sentence, the Certificates do not represent an interest in or obligation of any of the Trustee, SIB, the Delegate, the Agents or any of their respective affiliates. Accordingly, Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that they will have no recourse to any assets of the Trustee (including, in particular, other assets comprised in other trusts, if any), SIB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), or the Delegate, or the Agents, or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished.

SIB is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee for, and on behalf of, the Certificateholders, and the Trustee and the Delegate (acting in the name, and on behalf, of the Trustee) will have direct recourse against SIB to recover such payments.

The net proceeds of realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates of the corresponding Series. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 14 (*Dissolution Events*), no holder of Certificates will have any claim against the Trustee and/or its directors, officers, administrators or shareholders, SIB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), or the Delegate, or the Agents, or any of their respective affiliates or against any assets (other than the Trust Assets to the extent not exhausted) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no holder of Certificates will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of SIB Sukuk Company III Limited, SIB (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

### 3.3 ***Agreement of Certificateholders***

By purchasing Certificates, each Certificateholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (a) no payment of any amount whatsoever shall be made by or on behalf of SIB Sukuk Company III Limited except to the extent funds are available therefor from the Trust Assets and further agrees that no recourse shall be had for the payment of any amount owing hereunder or under any

Transaction Document to which it is a party, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon any Transaction Document, against SIB Sukuk Company III Limited to the extent the Trust Assets have been exhausted following which all obligations of SIB Sukuk Company III Limited shall be extinguished;

- (b) prior to the date which is one year and one day after the date on which all amounts owing by SIB Sukuk Company III Limited under the Transaction Documents have been paid in full, it will not institute against, or join with any other person in instituting against, SIB Sukuk Company III Limited any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law; and
- (c) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of SIB Sukuk Company III Limited arising under or in connection with these Conditions by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer or director of SIB Sukuk Company III Limited in their capacity as such and any and all personal liability of every such shareholder, officer or director in their capacity as such for any breaches by SIB Sukuk Company III Limited of any such duty, obligation or undertaking is hereby expressly waived and excluded to the extent permitted by law.

## 4 THE TRUST

### 4.1 *The Trust Assets*

On each Issue Date, the Seller will sell (pursuant to the Purchase Agreement) a portfolio (the **Initial Portfolio**) of certain assets (the **Assets**) specified in the Supplemental Purchase Contract to the Trustee and the Trustee will purchase the Initial Portfolio using the proceeds of the issue of the Certificates. The Trustee has entered into the Service Agency Agreement with the Service Agent as service agent of the Portfolio (as defined in the Service Agency Agreement).

SIB has entered into the Purchase Undertaking in favour of the Trustee and the Delegate to purchase all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the Portfolio on the Scheduled Dissolution Date at the Final Dissolution Amount (each as defined in Condition 10.1 (*Scheduled Dissolution*)) or, if earlier, on the due date for dissolution determined in accordance with Condition 14 (*Dissolution Events*) at the Dissolution Amount specified in the applicable Final Terms. If Certificateholder Put Right is specified in the applicable Final Terms as being applicable, the Purchase Undertaking may be exercised prior to a Certificateholder Put Right Date (as specified in the applicable Final Terms) to fund the relevant Certificates being redeemed under Condition 10.4 (*Dissolution at the option of the Certificateholders*) through the purchase by SIB of the Trustee's rights, title, interests, benefits and entitlements in, to and under a portion of the Portfolio with an aggregate Value (as defined in the Service Agency Agreement) no greater than the aggregate face amount of such Certificates being redeemed.

Pursuant to the Sale Undertaking, subject to the Trustee being entitled to redeem the Certificates early pursuant to Condition 10.2 (*Early Dissolution for Tax Reasons*), SIB may, by exercising its redemption right under the Sale Undertaking and serving notice on the Trustee no later than 60 days prior to the Tax Dissolution Date (as defined in Condition 10.2 (*Early Dissolution for Tax Reasons*)), oblige the Trustee to sell to SIB all of its rights, title, interests, benefits and entitlements in, to and under the Portfolio on the Tax Dissolution Date at the Early Dissolution Amount (Tax). If Optional Dissolution (Call) is specified in the applicable Final Terms as being applicable, SIB may, by exercising its redemption right under the Sale Undertaking and serving notice on the Trustee no later than 60 days prior to the Optional Dissolution Date, oblige the Trustee to sell to SIB all of its rights, title, interests, benefits and entitlements in, to and under the Portfolio on the Optional Dissolution Date.

Following any purchase of Certificates by or on behalf of SIB or any of its Subsidiaries (as defined in Condition 13 (*Purchase and Cancellation of Certificates*)) pursuant to Condition 13 (*Purchase and Cancellation of Certificates*), the Sale Undertaking may also be exercised in respect of the transfer to SIB of an ownership interest (a **Cancellation Interest**) in the Portfolio with an aggregate Value no greater than the aggregate face amount of the Certificates so purchased against cancellation of such Certificates by the Principal Paying Agent. The Cancellation Interest will be calculated as the ratio, expressed as a percentage, of the aggregate outstanding face amount of the relevant Certificates to be cancelled to the aggregate face amount of the Certificates outstanding immediately prior to the cancellation of such Certificates.

Pursuant to the Trust Deed, the Trustee holds the Trust Assets upon trust absolutely for the holders of the Certificates in respect of a Series *pro rata* according to the face amount of Certificates held by each holder in respect of that Series. Unless otherwise specified in the applicable Final Terms, 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 Portfolio for the corresponding Series;
- (b) the Trustee's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than (i) in relation to any representations given to the Trustee by SIB 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 (ii) the covenant given to the Trustee pursuant to Clause 13.1 of the Master Trust Deed);
- (c) monies standing to the credit of the Transaction Account in respect of that Series specified in the applicable Final Terms (the **Transaction Account**) from time to time; and
- (d) 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 for each Series, the monies standing to the credit of the Transaction Account shall be applied in the following order of priority:

- (a) *first*, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate;
- (b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;
- (c) *third*, only if such payment is made on the Scheduled Dissolution Date or a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the relevant Dissolution Amount; and
- (d) *fourth*, only after all necessary payments above have been made in full, to SIB.

### 5 COVENANTS

The Trustee covenants that, for so long as any Certificate is outstanding, it shall not:

- (a) incur any indebtedness in respect of raised money whatsoever (whether structured in accordance with the principles of the *Shari'a* or otherwise), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates except, in all cases, as contemplated in the Transaction Documents;
- (b) grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law or contemplated by the Transaction Documents);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its ownership interest in any of the Trust Assets except pursuant to the Transaction Documents;
- (d) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (e) amend or agree to any amendment 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) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, 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, the Programme Agreement and any subscription agreement connected to the issue of the Certificates 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 in the Transaction Documents; and
  - (iii) such other matters which are incidental thereto.

*In the Purchase Undertaking, SIB has undertaken that, so long as any Certificate remains outstanding, SIB will not, and shall ensure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertakings, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or any Guarantee of Relevant Indebtedness given by it without:*

- (a) *at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is, in whatever capacity, a party; or*
- (b) *providing such other Security Interest for those obligations as may be approved by the Certificateholders by an Extraordinary Resolution.*

*For these purposes:*

***Guarantee*** means, in relation to any Indebtedness or Relevant Indebtedness of any person, any obligation of another person to pay such Indebtedness or Relevant Indebtedness following demand or claim on that person including (without limitation):

- (a) *any obligation to purchase such Indebtedness or Relevant Indebtedness;*
- (b) *any obligation to extend financing, 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 or Relevant Indebtedness;*
- (c) *any indemnity against the consequences of a default in the payment of such Indebtedness or Relevant Indebtedness; and*
- (d) *any other agreement to be responsible for such Indebtedness or Relevant Indebtedness.*

***Indebtedness*** means any present or future indebtedness of any person for or in respect of any money borrowed or raised including (without limitation) any money or liability arising under or in respect of any acceptance or acceptance credit or evidenced by any notes, sukuk, bonds, debentures, debenture stock, loan stock or other securities or any moneys raised under any transaction having the commercial effect of borrowing or raising money.

***Material Subsidiary*** means, at any time, any Subsidiary:

- (a) whose total assets (consolidated, in the case of a Subsidiary which itself has Subsidiaries) exceed 5 per cent. of the consolidated total assets of SIB; or
- (b) whose revenues (consolidated, in the case of a Subsidiary which itself has Subsidiaries) exceed 5 per cent. of the consolidated net operating revenues of SIB.

**Non-recourse Project Financing** means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that (a) any Security Interest given by SIB or the relevant Material Subsidiary, as the case may be, is limited solely to assets of the project, (b) the person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project as the principal source of repayment for the monies advanced, and (c) there is no other recourse to SIB or the relevant Material Subsidiary, as the case may be, in respect of any default by any person under the financing.

**Permitted Security Interest** means:

- (a) any Security Interest securing any Relevant Indebtedness of a person existing at the time that such person is merged into, or consolidated with SIB or the relevant Material Subsidiary, as the case may be, provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of SIB or the relevant Material Subsidiary, as the case may be;
- (b) any Security Interest arising by operation of law, provided that such Security Interest is discharged within 30 days of arising;
- (c) any Security Interest existing on any property or assets prior to the acquisition thereof by SIB or the relevant Material Subsidiary, as the case may be, provided that such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property of SIB or the relevant Material Subsidiary, as the case may be (other than proceeds of such acquired assets or property), and provided that the maximum amount of Relevant Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property or the Relevant Indebtedness incurred solely for the purpose of financing the acquisition of such property; or
- (d) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (c) (inclusive) of this definition, provided that with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets).

**Relevant Indebtedness** means (a) any Indebtedness, other than Indebtedness incurred in connection with a Non-recourse Project Financing or a Securitisation, which is in the form of, or represented or evidenced by, bonds, notes, debentures, financing stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other securities market, and (b) any Relevant Sukuk Obligation.

**Relevant Sukuk Obligation** means any undertaking or other obligation, other than any undertaking or obligation incurred in connection with a Non-recourse Project Financing or a Securitisation, to pay any money given in connection with the issue of trust certificates or other similar securities, whether or not in return for consideration of any kind, which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other securities market.

**Securitisation** means any securitisation of existing or future assets and/or revenues, provided that (a) any Security Interest given by SIB or the relevant Material Subsidiary, as the case may be, in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation, (b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability, and (c) there is no other recourse to SIB or the relevant Material Subsidiary, as the case may be, in respect of any default by any person under the securitisation.

**Security Interest** means any mortgage, pledge, lien, charge, assignment by way of security, hypothecation or other security interest including, without limitation, any other agreement or arrangement having the effect of conferring security.

**Subsidiary** means in relation to any person (the **first person**) at any particular time, any other person (the **second person**):

- (a) whose affairs and policies the first person controls or has power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person.

## **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 (*Application of Proceeds from the Trust Assets*) and Condition 8 (*Payment*) and unless otherwise specified in the applicable Final Terms, the Trustee shall distribute to holders *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account pursuant to the terms of the Service Agency Agreement and the other Transaction Documents, 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 (*Fixed Periodic Distribution Provisions*) or Condition 7 (*Floating Periodic Distribution Provisions*); 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 and/or the applicable Final Terms (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 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.

In this Condition:

**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 actual number of days in such Accrual Period divided by the product of:
    - (1) the number of days in such Determination Period; and
    - (2) 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:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of: (aa) the number of days in such Determination Period; and (bb) the number of Determination Dates that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of: (aa) the number of days in such Determination Period; and (bb) 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;

**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.

#### 6.4 *Cessation of Profit Entitlement*

No further amounts will be payable on any Certificate from and including the Scheduled Dissolution Date or, as the case may be, the relevant Dissolution Date, as a result of the failure of SIB to pay the relevant Exercise Price and enter into one or more sale agreements in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, as the case may be, unless default is made in the payment of the relevant Dissolution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition to the earlier of: (i) the Relevant Date or (ii) the date on which a sale agreement is executed in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, as the case may be.

## 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 (*Application of Proceeds from the Trust Assets*) and Condition 8 (*Payment*) and unless otherwise specified in the applicable Final Terms, the Trustee shall distribute to holders *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account pursuant to the terms of the Service Agency Agreement and the other Transaction Documents, 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) (*Periodic Distribution Amount*) 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 day which is both:

- (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 specified in the applicable Final Terms; and
- (b) 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 or calculated or determined in accordance with the provisions of these Conditions and/or the applicable Final Terms (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 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 the direction of SIB, provided SIB receives notice of such direction being required 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 financings 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.

In this Condition the following expressions have the following meanings:

**Reference Banks** means 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 Calculation Agent (at the direction of SIB, provided SIB receives notice of such direction being required by the Calculation Agent), provided that once a Reference Bank has first been selected by or on behalf of the Calculation Agent or its duly appointed representative, such Reference Bank shall not be changed unless it ceases to be capable of acting as such;

**Reference Rate** means (i) one of the following benchmark rates (as specified in the applicable Final Terms) in respect of the currency and period specified in the applicable Final Terms or (ii) any such Successor Rate (as defined in Condition 7.6 (*Benchmark Discontinuation*)) or Alternative Rate (as defined in Condition 7.6 (*Benchmark Discontinuation*)) as set out in these Conditions (in the case of either a Successor Rate or Alternative Rate, with any relevant Adjustment Spread applied):

- (a) London interbank offered rate (**LIBOR**);
- (b) Euro interbank offered rate (**EURIBOR**);
- (c) Singapore interbank offered rate (**SIBOR**);
- (d) Shanghai interbank offered rate (**SHIBOR**);

- (e) Hong Kong interbank offered rate (**HIBOR**);
- (f) Kuwait interbank offered rate (**KIBOR**);
- (g) Kuala Lumpur interbank offered rate (**KLIBOR**);
- (h) Emirates interbank offered rate (**EIBOR**);
- (i) Saudi Arabia interbank offered rate (**SAIBOR**);
- (j) Turkish Lira interbank offered rate (**TRLIBOR** or **TRYLIBOR**);
- (k) Australian dollar LIBOR (**AUD LIBOR**);
- (l) Japanese Yen LIBOR (**JPY LIBOR**); and
- (m) Swiss franc LIBOR (**CHF LIBOR**).

**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 *Cessation of Profit Entitlement*

No further amounts will be payable on any Certificate from and including the Scheduled Dissolution Date or, as the case may be, the relevant Dissolution Date, unless default is made in the payment of the relevant Dissolution Amount, as a result of the failure of SIB to pay the relevant Exercise Price and enter into a sale agreement in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, as the case may be, in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition provided that, in respect of such accrual, no sale agreement has been executed in accordance with the terms of the Purchase Undertaking or the Sale Undertaking.

#### 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 (i) the actual number of days in that portion of the Return Accumulation Period falling in a leap year divided by 366 and (ii) 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 **Benchmark Discontinuation:**

- (a) Notwithstanding any other provision of this Condition 7, if SIB determines that a Benchmark Event has occurred in relation to the Reference Rate when the Rate (or any component part thereof) for any Return Accumulation Period remains to be determined by reference to such Reference Rate, then SIB may elect to apply the following provisions;
- (b) SIB shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with this Condition 7.6) and, in either case, an Adjustment Spread, if any (in accordance with Condition 7.6(b)(iii)) and any Benchmark Amendments (in accordance with Condition 7.6(b)(iv)).

Any Independent Adviser appointed pursuant to this Condition 7.6 shall act and make all determinations pursuant to this Condition 7.6 in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Trustee, SIB, the Delegate, the Agents or the Certificateholders for any determination made by it pursuant to this Condition 7.6 and the Delegate will not be liable for any loss, liability, cost, charge or expense which may arise as a result thereof.

- (i) If (i) SIB is unable to appoint an Independent Adviser or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 7.6 prior to the relevant Periodic Distribution Determination Date, the Reference Rate applicable to the immediate following Return Accumulation Period shall be the Reference Rate applicable as at the last preceding Periodic Distribution Determination Date. If there has not been a first Periodic Distribution Date, the Reference Rate shall be the Reference Rate applicable to the first Return Accumulation Period. For the avoidance of doubt, any adjustment pursuant to this Condition 7.6(a)(i) (*Benchmark Discontinuation*) shall apply to the immediately following Return Accumulation Period only. Any subsequent Return Accumulation Period may be subject to the subsequent operation of this Condition 7.6 (*Benchmark Discontinuation*).
- (ii) If the Independent Adviser determines in its discretion that:
- (1) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 7.6(a)(iii)) subsequently be used in place of the Reference Rate to determine the Rate for the immediately following Return

Accumulation Period and all following Return Accumulation Periods, subject to the subsequent operation of this Condition 7.6 in the event of a further Benchmark Event affecting the Successor Rate; or

- (2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 7.6(a)(iii)) subsequently be used in place of the Reference Rate to determine the Rate for the immediately following Return Accumulation Period and all following Return Accumulation Periods, subject to the subsequent operation of this Condition 7.6 in the event of a further Benchmark Event affecting the Alternative Rate.
  - (iii) If the Independent Adviser determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).
  - (iv) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 7.6 and the Independent Adviser (in consultation with SIB) determines in its discretion (i) that amendments to these Conditions and/or any of the Transaction Documents are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**) and (ii) the terms of the Benchmark Amendments, then Trustee and SIB shall, following consultation with the Calculation Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the Rate and the Periodic Distribution Amount(s)), subject to giving notice thereof in accordance with Condition 7.6(a)(v), without any requirement for the consent or approval of relevant Certificateholders, vary these Conditions and/or such Transaction Documents to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Delegate shall, at the direction and expense of the Trustee and SIB, consent to and effect such consequential amendments to the Transaction Documents and these Conditions as may be required in order to give effect to this Condition 7.6).
  - (v) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 7.6 (*Benchmark Discontinuation*) will be notified promptly by the Trustee (failing which, SIB) to the Delegate, the Calculation Agent and, in accordance with Condition 17 (*Notices*), the Certificateholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
  - (vi) No later than notifying the Delegate of the same, the Trustee shall deliver to the Delegate a certificate signed by two authorised signatories of the Trustee:
    - (1) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 7.6; and
    - (2) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread.
  - (vii) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Trustee, SIB, the Delegate, the Principal Paying Agent, the Calculation Agent and the Certificateholders.
- (c) As used in this Condition 7.6 (*Benchmark Discontinuation*):

**"Adjustment Spread"** means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (ii) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or
- (iii) (if the Independent Adviser determines there is no such spread formula or methodology customarily applied) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be);
- (iv) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Certificateholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate.

**"Alternative Rate"** means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with this Condition 7.6 (*Benchmark Discontinuation*) is customary in market usage in the international debt capital markets for the purposes of determining floating periodic distribution rates (or the relevant component part thereof) in the Specified Currency.

**"Benchmark Event"** means:

- (i) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- (ii) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the **Specified Future Date**); or
- (iii) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the **Specified Future Date**), be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the **Specified Future Date**), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Certificates; or
- (v) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, such Reference Rate is or will be (or is or will be determined by such supervisor to be) no longer representative of an underlying market; or
- (vi) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Certificateholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011 or Regulation (EU) 2016/1011 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (ii), (iii), (iv) or (v) above the Benchmark Event shall be deemed to occur on the Specified Future Date and not the date of the relevant public statement, provided that where the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

**"Benchmark Amendments"** has the meaning given to it in Condition 7.6(a)(iv).

**"Independent Adviser"** means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by SIB at its own expense under Condition 7.6 (*Benchmark Discontinuation*).

**"Relevant Nominating Body"** means, in respect of a benchmark or screen rate (as applicable):

- (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

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

#### 7.7 ***Linear Interpolation***

Where Linear Interpolation is specified as applicable in respect of a Return Accumulation Period in the applicable Final Terms, the Rate for such Return Accumulation Period shall be calculated by the Principal Paying Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate, 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 Return Accumulation 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 Return Accumulation 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 Principal Paying Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

In this Condition, **Designated Maturity** means the period of time designated in the Reference Rate.

#### 7.8 ***Calculation of Other Amounts***

If the applicable Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the applicable Final Terms.

#### 7.9 ***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, SIB, the Delegate and the Paying Agents and, if listed, Euronext Dublin 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 first day of the relevant Return Accumulation Period. Notice thereof shall also promptly be given to the Certificateholders. The Calculation Agent will be entitled 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. If the Calculation Amount is less than the minimum Specified Denomination, the Calculation Agent shall not be obliged to publish each Periodic Distribution Amount but instead may publish



only the Calculation Amount and the Periodic Distribution Amount in respect of a Certificate having the minimum Specified Denomination.

#### 7.10 *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 error) be binding on the Trustee, the Delegate, SIB, the Agents and all Certificateholders and (in the absence of wilful default or bad faith) 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.

### 8 PAYMENT

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

Subject to Condition 8.2 (*Payments subject to Applicable Law*) and the limited recourse provisions set out in Condition 3 (*Status and limited recourse*), 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. To the extent that a Dissolution Date occurs on a date other than a Periodic Distribution Date, all accrued but unpaid Periodic Distribution Amounts shall be due on such Dissolution Date.

For the purposes of this Condition:

- (a) **Dissolution Amount** means, as appropriate, the Final Dissolution Amount, the Early Dissolution Amount (Tax), the Optional Dissolution Amount (Call), the Optional Dissolution Amount (Certificateholder Put), the Dissolution Amount for the purposes of Condition 14 (*Dissolution Events*) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, 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:
    - (aa) 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
    - (bb) 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 Certificates are subject in all cases to: (i) any fiscal or other laws, regulations and directives applicable thereto in any jurisdiction, but without prejudice to the provisions of Condition 11(*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 as amended (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (**FATCA**), any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 11(*Taxation*)) 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.

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.

# **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. 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 names of the initial Agents and their initial specified offices are set out in the Agency Agreement. 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 (*Notices*).

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

- (a) (1) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 11(*Taxation*)) 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 of the first Series; and (2) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (b) the receipt by the Trustee of notice from SIB that: (1) SIB has or will become obliged to pay additional amounts pursuant to the terms of the Service Agency Agreement, the Purchase Undertaking and/or the Sale Undertaking as a result of any change in, or amendment to, the laws or regulations of a 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 (2) such obligation cannot be avoided by SIB taking reasonable measures available to it,

**provided, however,** that no such notice of redemption shall be given unless an exercise notice has been received by the Trustee from SIB under the Sale Undertaking and no such notice of redemption shall be given earlier than 60 days prior to the earliest date on which (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due or (in the case of (b) above) SIB would be obliged to pay such additional amounts if a payment to the Trustee under the Service Agency Agreement was then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Trustee shall deliver to the Delegate: (i) a certificate signed by one director of the Trustee (in the case of (a) above) or two Authorised Signatories of SIB (in the case of (b) above) stating that the Trustee is entitled to effect such dissolution and redemption and setting forth a statement of facts showing that the conditions precedent in (a) or (b) above to the right of the Trustee so to dissolve have occurred; and (ii) an opinion of independent legal or tax advisers of recognised standing to the effect that the Trustee or SIB, as the case may be, has or 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 as sufficient evidence thereof in which event it shall be conclusive and binding on the Certificateholders. Upon the expiry of any such notice as is referred to in this Condition 10.2 (*Early Dissolution for Tax Reasons*), the Trustee shall be bound to redeem the Certificates at the Early Dissolution Amount (Tax) together with any due but unpaid Periodic Distribution Amount 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.

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

If Optional Dissolution (Call) is specified in the applicable Final Terms as being applicable (such redemption right being referred to as **Optional Dissolution (Call)**), the Certificates may be redeemed in whole but not in part on any Optional Dissolution Date, which must be a Periodic Distribution Date if the Floating Periodic Distribution Provisions are specified in the applicable Final Terms, at the relevant Optional Dissolution Amount (Call) together with any due 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 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to redeem the Certificates on the relevant Optional Dissolution Date).

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 SIB under the Sale Undertaking.

### 10.4 *Dissolution at the option of the Certificateholders*

If Certificateholder Put Right is specified in the applicable Final Terms as being applicable (such redemption right being referred to as **Certificateholder Put Right**), upon the holder of any Certificate giving to the Trustee in accordance with Condition 17 (*Notices*) not less than 15 nor more than 30 days' notice the Trustee will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Certificate on the Certificateholder Put Right Date and at the Optional Dissolution Amount (Certificateholder Put) together with any due but unpaid Periodic Distribution Amounts. Certificates may be redeemed under this Condition 10.4 (*Dissolution at the option of the Certificateholders*) in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of this Certificate the holder of this Certificate must, if this Certificate is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of the Registrar at any time during normal business hours of the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from the specified office of the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition 10.4 (*Dissolution at the option of the Certificateholders*) and the face amount thereof to be redeemed and, if less than the full amount of the Certificates so surrendered is to be redeemed, an address to which a new Certificate in respect of the balance of such Certificate is to be sent subject to and in accordance with the provisions of Condition 2.2 (*Transfers of Certificates in definitive form*).

If this Certificate is represented by a Global Certificate or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Certificate the holder of this Certificate must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear, Clearstream, Luxembourg or any depositary for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and if this Certificate is represented by a Global Certificate, at the same time present or procure the presentation of the relevant Global Certificate to the Principal Paying Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Certificate pursuant to this Condition 10.4 (*Dissolution at the option of the Certificateholders*) shall be irrevocable except where, prior to the due date of redemption, a Dissolution Event has occurred and the Certificates are to be redeemed pursuant to Condition 14 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 10.4 (*Dissolution at the option of the Certificateholders*).

Certificateholder Put Right and Optional Dissolution (Call) may not both be specified as applicable in the applicable Final Terms.

### 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 (*Purchase and Cancellation of Certificates*) and Condition 14 (*Dissolution Events*).

## 10.6 ***Cancellations***

All Certificates which are redeemed, and all Certificates purchased by or on behalf of SIB or any of its Subsidiaries and delivered by SIB to the Principal Paying Agent for cancellation, will forthwith be cancelled and accordingly such Certificates may not be held 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 (*Dissolution Events*)), the date on which the Certificates are redeemed in accordance with the provisions of Condition 14 (*Dissolution Events*);
- (b) the date on which the Certificates are redeemed in accordance with the provisions of Condition 10.2 (*Early Dissolution for Tax Reasons*);
- (c) any Optional Dissolution Date; or
- (d) any Certificateholder Put Right Date.

## 11 **TAXATION**

All payments in respect of the Certificates shall be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes, 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 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) presented for payment (where presentation is required) in a Relevant Jurisdiction; or
- (b) the holder of which is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or
- (c) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Business Day.

Notwithstanding anything to the contrary in these Conditions, none of the Trustee, any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or with respect to any Certificate pursuant to FATCA, any regulations or agreements thereunder, official interpretations thereof or any law implementing an intergovernmental approach thereto.

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 (*Notices*);

**Relevant Jurisdiction** means: (a) in the case of payments to be made by the Trustee, the Cayman Islands; or (b) in the case of payments to be made by SIB (acting in any capacity), the United Arab Emirates or any Emirate therein 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 Purchase Undertaking, the Sale Undertaking and the Service Agency Agreement provide that payments and transfers thereunder by SIB, 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 and, in such case, provide for the payment or transfer, as the case may be, by SIB of additional amounts so that the full amount which would otherwise have been due and payable or transferable, as the case may be, is received by the Trustee.

## **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 (*Payment*).

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

### **13.1 *Purchases***

SIB or any of its Subsidiaries may at any time purchase Certificates at any price in the open market or otherwise. Such Certificates may be held, re-sold or, at the option of SIB, surrendered to the Registrar for cancellation in accordance with Condition 13.2 (*Cancellation of Certificates held by SIB and/or any of its Subsidiaries*).

