



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 and the relevant Dealer (as defined below).

Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates from time to time outstanding under the Programme will not exceed U.S.\$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 5 March 2018 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 by the Central Bank of Ireland (the **Irish Central Bank**) as competent authority under Directive 2003/71/EC, as amended (the **Prospectus Directive**). The Irish Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union (EU) law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange (the **Irish Stock Exchange**) for Certificates issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to the official list (the **Official List**) and trading on its regulated market (the **Regulated Market**). Such approval relates only to the Certificates which are to be admitted to trading on the regulated market of the Irish Stock Exchange 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**).

This Base Prospectus has been approved by the Dubai Financial Services Authority (the **DFSA**) under the DFSA's Markets Rule 2.6 and is therefore an Approved Prospectus for the purposes of Article 14 of the DFSA's 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, the Obligor 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 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 the Irish Stock Exchange, will be delivered to the Irish Central Bank and the Irish Stock Exchange on or around the date of issue of such Series.

The Trustee and 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.

SIB has been assigned ratings of BBB+ by Fitch Ratings Ltd. (**Fitch**), BBB+ by Standard & Poor's Credit Market Services Europe Limited (**S&P**) and A3/Prime-2 by Moody's Investors Service Cyprus Ltd (**Moody's**), each with a stable outlook. The Programme has been assigned a provisional rating of (P)A3 (stable) by Moody's. The United Arab Emirates has been assigned a credit rating of Aa2 with a stable outlook by Moody's Investors Service Singapore Pte. Ltd. Moody's Investors Service Singapore Pte. Ltd. is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). The rating has been endorsed by Moody's in accordance with the CRA Regulation. Each of Fitch, Moody's and S&P is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch, Moody's and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

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 Fatwa & Shari'a Supervisory Board of SIB in liaison with the Executive Shariah Committee of HSBC Saudi Arabia Limited and the Shari'a 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.

Arrangers and Dealers

HSBC

Standard Chartered Bank

The date of this Base Prospectus is 5 March 2018.

This Base Prospectus complies with the requirements in Part 2 of the Markets Law (DIFC No. 1 of 2012) and Chapter 2 of the Markets Rules, and comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the **Prospectus Directive**) 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 (each having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Certain information under the headings “*Risk Factors*”, “*Description of Sharjah Islamic Bank PJSC*”, “*Overview of the United Arab Emirates and the Emirate of Sharjah*” 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*”; (iii) the BP Statistical Review of World Energy, the Organization of Oil Exporting Countries (**OPEC**), the UAE Central Bank, and the UAE and Sharjah governments, in the case of “*Overview of the United Arab Emirates and the Emirate of Sharjah*”; and (iv) 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 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 nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Certificateholder holding one or more Certificates and such Certificateholder must produce evidence satisfactory to the Trustee or, as the case may be, the Principal Paying Agent as to its holding of such Certificates and identity.

No person is or has been authorised by the Trustee or 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 (as defined under “*Overview of the Programme*”), the Delegate, the Agents (each as defined herein) or any other person. Neither the delivery of this document nor any sale of any Certificates shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Delegate 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.

None of 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 of them as to 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.

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 borrowing; 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, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF ANY CERTIFICATES.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Base Prospectus and the offer or sale of Certificates may be restricted by law in certain jurisdictions. None of the Trustee, 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 (including 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 of the European Economic Area (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Certificates. Accordingly, any person making or intending to make an offer in that Relevant Member State of Certificates which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Certificates may only do so in circumstances in which no obligation arises for the Trustee, SIB or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. None of the Trustee, 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 relating to SIB:

- audited consolidated financial statements as at and for the financial year ended 31 December 2017 (the **2017 Financial Statements**); and
- audited consolidated financial statements as at and for the financial year ended 31 December 2016 (the **2016 Financial Statements** and, together with the 2017 Financial Statements, the **Financial Statements**).

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

SIB publishes its financial statements in UAE dirham.

ALTERNATIVE PERFORMANCE MEASURES

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

Although not defined in accordance with the IFRS accounting standards, 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 the IFRS. Certain of these alternative performance measures are presented below, along with their reconciliation to the extent that such information is not defined according to the IFRS and not included in SIB's financial statements incorporated by reference into this Base Prospectus:

- Capital adequacy ratio: Tier one capital as at period/year end plus tier two capital as at period/year end divided by risk weighted assets for the period/year. The capital adequacy ratios for the years ended 31 December 2017 and 31 December 2016 were calculated in accordance with the Basel II guidelines as issued by the UAE Central Bank.
- Liquidity coverage ratio: Stock of high-quality liquid assets divided by net cash outflows over the next 30 calendar days.
- Non-performing financial ratio: Non-performing loans as at period/year end divided by gross loans as at period/year end.
- Liquid assets to customer deposits ratio: Sum of cash and balances with UAE Central Bank, due from banks and investment securities at period/year end divided by deposits at period/year end
- Liquid Assets Ratio: The sum of Cash and Balances with Banks and financial institutions/total assets.
- Eligible Liquid Assets Ratio: Banks are required to hold an amount equivalent to the specified percentage (such percentage set by the Central Bank of UAE) of their total liabilities in eligible liquid assets, consisting of the following items: account balances at the Central Bank of UAE; physical cash at the bank; Central Bank of UAE's Certificates of Deposit (CDs); UAE Federal Government bonds and Sukuk; UAE local governments and public sector entities publicly traded debt securities (provided they are assigned a 0% risk weighting under Basel II standardized approach, limited to 20% of eligible liquid assets); foreign sovereign debt instruments; or instruments issued by their respective central banks (provided they are assigned a 0% risk weighting under Basel II standardized approach, limited to 15% of eligible liquid assets).

- **Financing receivables to deposit ratio:** The financing receivable-to-deposit ratio is a commonly used statistic for assessing a bank's liquidity by dividing the bank's total gross financing receivables by its total deposits. This number is expressed as a percentage.
- **Net loan to deposit ratio:** The net financing loan-to-deposit ratio is a commonly used statistic for assessing a bank's liquidity by dividing the bank's net financing receivables (gross financing receivables less provisions) by its total deposits. This number is expressed as a percentage
- **Uses (of funds) to Stable Resources Ratio:** It includes elements of the Basel III Net Stable Funding Ratio (NSFR) and aims to ensure banks have sufficient long and medium term funding to cover their long term assets. The Uses to Stable Resources Ratio is calculated by dividing the uses of funds by the stable funding resources. The ratio should always be less than 100%.
- **Net Stable Funding Ratio:** The NSFR will require banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities. The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. This ratio should be equal to at least 100% on an on-going basis. ("Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of such stable funding required of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet exposures).
- **Leverage ratio:** A leverage ratio indicates the level of debt incurred by the Bank against several other accounts in its balance sheet, income statement, or cash flow statement. It provides an indication of how much assets are coming from debts to finance business operations. It is calculated as debt/equity.

These Alternative Performance Measures are not defined by, or presented in accordance with, IFRS. The Alternative Performance Measures 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 the Issuer's liquidity.

PRESENTATION OF UAE STATISTICAL INFORMATION

The statistical information in the sections entitled "*Overview of the United Arab Emirates and the Emirate of Sharjah*" and "*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;
- **dirham, AED and UAE dirham** are to the lawful currency of the UAE and references to fil are to the sub-unit of the dirham;
- **euro and €** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union;
- the **GCC** are to the Gulf Co-operation Council;
- the **MENA** region are to the Middle East and North Africa region; and
- **U.S.\$, USD or U.S. dollars** are to the lawful currency of the United States.

The dirham has been pegged to the U.S. dollar since 22 November 1980. The mid point between the official buying and selling rates for the dirham is at a fixed rate of AED 3.6725 = U.S.\$1.00. All U.S.\$ translations of dirham amounts appearing in this 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.

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, 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*”, “*Overview of the United Arab Emirates and the Emirate of Sharjah*” 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 and, in particular, the global financial crisis;
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions (in particular in relation to the real estate sector), the impact of provisions and impairments and 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

Any Certificates to be issued under the Programme which do not constitute “alternative finance investment bonds” (AFIBs) within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) (Amendment) Order 2010 will represent interests in a collective investment scheme (as defined in the Financial Markets and Services Act (the FSMA)) which has not been authorised, recognised or otherwise approved by the Financial Conduct Authority. Accordingly, this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

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

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

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

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 Offers of Securities Regulations 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. The Certificates to be issued under the Programme are not and will not be traded on the Qatar Stock Exchange.

NOTICE TO RESIDENTS OF MALAYSIA

Any Certificates to be issued under the Programme may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia (CMSA).

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Trustee or 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 Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

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

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 under the Certificates may be calculated or otherwise determined by reference to an index (such as the LIBOR or the EURIBOR (as defined below)) or a combination of indices. Any such index may constitute a benchmark for the purposes of the Benchmarks Regulation (Regulation (EU) 2016/1011) (the Benchmarks Regulation). The European Securities and Markets Authority (ESMA) established and maintains pursuant to article 36 of the Benchmarks Regulation the register of administrators and benchmarks. Not every index will fall within the scope of the Benchmarks Regulation. As far as the Trustee is aware, transitional provisions in Article 51 of the Benchmarks Regulation apply, such that an administrator of a particular benchmark is not currently required to obtain authorisation/registration (or, if registered in the European Union, recognition, endorsement or equivalence).

CONTENTS

| | |
|---|------------|
| RISK FACTORS | 12 |
| DOCUMENTS INCORPORATED BY REFERENCE | 28 |
| STRUCTURE DIAGRAM AND CASHFLOWS | 29 |
| OVERVIEW OF THE PROGRAMME | 31 |
| FORM OF THE CERTIFICATES | 38 |
| FORM OF FINAL TERMS | 39 |
| TERMS AND CONDITIONS OF THE CERTIFICATES | 45 |
| USE OF PROCEEDS | 74 |
| DESCRIPTION OF THE TRUSTEE | 75 |
| DESCRIPTION OF SHARJAH ISLAMIC BANK PJSC | 77 |
| SELECTED FINANCIAL INFORMATION | 105 |
| MANAGEMENT OF SHARJAH ISLAMIC BANK PJSC | 107 |
| OVERVIEW OF THE UNITED ARAB EMIRATES AND THE EMIRATE OF SHARJAH | 115 |
| THE UNITED ARAB EMIRATES BANKING SECTOR AND PRUDENTIAL REGULATIONS | 119 |
| OVERVIEW OF THE PRINCIPAL TRANSACTION DOCUMENTS | 130 |
| TAXATION | 144 |
| SUBSCRIPTION AND SALE | 146 |
| GENERAL INFORMATION | 151 |

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.

Risk factors relating to SIB and its business

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

Liquidity risk

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

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

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

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

Liability mismatch risk

As at 31 December 2017, 79.7 per cent. of SIB's customers' deposits, including short-term profit-sharing investment accounts, carried a maturity of less than three months. There may therefore be a potential mismatch in the asset and liability profile of SIB. The existence of maturity profile mismatches may increase SIB's vulnerability to price competition as SIB may face increased liquidity risks to the extent that SIB becomes unable to offer an adequate rate of return to customers. This could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

Credit risk

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

Credit risks could arise from a deterioration in the credit quality of specific counterparties of SIB, from a general deterioration in local or global economic conditions or from systemic risks within the financial systems, all of which could affect the recoverability and value of the assets of SIB which would require an increase in the provisions for the impairment of its assets and other credit exposures. As at the date of this Base Prospectus, the prevailing unstable macro-economic climate has prompted reduced fiscal budgets and public spending plans in recent years in the UAE and across the GCC economies, with particular concerns around the ongoing impact of the volatility of global crude oil prices (see further "*The UAE's economy is highly dependent upon its oil revenue*"), the effects of the economic slowdown in emerging markets generally, and volatility in the Chinese economy in particular, and the broader impact thereof on global debt and equity markets. Although the oil prices have risen and remained stable during 2017, the prices still remain low compared to historic figures.

As a result of these recent adverse market conditions (see "*Market risk*"), certain customers to which SIB directly extends credit and counterparties of SIB may experience, decreased revenues, financial losses, insolvency, difficulty in obtaining access to financing and increased funding costs and some of these companies

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

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

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

As at the date of this Base Prospectus, IFRS 9 Financial Instruments (**IFRS 9**) has been introduced for financial reporting periods commencing on 1 January 2018, replacing IAS 39 and introducing an 'expected credit loss' 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. SIB expects that the Central Bank requirement that UAE banks hold collective provisions of a minimum amount of 1.5 per cent. of credit risk weighted assets will ease the transition to IFRS 9 models for assessment and calculation of impairment allowances. With effect from 1 January 2018, the initial impact of IFRS 9 will be assessed against SIB's consolidated statement of changes in equity, following which the impact will be recorded to SIB's consolidated income statement. As at the date of this Base Prospectus, it is not possible to fully assess the impact of IFRS 9 on SIB's assessment and calculation of impairment allowances. However, any mandatory change to such impairment calculation models imposed by IFRS 9 may adversely impact impairment allowances established by SIB which would have an adverse effect on its business, results of operations and financial condition.

Any significant increase in impairment allowances for loan losses or a significant change in SIB's estimate of the risk of loss inherent in its portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the impairment allowances allocated with respect thereto, would have an adverse effect on its business, results of operations and financial condition.

Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations in the financing and deposit portfolio of SIB subject it to further credit risks in the form of default by its larger borrowers, exposure to particular sectors of the UAE economy and/or withdrawal of large deposits. Concentration of credit risk by industrial sector for financing receivables and ijarah receivables and by geographical distribution of due from banks and international murabaha and wakalah arrangements with financial institutions are set out in the 2017 Financial Statements (which are incorporated by reference in this Base Prospectus).

In addition, SIB's 10 largest private sector borrowers represented 16.7 per cent. of SIB's total financings and receivables as at 31 December 2017. As at 31 December 2017, SIB's largest funded exposure to a private sector borrower was AED 772 million, which constituted 3.4 per cent. of SIB's total financings and receivables (as at 31 December 2017) and 13.3 per cent. of its total regulatory capital (total regulatory capital being AED 5.8 billion as at 31 December 2017).