For the purposes of these Conditions, Subsidiary means, in relation to SIB, any entity whose financial statements at any time are required by law or in accordance with provisions of generally accepted accounting principles to be fully consolidated with those of SIB.

### **13.2 *Cancellation of Certificates held by SIB and/or any of its Subsidiaries***

Following any purchase of Certificates by or on behalf of SIB or any of its Subsidiaries pursuant to Condition 13.1 (*Purchases*), the Sale Undertaking may be exercised by SIB in respect of the transfer to SIB of a Cancellation Interest in the Portfolio with an aggregate Value not greater than the aggregate face amount of the Certificates so purchased against cancellation of such Certificates pursuant to Condition 10.6 (*Cancellations*).

### **13.3 *Dissolution of the Trust upon cancellation of all outstanding Certificates in a Series***

In the event SIB and/or any of its Subsidiaries purchase all the outstanding Certificates in a Series, and all such Certificates are subsequently cancelled by the Trustee following the exercise of SIB's rights under the relevant Sale Undertaking, the relevant Trust will be dissolved and the Certificates shall cease to represent an undivided ownership interest in the relevant Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

## **14 DISSOLUTION EVENTS**

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

- (a) default is made in the payment of any Dissolution Amount or any Periodic Distribution Amount on the due date for payment thereof and such default continues unremedied for a period of either seven days from the due date of payment in the case of any Periodic Distribution Amount or fourteen days from the due date of payment in the case of any Dissolution Amount; or
- (b) the Trustee fails to perform or observe any of its other duties, obligations or undertakings under the Transaction Documents and (except in any case where, in the opinion of the Delegate, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 28 days following the service by the Delegate of a notice on the Trustee requiring the same to be remedied; or
- (c) a SIB Event (as defined in the Purchase Undertaking) occurs; or
- (d) the Trustee repudiates any Transaction Document or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document to which it is a party; or
- (e) at any time it is or will become unlawful or impossible for the Trustee (by way of insolvency or otherwise) to perform or comply with any or all of its obligations under the Transaction Documents to which it is party or any of the obligations of the Trustee under the Transaction Documents to which it is a party are not or cease to be legal, valid, binding and enforceable; or

- (f) either: (i) the Trustee becomes insolvent or is unable to pay its debts as they fall due; or (ii) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made and such application is not set aside, discharged or struck out within 21 days); or (iii) the Trustee 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 or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (iv) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (g) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Trustee; or
- (h) any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraph (f) and (g) above,

the Delegate (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), if notified in writing of the occurrence of such Dissolution Event, shall give notice of the occurrence of such Dissolution Event to the holders of Certificates in accordance with Condition 17 (*Notices*) with a request to such holders to indicate if they wish the Certificates to be redeemed and the Trust to be dissolved. If so requested in writing by the holders of at least one-fifth of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution of the holders of the Certificates (each a **Dissolution Request**), the Delegate shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice of the Dissolution Request to the Trustee and SIB (with a copy served on all holders of the Certificates in accordance with Condition 17 (*Notices*)) whereupon the Dissolution Amount (specified in the applicable Final Terms) shall be immediately due and payable, together with any due but unpaid Periodic Distribution Amounts on the date of such notice. Upon payment in full of such amounts, the Certificates shall be redeemed and the Certificates shall cease to represent undivided ownership interests in the Trust Assets, the Trust will terminate and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purpose of (a) above, amounts shall be considered due in respect of the Certificates (including any amounts calculated as being payable under Condition 6 (*Fixed Periodic Distribution Provisions*), Condition 7 (*Floating Periodic Distribution Provisions*) and Condition 10 (*Capital Distributions of the Trust*) notwithstanding that the Trustee has, at the relevant time, insufficient funds or Trust Assets to pay such amounts.

*Under the Purchase Undertaking, a **SIB Event** means:*

- (a) **Non-payment:** *SIB (acting in any capacity) fails to pay any amount payable by it pursuant to any Transaction Document to which it is a party and such failure continues for a period of 14 days of the due date for payment; or*
- (b) **Breach of other obligations:** *SIB (acting in any capacity) defaults in the performance or observance of any of its covenants and/or obligations under or in respect of the Transaction Documents and such default remains unremedied, unless the default is, in the opinion of the Delegate, capable of remedy and is not, in the opinion of the Delegate, remedied within 28 days after written notice of such default shall have been given to SIB by the Delegate; or*
- (c) **Tangibility Event:** *a Tangibility Event occurs; or*
- (d) **Cross Acceleration:**
  - (i) *any Indebtedness of SIB or any of its Material Subsidiaries (or any Guarantee given by any of them in respect of any Indebtedness) is not paid when due or, as the case may be, within any originally applicable grace period; or*
  - (ii) *any such Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity (or, in the case of a Guarantee, is called) as a result of an event of default (however described),*

*provided, however, that it shall not constitute an Event of Default unless the aggregate amount (or its equivalent in U.S. dollars) of all such Indebtedness or Guarantees either alone or when*

*aggregated with all other Indebtedness or Guarantees which shall remain unpaid or unsatisfied or is so declared or becomes due and payable or is called, as the case may be, shall be more than U.S.\$10,000,000 (or its equivalent in any other currency); or*

- (e) **Repudiation:** *SIB (acting in any capacity) repudiates or challenges the valid, legal, binding and enforceable nature of any or any part of a Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate or challenge the valid, legal, binding and enforceable nature of any Transaction Document to which it is a party; or*
- (f) **Illegality:** *at any time it is or will become unlawful for SIB (acting in any capacity) to perform or comply with any or all of its obligations under or in respect of the Transaction Documents or any of the obligations of SIB (acting in any capacity) under the Transaction Documents are not, or cease to be legal, valid, binding and enforceable; or*
- (g) **Moratorium:** *if SIB for any reason declares a moratorium on the payment of any Indebtedness or in respect of any Guarantee of any Indebtedness given by it; or*
- (h) **Failure to take action etc:** *any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order:*
  - (i) *to enable SIB (acting in any capacity) lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Transaction Documents; or*
  - (ii) *to ensure that those obligations are legal, valid, binding and enforceable,*

*is not taken, fulfilled or done and, in each case, is incapable of remedy or, if, in the opinion of the Delegate, is capable of remedy, is not, in the opinion of the Delegate, remedied within 14 days after written notice requiring remedy shall have been given to SIB by the Delegate; or*
- (i) **Insolvency etc:** *if any one of the following events shall occur and be continuing:*
  - (i) *SIB or any of its Material Subsidiaries takes any corporate action or other steps are taken or legal proceedings are started for its winding-up, nationalisation, dissolution, bankruptcy, administration or reorganisation (whether by way of voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of any substantial part or all of its revenues and assets, except for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (1) on terms approved by an Extraordinary Resolution of the Certificateholders or (2) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in SIB or another Subsidiary of SIB;*
  - (ii) *SIB or any of its Material Subsidiaries is (or is deemed by a court or any applicable legislation to be) insolvent or bankrupt or unable to pay all or a material part of its debts as the same fall due, or stops, suspends or threatens to stop or suspend payment of all or a material part of its debts;*
  - (iii) *SIB or any of its Material Subsidiaries take any action or commences any negotiations or proceedings with a view to (1) the general readjustment or rescheduling of all or a material part of its debts, or (2) any deferment of any of its obligations or (3) making a general assignment or an arrangement or composition or conciliation with or for the benefit of its creditors in respect of all or a material part of its debts; or*
  - (iv) *SIB or any of its Material Subsidiaries ceases to carry on the whole or a substantial part of its business except for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (1) on terms approved by an Extraordinary Resolution of the Certificateholders or (2) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in SIB or another Subsidiary of SIB; or*
- (j) **Creditor's process:** *any expropriation, execution, attachment, distress, sequestration or other similar legal process made pursuant to a court order or judgment or arising by virtue of any law or*



*regulation affects the whole or any substantial part of the property of SIB or any of its Material Subsidiaries and is not discharged within 30 days; or*

- (k) **Unsatisfied judgments:** *the aggregate amount of all unsatisfied judgments, decrees or orders of courts or other appropriate law enforcement bodies for the payment of money against SIB or any of its Material Subsidiaries in the aggregate exceeds U.S.\$10,000,000 (or the equivalent thereof in any other currency or currencies) and there is a period of 30 days following the entry thereof or, if later, the date therein specified for payment during which such judgment, decree or order is not appealed, discharged, waived or the execution thereof stayed; or*
- (l) **Enforcement of security:** *any Security Interest present or future, created or assumed by SIB or any of its Material Subsidiaries in respect of all or a material part of the property, assets or revenues of SIB or any of its Material Subsidiaries, as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person); or*
- (m) **Government action:** *by or under the authority of any government or governmental body:*
  - (i) *the management of SIB or any of its Material Subsidiaries is wholly or partially displaced or the authority of SIB or any of its Material Subsidiaries in the conduct of its business is wholly or partially curtailed; or*
  - (ii) *all or a majority of the issued shares of SIB or any of its Material Subsidiaries or the whole or a substantial part of their respective revenues or assets is seized, nationalised, expropriated or compulsorily acquired; or*
- (n) **Analogous event:** *any event occurs which has an analogous effect to any of the events referred to in paragraphs (h)(Insolvency etc), (i)(Creditor's process) and (k)(Enforcement of security) (inclusive) above.*

**A Tangibility Event** means, if, at any time, following the Issue Date of the first Tranche of a Series, the aggregate Value of the Tangible Assets comprised within the Portfolio in relation to such Series falls below 33 per cent. of the Portfolio Value.

## **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 (*Dissolution Events*), the Delegate shall (subject to Condition 15.2 (*Delegate not obliged to take Action*)) and 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 Purchase Undertaking and/or the Service Agency Agreement against SIB; and/or
- (b) take such other steps as the Delegate may consider necessary in its absolute discretion to protect the interests of the Certificateholders.

Notwithstanding the foregoing but subject to Condition 15.2 (*Delegate not obliged to take Action*), 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 SIB to enforce their respective obligations under the Transaction Documents, these Conditions and the Certificates.

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

The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action against the Trustee and/or SIB under any Transaction Document unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least one-fifth of the then aggregate face amount of the Certificates outstanding, and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing provided that the Delegate shall not be liable

for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders.

### **15.3 *Direct Enforcement by Certificateholder***

No Certificateholder shall be entitled to proceed directly against the Trustee and/or SIB or provide instructions (not otherwise permitted by the Trust Deed) to the Delegate to proceed against the Trustee and/or SIB under any Transaction Document unless the Delegate, having become bound to proceed pursuant to Condition 15.2 (*Delegate not obliged to take Action*), fails to do so within a reasonable period of becoming so bound and such failure is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than pursuant to the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and SIB shall be to enforce their respective obligations under the Transaction Documents.

### **15.4 *Limited Recourse***

The foregoing paragraphs in this Condition are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the proceeds of the Trust Assets in accordance with Condition 4.2 (*Application of Proceeds from the Trust Assets*) and the Trust Deed, the obligations of the Trustee in respect of the Certificates shall be satisfied and no holder of the Certificates may take any further steps against the Trustee, the Delegate or any other person (including any director, shareholder, officer, employee of the Trustee or Delegate) to recover any further sums in respect of the Certificates and the right to receive any sums unpaid shall be extinguished. In particular, no holder of the Certificates shall be entitled in respect thereof to petition or to take any other steps for the winding-up of SIB Sukuk Company III Limited.

## **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, SIB, 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 leading English language daily newspaper having general circulation in the Republic of Ireland (which is expected to be the Irish Times), or published on the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>) or, if in either case such publication is not practicable, in a leading English language newspaper having general circulation in Europe; 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. 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 website(s) 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 such stock exchange or relevant authority so require, such notice will be published 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 after 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 Master Trust Deed contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the modification or abrogation by Extraordinary Resolution of any of these Conditions or the provisions of the Trust Deed. The quorum at any meeting for passing an Extraordinary Resolution will be one or more Eligible Persons (as defined in the Master Trust Deed) present and holding or representing in the aggregate more than 50 per cent. of the then outstanding aggregate face amount of the Certificates, or at any adjourned such meeting one or more Eligible Persons present (whatever the outstanding face amount of the Certificates held or represented by him or them), except that any meeting the business of which includes the modification of certain provisions of the Certificates (including modifying the Scheduled Dissolution Date, reducing or cancelling any amount payable in respect of the Certificates or altering the currency of payment of the Certificates or amending Condition 5 (*Covenants*) and certain covenants given by SIB in the Transaction Documents), the quorum shall be one or more Eligible Persons present holding or representing not less than two-thirds in the outstanding face amount of the Certificates, or at any adjourned such meeting one or more Eligible Persons present holding or representing not less than one-third in the outstanding face amount of the Certificates.

The expression **Extraordinary Resolution** is defined in the Master Trust Deed to mean any of: (a) a resolution passed at a meeting duly convened and held by a majority consisting of not less than 75 per cent. of the votes cast; (b) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates; or (c) 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 75 per cent. in face amount of the Certificates for the time being outstanding.

All references in this Condition to a **meeting** are to a physical meeting, a virtual meeting or a hybrid meeting (each as defined in the Master Trust Deed) of Certificateholders and shall, where the context so permits, include any adjournment.

- 18.2 The Delegate may agree, without the consent or sanction of the Certificateholders, to any modification of any of these Conditions or of any of the provisions of the Transaction Documents if, in the opinion of the Delegate: (a) such modification is of a formal, minor or technical nature; (b) such modification is made to correct a manifest error; or (c) such modification is not materially prejudicial to the interests of the Certificateholders and is other than in respect of a Reserved Matter. Any such modification may be made on such terms and subject to such conditions (if any) as the Delegate may so determine. The Delegate shall also agree to any modification of the Conditions or the Transaction Documents in accordance with Condition 7.6.
- 18.3 The Delegate may, without the consent or sanction of the Certificateholders and if, in the opinion of the Delegate, such waiver, authorisation or determination is not materially prejudicial to the interests of the Certificateholders, consent to any waiver or authorisation of any breach or proposed breach of any provision of these Conditions or of any of the provisions of the Transaction Documents or may determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such, provided that, in each case, 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 (*Dissolution Events*) or so as to authorise or waive any such breach or proposed breach or make any such determination in relation to a Reserved Matter. No such direction or request will affect a previous consent, waiver, authorisation or determination. Any such waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Delegate may so determine.

For these purposes, **Potential Dissolution Event** means any condition, event or act which, with the lapse of time and/or the issue, making or giving of any notice, certification, declaration, demand, determination and/or request and/or the taking of any similar action and/or the fulfilment of any similar condition, would constitute a Dissolution Event.

- 18.4 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 subdivision 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.
- 18.5 Any modification, abrogation, waiver, authorisation or determination shall be binding on all the Certificateholders and shall be notified to the Certificateholders as soon as practicable thereafter in accordance with Condition 17 (*Notices*).

## **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. In particular, in connection with the exercise of certain rights arising after the occurrence of a Dissolution Event in respect of the Trust Assets, the Delegate shall not be required to take any action unless directed to do so in accordance with Condition 15.2 (*Delegate not obliged to take Action*).
- 19.2 Neither the Delegate nor the Trustee makes any representation or assumes any responsibility for the validity, sufficiency or enforceability of the obligations of SIB under the Transaction Documents, and the Delegate and the Trustee 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 SIB 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:
- (a) any liability in respect of any loss or theft of the Trust Assets or any cash;
  - (b) any obligation to insure the Trust Assets or any cash; and
  - (c) 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 gross negligence, wilful default or fraud 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 SIB 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 SIB 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 FURTHER ISSUES**

In respect of any Series, the Trustee may from time to time (but subject always to the provisions of the Master Trust Deed) without the consent of the Certificateholders create and issue additional Certificates having the same Conditions as the outstanding Certificates of such Series or Conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue, and so that the same shall be consolidated and form a single Series with the outstanding Certificates of such Series. Any additional Certificates, which are to form a single Series with the outstanding Certificates of a particular Series, shall be constituted by a deed supplemental to the Master Trust Deed as supplemented by the relevant supplemental trust deed. References in these Conditions to the Certificates include (unless the context requires otherwise) any other Certificates issued pursuant to this Condition and forming a single Series with such Certificates.

## 22 GOVERNING LAW AND DISPUTE RESOLUTION

22.1 The Trust Deed, the Certificates and these Conditions (including the remaining provisions of this Condition 22 (*Governing Law and Dispute Resolution*)) 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.

22.2 Subject to Condition 22.3 to Condition 22.6, 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 their 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**) shall be referred to and finally resolved by arbitration under the LCIA Arbitration Rules (the **Rules**), which Rules (as amended from time to time) are incorporated by reference into this Condition. For these purposes:

- (a) the seat of arbitration shall be London;
- (b) there shall be three arbitrators, each of whom shall be disinterested in the arbitration, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions; and
- (c) the language of the arbitration shall be English.

22.3 Notwithstanding Condition 22.2 above, the Delegate (or, but only where permitted to take action in accordance with the terms of the Trust Deed, any Certificateholder) may, in the alternative, and at its sole discretion, by notice in writing to the Trustee require that a Dispute be heard by a court of law.

22.4 The notice described in Condition 22.3 above may be given not later than 28 days after service of a Request for Arbitration (as defined in the Rules).

22.5 If the Delegate gives notice pursuant to Clause 22.3, the Dispute to which such notice refers shall be determined in accordance with Condition 22.6 and if any arbitration commenced under Condition 22.2 in respect of that Dispute, the following shall apply:

- (a) the arbitration will be terminated;
- (b) with the exception of the Delegate (whose costs will be borne by the Trustee, failing which SIB), each of the parties to the terminated arbitration will bear its own costs in relation thereto;
- (c) if any notice pursuant to Condition 22.3 is given after service of any Request for Arbitration in respect of any Dispute, the Trustee must promptly give notice to the LCIA Court and to any Tribunal (each as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA Court, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be functus officio. The termination is without prejudice to:
  - (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
  - (ii) his entitlement to be paid his proper fees and disbursements; and

- (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.

22.6 In the event that a notice pursuant to Condition 22.3 is issued, the following provisions shall apply:

- (a) subject to paragraph (c) below, the courts of England shall have exclusive jurisdiction to settle any Dispute and each of the Trustee and SIB submits to the exclusive jurisdiction of such courts;
- (b) each of the Trustee and SIB agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary;
- (c) this Condition 22.6 is for the benefit of the Delegate and the Certificateholders only. As a result, and notwithstanding paragraph (a) above, the Trustee, the Delegate and any Certificateholder (where permitted so to do) may bring proceedings in respect of to a Dispute (Proceedings) in any other courts with jurisdiction. To the extent allowed by law, the Trustee, the Delegate and the Certificateholders may take concurrent Proceedings in any number of jurisdictions.

22.7 Each of the Trustee and SIB has in the Trust Deed appointed Maples and Calder at its registered office at 11<sup>th</sup> Floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom as its agent for service of process and has undertaken that, in the event of Maples and Calder ceasing so to act or ceasing to be registered in England, it will appoint another person approved by the Delegate as its agent for service of process in England in respect of any Proceedings or Disputes. Nothing herein shall affect the right to serve proceedings in any matter permitted by law.

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

22.9 Each of the Trustee, the Delegate and SIB has agreed in the Trust Deed that if any arbitration is commenced in relation to a Dispute and/or any Proceedings are brought by or on behalf of a party under the Trust Deed, it will:

- (a) not claim interest under, or in connection with, such arbitration and/or Proceedings; and
- (b) to the fullest extent permitted by law, waive all and any entitlement it may have to interest awarded in its favour by an arbitrator as a result of such arbitration and/or by a court as a result of such Proceedings.

22.10 For the avoidance of doubt, nothing in this Condition 22 shall be construed as a waiver of rights in respect of any Periodic Distribution Amounts or Dissolution Amounts payable under the Certificates, the amount of any Portfolio Revenues collected in accordance with the Service Agency Agreement, the amount of any Exercise Price payable under either the Purchase Undertaking or the Sale Undertaking, any other amounts payable under the Transaction Documents, or profit of any kind howsoever described payable pursuant to the Transaction Documents and/or the Conditions, howsoever such amounts may be described or re-characterised by any court or arbitral tribunal.

## **USE OF PROCEEDS**

The net proceeds of each Series issued will be paid by the Trustee (as Purchaser) to SIB (as Seller) in consideration for the purchase from the Seller of all of its rights, title, interests, benefits and entitlements in, to and under the relevant Initial Portfolio.

## DESCRIPTION OF THE TRUSTEE

SIB Sukuk Company III Limited (the **Trustee**), an exempted company incorporated in the Cayman Islands with limited liability, was incorporated on 11 March 2013 under the Companies Act (As Revised) of the Cayman Islands with company registration number 276136. The registered office of the Trustee is at the offices of MaplesFS Limited, P.O. Box 1093, Queensgate House, Grand Cayman, KY1-1102 Cayman Islands and the telephone number of the registered office is +001 345 945 7099.

The authorised share capital of the Trustee is U.S.\$50,000 divided into 50,000 ordinary shares of U.S.\$1.00 each, 250 of which have been issued. All of the issued shares (the **Shares**) are fully-paid and are held by MaplesFS Limited as share trustee (in such capacity, the **Share Trustee**) under the terms of a declaration of trust dated 5 April 2013 (the **Share Declaration of Trust**) under which the Share Trustee holds the Shares in trust until the Termination Date (as defined in the Share Declaration of Trust) and may only dispose or otherwise deal with the Shares in accordance with the Share Declaration of Trust for so long as there are any Certificates outstanding. Prior to the Termination Date, the trust is an accumulation trust, but the Share Trustee has power to benefit the Certificateholders or Qualified Charities (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificates are outstanding. Following the Termination Date, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from, its holding of the Shares.

### *The Business of the Trustee*

The Trustee will not have any substantial assets or liabilities other than in connection with the Certificates.

So long as any of the Certificates remain outstanding, the Trustee shall not incur any other indebtedness for raised moneys or engage in any business (other than acquiring and holding assets in connection with the Certificates), issuing the Certificates and entering into related agreements and transactions as provided for in the Transaction Documents, or, *inter alia*, declare any dividends, have any subsidiaries or employees, purchase, own, lease, or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in the Transaction Documents) or issue any shares (other than such Shares as were in issue on the date hereof or as contemplated in the Transaction Documents).

The Trustee has, and will have, no significant assets other than the sum of U.S.\$250 representing the issued and paid-up share capital, such fees (as agreed) payable to it in connection with the issue of the Certificates and the acquisition of assets in connection with the Certificates, the bank account into which such paid-up share capital and fees are deposited and the Trust Assets. Save in respect of fees generated in connection with the issue of the Certificates, any related profits and proceeds of any deposits and investments made from such fees or from amounts representing the Trustee's issued and paid-up share capital, the Trustee does not expect to accumulate any surpluses.

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

### *Restrictions on the Offer of the Certificates*

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Certificates unless or until the Trustee is listed on the Cayman Islands Stock Exchange.

### *Financial Statements*

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

### *Directors of the Trustee*

The directors of the Trustee are as follows:

<i>Name</i>	<i>Principal Occupation</i>
Olena Mykhailenko	Vice President at Maples Fund Services (Middle East) Limited
Stacy Bodden	Vice President at MaplesFS Limited



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

The business address of Olena Mykhailenko is Level 14, Burj Daman, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The business address of Stacy Bodden is P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102 Cayman Islands.

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

### ***The Administrator***

MaplesFS Limited also acts as the administrator of the Trustee (in such capacity, the **Corporate Administrator**). The office of the Corporate Administrator serves as the registered office of the Trustee. Through the office, and pursuant to the terms of an amended and restated corporate services agreement dated 30 September 2021 entered into between the Trustee and the Corporate Administrator (the **Corporate Services Agreement**), the Corporate Administrator will perform in the Cayman Islands, the United Arab Emirates or such other jurisdiction as may be agreed by the parties from time to time various management functions on behalf of the Trustee, including the provision of registered office facilities to the Trustee and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Corporate Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses. The terms of the Corporate Services Agreement provide that either the Trustee or the Corporate Administrator may terminate the Corporate Services Agreement by giving notice to the other party at any time upon the happening of any of certain stated events, including any breach by the other party of its obligations under the Corporate Services Agreement. In addition, the Corporate Services Agreement provides that either party shall be entitled to terminate the Corporate Services Agreement by giving at least three months' notice in writing to the other party with a copy to any applicable rating agency. The Trustee and the Corporate Administrator have also entered into a registered office agreement for provision of registered office facilities to the Trustee.

The Corporate Administrator is subject to the overview of the Trustee's Board of Directors.

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

### **Cayman Islands Data Protection**

The Cayman Islands Government enacted the Data Protection Act (As Revised) of the Cayman Islands (the **DPA**) on 18 May 2017. The DPA introduces legal requirements for the Trustee based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Certificates and the associated interactions with the Trustee and its affiliates and/or delegates, or by virtue of providing the Trustee with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals will be providing the Trustee and its affiliates and/or delegates (including, without limitation, the Corporate Administrator) with certain personal information which constitutes personal data within the meaning of the DPA. The Trustee shall act as a data controller in respect of this personal data and its affiliates and/or delegates, such as the Corporate Administrator, may act as data processors (or data controllers in their own right in some circumstances). For further information on the application of the DPA to the Trustee, please refer to the Privacy Notice (a copy of which may be requested from the Corporate Administrator by email at [dubai@maples.com](mailto:dubai@maples.com)), which provides an outline of investors' data protection rights and obligations as they relate to the investment in the Certificates.

Oversight of the DPA is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPA by the Trustee could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

## DESCRIPTION OF SHARJAH ISLAMIC BANK PJSC

### Overview

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

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

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

SIB is a publicly listed company whose shares are listed on the ADX. As at 31 December 2020, SIB had 3,081,597,750 shares outstanding held by 3,032 shareholders of record, with a total issued and paid-up capital (equal to that authorised) of AED 3,081,598 thousand, and a market capitalisation of AED 4,067,70 thousand (assuming a share price of AED 1.32). As at 31 December 2020, the Government and KFH directly and indirectly owned 37.55 per cent. and 18.18 per cent. of SIB, respectively. During the year ended 31 December 2020, SIB proposed a cash dividend of 8 per cent. of its paid up capital to its shareholders. During 2017 SIB issued a 10 per cent. stock dividend bonus issuance and an additional 10 per cent. of capital was raised in the form of an issue of AED 266,805,000 convertible sukuk (the **2017 Convertible Sukuk**). Sharjah Social Security Fund, an endowment fund established under an Emiri Decree by H.H. Sheikh Dr. Sultan Bin Mohammed Al Qassimi, subscribed to the 2017 Convertible Sukuk (in full) and subsequently converted the entire issue into the equity in SIB. By virtue of this, Sharjah Social Security Fund became the third largest shareholder of SIB holding 9.09 per cent. of the share capital. As a result of this acquisition, the Government's direct and indirect shareholding increased to 37.55 per cent. from 31.3 per cent. Other than the Government, KFH and Sharjah Social Security Fund, no shareholder held more than 3 per cent. of the shares of SIB as at 31 December 2020.