In terms of the industry concentration of SIB's loan portfolio, as at 31 December 2017, finance to individuals (including high net worth individuals) accounted for 40.6 per cent. of SIB's gross loans (compared to 37.7 per cent. as at 31 December 2016), the Government of Sharjah, other local governments and their respective dependencies accounted for 32.0 per cent. (compared to 32.0 per cent. as at 31 December 2016), trade and manufacturing accounted for 6.8 per cent. (compared to 8.0 per cent. as at 31 December 2016), construction and

real estate combined accounted for 15.2 per cent. (compared to 13.0 per cent. as at 31 December 2016) and other sectors accounted for 5.4 per cent. (compared to 9.3 per cent. as at 31 December 2016).

As at 31 December 2017, SIB's wholesale banking customers represented 80.4 per cent. of its combined total deposits (compared to 78.5 per cent. as at 31 December 2016). Although SIB considers that it has adequate access to sources of funding, the withdrawal of a significant portion of these large deposits may have an adverse effect on the financial condition and results of operations of SIB as well as its ability to meet the UAE Central Bank target stable resources ratio of 100 per cent. (see further "*Liquidity risk*").

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

Further, investors should note that SIB is incorporated in, and has all of its material operations and assets located in, the UAE. SIB has no material operations or assets outside of the UAE. Accordingly, SIB may have insufficient assets located outside the UAE to satisfy in whole or in part any judgment obtained from an English court relating to amounts owing in connection with the Certificates. If investors were to seek enforcement of an English judgment in the UAE or to bring proceedings in relation to the Certificates in the UAE, then certain limitations would apply (see further "*Risk factors relating to enforcement – Enforcement risk*" 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 Trustee and SIB to have made, their own investigations in relation to such factors before making any investment decisions in relation to the Certificates. The UAE and Middle East markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Operational and compliance risk

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

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

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

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

Market risk

Market risk refers to the risk that SIB's income and/or value of a financial instrument will fluctuate because of changes in market rates such as profit rates, foreign exchange rates and market prices of equity. SIB is exposed to

market risk through its diverse financial instruments including sukuk, equities, investment funds and foreign currencies.

SIB, in common with other financial institutions, is susceptible to changes in the macro-economic environment and the performance of financial markets generally. The 2008 global financial crisis had a significant adverse effect on the economies of the GCC, including the UAE, and resulted in a slowdown of growth rates, particularly in the real estate, construction and financial institutions sectors. As at the date of this Base Prospectus, global debt and equity markets have again been adversely impacted by the ongoing volatility in the macro-economic climate. For instance, the prevailing macro-economic climate has prompted reduced fiscal budgets and public spending plans in recent years in the UAE and across the GCC economies, with particular concerns around the ongoing impact of the volatility of global crude oil prices, the effects of the economic slowdown in emerging markets generally, and volatility in the Chinese economy in particular, and the broader impact thereof on global debt and equity markets, as well as the current uncertainty of interest rates across global markets (including the decision of the U.S. Federal Reserve in December 2015 to raise interest rates for the first time since 2006 and the uncertainty around the broader impact of the decision of the Bank of Japan to introduce negative interest rates in January 2016). In the UAE, the predicted federal budget deficit for 2018 is approximately 1.8 per cent. of GDP (source: Bloomberg). Additionally, the pressures faced by regional oil producing countries in response to the ongoing oil crisis to remove the foreign exchange "peg" of their domestic currencies to the U.S. dollar poses systemic risks to the banking systems in the GCC (see further "*Foreign exchange movements may adversely affect the profitability of SIB*").

The performance of global financial markets has also been affected by the hostile economic environment, with international equity markets being particularly impacted by the economic slowdown in emerging markets generally and volatility in the Chinese economy in particular, where economic growth slowed during 2015 to 6.9 per cent. of real GDP, representing a 25-year low. During August 2015, the Shanghai composite index lost 16 per cent. of its value over a two-day period, with European and U.S. equity markets also affected. The impact has also been felt in the UAE with each of the ADX General Index and the Dubai Financial Market index falling by 5 per cent. and 16 per cent., respectively, between 31 December 2014 and 31 December 2015. 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 oil price crisis, certain regional oil producing countries that have traditionally "pegged" their domestic currencies to the U.S. dollar have faced pressure to remove these foreign exchange "pegs". As at the date of this 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 borrowing costs. As at 31 December 2017, 81.3 per cent. of SIB's total borrowings were denominated in U.S. dollars (80 per cent. as at 31 December 2016 and 83.5 per cent. as at 31 December 2015).

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 has conservative outlook towards its growth plans which are based on a prudent risk management approach of increasing the size of its financing portfolio 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.

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.

Risks relating to Certificates which are linked to benchmarks. Future discontinuance of LIBOR may adversely affect the value of Certificates to which the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable and which reference LIBOR

LIBOR, EURIBOR and other interest rate or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. The Benchmark Regulation was published in the Official Journal of the EU on 29 June 2016 applies with effect from 1 January 2018. The Benchmark Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things: (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed); and (ii) prevent certain uses by EU supervised entities of benchmarks or administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The Benchmark Regulation could have a material impact on any Certificates referencing a benchmark, in particular, if the methodology or other terms of the relevant benchmark are changed in order to comply with the requirements of the Benchmark Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

For example, on 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, Certificates to which the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable and which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Certificates. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered

quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Certificates to which the Floating Periodic Distribution Provisions are specified in the applicable Final Terms as being applicable and which reference LIBOR.

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 “know your customer” (KYC) policies and procedures and to report suspicious and large transactions (AML) 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 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 the Trustee or SIB, as applicable. In addition, the the Trustee and SIB’s business and reputation could suffer if customers use the the Trustee or SIB for money laundering or other illegal purposes.

Political, economic and related risks

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

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

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

Challenging economic conditions and the sharp decline in oil prices since mid-2014 (which prices were approximately 49 per cent. lower in October 2017 as compared to June 2014, according to the monthly OPEC basket price of oil) have resulted in larger budget deficits across the GCC economies coupled with reduced fiscal budgets and public spending (see further “– Market risk”). Although the UAE has enjoyed significant economic stability in recent years, there can be no assurance that such stability will continue. Moreover, while the Government's policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained or that the UAE Government will not implement regulations, fiscal or monetary policies, including policies, regulations, or new legal interpretations of existing regulations, relating to or affecting taxation, interest rates or exchange controls, or otherwise take actions which could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

There can be no assurance that either the economic performance of, or political stability in, the countries in which SIB currently operates or may in the future operate can or will be sustained. Whilst SIB believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks (see further “Description of Sharjah Islamic Bank PJSC – Risk Management”), investors should note that a worsening of

current financial market conditions, instability in certain sectors of the UAE or regional economy or major political upheaval therein could lead to further decreases in investor and consumer confidence, further market volatility and decline, further economic disruption, further decline in real estate markets and, as a result, could have a material adverse effect on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

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

Although the UAE has a more diversified economy than most of the other countries in the GCC, the UAE's economy is highly dependent upon its oil and affiliated sectors' revenues. Since June 2014, international crude oil prices have declined dramatically (falling by approximately 40 per cent. from a high monthly average OPEC Reference Basket price per barrel of U.S.\$108 in June 2014, to a monthly average price of U.S.\$64.17 in January 2018). While a recovery in Oil prices has been witnessed over the course of 2016 and 2017, having touched a low of U.S.\$ 22.48, a downward trend in international prices for hydrocarbon to previously seen lows into the future, this could therefore have a material adverse effect on SIB's clients, customers and depositors and therefore on SIB's business, financial condition, results of operations or prospects and thereby affect its ability to perform its obligations under the Transaction Documents.