As at 31 December 2020, SIB has total assets of AED 53.6 billion. By comparison, as at 31 December 2019 and 31 December 2018, total assets of SIB were AED 46.4 billion and AED 44.7 billion, respectively. SIB had total shareholders' equity of AED 7.6 billion and AED 7.5 billion for the years ended 31 December 2020 and 2019, respectively. For the purposes of reporting its risk-weighted assets in accordance with Basel III, SIB had Tier 1 capital of AED 7.4 billion and AED 7.1 billion and a total capital base of AED 7.8 billion and AED 7.5 billion as at 31 December 2020 and 31 December 2019, respectively. SIB's profit for the year ended 31 December 2020 was AED 405.8 million (25.6 per cent. lower as compared to the profit of AED 545.5 million for the year ended 31 December 2019).

SIB is one of the leading Islamic banks in the UAE, providing a range of Retail Banking, Corporate Banking and Investment Banking services, in compliance with *Shari'a* rules and regulations. As at the date of this Base Prospectus, SIB has three wholly owned and active subsidiaries: Sharjah National Hotel Corporation, Sharjah Islamic Finance Services, and ASAS Real Estate (for more information, see "- *Subsidiaries of SIB*"). As at the date of this Base Prospectus, SIB has 35 branches in five of the seven emirates, namely Sharjah, Dubai, Abu Dhabi, Fujairah and Ras Al Khaimah. SIB was named as one of Forbes magazine's 100 Most Powerful Companies in the Middle East in 2021. In addition, SIB received two recognitions from the International Finance Awards in 2020 as Best Islamic Bank and Most Innovative Digital Bank. During 2020, SIB's issuance of U.S.\$500 million Additional Tier 1 Sukuk issuance won the Sukuk Deal of the Year Award as well as the CEEMEA Financial Deal of the Year. SIB also won the Best Service Performance Brand Award for 2020.

### General

As at the date of this Base Prospectus, SIB has ratings of "BBB+" (stable outlook) from Fitch and "A-" (stable outlook) from S&P.

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

### ***Strategy***

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

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

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

### ***Expand its Islamic banking activities***

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

### ***Pursue expansion in the UAE and internationally***

SIB plans to expand its share of the retail and corporate banking market in the UAE, both within and outside of Sharjah in the medium term. As part of its plan to fulfil this growth strategy, SIB has relocated a number of branches within its retail network as well as corporate business units, in strategic locations across the country based on customer demand. Such locations include industrial and free zones and in commercial areas with a high visibility, including in Sharjah, Dubai and Al Ain. SIB has also opened branches in prominent locations with including various shopping malls. These are expected to cater to the growing needs of small and medium sized businesses as well as retail customers in the targeted locations. Additionally, the new Digital Banking channels that have been introduced are intended to help with attracting new clients.

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

SIB expects this growth to take place in the domestic market, focusing on the areas of Sharjah, Abu Dhabi, Al Ain, Dubai and industrial free zones including Jebel Ali Free Zone in Dubai and Hamriya Free Zone in Sharjah. SIB is targeting a number of trade sectors including manufacturing, pharmaceuticals, contracting, aviation and shipping. SIB believes that it will continue to benefit from inward investment of capital from other areas of the GCC and the wider economy in the short to medium term as a result of the relative stability of the UAE economy and political environment as well as due to the anticipated commercial activity in the lead up to the Dubai Expo 2021.

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

### ***Maintain a conservative attitude to risk***

As an Islamic institution, SIB maintains strict *Shari'a* controls over its business and processes. These rigorous controls have resulted in SIB applying a conservative attitude towards risk, emphasising the need to maintain high levels of liquidity and capital adequacy.

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

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

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

SIB had a capital adequacy ratio of 20.71 per cent. as at 31 December 2020 calculated in accordance with Basel III and SIB also benefits from relatively low levels of gross non-performing financing, with AED 1,494 million (or 4.9 per cent. of gross investments in Islamic financing) classified as non-performing (Stage 3 Exposure) as at 31 December 2020. Comparatively, SIB maintained a capital adequacy ratio of 22.79 per cent., with AED 1,351 million (or 5.14 per cent. of gross investments in Islamic Financing) classified as non-performing (Stage 3 Exposure) as at 31 December 2019.

#### ***Diversify revenues through its subsidiaries***

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

#### **Competitive Strengths**

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

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

As at the date of this Base Prospectus, the Government is SIB's largest shareholder, directly and indirectly holding 37.55 per cent. of SIB's share capital. SIB has capitalised on its close ties between itself and its largest shareholder by becoming the Government's effective bank of choice in the UAE. This close relationship has resulted in the Government department and authorities becoming the largest customer group of SIB, being accountable for AED 10.9 billion, or 37.3 per cent. of SIB's investments in Islamic financing as at 31 December 2020, as compared to AED 7.3 billion, or 28.9 per cent. of SIB's investments in Islamic financing as at 31 December 2019. Through its strong relationship with the Government, SIB believes that it will benefit from the ongoing inward investment to Sharjah through the financing of infrastructure projects. In the current macro-economic environment, Sharjah is less affected than neighbouring emirates, having less exposure to oil revenues and volatile real estate assets. In addition, with Sharjah being a smaller emirate with correspondingly more conservative development plans than some of the other emirates, the Government is not burdened with high levels of debt and retains an investment grade rating from S&P and Moody's. As such, SIB believes that its levels of exposure to the Government should be viewed as a strength, reflecting positively on SIB's reputation amongst Sharjah-based retail and corporate clients.

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

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

SIB's conventional experience has contributed to the development of many innovative *Shari'a*-compliant banking products that seek to replicate the salient features of their conventional counterparts. SIB's innovations include prepaid

Visa cards and Mastercards and zero per cent. profit finance, each of which was the first *Shari'a*-compliant example of these products in the UAE. Through innovations such as these, SIB has been able to bridge the divide between conventional banks and Islamic banks, enabling it to appeal to both Muslim and non-Muslim clients.

### ***Stable funding base***

SIB has a diversified deposit base that includes retail and corporate customers, Government bodies and public sector agencies which, taken together, are regarded by SIB as a relatively stable and a low cost source of funding. As at 31 December 2020, SIB had AED 23.3 billion of customer deposits maturing in less than three months and AED 10.4 billion of customer deposits maturing between three to 12 months, compared with AED 19.0 billion and AED 8.3 billion, respectively, as at 31 December 2019 (see also "*Risk Management – Liquidity Risk*" below).

SIB also had total customers' deposits of AED 33.6 billion as at 31 December 2020, representing an increase of AED 6.3 billion (23 per cent.) as compared to 31 December 2019 (AED 27.3 billion). A breakdown of SIB's deposit base by product as at 31 December 2020 and 31 December 2019 is set out below:

<b>Product</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
	<i>(AED million)</i>	
Current Accounts.....	8,802	7,269
Saving Accounts.....	2,660	2,227
Watani / Call Accounts.....	729	418
Time Deposits .....	20,737	16,796
Margins .....	680	604
<b>Total Customers' Deposits .....</b>	<b>33,608</b>	<b>27,313</b>

A breakdown of SIB's deposit base by customer sector as at 31 December 2020 and 31 December 2019 is set out below:

<b>Sector</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
	<i>(AED million)</i>	
Government.....	12,559	10,090
Corporate.....	15,505	12,477
Retail.....	5,544	4,746
<b>Total Customers' Deposits .....</b>	<b>33,608</b>	<b>27,313</b>

### ***Diversified distribution channels and accessibility to customers***

SIB distributes its products through a variety of channels, which include its branch network, automated teller machines (ATMs), a direct sales force, a call centre, SMS services and online banking. As at the date of this Base Prospectus, SIB has 35 branches in its network.

As at the date of this Base Prospectus, SIB has a nationwide ATM network consisting of over 120 ATMs and 50 sites capable of handling cash and cheque deposit facilities, referred to as "**CCDM**", SIB's call centre serves over 25,000 customers monthly. SIB launched its retail Online Banking services in 2009 and its corporate Online Banking services in 2010. The Online Banking and Mobile Banking services were relaunched in 2016, and were further upgraded in 2021 to include additional features with a new user interface aimed at enhancing the customer experience, without the need for interaction at the branch level. SIB plans to further improve its branch network by introducing high-tech branch concepts using high industry standard Interactive Teller Machines and self-service equipment in 2021 and future years. Customers registered on Online Banking and Mobile Banking platforms can make a number of transactions in a time and cost effective manner. These include, but are not limited to, funds transfer (locally and internationally), bill payments, profile updates, online requests and enquiries.

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

### ***Quality of service***

SIB considers quality of service as being key to maintaining client and customer satisfaction. SIB has a separate Service Quality and Business Process Engineering Division which is part of SIB's Strategic Development Division, which reports directly to the Deputy Chief Executive Officer.

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

### ***Strong Islamic banking presence and Shari'a credibility***

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

SIB ensures that each of the products and services that it offers to customers are in conformity with the strict *Shari'a* supervision parameters approved by SIB's Internal *Shari'a* Supervisory Committee (**ISSC**). Reflecting its commitment to the application of these principles, SIB has established its own Internal *Shari'a* Control Division (**ISCD**) and Internal *Shari'a* Audit (**ISA**). Each of the ISCD and the ISA ensure that *Shari'a* principles are properly applied to each of SIB's new products and services and complied with in all of SIB's businesses, thereby maintaining SIB's reputation as a premier Islamic bank.

### ***Experienced management team***

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

### ***Skilled and knowledgeable workforce***

Upon joining SIB, all new employees are required to attend a dedicated orientation programme which provides them with a comprehensive overview of each of SIB's products and services. In addition to employee initiation programmes, SIB also provides regular training to all of its staff, at each level of seniority. In order to provide more efficient training to its staff, SIB established a dedicated Learning and Development team (**L&D**), which reviews staff performance and identifies areas for improvement. Associates in SIB's branches have specific classrooms, e-learning and computer based learning modules designed to improve their knowledge and skills in SIB's products, services, Islamic banking and customer service. This commitment to staff training has enabled SIB to develop a skilled and knowledgeable workforce, which is able to better serve the needs of its customers.

As at the date of this Base Prospectus, L&D has integrated its services with SIB's performance management system. Associates performing below SIB's standards for core or managerial competencies are enrolled in specialised courses designed to address any development issues. More than 80 per cent. of SIB's courses are provided in-house using the services of professional trainers and industry experts.

### ***Strong links with the community***

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

SIB also operates blood donation and health and awareness campaigns (including sponsoring the Pink Caravan that looks to create awareness about Breast Cancer in the UAE), and is involved with various community projects during Ramadan (the Islamic month of fasting). In 2020, SIB facilitated the flow of billions of dirhams in government funds to individuals and businesses impacted by the COVID-19 pandemic through the Targeted Economic Support Scheme

(TESS) that provided support to several customers through installment deferrals, rescheduling, and restructuring on approximately AED 7 billion in outstanding facilities. SIB also supported the initiative of the Special Education Authority to meet the requirements of distance education for children of needy families.

As part of its community responsibility, SIB organised a number of community events and encouraged its employees to participate, taking into account the precautionary measures imposed by the COVID-19 pandemic. These events included a celebration of UAE Flag Day, the UAE National Day, the company's annual family trip for employees, and the annual competition for employees, "Knowledge Marathon". These events aimed to develop the talents of employees in the field of volunteer work and demonstrate the value of community service.

SIB also launched the "Al-Meer al-Ramadani" Initiative titled "Your foodstuff basket to your doorstep", providing 'Ramadhan Meer' (baskets consisting of basic food items) to four thousand families affected, in collaboration with the Sharjah Charity Association, and helped by volunteer teams from staff and the Sharjah Charity Association. Through these initiatives, SIB has been able to increase the visibility and strength of its brand, thereby promoting growth.

## Activities of SIB

### Key products

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

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

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

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

The following table, which is based on SIB's audited financial statements for the year ended 31 December 2020 (which are incorporated by reference in this Base Prospectus), sets out the relative contribution (expressed as a percentage) made by each of SIB's three major divisions, together with its subsidiaries (see further "*Subsidiaries of SIB*"), to SIB's total operating income and total assets during the years ended 31 December 2020 and 31 December 2019. The comparative figures for the year ended 31 December 2019 related to total operating income were reclassified and are extracted or derived from the unaudited comparative column of the 2020 Financial Statements, as explained in the "*Presentation of Financial and Other Information*" section above.

Division	Year ended 31 December 2020 Contribution (%) to SIB's total operating income*	Year ended 31 December 2020 Contribution (%) to SIB's total assets*	Year ended 31 December 2019 Contribution (%) to SIB's total operating income*	Year ended 31 December 2019 Contribution (%) to SIB's total assets*
Retail.....	19.7	9	20.7	10.6
Corporate and Government .....	54.0	44.3	49.9	45.0
Investment and Treasury .....	23.2	44.0	26.0	41.0

Hospitality, Brokerage and Real Estate .....	3.2	2.7	3.4	3.4
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\* Total operating income and total assets do not include the cost of funding for sukuk issued by SIB and unallocated income and unallocated assets.

### **Asset composition of SIB's financing portfolio**

A breakdown of SIB's gross investments in Islamic financing (that is, before taking into account loss allowances) by industry, as at 31 December 2020 and 31 December 2019, is set out below:

Economic Activity	31 December 2020		31 December 2019	
	(AED million)	(%)	(AED million)	(%)
Government departments and authorities .....	10,927	37	7,263	29
Construction and contracting.....	823	3	785	3
Manufacturing .....	745	3	787	3
Transportation .....	1,523	5	1,599	6
Real estate .....	6,615	23	6,810	27
Retail businesses.....	600	2	921	4
Trading.....	1,656	6	1,557	6
Financial institutions .....	249	1	176	1
Services and others.....	1,254	4	1,143	5
Individual .....	3,054	10	2,952	12
Consumer home finance .....	1,457	5	1,433	6
High net worth individuals .....	2,662	9	1,655	7
Deferred profit.....	-1,008	-3	-821	-3
Less: Loss allowance for investments in Islamic financing .....	-1,288	-4	-1,118	-4
<b>Total Investments in Islamic financing .....</b>	<b>29,269</b>	<b>100</b>	<b>25,143</b>	<b>100</b>

### **Retail Banking Group (RBG)**

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

As at the date of this Base Prospectus, SIB maintains a network of 35 full service and strategically located branches across the UAE with 23 branches in Sharjah, 5 branches in Dubai, 3 branches in Abu Dhabi, 2 branches in Al Ain, a branch in Fujairah and another in Ras Al Khaimah. SIB has plans to improve its branch network during 2021 and future years. These plans involve introducing high-tech branch concepts using high industry standard Interactive Teller Machines (**ITMs**) and self-service equipment with an increased focus on key shopping malls, with high footfall levels.

SIB's Digital Banking division introduced a new state-of-the-art mobile application (SIB Digital) in 2021. This application includes updated features, a new interface and the ability for customers to access a number of services without needing to visit branches. This upgrade is in line with SIB's determination to be one of the leading banks in the region.

As at the date of this Base Prospectus, one of the core strengths of SIB is its large network of ATMs (which includes cash deposit machines and smart deposit machines) in the UAE, with over 120 ATMs and 50 CCDMs, spread across the UAE. SIB is planning to strengthen its current network by increasing the number of its CCDMs, as well as acquiring additional off-site ATMs, to complement the improvement of its branch network. SIB has also collaborated with Diebold Nixdorf to offer its customers the DN Series ATM machines, which are the first self-service ATM machines in the Middle East. The services offered by these ATM machines have improved SIB's service levels and resulted in lower customer branch visits.

SIB's Digital Banking team has also updated SIB's website with a modern design that is now capable of taking in leads and application forms with a view to offering SIB's customers convenient access to banking solutions.

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

As at 31 December 2020, SIB maintained 226,964 accounts for approximately 191,650 customers.



### ***Product development***

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

#### ***Smiles card***

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

#### ***Cashback Card***

SIB has launched a new Cashback Card which allows customers to earn more by maximising their daily online, in-app, international, domestic and utility spends.

#### ***Digital Account***

An instant, no minimum balance and profit bearing account is now available to new SIB customers through the SIB Digital app. This product aims to attract new customers through its offering of unique benefits.

#### ***MaxPlus***

In 2021, SIB offered its customers the ability to save and receive profit through its new fixed deposit MaxPlus product. Customers have two tenure options (18 and 36 months), the minimum fixed deposit amount is AED 10,000 and the maximum amount is AED 5,000,000 per customer.

MaxPlus fixed deposit product is available to individuals and companies.

#### ***Personal Finance***

A number of growth initiatives were undertaken within Personal Finance products, which have led to accelerated sales of Personal Finance products and contributed to substantial growth of SIB's asset book. Such initiatives included a range of actions, from profit rates revision, seasonal promotions and improved timing of finance disbursement to creating special finance product packages for specific Government entities. These factors contributed to increased and sustained growth of Personal Finance during 2020.

Tayseer – Salary Advance, a sub-product of Personal Finance, was upgraded to enable customers to access its service through any of SIB's ATM machines or by logging into SIB's Online or Mobile Banking service or by calling the SIB call centre.

#### ***Education Finance***

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

#### ***Medical Finance***

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

#### ***Zero per cent. Profit Finance***

SIB's zero per cent. profit finance is an innovative Islamic financing product that was the first of its kind in the GCC region made available to retail customers. In delivering the product to customers, SIB has collaborated with nearly a dozen major *Haj* and *Umrah* service providers. Pursuant to this scheme, customers can perform *Umrah* and pay the costs over a year, with no additional profit or fees. This category includes 0 per cent. Profit Medical Equipment Finance.

Such arrangement will enable eligible customers to benefit from financing of customized medical instruments and equipment without bearing the cost of fees throughout the year.

#### *Prepaid Cards*

SIB's Prepaid Cards were launched in 2008 under six themes targeted to different customer segments, and were the first Islamic prepaid cards in the GCC. SIB is currently the leading Prepaid Card issuer in the region. These prepaid cards have been popular with customers who would not typically be able to afford a standard bank account. SIB's prepaid cards have also been popular with students who may rely on having an amount regularly credited to their card. SIB's current strategic cobranded Prepaid Card products include:

- COOP Card with Sharjah Cooperative Society (largest hypermarket chain in the Emirate of Sharjah);
- Sanad Card with Sharjah Social Affairs;
- Al Saada (happiness) Card with Sharjah Police;
- Tamkeen Prepaid Card with Sharjah Social Empowerment Foundation (**SSEF**);
- My Family Prepaid Card with Sharjah Court;
- Massarraah (Happiness) Prepaid Card with General Directorate of Residency and Foreigners Affairs in Sharjah;
- SIB Digital Prepaid Card which is available only through the SIB Digital application; and
- Jeans Prepaid Card with Punitive and Reformatory Institution in Sharjah.

#### *Retail Real Estate Finance*

Retail Real Estate Finance (**RREF**) provides SIB's customers with finances for retail property options in the UAE. ASAS Real Estate Development Company was SIB's financing of the Rawdat Al Qarat Project, the first cohesive commercial residential scheme located at Khorfakkan road in Sharjah beside Al Suyoh residential area.

RREF has also entered into several key business partnerships with leading developers in the UAE with a view to improving the affordability and availability of real estate assets to SIB's customers. Such key regional developers include Eagle Hills, Alef Group, Arada and MAF Group in their recent projects in Sharjah.

#### *Car Finance*

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

#### *Special Package*

SIB has maintained a strong relationship with the Government of Sharjah over the years, and as a result of the successful partnership with Sharjah Government entities (such as the Sharjah Government programme "Waffer"). The RBG has entered into another strategic partnership with the Sharjah Police which offers its employees a range of exclusive products and services that cover all their financial needs.

#### *Digital Channels*

To upgrade its digital channels and enhance customer experience, SIB has introduced several initiatives such as easy payment services of government transaction fees in Sharjah through SIB ATMs in coordination with the Sharjah Finance Department. In addition, SIB introduced instant transfer services to India and Pakistan through online banking channels and also intends to roll out these services in respect of additional countries.

### Asset composition of retail financing portfolio

Retail financings are governed by strict internal policy parameters, which are uniformly and consistently applied to the relevant customer segments and businesses based on the policy financing rules. A breakdown of the retail financing portfolio of SIB by product type, as at 31 December 2020 and 31 December 2019, is set out below.

Product Type	31 December 2020		31 December 2019	
	(AED million)	(%)	(AED million)	(%)
Personal Finance .....	2,439	60	2,456	60
Mortgages.....	1,409	35	1,433	35
Auto.....	125	3	143	3
Credit Cards .....	72	2	72	2
<b>Total retail financing portfolio .....</b>	<b>4,045</b>	<b>100</b>	<b>4,105</b>	<b>100</b>

### Retail distribution channels

In addition to its retail branch network, SIB's retail distribution channels include a Digital Banking division, consisting of the following:

- Call Centre: a full-fledged, 24-hour call centre with and automated Phone Banking services (Interactive Voice Response system (**IVR**)). SIB's Call Centre has a team of trained telephone bankers who provide customers with all (non-cash) services and transactions available in the branch.
- ATM Network: SIB has one of the largest ATM networks with over 150 ATMs across the UAE.
- Online Banking (Internet & Mobile Banking): since its launch, the Online Banking channel is gaining popularity as it allows customers to complete their transactions on the go. The Internet and Mobile Banking channels are not only convenient, they are also secured with the highest industry standards.

### Corporate Banking Group (CBG)

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

Corporate Solutions	Trade Services	Corporate Real-Estate Finance
Short term financing facilities (working capital lines)	Letter of Credit	<ul style="list-style-type: none"> <li>• Ready Property Finance Liquidity Management</li> </ul>
<ul style="list-style-type: none"> <li>• Murabaha</li> <li>• Wakala</li> <li>• Qard Hassan</li> </ul>		<ul style="list-style-type: none"> <li>• Under construction Property Finance</li> </ul>
		<ul style="list-style-type: none"> <li>• Property Re-finance</li> </ul>
		<ul style="list-style-type: none"> <li>• Takeover Finance</li> </ul>
Long term financing facilities	Letter of Guarantee	
<ul style="list-style-type: none"> <li>• Ijarah</li> <li>• Musharaka</li> <li>• Murabaha</li> <li>• Mudaraba</li> </ul>		

SIB's corporate customers are served through teams of professional corporate bankers with in-depth industry knowledge. These corporate bankers are located in Sharjah, Dubai and Abu Dhabi in order to ensure the efficient delivery of corporate banking solutions to clients.

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

CBG maintains a clear focus on introducing new products and improving turnaround time and services by adopting the latest technology. SIB is currently in the process of introducing enhanced internet and mobile banking platforms and CBG is in a continuous process of offering updated digital banking solutions to its customers such as bulk cash deposit machines, remote cheque deposit machines and Host-to-Host connectivity. In 2021, CBG also launched new products and services such as its Murabaha Finance, Export LC Murabaha and Wakala Collections Murabaha.

Despite the economic challenges following the outbreak of the COVID-19 pandemic, CBG has shown growth in all areas and in particular, in respect of deposits which increased by 72 per cent. for the year ended 31 December 2020 as compared to the year ended 31 December 2019, which was due to SIB's timely provision of solutions such as bulk cash deposit machines at various locations so that customers could deposit funds without having to visit SIB branches.

Following the outbreak of the COVID-19 virus, the CBG team provided proactive support to its customers by postponing the payment of installments in line with the guidelines of the UAE Central Bank. This allowed CBG's customers to restructure their business activities and manage cash flows and this support was extended by CBG to its corporate (mid and large) and commercial real estate finance customers. CBG also provided support to its customers by ensuring the smooth execution of customer transactions following the imposition of social distancing measures and automating certain processes enabling more efficient execution of transactions.

As at 31 December 2020, CBG held gross financing exposure of AED 27.1 billion, including AED 10.6 billion of direct Government exposure. As at 31 December 2020, SIB's top 20 depositors constituted AED 12.5 billion (37 per cent. of SIB's total customers' deposits), compared to AED 10.0 billion (36.2 per cent. of SIB's total deposits) as at 31 December 2019. The Government and its dependencies accounted for 37.4 per cent. of total deposits as at 31 December 2020.

### Investment Group (IG)

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

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

The breakdown of SIB's investment assets is set out in the table below as at 31 December 2020.

Instrument Type	Book value at 31 December 2020	Percentage
	(AED million)	(%)
Sukuk .....	7,321	65
Direct Investments and Funds .....	426	4
Real Estate.....	3,539	31
	<u>11,286</u>	<u>100</u>

The IG has three business divisions:

### Investment Banking Division

The Investment Banking Division (**IBD**) executes SIB's investment and asset diversification strategy. The IBD offers a range of services to its clients, including financial advisory, debt/equity capital markets and direct investment activities. SIB also participates in syndicated financing transactions through the IBD for a variety of clients. SIB has

also been appointed as joint lead manager and/or bookrunner in recent years with respect to a number of regional Sukuk (both public and privately placed) issuances, including issuances in recent years by, amongst others, the Government, the Kingdom of Bahrain, Dubai Islamic Bank, First Abu Dhabi Bank, Abu Dhabi Islamic Bank, Aldar Properties and Emaar Properties. In addition, the IBD runs SIB's proprietary investment portfolio that includes medium to long term investments in listed and private equity, investment funds and sukuk.

### ***Treasury Division***

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

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

The TD enjoys a strong reputation in the market due to its consistent work in the development of Islamic treasury activities and being a regular market participant. This reputation benefits the TD in obtaining relatively large exposure limits from peer GCC banks and other financial institutions, allowing the TD to meet SIB's funding requirements as and when required. This facilitates the availability of short term liquidity for SIB, which can be made available on demand from a number of counterparties in the GCC and at easily affordable profit rates and as a result the liquidity risk is minimised and asset liability mismatches are well managed.

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

- interbank wakala transactions for short term placements/receiving the funds;
- international murabaha (commodity based transactions) for short term placements/receiving the funds;
- medium to long-term fund mobilisation through collateralised repo/murabaha transactions;
- foreign exchange activities;
- Islamic Certificate of Deposits with the UAE Central Bank;
- investment sukuk as part of liquidity management and for customers; and
- Islamic derivatives for hedging (profit rate swaps & FX forwards).

For the year ended 31 December 2020, the TD managed an average daily surplus liquidity of approximately AED 2.304 billion, with revenue generated on these funds of approximately AED 157.75 million. During the same period, the TD's fee-based foreign exchange business generated approximate revenues of AED 12.886 million. The TD also offers the following Islamic products to its retail, corporate and high net worth customers:

- wakala and murabaha deposits from customers;
- foreign exchange and leveraged foreign exchange investments;
- financing against customer wakala deposit;

- profit rate and FX hedging solutions for customers; and
- sukuk investment for high net worth clients.

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

### ***Financial Institutions Department***

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

### **Relationships and Strategic Alliances**

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

### **Subsidiaries of SIB**

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

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

#### ***Sharjah National Hotel Corporation (SNHC)***

SIB acquired SNHC for AED 520 million from the Government in June 2006. SNHC owns three four-star hotels and resorts: the Marbella Resort; the Hotel Holiday International; and the Oceanic Khorfakkan Resort and Spa (**OKRS**) (all located in the Emirate of Sharjah). SIB's investment in SNHC is in line with SIB's general objective of diversifying its investments. As at the date of this Base Prospectus, SNHC is undertaking a renovation of Hotel Holiday International and is working to modernise facilities at this hotel. The works are expected to be completed in November 2021 and new retail outlets are expected to be built outside the Hotel Holiday International by June 2022. The renovation of the Marbella Resort is currently in process and is expected to be completed by December 2021. The OKRS was renovated into a resort and spa in 2014. SNHC also provides catering services and in late 2019, SNHC was awarded the catering contract for the Arab Academy of Maritime Science and Transportation located in Khorfakkan.