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

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

Principal shareholders and Governmental interests

As at the date of this Base Prospectus, the Government of Sharjah holds, directly and indirectly, 37.5 per cent. and Kuwait Finance House holds 18.2 per cent. of the share capital of SIB. By virtue of such shareholding in SIB, the Government of Sharjah has the ability to influence the business of SIB through its ability to control actions that require shareholder approval. If circumstances were to arise where the interests of the Government of Sharjah conflict with the interests of the Certificateholders, the latter could be disadvantaged. The Government of Sharjah could, for example, cause SIB to pursue transactions, make dividend payments or other distributions or payments to shareholders or undertake other actions to implement governmental policy rather than to foster the commercial interests of SIB.

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

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

Competition

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

The UAE could be viewed as an over-banked market, even by regional standards, with 49 different banks (comprising 22 locally incorporated banks and 26 foreign banks) licensed to operate inside the UAE as at 31 December 2017 (excluding the Dubai International Financial Centre (the **DIFC**)) (source: Central Bank), serving a population estimated to be in the region of approximately 9.3 million people at the end of 2016 (source: Statistical Yearbook 2016 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, is anticipated to stimulate further moves towards greater consolidation amongst UAE banks. While any such attempts at further consolidation would reduce the level of concentration in the domestic banking sector, they 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 with which to absorb capital costs, such as information technology system development.

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

Importance of key personnel

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

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

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

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

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.

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. Any arbitration award rendered in London should therefore 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. How the New York Convention provisions would be interpreted and applied by the Sharjah courts in practice and whether the Sharjah 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. 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. Further, Article 238 of UAE Federal Law No. 11 of 1992 (as amended) (the **Civil Procedure Law**) provides that Articles 235 to 237 (which deal with enforcement of foreign judgments, orders and instruments and which contain onerous requirements which must be satisfied before enforcement will be considered by the UAE courts) apply only in the absence of multilateral or bilateral conventions such as the New York Convention. There remains a risk that, when faced with an action for enforcement of a foreign arbitration award under the New York Convention, the Sharjah courts might ignore Article 238 of the Civil Procedure Law and instead apply Articles 203 to 218 or Articles 235 to 237. If Article 238 is ignored, there is a risk that a foreign arbitration award will be refused enforcement by the Sharjah courts. The uncertainty regarding the interpretation and application of the New York Convention provisions by the courts of the UAE 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, whose rulings may have no more than persuasive force within other emirates. There is therefore no guarantee that the Sharjah courts will enforce foreign arbitral awards in similar proceedings in the future.

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 Sharjah law, the Sharjah courts are unlikely to enforce an English judgment without 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 addition, 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. 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.

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.

Change of law

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

Claims for specific enforcement

In the event that SIB fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific enforcement of a contractual obligation, as this is generally a matter for the discretion of the relevant court.

The amount of damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee and the Delegate to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by SIB to perform its obligations as set out in the Transaction Documents to which it is a party.

Risk factors relating to the Certificates

No third-party guarantees

Investors should be aware that no guarantee is given in relation to the Certificates by the Government of Sharjah (see also “*Principal Shareholders and Governmental Interests*” above) or any other third parties

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 the Irish Stock Exchange 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 borrowing is lower than the profit rate on the Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider re-investment risk in light of other investments available at that time.

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. 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. 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 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 law. 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.

By way of further assurance, SIB has covenanted in the Purchase Undertaking that to the extent that any sale and purchase or transfer and assignment of any of the Assets is not valid or effective in any jurisdiction for any reason, it will make restitution in respect of those Assets, will fully accept all or any ownership interest the Trustee may have in the relevant Assets and, if that ownership interest is disputed or challenged, will fully indemnify the Trustee for the purpose of redemption in full or in part, as the case may be, of the relevant Series of Certificates and, accordingly, the amount payable under such indemnity will equal the relevant Exercise Price (see "*Description of the Principal Transaction Documents – Purchase Undertaking*"). The Purchase Undertaking is governed by English law and contains an agreement to arbitrate (subject to the option of the Trustee and the Delegate to take proceedings before the English courts. See further "*Risk factors relating to enforcement – Enforcement Risk*").

Risk factors relating to taxation

Taxation risks on payments

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

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) and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (ESMA) on its website in

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

Emerging markets

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Investors should note that emerging markets are subject to rapid change and that the information set forth in this Base Prospectus may become outdated relatively quickly. Moreover, financial turmoil in any emerging market country tends to adversely affect confidence in markets of all emerging market countries as investors move their money to more developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Sharjah and the UAE and adversely affect those economies. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Companies located in countries in the emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding for entities within any of these markets.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

Consents to variation of Transaction Documents and other matters

The Conditions of the Certificates contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting and Certificateholders who voted in a manner contrary to the majority.

The Master Trust Deed contains provisions permitting the Delegate from time to time and at any time without any consent or sanction of the Certificateholders to make any modification to the Master Trust Deed if, in the opinion of the Delegate, such modification (a) is of a formal, minor or technical nature, or (b) is made to correct a manifest error, or (c) is not materially prejudicial to the interests of the relevant Certificateholders and is other than in respect of a Reserved Matter (as defined in the Master Trust Deed). Unless the Delegate otherwise agrees, any such modification shall as soon as practicable thereafter be notified to the relevant Certificateholders and shall in any event be binding upon the relevant Certificateholders.

Reliance on Euroclear and Clearstream, Luxembourg procedures

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

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

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

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.

Exchange rate risks and exchange controls

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

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

Shari'a rules

SIB's Shari'a Committee, the Executive Shariah Committee of HSBC Saudi Arabia Limited and the Shari'a 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 audited consolidated financial statements of SIB as at and for the financial year ended 31 December 2017 (available at: <http://www.sib.ae/uploads/media/default/0001/05/866bd1450c7b37caf5ea258f3b3e61907e19882a.pdf>); and
- (b) the auditors' report audited consolidated financial statements of SIB as at and for the financial year ended 31 December 2016 (available at: <http://www.sib.ae/uploads/media/default/0001/04/acbc528300abdc0c24f079eff8721691c5c0f23a.pdf>).