In light of the negative impact of the COVID-19 pandemic, SNHC partnered with the Ministry of Health to support the COVID-19 initiative and transformed Hotel Holiday International and OKRS into COVID-19 field hospitals during the peak of the pandemic, at one point accommodating over 430 patients. This partnership supported the Government's programme to tackle the pandemic and also provided SNHC with an opportunity to cover its liabilities and costs during a difficult period. Since the outbreak of the COVID-19 pandemic, SNHC has managed to operate its facilities at an average of 8 per cent. higher occupancy as compared to its competitors within the same market with similar rates.

For the year ended 31 December 2020, SNHC generated revenues of AED 29.8 million and a loss for the year of AED 5.0 million compared to AED 39.8 million of revenues and AED 0.581 million of profit for the year ended 31 December 2019. Revenues decreased mainly because of renovations being conducted, competition bringing room rates down and the impact of the COVID-19 pandemic. As at 31 December 2020, SNHC's total assets amounted to AED 304.6 million, compared to AED 302.4 million as at 31 December 2019. There is an increased focus on this sector from the Government and the incentivisation of the tourism industry in Sharjah is expected to increase tourist arrivals and the promotion of tourism for the Emirate of Sharjah. SIB's strategy is to diversify its revenues which is supported by the introduction of both the Retail and Catering Divisions to SNHC.

### ***Sharjah Islamic Finance Services (SIFS)***

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

For the year ended 31 December 2020, SIFS generated revenues of AED 5.0 million and net profit of AED 0.32 million compared to AED 3.3 million of revenues and a net profit of AED 0.91 million in 2019. The increase was in line with market expectations and sentiments prevailing in the DFM and the ADX. SIFS had total assets of AED 55.2 million as at 31 December 2020, compared to AED 47.3 million of total assets as at 31 December 2019.

### ***ASAS Real Estate***

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

ASAS has now expanded into other real-estate business areas such as sales and property and facilities development and management. ASAS projects have included the ASAS Tower, the Al Nouf villas development, the Industrial Area 18, the Rawdat Al Qarat Project and other residential developments in Sharjah.

For the year ended 31 December 2020, ASAS generated revenues of AED 114.7 million compared to AED 119.8 million for the year ended 2019. This decrease is primarily attributable to a general slowdown in the real estate market which was impacted by COVID-19 related lockdowns and economic inactivity.

### ***SIB's Competition***

SIB faces competition in all of its principal business areas. In its Retail Banking and Corporate Banking businesses, SIB's principal competitors include both banks that are locally incorporated (conventional and Islamic) as well as certain foreign banks operating in the UAE. As at 30 June 2021, there were 58 commercial banks licensed to operate inside the UAE (source: UAE Central Bank). In the Islamic banking market, SIB's direct competitors include Emirates Islamic Bank, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Al Hilal Bank and Ajman Bank, all of whom are incorporated in the UAE. Additionally, a large majority of conventional banks offer Islamic financing and deposit facilities to customers through Islamic windows, thereby increasing the competition for banks such as SIB.

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

### **Risk Management**

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

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

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

- Risk Management Division (**RMD**) (Credit Risk, Operational, Market and Liquidity Risk functions);
- Corporate Credit & Retail Credit Administration;

- Centralised Recovery & Collections; and
- Information Security & Risk Assurance.

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

### ***Risk governance structure***

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

### ***Risk management architecture***

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

#### ***Strategic Level***

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

#### ***Tactical Level***

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

#### ***Operational Level***

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

### ***Risk Management Division***

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

In particular, the RMD's responsibilities include:

- formulating appropriate risk management charters, control strategies, policies and procedures regarding those activities and units which incur significant risk, including business continuity plans. All risk management policies and procedures are approved by the Board of Directors as more particularly described in "*Management of Sharjah Islamic Bank PJSC*";
- providing meaningful direction regarding SIB's overall risk philosophy and appetite, including consideration and acceptability of new or unusual risk, ensuring strict adherence to risk management policies and procedures;
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- examining and evaluating the quality of the advances portfolio and the credit management process (retail, corporate, real estate financing) in individual units throughout SIB;



- identifying and dealing with special risks associated with any sort of change (including economic, industry, regulatory and operating);
- monitoring and reporting on compliance with risk appetite, policies and limits; and
- managing and monitoring the implementation of the Basel III Compliance Project.

SIB's Risk Management Policy Framework (**RMPF**) has been in place since 2004, when it was developed and formulated by the Risk Management team. The RMPF is reviewed annually and is subject to additional amendments based on the dynamic conditions of the market as well as the strategies and policies of SIB. All of SIB's risk policies and processes are reviewed and approved by the Board of Directors.

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

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

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

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

#### Regulatory Stress Testing

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

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

#### Stress Testing - Governance

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

- stress testing forms an integral part of the overall governance and risk management culture of SIB and therefore the RMD shall carry out regular stress tests, along with active participation by, and discussions with, the business units and other support functions;
- ultimate responsibility for the overall stress testing programme lies with the Board of Directors who shall, through the RMC, ensure that an efficient and effective stress testing process is in place;

- the stress testing report to the UAE Central Bank shall be approved and signed by the Board of Director's Chairman and the Chief Executive Officer (CEO) of SIB (in accordance with applicable regulatory requirements);
- regular maintenance and updating of the stress testing process shall be handled by the RMD, with meaningful and effective suggestions from business units and other support functions; and
- senior management involvement is critical in ensuring appropriate use of stress testing in SIB's risk governance and capital planning process, including strategic planning and development.

### ***Risk Management Framework***

#### ***Credit Risk***

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

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

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

In response to the COVID-19 outbreak, SIB's RMD has identified vulnerable sectors, including, but not limited to, aviation, hospitality, real estate and retail, that are significantly impacted by the developing situation, and reviews of such sectors are being conducted on a more frequent basis. Existing corporate credit lines are being reviewed and their utilisation is being closely monitored. SIB has a well-diversified financing portfolio where Government and Government-related entity financings represent more than 35 per cent. of its financing portfolio as at 30 June 2021. Consequently as at the date of this Base Prospectus, SIB's management has concluded that there has not been a significant increase in credit risk as a result of the COVID-19 outbreak.

SIB has also been vigilant in underwriting to companies in vulnerable sectors, especially for any new-to-bank customers. Extra measures, such as requiring additional approvals for disbursements of facilities have been implemented to ensure a high level of scrutiny over the credit management process. SIB is in the process of conducting frequent reviews of the Finance to Value (LTV) ratios on the securities held against facilities, specifically securities which are illiquid in nature.

Moreover, the management of SIB has reviewed all of its credit financing policies to address consequential increases in economic risk for different sectors effected by the current economic environment.

To contain the repercussions of COVID-19 pandemic SIB facilitated its retail and corporate sector customers through temporary relief from payments of principal and/or profit on outstanding facilities under the government supported Targeted Economic Support Scheme (TESS). As the economic impact of the pandemic subsides, SIB's utilisation of the TESS funds has reduced significantly.

### *Market Risk*

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

The market risk limits are monitored independently through the back office function by the RMD on a regular basis, and exceptions, if any, are reported to the senior management and ALCO. The back office is also responsible for highlighting areas in which SIB's policies are not being complied with, as well as ensuring that the conditions and covenants for each of the investment accounts are monitored.

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

### *Settlement Risk*

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

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

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

### *Foreign Exchange Rate Risk*

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

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

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

As at 31 December 2020, SIB had the following significant net exposures denominated in foreign currencies:

Currency	Net Position (equivalent AED thousands)	
	2020	2019
U.S. dollar .....	(3,338,134)	(2,162,185)
Sterling Pound .....	33,695	45,162
Euro .....	(1,706)	(1,231)
Bahrani Dinar .....	7,902	7,675
Saudi Riyals .....	26,427	(208,899)
Kuwaiti Dinar .....	201	1,130

### *Profit Rate Risk*

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

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

#### *Liquidity Risk*

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

As at 31 December 2020, SIB's financing receivables to total deposit ratio stood at 74 per cent. SIB's liquidity is managed actively by the TD. In addition, all liquidity policies and procedures are subject to review and approval by ALCO.

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

The maturity profile of SIB's financial assets is set out below for the years ended 31 December 2020 and 2019.

	Less than 3 months	3 months to 1 year	1-5 years	Over 5 years	Total
<i>AED millions</i>					
<b>31 December 2020</b>					
<b>Assets</b>					
Cash and balances with banks and financial institutions .....	3,391	-	-	-	3,391
Murabaha and wakalah with financial institutions .....	6,915	788	129	-	7,832
Investment in Islamic financing .....	3,242	4,325	11,764	9,937	29,269
Investment securities .....	776	1,262	2,440	3,269	7,747
Other assets .....	626	165	-	-	792
	<b>14,952</b>	<b>6,540</b>	<b>14,333</b>	<b>13,207</b>	<b>49,031</b>
<b>Liabilities</b>					
Customers' deposits .....	23,251	10,358	-	-	33,608
Due to banks .....	3,251	1,502	1,266	-	6,019
Sukuk payable .....	47	1,958	3,953	-	5,958
Other liabilities .....	602	130	-	-	731
	<b>27,150</b>	<b>13,948</b>	<b>5,220</b>	<b>-</b>	<b>46,317</b>
<b>Contingent Liabilities .....</b>	<b>206</b>	<b>433</b>	<b>1,479</b>	<b>-</b>	<b>2,117</b>
<b>31 December 2019</b>					
<b>Assets</b>					
Cash and balances with banks and financial institutions .....	2,451	-	-	-	2,451
Murabaha and wakalah with financial institutions .....	6,885	910	153	-	7,948
Investment in Islamic financing .....	2,017	3,806	10,555	8,765	25,143
Investment securities .....	261	256	3,704	1,606	5,827
Other assets .....	567	124	-	-	691
	<b>12,182</b>	<b>5,097</b>	<b>14,411</b>	<b>10,371</b>	<b>42,060</b>
<b>Liabilities</b>					
Customers' deposits .....	19,038	8,275	-	-	27,313
Due to banks .....	2,360	941	1,915	-	5,216
Sukuk payable .....	1,847	-	4,023	-	5,870
Other liabilities .....	665	119	-	-	784
	<b>23,911</b>	<b>9,335</b>	<b>5,938</b>	<b>-</b>	<b>39,183</b>
<b>Contingent Liabilities .....</b>	<b>137</b>	<b>390</b>	<b>1,693</b>	<b>1</b>	<b>2,222</b>

The increase in total assets from 31 December 2019 to 31 December 2020 was due to the overall expansion of the business of SIB, which is reflected in the growth in financing, investment in sukuk and liquid assets.

In response to the COVID-19 outbreak, SIB has taken the following actions to manage liquidity risks:

- monitoring the movements and composition of its deposits on a daily basis;
- monitoring its adherence to regulatory ratios, including the eligible liquid assets ratio (the **ELAR**) and the Finance / Advances to Stable Resource Ratio (**ASRR**) on a daily basis;
- developing contingency plans and opening up new funding lines in the treasury and inter-bank markets of other GCC countries; and
- developing stress testing scenarios to assess the impact on SIB in extreme stress.

#### *Equity Price Risk*

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

#### *Operational Risk*

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

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

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

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

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

#### *Legal risk*

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

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

### Basel III – Capital Adequacy

In line with the implementation of Basel III, SIB is required to maintain a total regulatory capital, comprising of Tier 1 and Tier 2 capital and capital buffers, at 13.0 per cent. of risk weighted assets. SIB has complied and intends to comply with any and all externally imposed capital requirements applicable to it.

As further described in "The United Arab Emirates Banking Sector and Prudential Regulations – COVID 19", the UAE Central Bank capital buffers must be maintained in addition to the minimum CET1 requirement of 7 per cent., Additional Tier 1 requirement of 1.5 per cent. and Tier 2 requirement of 2 per cent. SIB is currently required to maintain a capital conservation buffer of 2.5 per cent. As at 30 June 2021, SIB's capital conservation buffer was 2.5 per cent. SIB may also be required to maintain a countercyclical capital buffer if so advised by the UAE Central Bank, at a level (determined by the UAE Central Bank) between 0 and 2.5 per cent. of risk weighted assets.

SIB's capital adequacy figures for the years ended 31 December 2020 and 31 December 2019 are set out in the table below (based on Basel III computation):

	BASEL III	
	2020	2019
	(AED thousands)	
<b>Tier 1 capital</b>		
Ordinary share capital.....	3,081,598	2,934,855
Tier 1 sukuk.....	1,836,500	1,836,500
Retained earnings .....	972,993	1,045,261
Fair value reserve .....	44,380	23,390
Statutory reserve.....	89,008	89,008
Legal reserve .....	1,508,508	1,467,428
Total tier 1 capital base.....	<u>7,365,335</u>	<u>7,080,521</u>
<b>Tier 2 capital</b>		
Total tier 2 capital base.....	441,619	380,085
Total capital base.....	<u>7,806,954</u>	<u>7,460,544</u>
<b>Risk weighted assets:</b>		
Credit risk.....	35,329,510	30,406,780
Market risk .....	111,831	85,650
Operational risk .....	2,262,468	2,238,802
Risk weighted assets.....	<u>37,703,808</u>	<u>32,731,232</u>
Tier 1 capital ratio .....	19.53%	21.63%
Capital adequacy ratio (after proposed dividend adjustment).....	<u>20.71%</u>	<u>22.79%</u>

Under Federal Law No. (2) of 2015 concerning the UAE Central Bank, the Monetary System and Organization of Banking, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reserve makes up 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends have to be authorised by the UAE Central Bank. In addition, under the 2018 Federal Law, the UAE Central Bank may not approve proposed dividends by a UAE bank, if such bank has failed to maintain its capital adequacy ratio requirements at such time.

### Basel III - Liquidity Risk Ratios

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

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

### Distributions of Profit

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

### ***Corporate Credit & Retail Credit Administration***

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

### ***Centralised Recovery & Collections***

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

### ***Information Security & Risk Assurance***

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

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

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

### ***Corporate Governance***

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

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

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

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

- the positions of CEO and the Chairman of the Board of Directors are held by different persons, with a clear segregation of duties and responsibilities;
- directors refrain from passing any resolutions on matters that relate to their own interests;
- there is a clear distinction and segregation of functions and duties relating to the Board of Directors and Senior Management. The different functions are documented in SIB's corporate governance framework;

- the CEO attends AC meetings as a permanent invitee only; and
- the Internal Audit, Risk Management and *Shari'a* Control divisions are independent and have clear reporting lines.

### ***Shari'a compliance (Sharia)***

Every transaction that SIB undertakes and all products that it offers must be in strict compliance with the principles of *Shari'a*, as interpreted by SIB's ISSC. See further, "*Internal Shari'a Supervisory Committee*". Such compliance is monitored by SIB's ISCD, which is entrusted with the day-to-day responsibilities of *Shari'a* control and is also overseen by the ISA.

The management of SIB with the consent of the ISSC, nominates an employee of SIB as a secretary to coordinate with the Internal *Shari'a* Supervisory Committee. In order to assist in the liaison between the ISSC and the ISCD and to improve turnaround time for the ISSC's approval, the Head of the ISCD normally takes up the position of the secretary to the ISSC. All matters requiring the ISSC's approval must be delivered first to the ISCD, either in a formal meeting or by circulation. However, in order to be able to offer products and undertake certain types of transactions quickly and efficiently, the ISCD has the authority to draft standard contracts for the various products which have been declared *Shari'a*-compliant by the ISSC. Once these standard form contracts have been approved by the ISSC, their future use does not usually require further approval from the ISSC other than in circumstances where any amendments are required.

### ***Credit Division***

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

The basic functions and responsibilities of the Credit Division are:

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

### **Credit Approval Procedures**

#### ***Credit exposure***

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

#### ***Retail banking credit approval procedures***

SIB's retail products are supported by the application of stringent credit criteria. These credit criteria are dynamic and have been reviewed following the recent financial crisis. As a conservative banking institution that applies *Shari'a* rules and principles, SIB is only prepared to extend finance to those customers that can afford it with a special emphasis on debt service ratios, which are currently capped at 50 per cent. Unlike other banks in the GCC, SIB predominantly accepts applications for credit cards and finance from those customers that credit their salary to SIB. All Retail Banking credit is in line with Central Bank guidelines circular No. 29/2011. Any exceptions to this rule require the express



permission of SIB's Credit Committee. As such, the management of SIB believes that delinquency rates have been comparatively low in retail product categories.

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

### ***Corporate banking credit approval procedures***

#### ***Credit Approval Process***

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

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

- relevant business area solicits clients, prepares the necessary documentation and submits a proposal to the Credit Division;
- the Credit Division independently reviews, evaluates and assesses the documentation and prepares a due diligence report;
- the Credit Division will then make recommendations to the Credit Committee;
- the Credit Committee makes a decision within the guidelines of the Credit Committee approval authority that have been formulated by the Board of Directors. Subsequently, proposals requiring Executive Committee or Board of Director approval (in line with the relevant credit approval authority matrix) are approved or ratified in line with the limits set out in the credit approval authority matrix;
- proposals are forwarded to the Credit Administration department for the completion of final documentation; and
- the transaction or deal is carried out by the finance operations division.

#### ***Credit Risk Grades***

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

SIB's rating methodology comprises of 19 rating levels for instruments not in default (1 to 7-) and three default classes (8 to 10). An investment grade financial asset falls within credit grades 1 to 4-. A non-investment grade financial asset falls within credit grades 5+ to 7, whereas financial assets with a credit grade of 7- are considered to be watch-list. The master scale assigns each rating category a specified range of probability of default, which is stable, over time. The rating method is subject to annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

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

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

SIB Grade Scale & Classification		CB UAE Classification	S & P Rating Benchmark	Fitch Rating Benchmark	Moody's Rating Benchmark	ERR Grade Scale	PD %	Grade Description
1	Excellent	Normal	AAA	AAA	Aaa	1	0.008	Exceptional business credit, judged to be of the highest quality, with minimal credit risk. Superior asset quality and financial capacity; which includes strong liquidity and cash generation, excellent and proven management; market leader.
2	Strong	Normal	AA+	AA+	Aa 1	2+	0.013	Very good business along with very good asset quality, consistently strong liquidity and debt capacity; highly regarded in the industry with strong market share.
			AA	AA	Aa 2	2	0.019	
			AA-	AA-	Aa 3	2-	0.029	
3	Good	Normal	A+	A+	A1	3+	0.044	Good business credit considered upper-Medium grade, subject to low credit risk; good asset quality, strong liquidity and debt capacity. Company is above average size and holds a good position in the industry.
			A	A	A2	3	0.067	
			A-	A-	A3	3-	0.1	
4	Satisfactory	Normal	BBB+	BBB+	Baa 1	4+	0.155	Acceptable business credit subject to moderate credit risk, considered medium grade and as such may possess certain higher than average risk characteristics.  Company has demonstrated adequate to good performance.
			BBB	BBB+	Baa 2	4	0.235	
			BBB-	BBB-	Baa 3	4-	0.355	
5	Adequate	Normal	BB+	BB+	Ba 1	5+	0.565	Average to below average business credit subject to moderate credit risk, considered medium
			BB	BB	Ba 2	5	0.85	

SIB Grade Scale & Classification		CB UAE Classification	S & P Rating Benchmark	Fitch Rating Benchmark	Moody's Rating Benchmark	ERR Grade Scale	PD %	Grade Description
			BB-	BB-	Ba 3	5-	1.25	grade and as such may possess certain higher risk characteristics. Company has demonstrated adequate performance.
6	Marginal	Normal	B+	B+	B 1	6+	1.9	Below average business credit and subject to high credit risk. Company is likely a lower-tier competitor in its industry. Acceptable but requiring close monitoring and support of strong risk mitigants.
			B	B	B 2	6	2.9	
			B-	B-	B 3	6-	4.25	
			CCC+	CCC+	Caa 1	7+	6.5	
			CCC	CCC	Caa 2	7	10	
7	Vulnerable	Watchlist	CCC-	CCC-	Caa3	7-	13.5	Weak business credit: judged to be poor standing and subject to very high credit risk. Constitutes undue and unwarranted credit risk. Currently in performing status and not to the point of justifying a Substandard classification
8	Substandard	Substandard	CC	CC	Ca	8	100	In Default (Substandard): unacceptable business credit with normal repayment in jeopardy.
9	Doubtful	Doubtful	C	C	C	9	100	In Default (Doubtful): full repayment questionable. Serious problems to the point where partial loss of principal is likely.

SIB Grade Scale & Classification		CB UAE Classification	S & P Rating Benchmark	Fitch Rating Benchmark	Moody's Rating Benchmark	ERR Grade Scale	PD %	Grade Description
10	Loss	Loss	D	D	-	10	100	<p>In Default (Loss): expected loss. Such an asset may have recovery but not to the point of avoiding loss classification. Possible Stage 3 provision and write-off.</p> <p>Weak business credit: judged to be poor standing and subject to very high credit risk. Constitutes undue and unwarranted credit risk. Currently in performing status and not to the point of justifying a Substandard classification</p>

### ***Security & Collateral Management***

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

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

### ***Non-performing financing receivable***

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

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

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

In order to relieve the pressure of the COVID-19 outbreak on financial institutions, the UAE Central Bank has allowed banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter aims to minimise the effect of IFRS 9 provisions on regulatory capital, in view of expected volatility due to COVID-19. The filter will allow banks to partially add incremental ECL provisions back to their Tier 2 capital for the purpose of calculating capital adequacy ratios. Banks are, however, required to reverse this capital benefit in a gradual and phased manner over a period of 5 years (ending on 31 December 2024).

SIB continues to pro-actively manage credit quality and delinquencies and non-performing financing receivables across its corporate and retail portfolios. The non-performing gross financing receivables ratio decreased to 4.9 per cent. by 31 December 2020 from 5.1 per cent. reported as at 31 December 2019. The impairment allowance on non-performing financing receivables in respect of 2020 increased to AED 0.89 billion compared to AED 0.81 billion in 2019. This increase was primarily due to SIB's prudent approach for managing the credit quality.

For further information regarding SIB's adoption of IFRS 9, see note 3 (*Significant accounting policies*) to the 2020 Financial Statements (incorporated by reference into this Base Prospectus).

The following table provides a breakdown of non-performing financing receivables (Stage 3 Exposure) by sector for the years ended 31 December 2020 and 2019:

#### Non-performing financing receivables (Stage 3 Exposure) by sector

	2020	2019
	<i>(AED in millions)</i>	
Trade .....	421	393
Real Estate and Construction.....	62	85
Services .....	146	120
Manufacturing .....	173	177
Other Corporate Financing (including high net worth individuals) .....	535	379
Total Corporate Financing.....	1,337	1,154
Total Retail Financing.....	157	197
<b>Non-performing financing receivables.....</b>	<b>1,494</b>	<b>1,351</b>

The following table summarises the movements in allowances for impairment for financing receivables for SIB for the years ended 31 December 2020 and 2019.

#### Movement in allowances for impairment (financing receivables)

	2020	2019
	<i>(AED thousands)</i>	
Balance at 1 <sup>st</sup> January .....	1,118,378	1,456,751
Written off during the year .....	(76,225)	(410,720)
Additional provision for the year.....	264,602	78,300
Recoveries and write-backs during the year .....	(18,932)	(5,953)
<b>Balance of allowances for impairment as at 31 December .....</b>	<b>1,287,822</b>	<b>1,118,378</b>

## Industry Regulations and Compliance

### Industry regulation and supervision

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

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

### Regulation of Islamic banks

SIB operates under a commercial banking licence granted to it by the UAE Central Bank to undertake Islamic banking activities. The licensing of Islamic banks requires the appointment of an Internal *Shari'a* Supervisory Committee which ensures the adherence to *Shari'a* principles in SIB's businesses (including with all of its operations and contracts).

### ***Internal Shari'a Supervisory Committee (ISSC)***

The ISSC oversees the application of all *Shari'a* provisions in respect of all businesses activities carried out by SIB and ensures that all transactions are in strict compliance with *Shari'a* principles with a specific mention to AAIOFI *Shari'a* Standards as well as relevant Higher *Shari'a* Authority (HSA) and ISSC fatwas (*Shari'a* opinions) and resolutions. The Board of Directors is obliged to abide by the fatwas and resolutions of the HSA and ISSC regardless of whether a unanimous or majority vote secured the decision. ISSC meetings are held periodically or whenever the need arises.

The ISSC reviews and approves finance products structures, procedures and documentation and templates and treasury and investments transactions (including sukuk and syndications) which enable SIB to follow market trends while maintaining the highest levels of *Shari'a* compliance. It also analyses and reviews unprecedented or one-off cases which have not been covered by an existing fatwa in order to ensure *Shari'a* compliance before any new transactions are executed or any new procedures are applied.

As at the date of this Base Prospectus, the members of SIB's ISSC are:

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

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

During the year ended 2020, Dr. Salim Al Ali joined SIB's ISSC, however, he resigned during the first half of 2021. As of the date of this Base Prospectus, SIB is in the process of appointing a third member of the ISSC.

### ***Internal Shari'a Control Division***

The ISCD and ISA monitor the level of compliance of SIB's activities with *Shari'a* rules and the resolutions and guidance of the HSA and ISSC. ISCD acts as a conduit bridging the gap between the various divisions of SIB and the ISSC. It also solves any daily queries relating to *Shari'a* compliance under the supervision of or by referring issues to the ISSC if necessary. In addition, it reviews, refines and improves contracts and processes underlying current Islamic products and acts together with the ISSC in developing new products.

### ***Real estate property***

As at 31 December 2020, SIB owned land and buildings classified as Investment Properties and Properties Held for Sale in the Financial Statements (which are incorporated by reference in this Base Prospectus) at a carrying value of AED 3.5 billion.

### ***Capital expenditure***

SIB does not expect to incur capital expenditure outside its ordinary course of business. For the year ended 31 December 2020, SIB incurred AED 66.1 million of capital expenditure, compared to AED 39.4 million for the year ended 31 December 2019. SIB is expected to undertake capital expenditure in 2021, principally for the upgrade of its information technology (IT) infrastructure and improving its branch network.

### ***Compliance risk and anti-money laundering policies***

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

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

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

SIB has a full-time Compliance Officer, whose role is to establish standards of ethics, confidentiality, privacy, KYC policies and other hallmarks of good governance, such as avoidance of conflicts of interest.

All staff are required to be aware of SIB's AML policy and procedures. In addition to this, the Compliance Officer provides training to new and existing staff in respect of AML, KYC, Sanctions and related matters.

### ***Group Internal Audit***

SIB's Group Internal Audit (**GIA**) operates under a charter approved by the Board of Directors. The purpose of SIB's GIA is to provide independent, objective assurance and consulting services designed to add value and improve the Group's operations. The mission of GIA is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. GIA helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, compliance, and control processes.

GIA is led by the Group Chief Internal Auditor (**GCIA**) and operates under the Internal Audit Charter approved by the Group Audit Committee. In order to ensure independence and objectivity, GCIA reports functionally to the Board of Directors through Group Audit Committee and administratively (i.e. in respect of day-to-day operations) to the Chief Executive Officer.

GIA is independent of the audited activities and governs itself by adherence to the mandatory elements of The Institute of Internal Auditors' (the **IIA**) International Professional Practices Framework (**IPPF**). GIA consists of associates with professional educational and experience background in the fields of Banking, Investment, Information Technology and Security, Internal and External Audit and Financial Accounting.

### **Funding**

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

Through its IBD, SIB also raises money through the international capital markets. As at the date of this Base Prospectus, SIB has a U.S.\$500 million sukuk due to mature in April 2023 and a U.S.\$500 million sukuk due to mature in June 2025. In addition, in July 2019, SIB (via SIB Tier 1 Sukuk Company) issued U.S.\$500 million Additional Tier 1 Capital Certificates with a first call date in July 2025.

### **Information Technology**

The IT division seeks to ensure that SIB's product and channel offerings are market leading and all banking systems are functioning properly, and plays an important role in driving business value by delivering key projects and initiatives which help to bring SIB to the forefront of technology adoption and competitive differentiation. Since the outbreak of the COVID-19 pandemic, the IT division has also been responsible for ensuring that there are no interruptions to SIB's business or disruptions to SIB's key project initiatives through the provision of operational continuity and support to

employees working remotely (see "*COVID-19 – Business Continuity*"). SIB considers its technology to be of a high standard, and agile in delivering business, customer facing and regulatory initiatives. SIB has the IT capabilities to deliver automation and efficiency improvements for corporate and government customers and the ability to integrate directly with corporate enterprise resource planning systems for positive cheque pay validation, online pension and vendor payments.

SIB has embarked on a digital transformation initiative since 2020 and recently launched an internet and mobile banking platform which includes market-leading features such as customer digital onboarding (without customers being required to visit a branch), instant remittances, bill payments and account balance and statement enquiries. SIB has also embarked on revamping its ATM fleet with new state-of-the-art ATM terminals with more interactive user experience. SIB has also developed and launched a new website catering to all of its business segments.

In addition to the above customer facing digital initiatives, SIB has looked to implement modern technologies internally such as robotic process automation (RPA) and business process automation (BPA) to automate its internal processes which are labour intensive and prone to manual error, thereby increasing operational efficiency and reducing turnaround time. In the near-future, SIB intends to launch a new chatbot which will allow customers to interact with SIB (across all channels including WhatsApp) and introduce new enterprise technology to further accelerate digital adoption of its services.

The abovementioned initiatives showcase SIB's emphasis on technology and follow other achievements such as being the first Islamic bank in the Middle East to launch Samsung Pay, the fifth local bank to launch Apple Pay and the first bank in the UAE to initiate the new Immediate Payment Instructions (IPI) transaction (a new instantaneous funds transfer service introduced by the UAE Central Bank).

SIB has also launched remote cheque deposit (RCD) features to its corporate clients who can upload cheques to SIB remotely thereby reducing the turnaround time required for their cheques to be realised. SIB also intends to launch new corporate and mobile banking offerings with market-leading features such as the digital management of accounts, bill payments, mobile authorisation, bulk upload and trade finance. SIB is also the third bank in the region to introduce QR code based cheques to provide an additional layer of security to its customers.

SIB's strategic partnership with the Sharjah Finance Department (SFD) continues to grow in addition to the already launched online vendor payments, pension and salary payments initiatives which provide the SFD with the ability to initiate such transactions from their enterprise resource planning system with Straight Through processing and real-time interface with SIB's core banking platform. SIB is among very few banks globally who currently possess such technological capability to integrate with external entities in a real time in a fully automated manner. SIB has also engaged in a partnership with the Sharjah police to provide prison inmates with prepaid cards for them to conduct cashless transactions within its premises and for their dependents to fund the cards. SIB is in discussions with other entities such as University of Sharjah to provide seamless banking features directly between the university's systems and SIB's banking systems (similar to the functionality provided to the SFD).

The IT division's infrastructure and networking is currently undergoing further transformation with the adoption of latest technological trends such as the Oracle Exadata engineered database machines (which provide zero data loss and redundancy). SIB's entire network infrastructure has been enhanced. In addition to the network infrastructure, the bandwidth between SIB's facilities has been upgraded successfully with in-built redundancy and fail-safe features.

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

In recognition of SIB's digital mindset and commitment to providing innovative solutions and an enriching experience to its customers, Fintech Galaxy (the MENA region's first and only FINTECH digital crowdsourcing platform) recognised SIB as the Most Innovative Islamic Bank of the year 2019 at the FinX awards held in Dubai.

## **COVID-19 – Business Continuity**



Following the outbreak of the COVID-19 pandemic and the imposition of travel bans and social distancing measures, SIB's IT division undertook proactive threat level based planning to ensure that there was no interruption to SIB's business.

As a result of the outbreak, SIB activated its business continuity policy (**BCP**), under which SIB uses secure remote working arrangements with dual authentication access. This enabled SIB's employees to work from home with access to call centers and all banking systems in a secure manner. Online meeting platforms such as GoToMeeting were provided to all staff to conduct their meetings online and an alternative business continuity planning site was built and readied in record time to divide staff to ensure workplace safety. Networking bandwidth was also upgraded to ensure quality of service was maintained on par to that provided in working premises. A security agency was also engaged to ensure that the remote access provided to staff was secured with zero vulnerabilities. SIB considers that it has appropriate cyber security architecture to support its commercial assets and customers without interruption to business activities.

### **IT Steering Committee**

The objective of the Information Technology Steering Committee (**ITSC**) is to ensure that IT initiatives at SIB are aligned to its overall business strategy and to assess and evaluate new technologies which can bring competitive advantage to SIB in terms of revenue generation, efficiency improvement and cost savings. The ITSC is headed by the CEO and comprises of other senior members of the management including DCEO, CRO, COO and Head of IT and CIA as observer, the ITSC also invites other division heads or staff to attend the meeting as required.

### **Insurance**

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

### **Litigation**

SIB is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) in the 12 months preceding the date of this Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of SIB. Therefore no material provision has been made as at 31 December 2020 regarding any outstanding legal proceedings against SIB.

### **Fiscal Year**

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

### **Auditors**

The 2020 Financial Statements and the 2019 Financial Statements of SIB have been audited by PricewaterhouseCoopers (Dubai Branch), Emaar Square, Building 5, Level 8, PO Box 11987, Dubai, UAE (**PwC**), without qualification, in accordance with International Standards on Auditing (which Financial Statements are incorporated by reference in this Base Prospectus). PwC has also reviewed, without qualification, the Q3 2021 Financial Statements and the H1 2021 Financial Statements in accordance with the International Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", as stated in PwC's review report appearing in the Q3 2021 Financial Statements and the H1 2021 Financial Statements (as applicable). PwC are a registered audit firm in the UAE, operating under professional licences issued by the Dubai Economic Department and the UAE Ministry of Economy. PwC were appointed as SIB's auditors from 1 January 2018. There is no professional institute of auditors in the UAE and, accordingly, PwC is not a member of a professional body in the UAE. All PwC professionals and partners directly involved in the audit are members of the institutes from where they received their professional qualification.

### **Recent Developments**

#### *S&P's rating outlook*

On 25 March 2021, S&P affirmed SIB's rating at A whilst also revising its outlook from negative to stable. The outlook was made negative in 2020 as a result of the impact of the COVID-19 pandemic, the resulting risks of which were highlighted for the banking sector in the UAE as a whole by S&P.

### Moody's rating

On 25 May 2021, Moody's downgraded SIB's credit rating from A3 to Baa1 with a negative outlook based on a reduction in SIB's capital adequacy caused by the COVID-19 outbreak. Moody's provides an unsolicited rating to SIB.

### Financial performance for the nine months ended 30 September 2021

The following information has been extracted from the unaudited condensed consolidated interim financial statements of SIB as at and for the nine months ended 30 September 2021, that include the unaudited comparative financial information for the nine months ended 30 September 2020:

	30 September 2021	30 September 2020*
	<i>(Unaudited)</i>	
	<i>(AED'000)</i>	
Income from investment in Islamic financing and sukuks .....	1,250,066	1,281,368
Distribution to depositors and sukuk holders .....	(437,797)	(583,012)
Net income from financing and investment products .....	812,269	698,356
Investment, fees, commission and other income .....	246,513	209,581
<b>Total operating income .....</b>	<b>1,058,782</b>	<b>907,937</b>
General and administrative expenses .....	(405,919)	(403,175)
<b>Net operating income before impairment provision .....</b>	<b>652,863</b>	<b>504,762</b>
Impairment on financial assets – net of recoveries .....	(194,840)	(151,380)
<b>Profit for the period .....</b>	<b>458,023</b>	<b>353,382</b>

\* The comparative figures for the nine months ended 30 September 2020 are extracted or derived from the unaudited comparative column of the Q3 2021 Financial Statements.

For the nine months ended 30 September 2021, the Group's profit for the period increased by 29.6 per cent. to AED 458 million, as compared to AED 353.4 million for the nine months ended 30 September 2020, primarily due to the lower cost of deposits and a flat cost to income ratio.

For the nine months ended 30 September 2021, net operating income before impairment provision increased by 29.3 per cent. to AED 652.9 million, as compared to AED 504.8 million for the nine months ended 30 September 2020. Income from investment in Islamic financing and sukuks decreased by 2.4 per cent. from AED 1,281.4 million for the nine months ended 30 September 2020 to AED 1,250.1 million for the nine months ended 30 September 2021. Impairment on financial assets – net of recoveries increased from AED 151.4 million for the nine months ended 30 September 2020 to AED 194.8 million for the nine months ended 30 September 2021. During the nine months ended 30 September 2021, SIB redeemed U.S.\$ 500 million sukuk due to mature in 2021 from its own liquidity sources.

Total assets increased from AED 53.6 billion as at 31 December 2020 to AED 54.4 billion as at 30 September 2021. Customer deposits increased from AED 33.6 billion as at 31 December 2020 to AED 36.7 billion as at 30 September 2021.

SIB had a capital adequacy ratio of 21.21 per cent. as at 30 September 2021 calculated in accordance with Basel III and SIB also benefits from relatively low levels of gross non-performing financing, with AED 1,481.9 million (or 4.8 per cent. of all gross investments in Islamic financing) classified as non-performing (Stage 3) as at 30 September 2021. Comparatively, SIB maintained a capital adequacy ratio of 20.71 per cent., with AED 1,494 million (or 4.9 per cent. of all gross financing) classified as non-performing (Stage 3) as at 31 December 2020.

## SELECTED FINANCIAL INFORMATION

The following tables set out in summary form the financial position and statement of income information relating to SIB. The selected consolidated financial information of SIB as at and for the years ended 31 December 2020 and 2019 is extracted from the 2020 Financial Statements, prepared in accordance with IFRS (which, together with the audit report thereon, are incorporated by reference in this Base Prospectus) and the selected consolidated financial information of SIB as at and for the six months ended 30 June 2021 and 2020 is extracted from the H1 2021 Financial Statements, prepared in accordance with IAS 34 (which, together with the review report thereon, are incorporated by reference in this Base Prospectus). The financial information presented below should be read in conjunction with the Financial Statements and the other information included elsewhere in this Base Prospectus.

### Sources of Funding

SIB's main source of funding has been customer and other banks' deposits, sukuk and shareholders' equity. The following table sets out certain details of such funding for SIB as at 30 June 2021, 31 December 2020 and 31 December 2019:

Description	30 June 2021	31 December 2020 (AED million)	31 December 2019
Customers' Deposits .....	34,992	33,608	27,313
Due to Banks .....	5,304	5,973	5,128
Sukuk Payable .....	5,503	5,501	5,503
Shareholders' Equity .....	7,615	7,645	7,529

### Assets and Investments

The following table summarises the position in relation to some of SIB's principal assets and investments as at 30 June 2021, 31 December 2020 and 31 December 2019:

Description	30 June 2021	31 December 2020 (AED million)	31 December 2019
Cash and Balances with Banks and Financial Institutions .....	2,560	3,391	2,451
Murabaha and Wakalah with Financial Institutions .....	10,390	7,832	7,948
Investments in Islamic Financing: .....	29,292	29,269	25,143
Investment Securities .....	6,659	7,747	5,827
Investment Properties .....	2,966	2,886	2,700
Properties Held for Sale .....	693	653	579
Other Assets .....	865	897	818
Property and Equipment .....	926	925	924
<b>Total assets .....</b>	<b>54,351</b>	<b>53,601</b>	<b>46,390</b>

### Contingent Liabilities and Commitments

The following table summarises the position in relation to SIB's contingent liabilities and commitments as at 30 June 2021, 31 December 2020 and 31 December 2019:

Description	30 June 2021	31 December 2020 (AED million)	31 December 2019
Letters of Credit .....	183	186	139
Letters of Guarantee .....	1,980	1,931	2,083

### Capital Adequacy Ratio

The capital adequacy ratio was 20.78 per cent. for the six months ended 30 June 2021, 20.71 per cent. for the year ended 31 December 2020 and 22.79 per cent. for the year ended 31 December 2019. This remains above the regulatory minimum 13.0 per cent. set by the UAE Central Bank. In the opinion of SIB it has adequate capital to meet its requirements.

Key Financial Information and Business Ratios	As at and for the six months ended 30 June 2021	As at and for the six months ended 31 December 2020	As at and for the six months ended 31 December 2019
<b>Income Statement Data</b>			
	<i>(in AED million)</i>		
Total Operating Income.....	687	1,259	1,227
General and Administrative Expenses .....	(270)	(561)	(585)
Impairment on Financial Assets - Net of Recoveries .....	(128)	(256)	(97)
Profit for the period/year .....	289	406	546
<b>Financial Position Data</b>			
	<i>(in AED million)</i>		
Total Assets.....	54,351	53,601	46,390
Investments in Islamic financing .....	29,292	29,269	25,143
Investments <sup>2</sup> .....	10,318	11,286	9,107
Customers' Deposits .....	34,992	33,608	27,313
Due to Banks .....	5,304	5,973	5,128
Equity attributable to equity holders <sup>3</sup> .....	7,615	7,645	7,529
<b>Income Statement Data</b>			
	<i>(in U.S.\$ million)</i>		
Total Operating Income.....	187	343	334
General and Administrative Expenses .....	(73)	(153)	(159)
Impairment on Financial Assets - Net of Recoveries .....	(35)	(70)	(26)
Distribution to depositors' and Sukuk holders .....	(81.1)	(205.3)	(232)
Profit for the period/year .....	79	111	149
<b>Financial Position Data</b>			
	<i>(in U.S.\$ million)</i>		
Total Assets.....	14,800	14,595	12,632
Investments in Islamic financing .....	7,976	7,970	6,846
Investments <sup>2</sup> .....	2,810	3,073	2,480
Customers' Deposit.....	9,528	9,151	7,437
Due to Banks .....	1,444	1,626	1,396
Equity attributable to equity holders <sup>3</sup> .....	2,074	2,082	2,050
<b>Profitability Ratios</b>			
Net Profit Margin (%) <sup>4</sup> .....	3.3	3.3	3.4
Annualized Return on Average Asset (%) <sup>5</sup> .....	1.07	0.8	1.2
Annualized Return on Average Equity (%) <sup>6</sup> .....	7.6	5.4	8.5
Earnings Per Share (AED).....	0.09	0.13	0.19
Equity/Total Assets (%).....	14.0	14.3	16.2
Total regulatory capital expressed as a percentage of total risk weighted assets (%) <sup>7</sup> .....	20.8	20.7	22.8
<b>Liquidity &amp; Business Ratios</b>			
Cost to Income Ratio (%) <sup>12</sup> .....	27.4	27.9	28.2
Liquid Assets <sup>7</sup> /Total Assets (%) .....	23.8	20.9	22
Financings/Total Deposits (%) <sup>9</sup> .....	73	74	78
Depositors' accounts/Total Deposits (%) <sup>10</sup> .....	87	85	84
Non-performing financing assets (NPA)/Net Financing (%) <sup>11</sup> .....	5.2	5.1	5.4
Financing/Depositors' accounts (%) .....	84	87	92

1 This information has been subject to rounding adjustments.

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

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

4 For the six months ended 30 June 2021, Net Profit Margin is calculated based on the annualised net profit.

5 Return on Average Asset has been calculated by dividing the Profit for the period/year (which is annualised for H1 2021 by multiplying the profit for the period for the six months ended 30 June 2021 by 2) by the average of Total Assets of two years.

6 Return on Average Equity has been calculated by dividing the Profit for the period/year (which is annualised for H1 2021 by multiplying the profit for the period for the six months ended 30 June 2021 by 2) by the average of Shareholders' Equity of two years.

7 This is computed by Total Capital Base/Risk Assets of SIB as reported per UAE Central Bank guidelines.

8 Includes Cash and Balances with Banks and Financial Institutions and International Murabaha and Wakalah with Financial Institutions.

9 Financings/Total Deposits is determined by dividing Investments in Islamic financing by Customers' Deposit and Due to Banks.

10 Total Deposits include Customers' Deposit and Due to Banks.

11 Computed by investments in Islamic financing classified as non-performing (Stage 3 Exposure) divided by investments in Islamic Financing.

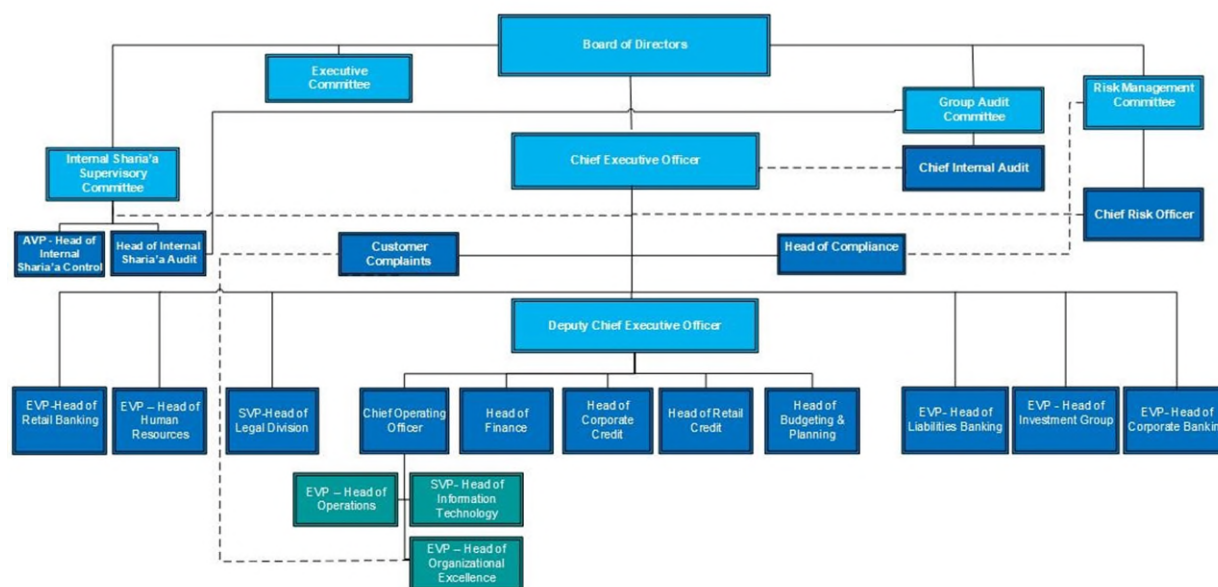
12 Cost to income ratio has been calculated dividing general and administrative expenses by the sum of i) income from investments in Islamic financing and sukuk and ii) investment, fees, commission and other income.



## MANAGEMENT OF SHARJAH ISLAMIC BANK PJSC

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

ORGANIZATION STRUCTURE 2021



### Board of Directors

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

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

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

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

**Mr. Othman Mohammed Sharif Abdalla Zaman** has been a Board Member of SIB since 1995. He is also Vice Chairman of Sharjah Cement and Industrial Development Company. He was appointed Vice Chairman of the Board in March 2021.

**Mr. Salah Butti Obaid Bin Butti AlMheiri** was elected to the Board of SIB in February 2019. He is the Chairman of Directorate of Planning and Survey – Government of Sharjah, member of Sharjah Executive Council, and board member of Sharjah Electricity and Water Authority, Directorate of Islamic Affairs, Sharjah Holding Company and American University of Sharjah Enterprises.

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

**Mr. Jasim Mohamed Al Khayyal** joined SIB's Board of Directors in 2021. He graduated with a degree in Political Science from the UAE University and is currently a board member of Sharjah Cement and Industrial Development Company and Sharjah Charity House.

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

**Mr. Abdullah S A E AlHaddad** was elected to the Board of SIB in February 2019. He currently holds the position of Chief Investment Banking Officer with KFH Capital.

### ***Business Address and Interests***

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

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

### **Senior Management**

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

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

<b>Name</b>	<b>Position</b>
Mohamed A Abdalla .....	Chief Executive Officer
Ahmed Saad Ibrahim.....	Deputy Chief Executive Officer
Mohammed Rizwan .....	Chief Risk Officer
Ravi Khanna.....	Chief Operating Officer
Saeed M Al Amiri.....	Head of Investment Group
Rahma Mohd. Al Shamsi.....	Head of Corporate Banking Group
Eman Jassim .....	Head of Human Resource Group
Nabil Abou Alwan.....	Head of Retail Banking Group
Mohamed El-Bahi .....	Financial Controller
Khalaf Abdullah .....	Chief of Internal Audit Division
Anver Jalaldeen.....	Head of Investment Banking
Ibraheem Al Awartni .....	Head of Credit Division
Mammad Kuniyil .....	Head of Risk Management
Bobby Shankeshwar .....	Head of Treasury

***Mohamed A Abdalla, Chief Executive Officer***

Mr Abdalla has served as Chief Executive Officer of SIB since 2006 having joined SIB in 1984. He has over 37 years' diversified experience in the banking industry. He continues to contribute towards the overall growth of SIB and its subsidiaries, ASAS and SNHC, as Deputy Chairman, ensuring the overall growth by implementing the board strategy and adding value to the organisation. He currently also holds key positions in various Government of Sharjah entities such as: Member of the Board of Trustees and Chairman of the Finance Committee - University of Sharjah; Vice Chairman of Pioneering Project - RUWAD Establishment which is a foundation to support entrepreneurs and their projects; and Member of the Board of the Sharjah Equestrian Club.

***Ahmed Saad Ibrahim, Deputy Chief Executive Officer***

Mr Ibrahim has served as Deputy Chief Executive Officer since early 2011 having been at SIB since 1998. He holds a Bachelors degree in commerce from Cairo University. He is also a Certified Public Accountant, Delaware, USA. Prior to joining SIB, he has worked with Qatar National Bank and Commercial International Bank, Egypt (formerly Chase National Bank). He has over 37 years' experience in the banking industry. He also serves as a Board of Directors member of SIB's subsidiaries, ASAS and SHNC, representing SIB.

***Mohammed Rizwan, Chief Risk Officer***

Mr Rizwan joined SIB in 1999 and presently serves as Chief Risk Officer and Head of Enterprise Risk Management. He holds a Masters of Arts degree from India. Prior to joining SIB, he worked with ABN Amro and The Hong Kong Metropolitan Bank. He has over 39 years of experience in the banking industry.

***Ravi Khanna, Chief Operating Officer***

Mr Khanna has more than 32 years of experience in information technology in banks and has worked with banks in Oman and India for more than 21 years. He took over the role of Chief Operating Officer of SIB in March 2017 after successfully completing a core bank transformation program for SIB. Previously, Mr Khanna worked at Bank Dhofar in Oman as Assistant General Manager and Head of Information Technology for 16 years, during which he led its Business and Technology teams and oversaw its core banking transformation. Mr Khanna holds a Bachelor's degree in electrical engineering from Regional Engineering College, India. Mr Khanna is responsible for all aspects of Banking Operations, Information Technology & Process excellence and Service Quality across SIB and its subsidiaries' businesses.

***Saeed M Al Amiri, Head of Investment Group***

Mr Amiri joined SIB in 2002 and has served as the Head of Investment Group since 2007. He holds a Masters of business administration degree from the University of Sharjah and a Bachelors degree from the University of Miami. Prior to joining SIB, he worked with Sharjah Department of Economic Development. He has 19 years' of experience in the banking industry.

***Rahma Mohd. Al Shamsi, Head of Corporate Banking Group***

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

***Eman Jassim, Head of Human Resource Group***

Ms Jassim has served as Head of Human Resource Group of SIB since 2007. She holds a Masters in business administration degree from the American University of Hawaii. She has over 22 years' experience in managing human resources at SIB.



***Nabil Abou Alwan, Head of Retail Banking Group***

Mr Alwan joined Sharjah Islamic Bank in 2015. He has over 29 years of marketing experience in the banking, financial institutions, and telecommunications industries marketing activities in the UAE and Saudi Arabia. He holds a Bachelors Degree in Business Administration from the American University in Beirut, Lebanon.

***Mohamed El-Bahi, Financial Controller***

Mr El-Bahi has served as Financial Controller of SIB since 2005. He holds a Bachelors degree in commerce and business administration from Cairo University. Prior to joining SIB, he worked with Qatar National Bank. He has over 27 years of experience in the banking industry.

***Khalaf Abdullah, Chief of Internal Audit Division***

Mr Abdullah joined SIB in 2001 and has 12 years of audit experience in SIB. He graduated from Al Ain University, majoring in accountancy. During his career, Mr Abdullah has been invited to lecture on audit related subjects at various universities, governmental institutions and conferences.

***Anver Jalaldeen, Head of Investment Banking***

Mr Jalaldeen has served as Head of Investment Banking at SIB since 2008. He holds a graduate degree from Oklahoma State University, USA. Prior to joining SIB in 2003, he worked with Wyndham Corporation, Fidelity Investments and Abu Dhabi Islamic Bank. He has over 24 years of experience in financial and investment management.

***Ibraheem Al Awartni, Head of Credit Division***

Mr Awartni joined SIB in 2017 and presently serves as Head of Credit. He holds a Bachelors degree in Economics from Yarmouk University, Jordan, and has over 31 years banking experience. Prior to joining SIB, he has worked with Masraf Alrayan, CBI and Jordan Ahli Bank.

***Mammad Kuniyil, Head of Risk Management***

Mr Kuniyil joined SIB in 2006 and presently serves as the Head of Risk Management. He is a Certified Chartered Accountant from the Institute of Chartered Accountants, India. He has over 18 years of banking experience accompanied by 9 years of Audit Experience in the areas of Statutory Audit, Internal Audits and Certification matters. Prior to joining SIB, he worked with the Saudi British Bank (HSBC affiliate), and Ernst and Young.

***Bobby Shankeshwar, Head of Treasury***

Mr Shankeshwar is a seasoned professional with experience spanning over a period of 24 years in the areas of Finance and Treasury across corporate and bank Treasuries. He joined SIB in 2008 and has been managing the Islamic Treasury Division. His work expertise lies in forex, fixed income and derivatives markets having worked in various organisations in different geographical locations handling Investments and Treasury products, and also managing the market risk through available hedging tools and products. He holds a Bachelor's degree in Engineering (BE) and a Master's degree in Business Administration (Finance) from Department of Management studies (DOMS), University of Madras, India.

***Ali Wahab, Head of Debt Capital Markets***

Mr Wahab has more than 18 years of capital markets experience in the UAE and Pakistan and is responsible for the Debt Capital Markets function at SIB's Investment Banking Division. He joined SIB in 2008 and focused on the investment portfolio. Over the course of his time at SIB, he has been involved in various issuances of sukuk by SIB and other transactions where SIB acts as a joint lead manager. Prior to joining SIB, Mr. Wahab worked at Tabarak Partners and before that at Pakistan Kuwait Investment Company. He holds a Master's in Business Administration from the Institute of Business Administration, Karachi, Pakistan.

***Business Address and Interests***

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

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

## **Board Remuneration**

The members of the Board of Directors of SIB received AED 5.4 million in aggregate by way of board remuneration during the year ended 31 December 2020.

## **Committees of the Board**

### ***Executive Committee***

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

The Executive Committee meets at least once a quarter.