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

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

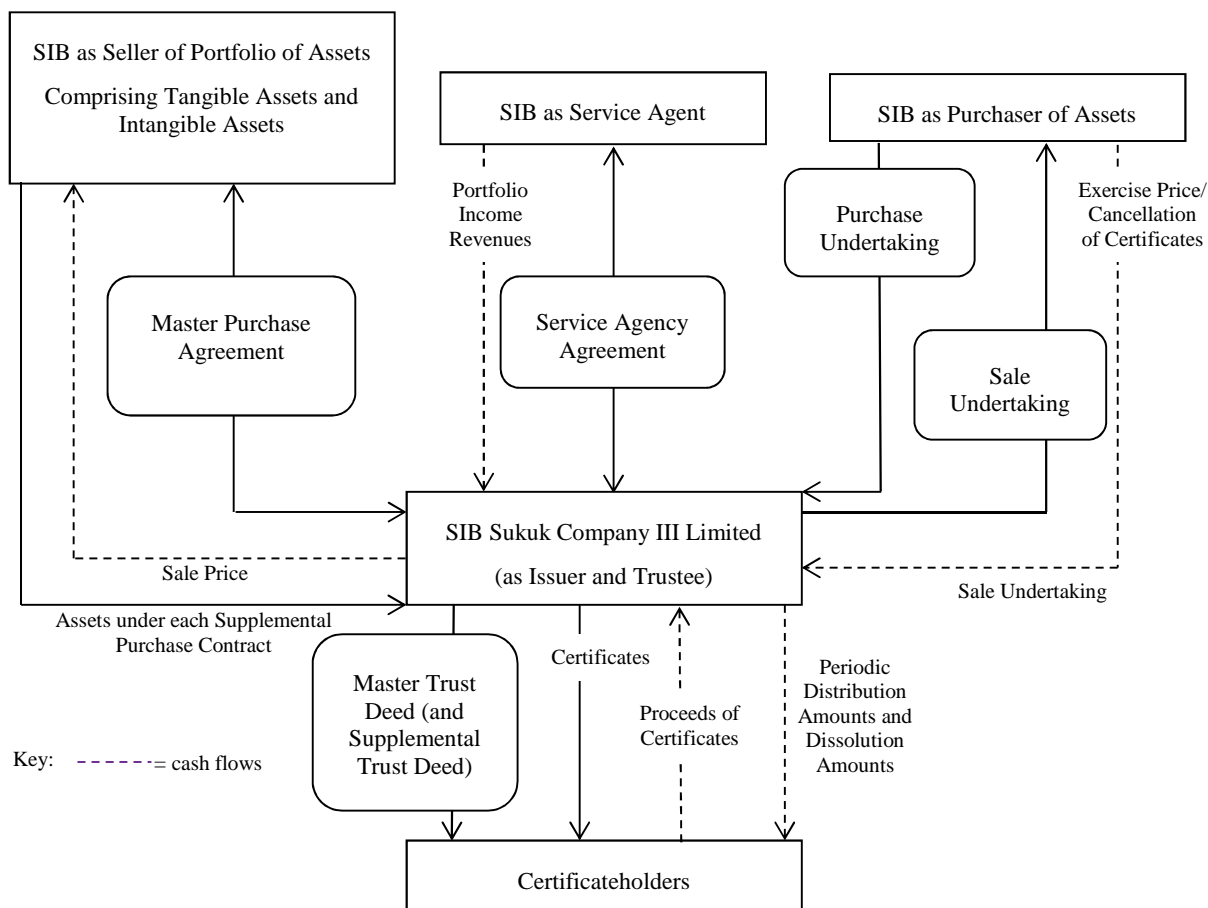
Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

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

STRUCTURE DIAGRAM AND CASHFLOWS

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

Structure Diagram



Payments by the Certificateholders and the Trustee

On the Issue Date of each Series 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 (each such asset, a **Non-Real Estate Ijara Asset**) (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); (c) *ijara mousoofah fizzaimmah* (forward *ijara*) real estate and non-real estate assets (including any rights under such forward lease agreements) (each a **Forward Lease Asset**) in respect of which the related real estate and non-real estate asset has been delivered to (or to the order of) the underlying lessee (together with the Real Estate Ijara Assets and Non-Real Estate Ijara Assets, each an **Ijara Asset**); (d) any asset, other than an Ijara Asset, which is an income generating asset (including, without limitation, any *sukuk* or trust certificates) that has associated with it underlying tangible assets and which is originated, held or owned by SIB in accordance with the Shari'a principles laid down by SIB's Fatwa & Shari'a Supervisory Board (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**); and (e) murabaha receivables under a murabaha (sale of commodities or goods on a cost plus basis) contract and Forward Lease Assets in respect of which the related asset has yet to be delivered (each such asset, an **Intangible Asset** and, together with the Tangible Assets, each an **Asset** or an **Income Generating Asset**).

The Assets, together with any Shari'a Compliant Investments and 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 repaid: (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 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 repayable from Portfolio Income Revenues in the future or 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 Option 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 option described in sub-paragraph (d), the Trustee will redeem the relevant Certificates on the Certificateholder Put Option 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.

OVERVIEW OF THE PROGRAMME

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

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

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

- Issuer and Trustee: SIB Sukuk Company III Limited, a limited liability exempted company incorporated in accordance with the laws of, and formed and registered in, 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.
- Seller and Service Agent: Sharjah Islamic Bank PJSC
- 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 a Corporate Services Agreement dated on or about 5 April 2013 between the Trustee and the Trustee Administrator (the **Corporate Services Agreement**). The Trustee Administrator’s registered office is P.O. Box 1093, Queensgate House, Grand Cayman KY1-1102, Cayman Islands.
- Arrangers: HSBC Bank plc
Standard Chartered Bank
- Dealers: HSBC Bank plc
Standard Chartered Bank

and any other Dealer appointed from time to time either generally in respect of the Programme or in relation to a particular Series of Certificates.
- Delegate: 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: | Citibank N.A., London Branch |
| Registrar and Transfer Agent: | Citigroup Global Markets Deutschland AG |
| 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 depository 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: | 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 offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or, if the Certificates are issued in a currency other than euro, the equivalent amount in such currency).

Status of the Certificates:

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 *pari passu*, without any preference or priority, with all other Certificates of the relevant Series issued under the Programme.

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 *pro rata* according to the face amount of Certificates held by each Certificateholder for the relevant Series.

Periodic Distributions:

Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms.

Redemption of Certificates:

Unless the Certificates are previously redeemed or purchased and cancelled, the Certificates shall be redeemed by the Trustee at the relevant Dissolution Amount and on the relevant Scheduled Dissolution Date specified in the applicable Final Terms and the Trust in relation to the relevant Series will be dissolved by the Trustee.

Dissolution Events:

Upon the occurrence of any Dissolution Event, the Certificates may be redeemed in full on the Dissolution Date at the relevant Dissolution Amount, together with any accrued but unpaid Periodic Distribution Amount and the relevant Return Accumulation Period may be adjusted accordingly. See Condition 14 (*Dissolution Events*).

Early Dissolution for Tax Reasons:

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 (*Taxation*); 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 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 accrued 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 Option cannot both be specified as applicable in any single Series.

Certificateholder Put Option:

If so specified in the applicable Final Terms, Certificateholders may elect to redeem their Certificates on any Certificateholder Put Option Date(s) specified in the applicable Final Terms at an amount equal to the relevant Optional Dissolution Amount (Certificateholder Put) together with any accrued 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 Option Date.

For Shari'a reasons, the Certificateholder Put Option 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 option 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:

The Service Agent may substitute Assets in accordance with the relevant provisions of the Service Agency Agreement and 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:

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.

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 (*Taxation*), 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.

Negative Pledge: The Purchase Undertaking contains a negative pledge given by SIB. See “*Overview of the Principal Transaction Documents – Purchase Undertaking*”.

Cross Default: The Purchase Undertaking contains a cross default provision in relation to SIB. See “*Overview of the Principal Transaction Documents – Purchase Undertaking*”.

Trustee Covenants: The Trustee has agreed to certain restrictive covenants as set out in Condition 5 (*Covenants*).

Ratings: 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 and registered under the CRA Regulation will be disclosed in the applicable Final Terms.

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 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

Tax Considerations: See “*Taxation*” for a description of certain tax considerations applicable to the Certificates.

Listing and Admission to Trading: Application has been made to the Irish Stock Exchange for Certificates issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to the Official List and for such Certificates to be admitted to trading on the Regulated Market.

Application has been made to the DFSA for the Certificates issued under the Programme during the 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 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 and the Sale Undertaking (each, a Transaction Document and, together, the Transaction Documents). |
| Governing Law and Dispute Resolution: | <p>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.</p> <p>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 (who shall have exclusive jurisdiction to settle any dispute arising from such documents) or any other court of competent jurisdiction.</p> <p>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 Undertaking 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.</p> <p>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.</p> |
| 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 (including 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.

FORM OF THE CERTIFICATES

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

Each Series will initially be represented by a global certificate in registered form (a **Global Certificate**). Global Certificates will be deposited with a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**) and will be registered in the name of a nominee for the common depository. Persons holding ownership interests in Global Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Certificates in fully registered form (**Definitive Certificates**).

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.

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.

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

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

FORM OF FINAL TERMS

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

[Date]

SIB Sukuk Company III Limited
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 5 March 2018 [and the Supplement[s] to the Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the **Base Prospectus**) [for the purposes of Directive 2003/71/EC, as amended (the **Prospectus Directive**)¹]. This document constitutes the Final Terms of the Certificates described herein [for the purposes of Article 5.4 of the Prospectus Directive²] 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 Article 14 of the Prospectus Directive on the website of the Central Bank of Ireland (<http://www.centralbank.ie>) and the Dubai Financial Service Authority’s website (<https://www.dfsa.ae/DFSA-Listing-Authority/Approved-Documents>).³]

- | | | |
|----|----------------------------------|--|
| 1. | Issuer and Trustee: | SIB Sukuk Company III Limited |
| 2. | Service Agent: | Sharjah Islamic Bank PJSC |
| 3. | Series Number: | [•] |
| 4. | Specified Currency: | [•] |
| 5. | Aggregate Face Amount of Series: | [•] |
| 6. | Issue Price: | 100 per cent. of the Aggregate Face Amount |
| 7. | (a) Specified Denominations: | [•] |
| | (b) Calculation Amount: | [•] |
| 8. | (a) Issue Date: | [•] |

¹ To be deleted in the event that the Certificates are unlisted.

² To be deleted in the event that the Certificates are unlisted.

³ To be deleted in the event that the Certificates are unlisted.

- (b) Return Accrual Commencement Date: [•]
9. Scheduled Dissolution Date: [•]
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 Option]/[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
[•] in the case of the 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]/[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 (*Screen Rate Determination*)) 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 Option: [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 Option 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
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. Other Transaction Document Information: (b) Supplemental Purchase Contract”.
27. Trust Assets: Condition 4.1 (*The Trust Assets*) applies
- (i) Transaction Account: SIB Sukuk Company III Limited Transaction Account No: [•] with [•] for Series No.[•]
- (i) 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)

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 Main Securities Market of the Irish Stock Exchange 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 Main Securities Market on the Irish Stock Exchange with effect from [•].]

[Not Applicable.]

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

2. RATINGS

Ratings: [Moody's: [•]]

[Fitch: [•]]

[S&P: [•]]

[•] / [Other: [•]]

[[•] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).]

[[•] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).]

[[•] is not established in the European Union and is not registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**).]

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. [PROFIT OR RETURN (Fixed Periodic Distribution Certificates only)]

Indication of profit or return: [•]

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

5. OPERATIONAL INFORMATION

(i) ISIN Code: [•]

- (ii) Common Code: [•]
- (iii) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable]/[give name(s) and number(s)]
- (iv) Delivery: Delivery [against/free of] payment

6. 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]

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 5 March 2018 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 5 March 2018 (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) and Citigroup Global Markets Deutschland AG in its capacities as a registrar (in such capacity, the **Registrar**, which expression shall include any successor) and as transfer agent (in such capacity and together with the Registrar, the **Transfer Agents**, which expression shall include any successors). The Paying Agents, the Calculation Agent 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 5 March 2018 (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 5 March 2018 (the **Service Agency Agreement**);
- (d) the amended and restated purchase undertaking granted by SIB for the benefit of the Trustee and the Delegate dated 5 March 2018 (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 5 March 2018 (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;
- (h) in respect of each Series, the applicable Final Terms; and
- (i) a corporate services agreement entered into on 5 April 2013 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.

The documents listed in paragraphs (a) to (h) (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.

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 Option is specified in the applicable Final Terms as being applicable, the Purchase Undertaking may be exercised prior to a Certificateholder Put Option 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 option 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 option 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;
- (d) *fourth*, only if such payment is made on the Scheduled Dissolution Date or the final Dissolution Date, to the Service Agent to repay any amounts advanced by way of a Liquidity Facility (as defined in the Service Agency Agreement);
- (e) *fifth*, only if such payment is made on the Scheduled Dissolution Date or the final Dissolution Date, to the Service Agent in or towards payment of any outstanding Service Agency Liability Amounts (as defined in the Service Agency Agreement); and
- (f) *sixth*, 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 borrowed 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, 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.

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, 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.

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, 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 loans in the Specified Currency to leading European banks for a period equal to the relevant Return Accumulation Period and in an amount that is representative for a single transaction in that market at that time,

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

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 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:

- (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, 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.

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:

“Y₁” is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

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

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ 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:

“Y₁” is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

- “D₁” is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number would be 31, in which case D₁ will be 30; and
- “D₂” is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31, in which case D₂ 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:

- “Y₁” is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;
- “Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;
- “M₁” is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;
- “M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;
- “D₁” 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 D₁ will be 30; and
- “D₂” 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 D₂ will be 30.

7.6 ***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.

7.7 ***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.

7.8 ***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, the Irish Stock Exchange 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.

7.9 *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*), payment of any Dissolution Amount and any Periodic Distribution Amount will be made by transfer to the registered account of each Certificateholder. Payments of any Dissolution Amount will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents. Each Dissolution Amount and each Periodic Distribution Amount will be paid to the holder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition:

- (a) **Dissolution Amount** means, as appropriate, the Final Dissolution Amount, the Early Dissolution Amount (Tax), the 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 accrued 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 accrued 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 option 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 accrued but unpaid Periodic Distribution Amounts on the Trustee giving not less than 30 nor more than 60 days' notice to the Certificateholders in accordance with Condition 17 (*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 Option is specified in the applicable Final Terms as being applicable (such option being referred to as **Certificateholder Put Option**), 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 Option Date and at the Optional Dissolution Amount (Certificateholder Put) together with any accrued 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 Option 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 Option 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) an 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 accrued 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, an **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 **except that** a failure by SIB (acting in its capacity as Service Agent) to perform or observe the obligations set out in Clause 3.1(c), Clause 3.1(o) and Clause 3.1(p) of the Service Agency Agreement will not constitute an SIB Event; or*
- (c) **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

- (d) **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*
- (e) **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*
- (f) **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*
- (g) **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

- (h) **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*
- (i) **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*
- (j) **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*
- (k) **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*
- (l) **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*
- (m) **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.*

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 the Irish Stock Exchange (www.ise.ie) or, if in either case such publication is not practicable, in a leading English language newspaper having general circulation in Europe; 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 all the requirements of such stock exchange or relevant authority have been complied with, 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.