### ***Audit Committee***

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

The Audit Committee meets once a quarter.

### ***Risk Management Committee***

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

The RMC meets once every quarter.

## **Management Committees**

### ***Management Committee***

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

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

### ***Investment Committee***

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

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

### ***IT Steering Committee***

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

### ***Asset and Liability Committee***

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

The members of the ALCO comprise:

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

The ALCO meets frequently to discuss and develop policy matters.

### ***Information Security Working Group Committee (ISWGC)***

The Information Security Working Group Committee (ISWGC) consists of 15 members and is headed by the CRO. The purpose of the ISWGC is to ensure that there is clear direction and visible management support for information security initiatives. The committee is responsible for the following:

- To provide oversight of information security policies, procedures, plans, and execution intended to provide confidentiality, availability, and integrity of the information;
- To formulate the tasks related to Information Security Management System (ISMS) rollout like Risk Management, Policy and Procedure Deployment, Information Security Awareness, Information Security Incident Monitoring, Measurement of control effectiveness, etc;
- To oversee the effectiveness of the information security controls with respect to the information systems, including network security and data security;
- To monitor the significant development in information security related projects, incidents handling and risk mitigation; and
- To review the changes to significant threats and exposures of information assets against cyberattacks, insider activity, error or control failure.

### ***Credit Committee***

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

The members of the CC comprise:

- Chief Executive Officer;
- Deputy Chief Executive Officer;
- Head of Corporate Banking Group.
- Head of Investments Group;
- Head of Liabilities Banking Group; and
- Chief Risk Officer (observer).

The CC meets twice every week.

### ***Human Resource Committee***

The Human Resource Committee (**HRC**) is responsible for making and overseeing decisions relating to employee compensation and benefits, workforce planning performance management and Emiratisation strategies, including ensuring the retention of UAE nationals while maintaining overall quality of human capital employed at SIB.

The members of the HRC comprise the CEO, Deputy CEO, the Head of the Investment Group and Head of the Human Resources Group. The HRC members meets once a month to design, implement and review human resources strategies to be applied at SIB.

### **Human Resources**

The Human Resource function of SIB is a key strategic partner of the Management Committee as it facilitates the achievement of SIB's "Vision, Mission and Values", by ensuring that SIB attracts, develops, engages and retains employees who meet and surpass expectations and are assets to SIB's business. To achieve this mission, SIB regularly benchmarks its human resources practises with its peers to gain the best practices for its employees and seeks continuous improvement (for example, using technology and automating its processes where appropriate, in order to improve operational efficiency and effectiveness).

### **Employees**

As of 30 June 2021, SIB employed 1,167 full time employees. Correspondingly, the employee turnover registered a notable decrease from 8.75 per cent. in 2019 to 5.30 per cent. in 2020.

Due to the COVID-19 pandemic and the related limitations that have been imposed, there has been an adverse impact on some of SIB's human resource strategic objectives for 2021, such as the implementation of the Employee Satisfaction Survey and the application of value recognition awards. SIB has focused its efforts on managing the implications of COVID-19 and the welfare of its employees. SIB implemented strict protocols in line with national standards to safeguard the organisation and its employees. These included: introducing, complying and monitoring the social distancing guidelines, providing personnel protective equipment where required, the formation of a dedicated Emergency Control Committee, promoting employee alerts and awareness, PCR test regulations, vaccination information and health centers, and regular sanitisation of the work environment.

SIB also ensured that its strategic deliverables and employee objectives in relation to its Information Technology Division were not compromised and the Division was provided with the necessary tools to facilitate work-from-home capability with the required levels of access and system support.

## Emiratization

SIB is committed to the development of UAE nationals. As a part of its "Emiratization" strategy, SIB has undertaken several innovative initiatives aimed at attracting UAE nationals in Islamic banking. SIB's in-house development programmes are specially designed to develop and accelerate the career growth of UAE nationals, through mentoring and on-the-job opportunities, thereby creating a culture of progressive growth.

In line with the UAE Central Bank strategy for nationalisation, SIB has invested in efforts aimed at attracting and recruiting UAE graduates for critical and managerial roles within its organisation. SIB plans to continue to recruit, train and support UAE nationals in line with its "Emiratization" policy in order to achieve and exceed the UAE Central Bank nationalisation targets.

## Transactions with related parties

SIB enters into transactions with its major shareholders, directors, senior officers and their related concerns in the ordinary course of business on a commercial arm's length basis. All such dealings with related parties are performing financings and are free of any provision for possible losses. Related party transactions with the Government are specifically included in the related party disclosures in accordance with IFRS. The significant balances outstanding as at 31 December 2020 and 31 December 2019 in respect of related parties are set out in the table below.

## Statement of Financial Position

<b>2020</b>				
	<b>Key management personnel</b>	<b>Major shareholders</b>	<b>Other related parties</b>	<b>Total</b>
		<i>(AED thousands)</i>		
Investment in Islamic financing.....	679,870	2,243,450	6,001,766	8,925,086
Customers deposits.....	(152,012)	(662,205)	(5,018,937)	(5,833,154)
Contingent liabilities – off balance sheet.....	58,489	6,825	20,945	86,259
<b>Statement of profit or loss</b>				
<b>For the year ended 31 December 2020</b>				
Income from Islamic financing.....	27,236	87,521	175,498	290,255
Depositors' share of profit .....	(959)	(5,696)	(98,525)	(105,180)
<b>2019</b>				
	<b>Key management personnel</b>	<b>Major shareholders</b>	<b>Other related parties</b>	<b>Total</b>
		<i>(AED thousands)</i>		
Investment in Islamic financing.....	593,638	2,832,627	1,773,867	5,200,132
Customers deposits.....	(118,518)	(480,881)	(3,112,358)	(3,711,757)
Contingent liabilities – off balance sheet.....	102,957	13,463	8,798	125,218
<b>Statement of profit or loss</b>				
<b>For the year ended 31 December 2019</b>				
Income from Islamic financing.....	20,926	132,558	134,106	287,590
Depositors' share of profit .....	(732)	(4,255)	(58,118)	(63,105)

## THE UNITED ARAB EMIRATES BANKING SECTOR AND PRUDENTIAL REGULATIONS

### Summary

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

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

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

### Characteristics of the Banking System

#### Lack of Consolidation

The UAE could be viewed as an over-banked market, even by regional standards, with 58 commercial banks licensed to operate inside the UAE as at 30 June 2021 (source: Central Bank), serving a population estimated to be in the region of 9.9 million people at the end of 2020 (source: Statistical Yearbook 2020 edition, United Nations Department of Economic and Social Affairs, Statistics Division). There has traditionally been little impetus for consolidation. However, the merger between National Bank of Abu Dhabi and First Gulf Bank which was consummated on 30 March 2017, the merger between Abu Dhabi Commercial Bank, Union National Bank and Al Hilal Bank which was consummated on 1 May 2019, and the acquisition of Noor Bank by Dubai Islamic Bank which was consummated in January 2020, are anticipated to stimulate further moves towards greater consolidation amongst UAE banks.

While such continued consolidation would reduce the level of concentration in the domestic banking sector, it would also likely lead to a significant alteration of the competitive environment with fewer, larger locally incorporated banks competing for the larger financing transactions in the region with the foreign banks, which have tended to have comparatively larger franchises, with greater infrastructure and resources.

#### Domestic Focus

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross-border business.

With a large number of banks, competing for a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and internet banking services. As a consequence, information technology costs have been a prominent feature of many UAE banks' expenses in addition to employee costs.

## Limited Foreign Ownership

In 1987, the UAE federal government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the UAE Central Bank following an agreement to permit market access to banks of GCC state origin in line with continuing efforts in regional integration.

During 2002, the Government of Dubai issued a decree establishing the Dubai International Financial Centre (**DIFC**). The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

In 2013, the Government sought to replicate the success of the DIFC by announcing its intention to establish the Abu Dhabi Global Market (**ADGM**) in Abu Dhabi, as an international financial free zone with its own legal framework (closely based on English common law). The ADGM became operational in mid-2015 and, as at the date of this Base Prospectus, it remains unclear to what extent this will impact the competitive and regulatory landscape in the domestic banking sector.

Federal Law No. 14 of 2018 (which entered into force with effect from 23 September 2018) (**2018 Federal Law**) amended the minimum permissible shareholding by UAE nationals in UAE banks to 60 per cent.

## Exposure to the Oil Sector

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices (see "*Risk Factors – Risk Factors relating to SIB and its Business - The UAE's economy is highly dependent upon its oil revenues*"). In particular, oil revenues tend to drive levels of liquidity and government infrastructure investment. Gradually, however, private non-oil sectors are gaining ground and the UAE economy is becoming less susceptible to oil price movements. In particular, Sharjah is not a large oil producer, being a net consumer of oil products (with the mining and quarrying sector accounting for 3.3 per cent. of Sharjah's GDP in 2020, according to the UAE Federal Competitiveness and Statistics Authority (formerly the National Bureau of Statistics)) and it enjoys a relatively diverse economy.

## Islamic Banking

*Shari'a* (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest. The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank P.J.S.C., Abu Dhabi Islamic Bank P.J.S.C., Emirates Islamic Bank P.J.S.C., Al Hilal Bank P.J.S.C., Ajman Bank, SIB and Amlak Finance. In addition, conventional financial institutions often offer *Shari'a* compliant products and the majority of local and international conventional financial institutions that operate in the UAE also offer *Shari'a* compliant products through their Islamic windows. The number of Islamic banks continues to increase, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks.

## Legal Environment

There are three primary sources of law in the UAE: federal laws and decrees; local laws; and *Shari'a* (Islamic) law. In addition, Emiri decrees can be issued by the rulers of each of the emirates which, when issued, have full legal effect and operation in such emirate. The secondary form of law is trade custom or practice. In the absence of federal

legislation on areas specifically reserved to federal authority, the Ruler of a given Emirate or local government will apply his or its own rules, regulations and practices.

### **Supervision of Banks**

The main legislation applicable to the banking system is the 2018 Federal Law which repeals Federal Law No. 10 of 1980 concerning the status of the UAE Central Bank. The UAE Central Bank's primary roles are to formulate and implement banking, credit, monetary and fiscal policy and to be responsible for ensuring price and currency stability with free convertibility to foreign currencies. It is also the "bank for banks" within the UAE, although it is not the "lender of last resort". In the event of a bank experiencing financial difficulties or a solvency crisis, rescue funds – such as long-term liquidity or equity support – have historically come from the Emirate in which the institution is based. However, in the event of a run on the currency or a major banking crisis, it is likely that the Government would ultimately stand as de facto defender of the currency and the "lender of last resort".

The 2018 Federal Law grants the UAE Central Bank powers to:

- draw up and implement monetary policy;
- exercise currency issuance;
- organise licensed financial activities, establish the foundations for carrying them on, and determine the standards required for developing and promoting prudential practices in accordance with the provisions of the 2018 Federal Law and international standards;
- set up appropriate regulations and standards for protection of customers of licensed financial institutions;
- monitor the credit condition in the UAE, in order to contribute to the achievement of balanced growth in the national economy;
- manage foreign reserves to maintain, at all times, sufficient foreign currency assets to cover the monetary base as per the provisions of the 2018 Federal Law; and
- regulate, develop, oversee and maintain soundness of the financial infrastructure systems in the UAE.

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the UAE Central Bank to issue government debt. However, the UAE Central Bank does issue certificates of deposit (**CDs**) to UAE banks, denominated in both U.S. dollars and UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the UAE Central Bank at any time. In 2007, the UAE Central Bank introduced an auction system which allows U.S. dollar drawings against UAE dirham CD holdings.

The UAE dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in practice, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices.

The UAE Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 20 of 2018 regarding the procedures for Anti-Money Laundering and Combating the Financing of Terrorism and Illicit Organisations. Pursuant to this, the UAE has established the National Committee for Combating Money Laundering and the Financing of Terrorism and Illegal Organisations which is responsible for co-ordinating policies and systems on anti-money laundering and the combating of terrorism financing and assessing the effectiveness of such policies and systems and the representation of the UAE in international forums on these matters. Federal Law No. 20 of 2018 also recommends the establishment of an independent "Financial Information Unit" within the UAE Central Bank to receive and investigate reports submitted by financial institutions and corporate entities regarding suspected illicit financial activity.



Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC. The UAE Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

### **Lack of Developed Capital Markets**

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the DFM and the ADX (both of which were established in 2000), have grown over recent years and have benefitted from the inclusion of the UAE in the MSCI Emerging Markets Index in 2014, they continue to experience bouts of volatility.

The Nasdaq Dubai (formerly known as the Dubai International Financial Exchange) is a securities exchange located in the DIFC which commenced operations on 26 September 2005. In December 2009 the DFM announced its intention to acquire the Nasdaq Dubai, with completion of the acquisition having occurred in July 2010. The DFM and the ADX were upgraded to the MSCI Emerging Markets Index with effect from 1 June 2014, which presents an opportunity for an increase in interest and investment from international institutional investors in the UAE.

### **Government Involvement**

Most of the larger banks in the UAE have some degree of government ownership. Privatisation, though advocated in principle, has been slow to manifest in practice. The state and its related entities are together the banking sector's largest customers, in terms of both deposits and project financing.

### **Expatriate Workforce**

An unusual feature of the UAE economy is its reliance on overseas labour, with expatriates making up approximately 83.3 per cent. of the workforce (source: FCSA Labour Force Survey 2019). The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the UAE has been an increasing concern for the UAE federal government and as part of a policy of "Emiratisation", banks were instructed, in 1999, to increase the percentage of UAE nationals on their payroll by at least 4 per cent. per annum. This policy has now been replaced by the Emiratisation Circular, which has introduced a scoring system which takes into account the employment and progression of Emirati employees in the organisation. The minimum threshold for Emirati employees for each institution is dependent on a number of factors. The Emiratisation Circular does not set any upper limit at which the policy would no longer be applicable. If UAE banks are not able to achieve their targets for recruiting and progressing UAE nationals through their organisation, they will be subject to penalties to be computed in accordance with a specific formula set out in the Emiratisation Circular.

### **Accounting Standards**

Since 1 January 1999, all UAE banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards, which has led to a substantial improvement in disclosure standards.

### **Recent Trends in Banking**

#### ***Profitability***

The performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the UAE between 2004 and 2008 allowed UAE banks to expand significantly.

However, much of this growth focused on the real estate sector and equity financing which, in the context of the 2008 global financial crisis, represented a significant risk to the UAE banking system. Equity prices declined generally in the UAE from 2008 to 2011 in response to the global 2008 financial crisis but rebounded between 2012 and 2019, with the ADX's General Index increasing from 2,630.9 at 31 December 2012 to 5,045.32 at 31 December 2020, and the Dubai Financial Market index increasing from 1,662.5 at 31 December 2012 to 2,491.97 at 31 December 2020 (source: Bloomberg).

During 2008 to 2010, a number of banks were also affected by the impact of mark to market accounting rules on their international investment portfolios. Additionally, during the same period, the UAE economy was negatively impacted by the global economic downturn and, in particular, by the sharp correction in the price of oil, which affected a number of key economic sectors including trade, tourism, real estate and commerce. This economic slowdown, along with reduced levels of liquidity in the market, constrained lending and resulted in the majority of UAE banks being less profitable in this period than in previous years.

### ***Liquidity***

The UAE Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan / financing to deposit ratio of 100 per cent. set by the UAE Central Bank. In this context, financing comprises financing and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on demand or time-based customer deposits made by private individuals or private sector companies. According to data made available by the UAE Central Bank, together, these deposits constituted approximately 61.1 per cent. of total deposits of the UAE banking sector as at 30 June 2021, whereas the UAE federal government and the public sector constituted approximately 26.9 per cent. of total deposits within the UAE banking sector as at 30 June 2021. Non-resident and other sources contributed approximately 12.1 per cent. as at the same date (source: UAE Banking Indicators (July 2021), UAE Central Bank).

The UAE Central Bank has tightened regulations on how banks in the UAE manage liquidity through the introduction of new qualitative, quantitative and reporting requirements on liquidity risk management. In line with Basel III requirements, the UAE Central Bank has issued UAE Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015, replacing Central Bank Notice No. 30/2012) (the **Liquidity Notice**) and which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices. These requirements include the following:

#### ***Responsibilities of the board of directors:***

- to bear ultimate responsibility for liquidity risk management within the relevant UAE bank;
- to be familiar with liquidity risk management with at least one board member having detailed understanding of liquidity risk management; and
- to ensure the clear articulation of liquidity risk tolerance in line with the relevant UAE bank's objectives, strategy and risk appetite.

#### ***Responsibilities of senior management:***

- to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the board of directors;

- to review the UAE bank's strategy and to report to the board of directors on regulatory compliance on a regular basis; and
- to manage liquidity risk in a prudent manner using all available liquidity risk management tools.

*Liquidity risk framework:*

The Liquidity Notice requires each UAE bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the UAE Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
- regular internal stress testing of the portfolio for a variety of scenarios (both institution specific and market-wide); results being communicated to the board of directors and the UAE Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
- establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the UAE Central Bank upon request);
- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and
- a transfer pricing framework (which is commensurate with its liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which were intended to apply until the Basel III LCR and NSFR (each as defined below) come into effect. These include the following:

	<b>Ratio</b>	<b>Applicability Period</b>
Basel III ratios:	Liquidity Coverage Ratio (LCR > 100%)	1 January 2019 onwards
	Net Stable Funding Ratio (NSFR < 100%)	1 January 2018 onwards

The liquidity coverage ratio (the **LCR**) represents a 30 days stress scenario with combined assumptions covering both bank specific and market wide stresses. These assumptions are applied to contractual data representing the main liquidity risk drivers at banks to determine cash outflows within the 30 days stress scenario. The LCR requires that UAE banks should always be able to cover the net cash outflow with eligible liquid assets at the minimum LCR determined by the UAE Central Bank. The Basel III accord requires that this minimum is 100 per cent however, under the temporary relief measures provided by the UAE Central Bank under the TESS, the regulatory LCR limit has been decreased from 100 per cent. to 70 per cent. until 31 December 2021. The Liquidity Notice describes in detail eligible liquid assets for this purpose.

The net stable funding ratio (the **NSFR**) is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE banks contingent liabilities. The NSFR mirrors the Basel III NSFR standard. The NSFR identifies the key uses

of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding (**ASF**) factors to the sources of funds and required stable funding (**RSF**) (usage) factors to asset classes and off balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors follow the Basel III NSFR standards. The minimum NSFR is 100 per cent, however, under the temporary relief measures provided by the UAE Central Bank under the TESS, the regulatory limit has been decreased from 100 per cent. to 90 per cent. until 31 December 2021.

#### *Interim Marginal Lending Facility*

On 15 April 2014, the UAE Central Bank introduced the IMLF which allows non-Islamic UAE banks to use certain rated or UAE federal government entity-issued assets to access UAE Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

The IMLF will let lenders use certain assets as collateral to obtain one-day overnight loans from the UAE Central Bank. Eligible assets that can be used as collateral must be tradeable and include bonds, sukuk and securities issued by the UAE federal government or government-related entities in individual Emirates, as well as by UAE banks and corporations. Securities issued by foreign governments, banks, corporates and supranational agencies can also be used as collateral, but must carry a minimum 'A' credit rating from one of the three main international rating agencies. Banks accessing the IMLF must borrow a minimum of AED 10 million and will be charged 100 basis points over the official UAE base rate.

#### *Collateralized Murabaha Facility*

On 22 June 2011, the UAE Central Bank announced that it would be offering a Collateralized Murabaha Facility to banks in the UAE to provide a source of liquidity to banks. On 22 March 2015, the UAE Central Bank extended the spectrum of "Eligible Collateral" for the existing Collateralized Murabaha Facility to include *Shari'a* compliant securities, effective from 1 April 2015. Islamic banks operating in the UAE, such as SIB, can now access funds from the UAE Central Bank on an overnight basis by posting eligible securities as collateral.

#### *Position of Depositors*

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the UAE federal government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE and a draft law guaranteeing federal deposits was approved by the UAE's National Federal Council in May 2009. In addition, the 2018 Federal Law provides that the board of directors of the UAE Central Bank may issue regulations for the protection of deposits and the rights of depositors. However, until such time as any such law or regulations are passed, there is no guaranteed government support.

#### *Prudential Regulations*

The UAE Central Bank has supervisory responsibility for banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the relevant bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the UAE Central Bank with more up to date information on credit, market and operational risks within the banking sector.

#### *Capital Adequacy*

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of UAE Central Bank Circular Number 27/2009. Since 1993, the

UAE Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier I ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier 1 capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions were deducted from regulatory capital.

Whilst the calculation of capital adequacy ratios in the UAE follows the Bank of International Settlements guidelines, claims on or guaranteed by GCC central governments and central banks are risk-weighted at zero per cent.; claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent.; and GCC sovereign debt is risk-weighted at zero per cent.

In May 2016, the UAE Central Bank published a draft consultation document entitled "Capital Adequacy Regulation" (the **Consultation Document**), detailing the Basel III requirements expected to be followed by banks operating in the UAE, once the applicable legislation has been implemented in the UAE. In particular, the Consultation Document outlined the general quantitative requirements expected to be followed by UAE banks, with regards to Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (together, **Regulatory Capital**). It also outlined, amongst other things, the Regulatory Capital ratios that UAE banks will be expected to follow and adhere to, the individual UAE bank minimum capital conservation standards and the required disclosure standards expected to be made available by UAE banks with respect to Regulatory Capital. On 23 February 2017, UAE Central Bank published the "Regulations re Capital Adequacy" (the **February 2017 Regulations**) in the Official Gazette issue 612, which were effective from 1 February 2017. The February 2017 Regulations are intended to ensure that the capital adequacy of all banks operating in the UAE is in line with the Basel III requirements, whilst implementing the measures contained in the Consultation Document. The February 2017 Regulations are supported by the accompanying standards entitled "Standards for Capital Adequacy of Banks in the UAE" which were published by the UAE Central Bank on 12 November 2020 by virtue of Notice No. CBUAE/BSD/N/2020/4980 (the **Accompanying Standards**). The Accompanying Standards elaborate on the supervisory expectations of the UAE Central Bank with respect to the relevant Basel III capital adequacy requirements.

SIB is required by the UAE Central Bank to maintain a minimum total capital adequacy ratio of 13.0 per cent. As of 30 June 2021, SIB's capital adequacy ratio was 20.78 per cent.

See further "*Description of Sharjah Islamic Bank – Risk Management – Basel III – Capital Adequacy*".

### ***Reserve Requirements***

See "*Description of Sharjah Islamic Bank – Risk Management – Basel III – Capital Adequacy*".

As part of the temporary relief measures provided by the UAE Central Bank under the TESS, the reserve requirement for banks to maintain 14 per cent. of customer deposits with the UAE Central Bank has been reduced to 7 per cent.

### ***Credit Controls***

Banks are required by the UAE Central Bank to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers / clients, economic sectors and foreign countries.

The UAE Central Bank's circular dated 23 February 2011 on retail banking and Notice No. 31/2013 dated 28 October 2013 (which was published in the Official Gazette on 28 November 2013 and entered into force on 28 December 2013), as amended by Notice No. CBUAE/BSN/2020/1799 dated 8 April 2020 and Resolution No. 31/2/2020 Amending Circular No. 31/2013 (the **Mortgage Regulations**), introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months. Additionally, the Mortgage Regulations specify that the amount of mortgage loans for non-UAE nationals should not exceed 80 per cent. of the property value for a first purchase of a home (with a value of less than or equal to AED 5 million), 70 per cent. of the property value for a first purchase of a home (with a value greater than AED 5 million) and 60 per cent. of the property value (irrespective of the value of the property) for second and subsequent homes. For UAE nationals, the corresponding limits are set at 85 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 75 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

### ***Large Exposures***

The UAE Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits.

The UAE Central Bank published the Large Exposure Notice in the Official Gazette on 30 December 2013 and it entered into force on 30 January 2014. The Large Exposure Notice introduced limits of 100 per cent. of the bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit to any single such non-commercial entity. Exposures above these limits are subject to approval by the UAE Central Bank. Set out below is a table showing a summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel II):

	<b>Individual</b>	<b>New Limit Aggregate</b>	<b>Old Limit Individual</b>	<b>Aggregate</b>
UAE federal government and their non-commercial entities .....	Exempt No cap for UAE local government; 25% for each non-commercial entity	Exempt	Exempt	Exempt
UAE local government and their non-commercial entities .....	25%	100%	Exempt	Exempt
Commercial entities of UAE federal government and UAE local government .....	25%	100%	25%	None
Commercial or other (non-commercial) private sector entities and individuals.....	25% max	None	7%	None
Shareholders who own 5 per cent. or more of the bank's capital and related entities .....	20%	50%	7%	None
Exposure to bank's subsidiaries and affiliates.....	10%	25%	20%	60%
Board members .....	5%	25%	5%	25%

### ***Provisions for Loan Losses***

For UAE banks, IFRS 9 was introduced for financial reporting periods commencing on 1 January 2018, replacing IAS 39 and introducing an ECL model for the measurement of the impairment of financial assets, such that it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. IFRS 9 provision uses a three stage approach in recognising increased credit risk at each stage of risk (i.e., Stage 1 for current facilities, Stage 2 for significant increase in credit risk and Stage 3 for impaired loans).

On 27 March 2020, the IASB issued a guidance note, advising that both the assessment of a significant increase in credit risk and the measurement of ECLs are required to be based on reasonable and supportable information that is

available to an entity without undue cost or effort. In assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant government support measures being undertaken.

Under the TESS, the IFRS 9 staging and classification of loans of customers that are Stage 1 and are receiving relief is expected to remain unchanged during the period of the scheme and not downgraded. In addition, a part of the UAE Central Bank's stimulus package in response to COVID-19, banks are able to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024.

### ***Establishing a Credit Bureau in the UAE***

Al Etihad Credit Bureau (the **AECB**) is a federal government company specialised in providing UAE-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the UAE Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations.

The implementation of regulations for the sharing of credit report data and the commercial operation of the UAE's first credit bureau is expected to reduce the risk involved in the origination of customer lending and banking business generally.

### **COVID-19**

In response to the COVID-19 outbreak (see "*Risk Factors – Risks relating to SIB and its business – Political, economic and related risks*"), effective from 15 March 2020, the UAE Central Bank implemented a Targeted Economic Support Scheme (the **TESS**) including a range of measures aimed at mitigating the effects of COVID-19 on the UAE economy. The TESS and other accompanying stimulus measures include (in addition to cutting interest rates as discussed in such risk factor):

#### ***Targeted Economic Support Scheme***

- allowing banks operating in the UAE access to loans and advances, against collateral, extended at zero cost by the UAE Central Bank until 30 June 2022, the proceeds of which are to be used by UAE banks to grant temporary relief to private sector corporate customers and retail clients;
- reducing the capital conservation buffer by 3 per cent. and reducing the domestic systematically important bank (**DSIB**) buffer by 1.5 per cent. until 31 December 2021;
- allowing banks to utilise 60 per cent. of their capital conservation buffer and 100 per cent. of their D-SIB buffer, as applicable, without supervisory consequences, until 31 December 2021;
- allowing banks that are subject to regulatory LCR requirements to fall below the regulatory LCR requirement of 100 per cent. provided that their LCR is higher than or equal to 70 per cent, with such changes to the LCR applicable until 31 December 2021, subject to having fully utilised the limit available under the zero cost facility of TESS;
- allowing banks that are subject to NSFR to fall below the regulatory NSFR requirement of 100 per cent., provided that their NSFR is higher than or equal to 90 per cent., while other banks are allowed to go above the regulatory ASRR requirement of 100 per cent., provided that their ASRR is lower than or equal to 110 per cent., with such changes to the NSFR and ASRR being applicable until 31 December 2021 for all banks operating in the UAE; and
- expecting banks to leave unchanged and not downgrade the IFRS 9 staging and classification of customers who are receiving temporary relief linked to the TESS and are temporarily and mildly impacted by COVID-19, thereby having no significant impact on their creditworthiness. In the case of customers who are receiving temporary

relief linked to the TESS but are expected to be significantly impacted by COVID-19 in the long-term, thereby having a significant impact on their creditworthiness, expecting banks to downgrade such customers to either Stage 2 or Stage 3 in accordance with IFRS 9.