- 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.
- 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 sub-division thereof) and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim from the Delegate or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.
- 18.5 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 depositary 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 GOVERNING LAW AND DISPUTE RESOLUTION

21.1 The Trust Deed, the Certificates and these Conditions (including the remaining provisions of this Condition 21 (*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.

21.2 Subject to Condition 21.3 to Condition 21.6, 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.

21.3 Notwithstanding Condition 21.2 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.

21.4 The notice described in Condition 21.3 above may be given not later than 28 days after service of a Request for Arbitration (as defined in the Rules).

21.5 If the Delegate gives notice pursuant to Clause 21.3, the Dispute to which such notice refers shall be determined in accordance with Condition 21.6 and if any arbitration commenced under Condition 21.2 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 to pursuant to Condition 21.3 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.

21.6 In the event that a notice pursuant to Condition 21.3 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 21.6 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 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.
- 21.7 Each of the Trustee and SIB has in the Trust Deed appointed TMF Corporate Services Limited at its registered office at Pellipar House, 1st Floor, 9 Cloak Lane, London EC4R 2RU as its agent for service of process and has undertaken that, in the event of TMF Corporate Services Limited 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.
- 21.8 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.
- 21.9 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.

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 Law (2013 Revision) 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 (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 borrowed 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> |
|-------------------|--|
| John Curran | Assistant Vice President at Maples Fund Services (Middle East) Limited |
| Cleveland Stewart | Senior 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 John Curran is 6th Floor, Office 616, Liberty House, Dubai International Financial Centre, P.O. Box 506734, Dubai, United Arab Emirates.

The business address of Cleveland Stewart 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 general business office of the Trustee. Through the office, and pursuant to the terms of a Corporate Administration Agreement entered into between the Trustee and the Corporate Administrator (the Corporate Administration 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 Administration 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 Administration Agreement provide that either the Trustee or the Corporate Administrator may terminate the Corporate Administration 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 Administration Agreement. In addition, the Corporate Administration Agreement provides that either party shall be entitled to terminate the Corporate Administration 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.

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 20.0 per cent. shareholding in SIB from the Government of Sharjah (the **Government**). KFH is an Islamic financial institutions 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 Abu Dhabi Securities Exchange (**ADX**). As at 31 December 2017, SIB had 2,934,855,000 shares outstanding held by 2,901 shareholders of record, with a total issued and paid up capital (equal to that authorised) of AED 2,934,855,000, and a market capitalisation of AED 3,991,402,800 (assuming a share price of AED 1.36). As at 31 December 2017, the Government and KFH owned 28.5 per cent. and 18.2 per cent. of SIB, respectively. In March 2017 SIB issued a 10 per cent. stock dividend bonus issuance and in December 2017 an additional 10 per cent. of capital was raised in the form of an issue of AED 266,805,000 convertible sukuk (**the 2017 Convertible Sukuk**). Sharjah Social Security Fund, an endowment fund established under an Emiri Decree by H.H. Sheikh Dr. Sultan Bin Mohammed Al Qassimi, subscribed to the 2017 Convertible Sukuk (in full) and subsequently converted the entire issue into the equity in SIB. By virtue of this, Sharjah Social Security Fund became the third largest shareholder of SIB holding 9.1 per cent. of the share capital. Other than the Government, KFH and Sharjah Social Security Fund, no shareholder held more than 4 per cent. of the shares of SIB as at 31 December 2017.

In 2008, SIB carried out a successful rights offering and bonus issue to its shareholders which increased the paid-up capital of SIB from AED 1.1 billion to AED 2.2 billion. Between 2009 and 2010, and then in 2017, bonus shares were given to SIB's shareholders, which led to the paid up capital being increased to AED 2,668,050,000. Additionally, an AED 266,805,000 convertible sukuk issue took place in 2017. In the process of conversion, the Sukuk was redeemed in full, and the paid up capital increased to the present level of AED 2,934,855,000.

As at 31 December 2017 SIB has total assets of AED 38.3 billion. By comparison, as at 31 December 2016 and 31 December 2015, total assets of SIB were AED 33.5 billion and AED 29.9 billion, respectively. SIB had shareholders' funds of AED 5.5 billion and AED 4.9 billion for the years ended 31 December 2017 and 2016, respectively. For the purposes of reporting its risk-weighted assets in accordance with Basel II, SIB had Tier 1 capital of AED 5.5 billion and AED 4.9 billion and a total capital base of AED 5.8 billion and AED 5.1 billion as at 31 December 2017 and 31 December 2016, respectively. SIB's net profit for the year ended 31 December 2017 was AED 477.7 million (3.2 per cent. higher as compared to the net profit of AED 462.9 million for the year ended 31 December 2016).

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

General

As at the date of this Base Prospectus, SIB has a rating of A3/Prime-2 with a stable outlook from Moody's, BBB+ from S&P and a rating of BBB+ from Fitch, each with a stable outlook.

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. As part of its plan to fulfil this growth strategy, SIB expects to add a number of branches to its retail network from 2018 onwards, in strategic locations across the country based on customer demand. Such branches are expected to be opened in industrial and free zones and in commercial areas with a high visibility, including in Sharjah, Dubai and Al Ain. These are expected to cater to the growing needs of small and medium sized businesses as well as retail customers in the targeted locations.

SIB intends to expand its small and medium enterprise business as it considers this segment to be a valuable addition to its revenue streams. SIB expects to achieve this growth through the introduction of new products to appeal to both corporate and retail customers (see, in particular, "*Activities of SIB – Retail Banking Group – Retail Positioning*" below) as well as through its branch expansion 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 and shipping. SIB believes that it will continue to benefit from inward investment of capital from other areas of the GCC and the wider economy in the short to medium term as a result of the relative stability of the UAE economy and political environment as well as due to the anticipated commercial activity in the lead up to the Dubai Expo 2020.

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

Maintain a conservative attitude to risk

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

that SIB was one of only two banks in the UAE not to have its credit rating downgraded during the 2008 global financial crisis.

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

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

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

SIB maintains a strong capital adequacy ratio of 21.1 per cent. calculated in accordance with Basel II and has also benefits from relatively low levels of non-performing loan facilities, with approximately AED 1,178 million (or 5.2 per cent. of all facilities) classified as non-performing as at 31 December 2017. Comparatively, SIB maintained a capital adequacy ratio of 21.4 per cent., with approximately AED 1,092 million (or 6.0 per cent. of all facilities) classified as non-performing as at 31 December 2016.

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 (DFM) and the ADX, investment in the Sharjah hospitality industry and the management of real estate assets. Following its acquisition of the Sharjah National Hotel Corporation in 2006, SIB has sought to encourage and support the Sharjah hospitality and tourism industry whilst diversifying its investments and revenues (see also "*Subsidiaries of SIB – Sharjah National Hotel Corporation*").