*Further measures to support the UAE economy in response to COVID-19*

- decreasing the UAE Central Bank's minimum reserve requirement for all current, call and savings deposits from 14 per cent. to 7 per cent.;
- administering a gradual implementation of certain Basel III capital requirements from 31 March 2021 to 31 March 2022; and
- allowing banks to apply a prudential filter to IFRS 9 expected loss provisions. The prudential filter will allow any increase in IFRS 9 provisioning compared to 31 December 2019 to be partially added back to regulatory capital. This will allow IFRS 9 provisions to be gradually phased-in over a five year period until 31 December 2024.

As at the date of this Base Prospectus, SIB has accessed support available to it through the TESS. In addition, SIB has also availed of the opportunity to apply a prudential filter to its IFRS 9 expected loss provisions. Although SIB has sought to make use of the foregoing measures made available to it by the UAE Central Bank, it has not as at the date of this Base Prospectus sought to access any of its existing capital buffers.



## OVERVIEW 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).*

### Master Purchase Agreement

The Amended and Restated Master Purchase Agreement will be entered into on 20 December 2021 between SIB Sukuk Company III Limited (in its capacities as Trustee and as Purchaser) and SIB (in its capacity as Seller) and will be governed by the laws of Sharjah and, to the extent applicable therein, the federal laws of the UAE. A Supplemental Purchase Contract (together with the Master Purchase Agreement, each a **Purchase Agreement**) between the same parties will be entered into on the Issue Date of each tranche of a Series and will also be governed by the laws of Sharjah or, in the case of Real Estate Ijara Assets located in another Emirate, the laws of that Emirate and to the extent applicable therein in Sharjah or, as the case may be, that other Emirate, the federal laws of the UAE. A Purchase Agreement may also be entered into on any other date that the Portfolio Principal Revenues standing to the credit of the Principal Collection Account are to be used to acquire additional Assets. Pursuant to the Purchase Agreement, the Seller will sell to the Purchaser, and the Purchaser will buy from the Seller, the relevant Initial Portfolio or the relevant additional Assets, as the case may be, together with the transfer and assignment by the Seller to the Purchaser of all of the Seller's rights, title, interests, benefits and entitlements in, to and under the Assets which comprise the relevant Initial Portfolio or additional Assets, as the case may be. The relevant Initial Portfolio or relevant additional Assets, as the case may be, will also be identified in the annex to the applicable Supplemental Purchase Contract.

### Service Agency Agreement

The Amended and Restated Service Agency Agreement will be entered into on 20 December 2021 between SIB Sukuk Company III Limited (in its capacity as Trustee) and SIB (as Service Agent of each Portfolio) and will be governed by English law.

### Services

Pursuant to the Service Agency Agreement, the Trustee will appoint the Service Agent to service the Portfolio applicable to each Series. In particular, the Service Agent will, in relation to each Series, perform, amongst other things, the following services (the **Services**) as agent of the Trustee:

- (a) it shall service the Portfolio in accordance with the corresponding Service Schedule set out in the Schedule to the Service Agency Agreement (a copy of which will be scheduled to the relevant Supplemental Purchase Contract, which includes the amount which the Trustee commercially expects to earn from the relevant Assets (the **Expected Portfolio Income Revenues Amount**)), which shall be completed at the time of issue of the first tranche of the relevant Series upon receipt from the Trustee of the relevant Supplemental Purchase Contract and the applicable Final Terms;
- (b) if the Trustee issues an additional tranche, it shall, as soon as practicable, after such issuance amend the Service Schedule for that Series to take into account the issuance of such additional tranche;
- (c) it shall ensure that, on the Issue Date of each tranche of a Series more than 50 per cent. of the Portfolio Value is derived from Tangible Assets;
- (d) it shall procure that, at all times following each Issue Date of the first Tranche of a Series, more than 50 per cent. of the Portfolio Value is derived from Tangible Assets and in the event that, at any time, the aggregate Value of the Tangible Assets comprised within the Portfolio falls to 50 per cent. or less (but is at least 33 per cent. of the Portfolio Value), the Service Agent will take any and all steps as may be required by the Internal *Shari'a* Supervisory Committee of SIB to raise such percentage to a level that is more than 50 per cent. within the time period determined by the Internal *Shari'a* Supervisory Committee of SIB;
- (e) in the event that there are Portfolio Principal Revenues standing to the credit of the Principal Collection Account and to the extent that SIB has Eligible Assets available for sale to the Trustee, it shall use its reasonable endeavours to notify the Trustee of: (i) the amount standing to the credit of the Principal Collection Account which can be used for the purposes of purchasing the Eligible

Assets (which amount shall not be greater than the aggregate Value of such Eligible Assets); and (ii) the details and aggregate Value of such proposed Eligible Assets, to allow the Trustee to have sufficient information to enable it to acquire further Tangible Assets;

- (f) it shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it considers (and without the need for the consent of the Trustee) reasonably necessary to ensure the assumption of, and compliance by each Asset Obligor with its covenants, undertakings or other obligations under the Asset Contract to which it is a party in accordance with applicable law and the terms of the Asset Contract, in each case in respect of the Assets;
- (g) it shall discharge or procure the discharge of all obligations to be discharged by SIB (in whatever capacity) in respect of any of the Assets under all Asset Contracts, it being acknowledged that the Service Agent may appoint one or more agents to discharge these obligations on its behalf;
- (h) it shall pay on behalf of the Trustee any actual costs, expenses, actual losses and Taxes (as defined in the Service Agency Agreement) which would otherwise be payable by the Trustee as a result of the Trustee's ownership of the Portfolio, such actual costs, expenses, actual losses and Taxes will be reimbursed in accordance with the Service Agency Agreement;
- (i) it shall use all reasonable endeavours to ensure the timely receipt of all Portfolio Revenues, investigate non-payment of Portfolio Revenues and generally make all reasonable efforts to collect or enforce the collection of such Portfolio Revenues under all Asset Contracts as and when the same shall become due;
- (j) it shall ensure that all Portfolio Income Revenues are received free and clear of all set-off, counterclaims deductions or withholdings for or on account of Taxes (or have otherwise been grossed up accordingly);
- (k) it shall maintain the Collection Accounts as described further under "*Collection Accounts*" below;
- (l) it shall obtain all necessary authorisations in connection with any of the Assets and its obligations under or in connection with the Service Agency Agreement;
- (m) it shall use its reasonable endeavours to ensure that all Asset Obligors in respect of Tangible Assets maintain industry standard insurances, and fulfil all structural repair, major maintenance and all other obligations in respect of the relevant Tangible Assets (each in accordance with the terms of the relevant Asset Contracts relating to the Tangible Assets);
- (n) it will use its reasonable endeavours to procure that the legal title to the Assets is held by SIB (in its capacity as seller) for and on behalf of the Trustee for so long as such Assets are comprised within the Portfolio; and
- (o) it shall carry out any incidental matters relating to any of the above services.

The Trustee and the Service Agent have acknowledged and agreed that the occurrence of a Tangibility Event shall constitute a SIB Event.

For these purposes:

**Asset** means, in relation to a Series, each asset constituting the relevant Portfolio.

**Asset Contract** means the contracts and/or other agreements and/or documents evidencing or otherwise related to or associated with an Asset.

**Asset Obligor** means any person (other than SIB or any person acting on behalf of SIB or in conjunction with SIB as part of a syndicate of financiers or investors) that is a party to an Asset Contract as a party owing obligations to SIB or any person acting on behalf of SIB.

**Ownership Period** means, in relation to each Series, the period commencing on the Issue Date of the first Tranche of such Series and ending on the date on which all of the Certificates of that Series are redeemed in full.

**Portfolio Value** means the sum of: (a) the Value of each Asset comprised in the Portfolio at the relevant time; and (b) any Portfolio Principal Revenues held by the Service Agent at the relevant time.

**Tangibility Event** means, if, at any time, following the Issue Date of the first Tranche of a Series, the aggregate Value of the Tangible Assets comprised within the Portfolio in relation to such Series falls below 33 per cent. of the Portfolio Value.

**Value** means, in respect of any Asset, the amount in the Specified Currency (following conversion, if necessary, of any relevant amount(s) at the spot rate of exchange (as defined in the Service Agency Agreement)) determined by SIB on the relevant date as being equal to: (a) in the case of Tangible Assets which are leased on an *ijara muntahiah bittamleek* (financial lease) basis, the aggregate of all outstanding fixed rental instalment amounts payable by the lessee or other equivalent fixed instalment amounts payable by the obligor, in each case in the nature of capital or principal payments in respect of the relevant asset; (b) in the case of Tangible Assets which are not leased on an *ijara muntahiah bittamleek* (financial lease) basis, the initial agreed value or the outstanding base amounts or other equivalent of aggregate fixed instalment amounts payable by the obligor or any other amounts in the nature of capital or principal payments in respect of the relevant asset; (c) in the case of Other Tangible Assets either: (i) the outstanding base amounts or other equivalent of aggregate fixed instalment amounts payable by the obligor which are in the nature of capital or principal payments in respect of the relevant asset; or (ii) in the case of *sukuk* or trust certificates: (A) only for the purposes of paragraph (e) above (in the list of Services) and for determining the Portfolio Value, the outstanding face amount of such *sukuk* or trust certificates; and (B) in all other cases (including, for the avoidance of doubt, determining the tangibility levels as contemplated by clauses 3.1(c) and 3.1(d) of the Service Agency Agreement), the product of (i) the outstanding face amount of such *sukuk* or trust certificates; and (ii) the minimum tangibility requirement (expressed as a percentage) for such *sukuk* or trust certificates as further detailed in the relevant terms and conditions (and related transaction documents) relating to such *sukuk* or trust certificates, in each case determined by SIB as being equal to the value of that Asset on each day on which it remains part of the relevant Portfolio.

#### ***Possession, records and documents***

The Service Agent will undertake, in relation to each Series, that it shall: (a) maintain actual or constructive possession, custody or control of all or any part of the Assets comprising the Portfolio during the Ownership Period, in each case in accordance with the terms of the relevant Asset Contracts; and (b) keep and maintain (and provide to the Trustee within 90 days of receiving a request in writing) all documents, books, records and other information reasonably necessary or advisable for the collection of all amounts due in respect of the Assets and all amounts credited to the Collection Accounts.

The Service Agent will agree in the Service Agency Agreement:

- (a) to provide the Services in accordance with all applicable laws and regulations;
- (b) to provide the Services with the degree of skill and care that it would exercise in respect of its own assets;
- (c) to ensure that the Services do not extend to any investment services on a discretionary basis in relation to the Assets or any Portfolio Revenues; and
- (d) service the Assets in accordance with the Shari'a principles as set out in the Shari'ah Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the resolutions issued by the Higher Sharia Authority of the Central Bank of the United Arab Emirates, in each case, from time to time, as interpreted by SIB's Internal *Shari'a* Supervisory Committee.

#### ***Service Agency Liabilities Amounts and Fees***

The Trustee and the Service Agent will agree that any Service Agency Liabilities Amounts (as defined below) incurred by the Service Agent in providing the Services in relation to a Series shall be paid by the Trustee by way of the application of amounts standing to the credit of the Income Collection Account (as defined below) by the Service Agent on the Trustee's behalf in payment of such amounts from time to time (as described below) or from the Portfolio Revenues on the final Dissolution Date under the Programme.

The Trustee and the Service Agent agree and confirm that the Service Agent shall have no investment agency responsibilities (including any discretionary investment responsibilities with respect to monies received by it pursuant to the Transaction Documents or any discretionary substitution of an Asset) with respect to its appointment as service agent of the Trustee under this Service Agency Agreement and, other than as provided for in the Transaction Documents, is not permitted to trade in the Assets.

For these purposes, **Service Agency Liabilities Amounts** means, in relation to each Series, the amount of any claims, actual costs, actual losses and expenses properly incurred or suffered by the Service Agent or other payments made by the Service Agent on behalf of the Trustee in each case in providing the Services during a **Distribution Period** (being a period that corresponds with the relevant Return Accumulation Period under the Certificates), but does not include amounts in respect of any Liquidity Facilities (as defined below).

SIB shall be entitled to receive a fixed fee of U.S.\$100 for acting as Service Agent under the Service Agency Agreement. In addition, following payment of all amounts due and payable under the Certificates of each Series on the final Dissolution Date, the Service Agent will be entitled to retain any amounts that remain standing to the credit of the Income Reserve Collection Account in relation to that Series for its own account as an incentive payment for acting as Service Agent.

### ***Collection Accounts***

In relation to each Series, the Service Agent will maintain three ledger accounts (such accounts being the **Principal Collection Account**, the **Income Collection Account** and the **Income Reserve Collection Account**) in its books (each of which shall be denominated in the Specified Currency) in which all revenues from the Assets (the **Portfolio Revenues**) will be recorded. The Portfolio Revenues include all rental and other amounts payable by the relevant Asset Obligor under the terms of the relevant Asset Contract, all sale proceeds or consideration, actual damages, insurance proceeds, compensation or other sums received by the Service Agent or SIB in whatever currency in respect of or otherwise in connection with the relevant Assets. All Portfolio Revenues in relation to each Series will be recorded:

- (a) to the extent that any such amounts comprise amounts in the nature of sale, capital or principal payments, expressed, whenever applicable, as an amount in the Specified Currency (following conversion, if necessary, of any relevant amounts at the spot rate of exchange determined by SIB) (**Portfolio Principal Revenues**) in the Principal Collection Account; and
- (b) to the extent that any such amounts comprise amounts other than Portfolio Principal Revenues (**Portfolio Income Revenues**), in the Income Collection Account.

Amounts standing to the credit of the Income Collection Account relating to each Series will be applied by the Service Agent on each **Distribution Determination Date** (being the Business Day immediately prior to the relevant Periodic Distribution Date under the Certificates of the relevant Series) in the following order of priority:

- (a) first, in payment of any amounts advanced and outstanding by way of a Liquidity Facility;
- (b) second, in payment of any Service Agency Liabilities Amounts for the Distribution Period ending immediately before the immediately following Distribution Date (being the date which corresponds with the relevant Periodic Distribution Date under the Certificates of the relevant Series);
- (c) third, the Service Agent will pay into the relevant Transaction Account an amount equal to the lesser of the Required Amount payable on the immediately following Periodic Distribution Date and the remaining balance of the Income Collection Account; and
- (d) any amounts still standing to the credit of the Income Collection Account immediately following payment of all of the above amounts shall be debited from the Income Collection Account and credited to the Income Reserve Collection Account.

For the purposes of the Service Agency Agreement, the **Required Amount** will mean an amount equal to the aggregate of the Periodic Distribution Amounts and any other amounts payable by the Trustee in respect of the relevant Certificates on each relevant Periodic Distribution Date.

The Service Agent will be entitled to deduct amounts standing to the credit of the Income Reserve Collection Account at any time and use such amounts for its own account, provided that such amounts shall be repaid by it if so required to fund a Shortfall (as defined and described below).

### ***Shortfalls and Liquidity Facilities***

If on a Distribution Determination Date (after: (i) payment of the relevant amounts standing to the credit of the Income Collection Account into the relevant Transaction Account in accordance with paragraph (c) under “*Collection Accounts*” above; and (ii) taking into account any other payments made or to be made into the relevant Transaction Account pursuant to any other Transaction Document) there is a shortfall (each a **Shortfall**) between:

- (a) the amounts standing to the credit of the relevant Transaction Account; and
- (b) the Required Amount payable on the immediately following Periodic Distribution Date,

the Service Agent will pay into the relevant Transaction Account on that Distribution Determination Date from the amounts standing to the credit of the Income Reserve Collection Account (if any) an amount equal to the Shortfall (or such lesser amount as is then standing to the credit of the Income Reserve Collection Account). If any Shortfall still remains after payment to the relevant Transaction Account of the amounts credited to the Income Reserve Collection Account (as described in this paragraph) and after payment to the relevant Transaction Account of all other amounts payable pursuant to any other Transaction Document, the Service Agent may either: (A) provide *Shari’a* compliant funding itself; or (B) procure *Shari’a* compliant funding from a third party, in each case, to the extent necessary, by payment of the same into the relevant Transaction Account, on terms that such funding is settled: (i) from Portfolio Income Revenues in accordance with the Service Agency Agreement; or (ii) from the Exercise Price on the date on which the Certificates of the relevant Series are redeemed in full, to ensure that the Trustee receives on each Distribution Determination Date the Required Amount payable by it in accordance with the Conditions of the relevant Series on the immediately following Periodic Distribution Date (such funding in relation to a Series, a **Liquidity Facility**).

### ***Payments under the Service Agency Agreement***

The Service Agent will agree in the Service Agency Agreement that all payments by it under the Service Agency Agreement will be made without any deduction or withholding for or on account of tax unless required by law and (save as set out therein and without prejudice to paragraph (h) under “*Services*” above) without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding, the Service Agent shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made. The payment obligations of the Service Agent under the Service Agency Agreement will be direct, unconditional, unsubordinated and (subject to the provisions of the Purchase Undertaking) unsecured obligations of the Service Agent which rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of SIB save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

### ***Purchase Undertaking***

The Amended and Restated Purchase Undertaking will be executed as a deed on 20 December 2021 by SIB in favour of SIB Sukuk Company III Limited (in its capacity as Trustee) and the Delegate, and will be governed by English law.

SIB will, in relation to each Series, irrevocably undertake in favour of the Trustee and the Delegate to purchase all of the Trustee’s rights, title, interests, benefits and entitlements in, to and under the relevant Portfolio on the relevant Scheduled Dissolution Date or any earlier Dissolution Date (other than where the Dissolution Date is a Certificateholder Put Right Date, as to which see below) for the relevant Series at the Portfolio Exercise Price, which shall be an amount in the Specified Currency equal to the aggregate of:

- (a) the aggregate outstanding face amount of the Certificates of the relevant Series on the relevant Dissolution Date;
- (b) an amount equal to all due but unpaid Periodic Distribution Amounts (if any) relating to the Certificates of the relevant Series; and
- (c) an amount equal to the sum of any outstanding: (i) amounts payable in respect of any Liquidity Facility; and (ii) any Service Agency Liabilities Amounts.

The Trustee will also be entitled to exercise the Purchase Undertaking following any exercise by the Certificateholders of any relevant Series of their right to require the Trustee to redeem their Certificates on a Certificateholder Put Right Date, in which case SIB will be required to purchase a portion of the relevant Portfolio (such portion to comprise the **Certificateholder Put Right Assets**) with an aggregate Value no greater than the aggregate face amount of the Certificates to be redeemed. The exercise price (the **Certificateholder Put Right Exercise Price** and, together with the Portfolio Exercise Price, each an **Exercise Price**) payable for the **Certificateholder Put Right Assets** will be an amount in the Specified Currency equal to the aggregate of:

- (a) the product of: (i) the aggregate face amount of the relevant Certificateholder Put Right Certificates; and (ii) the Optional Dissolution Amount (Certificateholder Put) Percentage specified in the applicable Final Terms;
- (b) an amount equal to all due but unpaid Periodic Distribution Amounts (if any) relating to the relevant Certificateholder Put Right Certificates; and
- (c) (only where no Certificate of the relevant Series remains outstanding following the exercise of the Certificateholder Put Right) an amount equal to the sum of any outstanding: (i) amounts payable in respect of any Liquidity Facility; and (ii) any Service Agency Liability Amounts.

If the Delegate exercises any of the redemption rights described above, an exercise notice will be required to be delivered by the Delegate under the Purchase Undertaking.

To the extent that there are any outstanding: (a) amounts payable in respect of any Liquidity Facility; or (b) Service Agency Liabilities Amounts, on any exercise under the Purchase Undertaking (and service of an exercise notice), such amounts shall be set-off in full against the Portfolio Exercise Price or the Certificateholder Put Right Price (as the case may be) payable by SIB under the Purchase Undertaking and any Sale Agreement.

If SIB fails to pay all or part of any Exercise Price that is due in accordance with the Purchase Undertaking and provided that no Sale Agreement has been entered into, then SIB will agree in the Purchase Undertaking that it will irrevocably, unconditionally and automatically (without the necessity for any notice or any other action) continue to act as Service Agent for the provision of the Services in respect of the relevant Portfolio on the terms and conditions, *mutatis mutandis*, of the Service Agreement.

SIB will expressly declare in the Purchase Undertaking that:

- (a) the relevant Exercise Price represents a fair price for the purchase of all of the Trustee's rights, title, interests, benefits and entitlements in, to and under the relevant Portfolio or the relevant Certificateholder Put Right Assets, as the case may be; and
- (b) it shall irrevocably and unconditionally accept all or any ownership interest the Trustee may have in the relevant Portfolio or the relevant Certificateholder Put Right Assets, as the case may be, and, accordingly, shall not dispute or challenge all or any ownership interest the Trustee may have acquired under (or as contemplated by) the Supplemental Purchase Contract or any of the other Transaction Documents in any way.

SIB has further undertaken in the Purchase Undertaking that if:

- (a) at the time of delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, SIB (acting in any capacity) remains in actual or constructive possession, custody or control of all or any part of the Portfolio; and
- (b) following delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, the Portfolio Exercise Price or the Certificateholder Put Right Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever,

SIB shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the relevant Certificates and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price.

Payment of an amount equal to the Portfolio Exercise Price or the Certificateholder Put Right Exercise Price (as the case may be) into the Transaction Account in accordance with the Purchase Undertaking shall evidence the acceptance of the Exercise Notice by SIB delivered in accordance with the provisions of the Purchase Undertaking and the conclusion of the transfer of the rights, title, interest, benefits and entitlements of the Trustee in, to and under the Portfolio or any of the Assets comprising the Portfolio or the Certificateholder Put Right Assets, as the case may be, to SIB. Payment of an amount equal to the Portfolio Exercise Price or the Certificateholder Put Right Exercise Price (as the case may be) into the Transaction Account in accordance with the Purchase Undertaking shall also constitute full discharge of the obligation of SIB to pay the Portfolio Exercise Price or the Certificateholder Put Right Exercise Price (as the case may be) to the Trustee (for the benefit of the Certificateholders).

In the Purchase Undertaking, SIB undertakes that, so long as any Certificate remains outstanding, SIB will not, and shall ensure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest, other than a Permitted Security Interest, upon the whole or any part of its present or future undertakings, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or any Guarantee of Relevant Indebtedness given by it without:

- (a) at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is, in whatever capacity, a party; or
- (b) providing such other Security Interest for those obligations as may be approved by the Certificateholders by an Extraordinary Resolution.

SIB has agreed that each of the following events will constitute a **SIB Event**:

- (a) **Non-payment:** SIB (acting in any capacity) fails to pay any amount payable by it pursuant to any Transaction Document to which it is a party and such failure continues for a period of 14 days of the due date for payment; or
- (b) **Breach of other obligations:** SIB (acting in any capacity) defaults in the performance or observance of any of its covenants and/or obligations under or in respect of the Transaction Documents and such default remains unremedied, unless the default is, in the opinion of the Delegate, capable of remedy and is not, in the opinion of the Delegate, remedied within 28 days after written notice of such default shall have been given to SIB by the Delegate; or
- (c) **Tangibility Event:** a Tangibility Event occurs; or
- (d) **Cross Acceleration:**
  - (i) any Indebtedness of SIB or any of its Material Subsidiaries (or any Guarantee given by any of them in respect of any Indebtedness) is not paid when due or, as the case may be, within any originally applicable grace period; or
  - (ii) any such Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity (or, in the case of a Guarantee, is called) as a result of an event of default (however described),

provided, however, that it shall not constitute a SIB Event unless the aggregate amount (or its equivalent in U.S. dollars) of all such Indebtedness or Guarantees either alone or when aggregated with all other Indebtedness or Guarantees which shall remain unpaid or unsatisfied or is so declared or becomes due and payable or is called, as the case may be, shall be more than U.S.\$10,000,000 (or its equivalent in any other currency); or

- (e) **Repudiation:** SIB (acting in any capacity) repudiates or challenges the valid, legal, binding and enforceable nature of any or any part of a Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate or challenge the valid, legal, binding and enforceable nature of any Transaction Document to which it is a party; or
- (f) **Illegality:** at any time it is or will become unlawful for SIB (acting in any capacity) to perform or comply with any or all of its obligations under or in respect of the Transaction Documents or any of

the obligations of SIB (acting in any capacity) under the Transaction Documents are not, or cease to be legal, valid, binding and enforceable; or

- (g) **Moratorium:** if SIB for any reason declares a moratorium on the payment of any Indebtedness or in respect of any Guarantee of any Indebtedness given by it; or
- (h) **Failure to take action etc:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order:
  - (i) to enable SIB (acting in any capacity) lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Transaction Documents; or
  - (ii) to ensure that those obligations are legal, valid, binding and enforceable,

is not taken, fulfilled or done and, in each case, is incapable of remedy or, if, in the opinion of the Delegate, is capable of remedy, is not, in the opinion of the Delegate, remedied within 14 days after written notice requiring remedy shall have been given to SIB by the Delegate; or

- (i) **Insolvency etc:** if any one of the following events shall occur and be continuing:
  - (i) SIB or any of its Material Subsidiaries takes any corporate action or other steps are taken or legal proceedings are started for its winding-up, nationalisation, dissolution, bankruptcy, administration or reorganisation (whether by way of voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of any substantial part or all of its revenues and assets, except for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (1) on terms approved by an Extraordinary Resolution of the Certificateholders or (2) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in SIB or another Subsidiary of SIB;
  - (ii) SIB or any of its Material Subsidiaries is (or is deemed by a court or any applicable legislation to be) insolvent or bankrupt or unable to pay all or a material part of its debts as the same fall due, or stops, suspends or threatens to stop or suspend payment of all or a material part of its debts;
  - (iii) SIB or any of its Material Subsidiaries take any action or commences any negotiations or proceedings with a view to (1) the general readjustment or rescheduling of all or a material part of its debts, or (2) any deferment of any of its obligations or (3) making a general assignment or an arrangement or composition or conciliation with or for the benefit of its creditors in respect of all or a material part of its debts; or
  - (iv) SIB or any of its Material Subsidiaries ceases to carry on the whole or a substantial part of its business except for the purposes of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (1) on terms approved by an Extraordinary Resolution of the Certificateholders or (2) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in SIB or another Subsidiary of SIB; or
- (j) **Creditor's process:** any expropriation, execution, attachment, distress, sequestration or other similar legal process made pursuant to a court order or judgment or arising by virtue of any law or regulation affects the whole or any substantial part of the property of SIB or any of its Material Subsidiaries and is not discharged within 30 days; or
- (k) **Unsatisfied judgments:** the aggregate amount of all unsatisfied judgments, decrees or orders of courts or other appropriate law enforcement bodies for the payment of money against SIB or any of its Material Subsidiaries in the aggregate exceeds U.S.\$10,000,000 (or the equivalent thereof in any other currency or currencies) and there is a period of 30 days following the entry thereof or, if later,



the date therein specified for payment during which such judgment, decree or order is not appealed, discharged, waived or the execution thereof stayed; or

- (l) **Enforcement of security:** any Security Interest present or future, created or assumed by SIB or any of its Material Subsidiaries in respect of all or a material part of the property, assets or revenues of SIB or any of its Material Subsidiaries, as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person); or
- (m) **Government action:** by or under the authority of any government or governmental body:
  - (i) the management of SIB or any of its Material Subsidiaries is wholly or partially displaced or the authority of SIB or any of its Material Subsidiaries in the conduct of its business is wholly or partially curtailed; or
  - (ii) all or a majority of the issued shares of SIB or any of its Material Subsidiaries or the whole or a substantial part of their respective revenues or assets is seized, nationalised, expropriated or compulsorily acquired; or
- (n) **Analogous event:** any event occurs which has an analogous effect to any of the events referred to in paragraphs (i)(Insolvency etc), (j)(Creditor's process) and (l)(Enforcement of security) (inclusive) above.

For the purposes of the negative pledge to be given by SIB and SIB Events:

**Guarantee** means, in relation to any Indebtedness or Relevant Indebtedness of any person, any obligation of another person to pay such Indebtedness or Relevant Indebtedness following demand or claim on that person including (without limitation):

- (a) any obligation to purchase such Indebtedness or Relevant Indebtedness;
- (b) any obligation to extend financing, 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 or Relevant Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness or Relevant Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness or Relevant Indebtedness.

**Indebtedness** means any present or future indebtedness of any person for or in respect of any money borrowed or raised including (without limitation) any money or liability arising under or in respect of any acceptance or acceptance credit or evidenced by any notes, sukuk, bonds, debentures, debenture stock, loan stock or other securities or any moneys raised under any transaction having the commercial effect of borrowing or raising money.

**Material Subsidiary** means, at any time, any Subsidiary:

- (a) whose total assets (consolidated, in the case of a Subsidiary which itself has Subsidiaries) exceed 5 per cent. of the consolidated total assets of SIB; or
- (b) whose revenues (consolidated, in the case of a Subsidiary which itself has Subsidiaries) exceed 5 per cent. of the consolidated net operating revenues of SIB.

**Non-recourse Project Financing** means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that (a) any Security Interest given by SIB or the relevant Material Subsidiary, as the case may be, is limited solely to assets of the project, (b) the person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project as the principal source of repayment for the monies advanced, and (c) there is no other recourse to SIB or the relevant Material Subsidiary, as the case may be, in respect of any default by any person under the financing.

**Permitted Security Interest** means:

- (a) any Security Interest securing any Relevant Indebtedness of a person existing at the time that such person is merged into, or consolidated with SIB or the relevant Material Subsidiary, as the case may be, provided that such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of SIB or the relevant Material Subsidiary, as the case may be;
- (b) any Security Interest arising by operation of law, provided that such Security Interest is discharged within 30 days of arising;
- (c) any Security Interest existing on any property or assets prior to the acquisition thereof by SIB or the relevant Material Subsidiary, as the case may be, provided that such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property of SIB or the relevant Material Subsidiary, as the case may be (other than proceeds of such acquired assets or property), and provided that the maximum amount of Relevant Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property or the Relevant Indebtedness incurred solely for the purpose of financing the acquisition of such property; or
- (d) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) to (c) (inclusive) of this definition, provided that with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets).

**Relevant Indebtedness** means (a) any Indebtedness, other than Indebtedness incurred in connection with a Non-recourse Project Financing or a Securitisation, which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other securities market, and (b) any Relevant Sukuk Obligation.

**Relevant Sukuk Obligation** means any undertaking or other obligation, other than any undertaking or obligation incurred in connection with a Non-recourse Project Financing or a Securitisation, to pay any money given in connection with the issue of trust certificates or other similar securities, whether or not in return for consideration of any kind, which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange, over-the-counter or other securities market.

**Securitisation** means any securitisation of existing or future assets and/or revenues, provided that (a) any Security Interest given by SIB or the relevant Material Subsidiary, as the case may be, in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation, (b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability, and (c) there is no other recourse to SIB or the relevant Material Subsidiary, as the case may be, in respect of any default by any person under the securitisation.

**Security Interest** means any mortgage, pledge, lien, charge, assignment by way of security, hypothecation or other security interest including, without limitation, any other agreement or arrangement having the effect of conferring security.

**Subsidiary** means in relation to any person (the first person) at any particular time, any other person (the second person):

- (a) whose affairs and policies the first person controls or has power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person.

SIB will also agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made free and clear of, and without any deduction or withholding for or on account of any Taxes (as defined therein) unless required by law and (save as set out therein) without set off or counterclaim of any kind and, in the event that there is

any deduction or withholding, SIB shall pay all additional amounts as will result in the receipt by the Trustee of such net amounts as would have been received by it if no such deduction or withholding had been made. The payment obligations of SIB under the Purchase Undertaking will be direct, unconditional, unsubordinated and (subject to the provisions described above) unsecured obligations of SIB which rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of SIB save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

## Sale Undertaking

The Amended and Restated Sale Undertaking will be executed as a deed on 20 December 2021 by SIB Sukuk Company III Limited (in its capacity as Trustee) in favour of SIB and will be governed by English law.

Pursuant to the Sale Undertaking and subject to the Trustee being entitled to redeem the Certificates of the relevant Series for tax reasons in accordance with Condition 10.2 (*Early Dissolution for Tax Reasons*), SIB will, by exercising its right under the Sale Undertaking and serving an exercise notice on the Trustee no later than 45 days prior to the Tax Dissolution Date, be able to oblige the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under the relevant Portfolio at the relevant Exercise Price. In addition, if the Optional Dissolution Right (Call) is specified in the applicable Final Terms as being applicable, SIB will, by exercising its right under the Sale Undertaking and serving an exercise notice on the Trustee no later than 45 days prior to the relevant Optional Dissolution Date, be able to oblige the Trustee to sell all of its rights, title, interests, benefits and entitlements in, to and under the relevant Portfolio at the relevant Exercise Price.

For these purposes, the Exercise Price will be an amount equal to the aggregate of:

- (a) (where the Certificates of the relevant Series are to be redeemed for tax reasons in accordance with Condition 10.2 (*Early Dissolution for Tax Reasons*)) the aggregate outstanding face amount of the Certificates of the relevant Series on the relevant Dissolution Date or (where the Certificates of the relevant Series are to be redeemed in accordance with Condition 10.3 (*Dissolution at the Option of the Trustee*)) the product of: (i) the aggregate outstanding face amount of the Certificates of the relevant Series on the relevant Dissolution Date; and (ii) the Optional Dissolution Amount (Call) Percentage specified in the applicable Final Terms;
- (b) an amount equal to all due but unpaid Periodic Distribution Amounts (if any) relating to the Certificates; and
- (c) (only where no Certificate remains outstanding following exercise of such rights), an amount equal to the sum of any outstanding: (i) amounts payable in respect of any Liquidity Facility; and (ii) any Service Agency Liabilities Amounts.

SIB will be able to exercise its rights under the Sale Undertaking to effect the in kind substitution of Assets, subject to any substitute Assets being Eligible Assets of a Value not less than the Value of the Substituted Assets. SIB will also be able to exercise its rights under the Sale Undertaking (following any purchase of Certificates by SIB or any Subsidiary of SIB pursuant to Condition 13 (*Purchase and Cancellation of Certificates*)) to provide for the transfer, assignment and conveyance to it of an undivided ownership interest (the **Cancellation Interest**) in the relevant Portfolio calculated as the ratio, expressed as a percentage, of the aggregate face amount of the relevant Certificates to be cancelled (the **Cancellation Certificates**) to the aggregate face amount of the Certificates of the relevant Series immediately prior to the cancellation of such Cancellation Certificates, all as more particularly described in the Sale Undertaking. The Cancellation Interest will be specified in a cancellation notice and will have a Value no greater than the aggregate face amount of the Certificates of the relevant Series so purchased. Transfer of the Cancellation Interest will occur against cancellation of such Certificates by the Principal Paying Agent pursuant to the Conditions.

To the extent that there are any outstanding: (a) amounts payable in respect of any Liquidity Facility; or (b) Service Agency Liabilities Amounts, on any exercise under the Sale Undertaking (and service of an exercise notice), such amounts shall be set-off in full against the Exercise Price payable by SIB under the Sale Undertaking and any Sale Agreement.

## Master Trust Deed

The Amended and Restated Master Trust Deed will be entered into on 20 December 2021 between SIB, 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*, the Trustee's rights, title, interest and benefit, present and future, in, to and under the relevant Portfolio, its rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (other than: (i) in relation to any representations given to the Trustee by SIB 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 (ii) the covenant given to the Trustee pursuant to Clause 13.1 of the Master Trust Deed) and any amounts standing to the credit of the relevant Transaction Account.

If and to the extent the Trustee has exercised its rights under Condition 21 (*Further Issues*) to issue additional Certificates in respect of a Series, on the date of issue of such additional Certificates, the Trustee will execute a declaration of commingling of Trust Assets for and on behalf of the holders of the existing Certificates and the holders of such additional Certificates so issued, declaring that the additional Assets transferred to the Trustee (in respect of the issuance of the additional Certificates) and the Assets comprising the Portfolio immediately prior to the acquisition of the additional Assets (in respect of the relevant Series as in existence immediately prior to the issue of such additional Certificates) are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Certificates and the holders of such additional Certificates as tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder, in accordance with the Master Trust Deed.

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 SIB Sukuk Company III Limited in respect of any amount which is or remains unsatisfied and any unsatisfied amounts will be extinguished.

Pursuant to the Trust Deed, the Trustee will, in relation to each Series, *inter alia*:

- (a) hold the relevant Trust Assets on trust absolutely for the relative 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 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:

- (a) appoints 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, trusts, authorities and discretions (including but not limited to the authority to request instructions from any Certificateholders and the power to sub-delegate and to make any determinations to be made under the Trust Deed) vested in the Trustee by the Trust Deed and the other Transaction Documents that the Delegate may consider to be necessary or desirable upon the occurrence of a Dissolution Event or a Potential Dissolution Event; and
- (b) subject to it being indemnified and/or secured and/or prefunded to its satisfaction to perform the present and future duties, powers, authorities and discretions vested in the Trustee by the relevant provisions of the Trust Deed and any of the other Transaction Documents (provided that no obligations, duties, liabilities or covenants of the Trustee pursuant to this Master Trust Deed or any other Transaction Document shall be imposed on the Delegate by virtue of such delegation) and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Trust Deed.

The delegation made under the Master Trust Deed shall become effective from the date of the Master Trust Deed provided that in no circumstances will such delegation result in the Delegate holding on trust the Trust Assets. However, 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 Trustee will undertake in the Master Trust Deed that, following it becoming aware of the occurrence of a Dissolution Event in respect of any Series and subject to Condition 14 (*Dissolution Events*) it shall: (a) promptly notify the relevant Certificateholders of the occurrence of such Dissolution Event. Subject to the Delegate being indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing, the Delegate may take all such steps as are necessary to enforce the obligations of SIB (in whatever capacity it is acting) under the relevant Trust Deed and any other Transaction Document to which SIB (in whatever capacity) is a party.

Pursuant to the relevant Trust Deed, SIB will also undertake to the Trustee that if:

- (a) at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, SIB (acting in any capacity) remains in actual or constructive possession, custody or control of all or any part of the Portfolio; and
- (b) following delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, the Portfolio Exercise Price or the Certificateholder Put Right Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever,

SIB shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the relevant Certificates and, accordingly, the amount payable under any such indemnity claim will equal the relevant relevant Exercise Price.

The Master Trust Deed specifies, *inter alia*, that in relation to each Series:

- (a) following enforcing or realising the relevant Trust Asset and distributing the net proceeds of the Trust Assets in respect of the relevant Series to the Certificateholders in accordance with the Conditions and the relevant Trust Deed the obligations of the Trustee in respect of the Certificates shall be satisfied and the right of the Certificateholders to receive any further sums shall be extinguished and neither the Trustee nor the Delegate shall be liable for any further sums and, accordingly, the relevant Certificateholders may not take any action against the Trustee, the Delegate or any other person to recover any such sum or asset in respect of the relevant Certificates or the relevant Trust Assets;
- (b) no Certificateholder shall be entitled to proceed directly against the Trustee and/or SIB, or provide instructions (not otherwise permitted by the Trust Deed) to the Delegate to proceed against the Trustee and/or SIB under any Transaction Document unless the Delegate having become bound so to proceed, fails to do so within a reasonable period of becoming so bound and such failure is continuing. Under no circumstances shall the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the relevant Trust Assets (other than pursuant to the Transaction Documents), and the sole right of the Delegate and the Certificateholders against the Trustee and SIB shall be to enforce their respective obligations under the Transaction Documents;
- (c) the Delegate shall not be bound in any circumstances to take any action to enforce or realise the relevant Trust Assets or take any action against the Trustee and/or SIB under any Transaction Document unless directed or requested to do so: (a) by an Extraordinary Resolution; or (b) in writing by the holders of at least one-fifth of the then aggregate outstanding face amount of the Certificates of the relevant Series and in either case then only if it is indemnified and/or secured and/or prefunded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing provided that the Delegate shall not be held liable for the consequences of exercising its discretion or taking any such action and may do so without having regard to the effect of such action on individual Certificateholders; and
- (d) after enforcing or realising the relevant Trust Assets and distributing the net proceeds of the relevant Trust Assets in accordance with the terms of the relevant Trust Deed, the obligations of the Trustee and the Delegate in respect of the Series shall be satisfied and no Certificateholder may take any

further steps against the Trustee and the Delegate to recover any further sums in respect of the relevant Series and the right to receive any such sums unpaid shall be extinguished. In particular, no holder of the Certificates of the relevant Series shall be entitled in respect thereof to petition or to take any other steps for the winding-up of SIB Sukuk Company III Limited.

### ***Shari'a Compliance***

Each Transaction Document provides that, to the extent permitted by law, each of the Trustee (to the extent it is a party to the relevant Transaction Document) and SIB (to the extent it is a party to the relevant Transaction Document), as the case may be, agrees that it has accepted the *Shari'a* compliant nature of the Transaction Documents to which it is a party and further agrees that:

- (a) it shall not claim that any of its obligations under the Transaction Documents to which it is a party (or any provision thereof) is ultra vires or not compliant with the principles of *Shari'a*;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

## TAXATION

*The following is a general description of certain tax considerations relating to Certificates issued under the Programme. It does not purport to be a complete analysis of all tax considerations relating to the Certificates. Prospective purchasers of any Certificates should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes of acquiring, holding and disposing of 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.*

### United Arab Emirates

*The following summary of the anticipated tax treatment in the UAE in relation to payments on the Certificates is based on the taxation law in force at the date of this Base Prospectus, and does not constitute legal or tax advice. Prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change.*

There is currently in force, in Sharjah legislation, a general corporate taxation regime, the Sharjah Income Tax Decree 1969 (as amended). The regime is, however, not enforced save in respect of companies active in the oil industry and some related service industries. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Branches of foreign banks operating in the UAE are also taxed under specific regulations at the Emirates level. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Sharjah taxation in respect of payments made under the Transaction Documents. If any such withholding or deduction is required to be made in respect of payments due by SIB under any Transaction Document to which it is party, SIB has undertaken to gross-up the payments due by it accordingly. If any such withholding or deduction is required to be made in respect of payments due by the Trustee under the Certificates: (i) the Trustee has undertaken to gross-up the payment(s) accordingly (subject to certain limited exceptions); and (ii) SIB has undertaken to pay such additional amounts to the Trustee to enable it to discharge such obligation.

The Constitution of the UAE specifically reserves to the Federal Government of the UAE the right to raise taxes on a federal basis for the purposes of funding its budget. It is not known whether this right will be exercised in the future, and how any future federal tax laws will interact with the ones existing in the Emirates.

The UAE has entered into double taxation arrangements with certain other countries.

### 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.\$853.66.

The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, 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. SIB is a foreign financial institution for these purposes. A number of jurisdictions (including the UAE and the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements

(IGAs) with the United States to implement FATCA, which modify the way in which FATCA applies in their jurisdictions. Under the provisions of the 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 the date that is two years after the publication of the final regulations defining "foreign passthru payments" and Certificates that are treated as debt for U.S. federal income purposes and 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 published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional certificates that are not distinguishable from previously issued Certificates are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Certificates, including the Certificates offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Certificateholders should consult their own tax advisers regarding how these rules may apply to their investment in Certificates. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Certificates, no person will be required to pay additional amounts as a result of the withholding

### **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 the 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 the Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States and the scope of any such tax is uncertain. Additional EU Member States may decide to participate. Prospective holders of the Certificates are advised to seek their own professional advice in relation to the FTT.



## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the **Programme Agreement**) dated 20 December 2021, agreed with the Trustee and SIB 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 and SIB 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 have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Certificates: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Certificates comprising the relevant Series within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S or pursuant to an available exemption from or in a transaction not subject to, registration under the Securities Act, and such Dealer will have sent to each dealer to which it sells Certificates during the distribution compliance period relating thereto 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.

In addition, until 40 days after the completion of the distribution of Certificates comprising the relevant Series, any offer or sale of 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.

Terms used in these paragraphs have the meanings given to them by Regulation S under the Securities Act.

#### Public Offer Selling Restrictions under the Prospectus Regulation

In relation to each Member State of the European Economic Area (each, a **Relevant State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee or SIB for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Certificates shall require the Trustee, SIB or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an **offer** of Certificates to the public in relation to any Certificates in any Relevant 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; and the expression **Prospectus Regulation** means Regulation (EU) 2017/1129.

#### 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 any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which section 21(1) of the FSMA does not apply to the Trustee or SIB; 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.

### **Public Offer Selling Restrictions under the UK Prospectus Regulation**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Certificates to the public in the United Kingdom:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Certificates referred to in (a) to (c) above shall require Trustee, SIB or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an **offer** of Certificates to the public in relation to any Certificates means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates and the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law of the United Kingdom by virtue of the EUWA.

### **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 offer or invitation, 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 and will not directly or indirectly offer or sell any Certificates, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan including any corporation or other entity organised under the laws of Japan), or to others for re-offering or re-sale, 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 relevant laws and regulations of Japan.

#### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the 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 any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Market 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 the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority (the **CMA**) resolution number 3-123-2017 dated 27 December 2017, as amended (the **KSA Regulations**), made through a person authorised by the CMA to carry on the securities activity of arranging and following a notification to the CMA and, in each case, in accordance with the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 9 of the KSA Regulations or by way of a limited offer under Article 10 of the KSA Regulations or as otherwise required by the KSA Regulations. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates to a Saudi Investor will be made in compliance with the KSA Regulations.

Each offer of Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 9 or Article 10 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made in compliance with the restrictions on secondary market activity under the KSA Regulations.

#### **Kingdom of Bahrain**

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it has not offered or sold, and will not offer or sell, any Certificates, except on a private placement basis, to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "accredited investor" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person's principal place of residence;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

## State of Qatar

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 at any time, 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. This Base Prospectus (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre); (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

## Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge 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 any Certificates or caused the Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates, whether directly or indirectly, to any person in Singapore other than: (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (as modified or amended from time to time, the **SFA**)) pursuant to Section 274 of the SFA; (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

**Notification under Section 309B(1)(c) of the SFA** – Unless otherwise stated in the relevant Final Terms in respect of any Certificates, all Certificates issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates, except for Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**), other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the 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**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) 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**); and
- (b) accordingly, 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 under Part I of Schedule 6 or Section 229(1)(b) and Part I of Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3), read together with Schedule 9 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, SIB, the Delegate and any other Dealer shall have any responsibility therefor.

None of the Trustee, SIB, 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, SIB and the relevant Dealer and set out in the applicable Final Terms.

## 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 30 September 2021. 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 update of the Programme, as well as the entry into of the Transaction Documents to which it is a party was authorised by a resolution of the Investment Committee of SIB dated 8 August 2021.

### Listing

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Trustee in relation to the Certificates, and is not itself seeking admission of the Certificates to the Official List or to trading on the Euronext Dublin Regulated Market for the purposes of the Prospectus Regulation.

It is expected that each Series of Certificates which is to be admitted: (i) to the Official List and to trading on the Euronext Dublin Regulated Market; or (ii) to the DFSA Official List and to trading on Nasdaq Dubai, 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 Regulation. Such approval relates only to the Certificates which are to be admitted to trading on the Euronext Dublin Regulated Market or any other MiFID Regulated Markets or which are to be offered to the public in any Relevant State. The Irish Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Regulation. Application will be made in respect of each trnach of a Series to Euronext Dublin 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 Euronext Dublin Regulated Market. Application has also been made to the DFSA for Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the DFSA Official List, and to Nasdaq Dubai for such certificates to be admitted to trading on Nasdaq Dubai.

However, Certificates may be issued pursuant to the Programme which will not be listed on any of Euronext Dublin, Nasdaq Dubai or any other stock exchange or which will be listed on such stock exchange as the Trustee, SIB and the relevant Dealer may agree.

### Significant or Material Change

Save for its previous issuances of Certificates under the Programme, there has been no significant change in the financial position or financial performance of the Trustee and no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

Save for the potential impact of COVID-19 as disclosed in "*Risk Factors – Risks relating to SIB and its business - Political, economic and related risks*", "*– Liquidity risk*", "*– Credit risk*", "*– Concentration risk*", and "*– Market Risk*", there has been no significant change in the financial position or financial performance of SIB and its subsidiaries, taken as a whole, since 30 June 2021 and there has been no material adverse change in the prospects of SIB and its subsidiaries, taken as a whole, since 31 December 2020.

### 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 Base Prospectus which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

Neither SIB nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which SIB 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 SIB and/or its subsidiaries, respectively.

## Documents Available

For so long as any Certificates are admitted to trading on Euronext Dublin, physical copies (and English translations where the documents in question are not in English) of the following documents will, when published, be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection electronically at the relevant website set out below and/or at the registered offices of the Trustee in the Cayman Islands and the offices of the Paying Agent for the time being in London:

- (a) the Agency Agreement and the Master Trust Deed (<https://www.sib.ae/en/personal-banking/SukukInvestorRelations>);
- (b) the Memorandum and Articles of Association of the Trustee and the constitutional documents (with an English translation thereof) of SIB (<https://www.sib.ae/en/about-us/investor-relations>);
- (c) this Base Prospectus (<https://www.sib.ae/en/personal-banking/SukukInvestorRelations>); and
- (d) any future supplements to the Base Prospectus and any 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 Regulation) (<https://www.euronext.com/en/markets/dublin> and <http://www.nasdaqdubai.com>).

## 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 and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

## Auditors

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

The current auditors of SIB are PricewaterhouseCoopers – Dubai Branch (**PwC**) (license no. 102451), of Emaar Square, Building 5, Level 8, P.O. Box 11987, Dubai, UAE. PwC has audited the 2019 Financial Statements and 2018 Financial Statements, without qualification, in accordance with International Standards on Auditing and has reviewed the Q3 2021 Financial Statements and the H1 2020 Financial Statements in accordance with the International Standards on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

## Dealers transacting with SIB

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, SIB (and its affiliates) in the ordinary course of business for which they have received, and for which they may in the future receive, fees.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank financing/loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of SIB or its affiliates. Certain of the Dealers or their affiliates that have a financing relationship with SIB and its affiliates routinely hedge their credit exposure to SIB and its affiliates consistent with its customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by, including but not limited to, the creation of short positions in securities, including potentially the Certificates issued under the Programme. Any such short positions could adversely affect future trading prices of Certificates issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **SIB's Website**

SIB's website is <https://www.sib.ae>. The information contained on this website does not form part of this Base Prospectus unless that information is incorporated by reference into this Base Prospectus.

## **Shari'a Approvals**

The transaction structure relating to the Certificates (as described in this Base Prospectus) and the Transaction Documents have been approved by each of the Internal *Shari'a* Supervisory Committee of SIB and the Global *Shariah* Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on any of the approvals referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction is in compliance with *Shari'a* principles.

*Description of the members of the Internal Sharia Supervisory Committee of SIB and the Global Shariah Supervisory Committee of Standard Chartered Bank*

### ***Internal Sharia Supervisory Committee of SIB***

Please see "*Description of Sharjah Islamic Bank PJSC – Industry Regulations and Compliance – Internal Shari'a Supervisory Committee (ISSC)*".

### ***Global Shariah Supervisory Committee of Standard Chartered Bank***

*Dr. Aznan Hasan*

Dr. Aznan Hasan is an Associate Professor in Islamic Law at Ahmad Ibrahim Kulliyah of Laws, International Islamic University Malaysia and has taught Islamic law there since 2003. He is also the President of the Association of *Shariah* Advisors in Islamic Finance and has been the Deputy Chairman of the *Shariah* Advisory Council, Securities Commission of Malaysia since July 2010. He was a member of the *Shariah* Advisory Council, Bank Negara Malaysia (from November 2006 to August 2008 and from November 2010 to October 2013). He is also *Shari'a* adviser to Maybank Islamic in Malaysia and has been advising ABSA Islamic Banking, South Africa since July 2010.

*Dr. Nizam Yaquby*

Dr. Nizam Yaquby studied traditional Islamic studies under the guidance of eminent Islamic scholars from different parts of the world. He has a BA in Economics and Comparative Religions and MSc in Finance from McGill University, Canada, and also holds a PhD in Islamic Law from the University of Wales. In addition to advising Islamic finance institutions and funds, Dr. Nizam Yaquby is a member of the Islamic Fiqh Academy and AAOIFI. Since 1976, Dr. Nizam Yaquby has taught Tafsir, Hadith and Fiqh in Bahrain and is a *Shariah* adviser to several international and local financial institutions worldwide. He has also published several articles and books on various Islamic subjects including on banking and finance.

*Dr. Mohamed Ali Elgari*

Dr. Elgari holds a PhD in Economics from the University of California. He is a professor of Islamic Economics at King Abdul Aziz University and an expert at the Islamic Jurisprudence Academies of the Organisation of Islamic Countries, having published several articles and books on Islamic finance. Dr. Elgari is a member of the *Shari'a* boards of several Islamic banks and Takaful companies, including the *Shari'a* board of Dow Jones International Islamic Fund Market. He also sits on the *Shari'a* boards of AAOIFI and is a member of the advisory board of Harvard Series on Islamic Law.



**TRUSTEE**

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Cayman Islands

**SIB**

**Sharjah Islamic Bank PJSC**  
P.O. Box 4  
Sharjah  
United Arab Emirates

**DELEGATE**

**Citicorp Trustee Company Limited**  
Citigroup Centre, Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**PRINCIPAL PAYING AGENT AND  
TRANSFER AGENT**

**Citibank N.A., London Branch**  
Citigroup Centre, Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

**REGISTRAR**  
**Citibank Europe plc**  
1 North Wall Quay  
Dublin 1  
Ireland

**ARRANGER AND DEALER**

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7th Floor Building One, Gate Precinct  
Dubai International Financial Centre  
P.O. Box 999  
Dubai  
United Arab Emirates

**LISTING AGENT**

**Arthur Cox Listing Services Limited**  
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**LEGAL ADVISERS**

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*To SIB as to English and UAE law*  
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**AUDITORS TO SIB**

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