Competitive Strengths

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

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

As at the date of this Base Prospectus, the Government is SIB's largest shareholder, directly and indirectly holding 37.5 per cent. of SIB's share capital. SIB has capitalised on its close ties between itself and its largest shareholder by becoming the Government's effective bank of choice in the UAE. This close relationship has resulted in the Government and its related entities becoming the largest customer group of SIB, being accountable for over AED 7.1 billion, or 31 per cent. of SIB's receivables as at 31 December 2017, as compared to AED 5.6 billion, or 30.7 per cent. of SIB's receivables as at 31 December 2016. Through its strong relationship with the Government, SIB believes that it will benefit from the ongoing inward investment to Sharjah through the financing of infrastructure projects. In the current macro-economic environment, Sharjah is less affected than neighbouring emirates, having less exposure to oil revenues and volatile real estate assets. In addition, with Sharjah being a smaller emirate with correspondingly more conservative development plans than some of the other emirates, the Government is not burdened with high levels of debt. As such, SIB believes that its levels of exposure to the Government should be viewed as a strength, reflecting positively on SIB's reputation amongst Sharjah-based retail and corporate clients.

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

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

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

Stable funding base

SIB has a diversified deposit base that includes retail and corporate customers, Government bodies and public sector agencies which, taken together, are regarded by SIB as a relatively stable and a low cost source of funding. As at 31 December 2017, SIB had AED 17.8 billion of deposits maturing in less than three months and AED 4.5 billion of deposits maturing between three to 12 months, compared with AED 15.5 billion and AED 2.8 billion, respectively, as at 31 December 2016 (see also "*Risk Management – Liquidity Risk*" below). The increase in deposits maturing in less than three months is due to a growing demand for shorter term deposits due to low liquidity levels in the market.

SIB also had total customer deposits of AED 22.3 billion as at 31 December 2017, representing an increase of AED 4.0 billion (21.8 per cent.) as compared to 31 December 2016 (AED 18.3 billion). A breakdown of SIB's deposit base by product as at 31 December 2017 and 31 December 2016 is set out below:

| Product | 31 December 2017 | 31 December 2016 |
|--------------------------------------|-------------------------|-------------------------|
| | <i>(AED million)</i> | |
| Current Accounts | 8,104 | 6,890 |
| Saving Accounts | 2,298 | 2,150 |
| Watany..... | 799 | 820 |
| Time Deposits..... | 10,661 | 8,123 |
| Margins..... | 457 | 346 |
| Total Customer Deposits | 22,319 | 18,329 |

A breakdown of SIB's deposit base by customer sector as at 31 December 2017 and 31 December 2016 is set out below:

| Sector | 31 December 2017 | 31 December 2016 |
|--------------------------------------|-------------------------|-------------------------|
| | <i>(AED million)</i> | |
| Government | 5,755 | 4,593 |
| Corporate | 12,206 | 9,788 |
| Retail..... | 4,358 | 3,948 |
| Total Customer Deposits | 22,319 | 18,329 |

Diversified distribution channels and accessibility to customers

SIB distributes its products through a variety of channels which includes its branch network, automated teller machines (ATMs), a direct sales force, a call centre, SMS services and internet banking. As at the date of this Base Prospectus, SIB has 33 branches in its network.

As at the date of this Base Prospectus, SIB has a nationwide ATM network consisting of 139 ATMs and with 24 sites capable of handling cash and cheque deposit facilities, referred to as **CCDM**, SIB's call centre serves over 40,000 customers monthly. SIB launched its retail internet banking services in 2009 and its corporate internet banking services in 2010.

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

Quality of service

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

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

Strong Islamic banking presence and Shari'a credibility

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

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

Experienced management team

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

Skilled and knowledgeable workforce

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

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

Strong links with the community

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

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

Activities of SIB

Key products

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

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

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

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

The following table, which is based on SIB's audited financial statements for the year ended 31 December 2017 (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, to SIB's total revenue and total assets during the years ended 31 December 2017 and 31 December 2016.

| Division | Year ended 31 December 2017 Contribution (%) to SIB's total income* | Year ended 31 December 2017 Contribution (%) to SIB's total assets* | Year ended 31 December 2016 Contribution (%) to SIB's total income* | Year ended 31 December 2016 Contribution (%) to SIB's total assets |
|-------------------------------|--|--|--|---|
| Retail..... | 19.26 | 7.71 | 16.08 | 5.17 |
| Corporate and Government..... | 57.29 | 51.27 | 47.00 | 48.39 |
| Investment and Treasury..... | 21.60 | 39.22 | 35.16 | 44.45 |
| Subsidiaries..... | 1.84 | 1.79 | 1.77 | 1.99 |

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

Asset composition of SIB's loan portfolio

A breakdown of SIB's gross loan portfolio (that is, before taking into account provisions) by industry, as at 31 December 2017 and 31 December 2016, is set out below:

| Economic Activity | 31 December 2017 | | 31 December 2016 | |
|--|-------------------------|------------|-------------------------|------------|
| | <i>(AED million)</i> | <i>(%)</i> | <i>(AED million)</i> | <i>(%)</i> |
| Sovereign..... | 7,331 | 32 | 5,822 | 32 |
| | | | | |
| Financial Institutions-Non Banking | 172 | 1 | 197 | 1 |
| Services..... | 570 | 2 | 1,075 | 6 |
| Personal | 3,454 | 15 | 2,282 | 13 |
| Manufacturing..... | 612 | 3 | 516 | 3 |
| Trade..... | 936 | 4 | 930 | 5 |
| Transport and Communications | 481 | 2 | 405 | 2 |
| Construction and Real Estate | 3,474 | 15 | 2,368 | 13 |
| Other Corporate | 13 | 0 | 13 | 0 |
| High Net Worth Individuals..... | 5,840 | 26 | 4,576 | 25 |
| Total Customer Advances | 22,883 | 100 | 18,105 | 100 |

Retail Banking Group (RBG)

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

Currently, SIB is ranked 9th in terms of size of branch network among retail banks in the UAE and continues to expand strongly. As at the date of this Base Prospectus, SIB maintains a network of 33 full service and strategically located branches across the UAE with 23 branches in Sharjah, four branches in Dubai, three branches in Abu Dhabi, and one branch each in Fujairah, Ras Al Khaimah and Al Ain. SIB has plans to expand its branch network in 2018 and beyond, the expansion plan will unfold new branch concept using the highest industry standard Interactive Teller Machines (ITMs) and self-service equipment, this is part of the management vision to lead the way.

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 139 ATMs and 27 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 expansion of its branch network.

SIB also has a dedicated "Priority Banking" division (or "**Al Awlawiya**"), with boutiques and 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 2017, SIB maintained 235,653 accounts for approximately 210,000 customers respectively.

Product development

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

- *Smiles card:*

The award winning "Smiles Credit Card" has gained a lot of popularity since its launch in mid-2017. The Smiles Card is a credit card which features a rewards programme tailored to the needs of SIB clients 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, car rental or retail purchases.

- *Samsung Pay*

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

- *Personal Finance:*

A number of growth initiatives was undertaken within Personal Finance products which have led to accelerating the sales of Personal Finance products and contributed to substantial growth of SIB's asset book. Such initiatives included a range of actions, from profit rates revision and improved timing of finance disbursement to creating special finance product packages for specific Government entities. These factors contributed to increased and sustained growth of Personal Finance during 2017.

- *Education Finance:*

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

- *Medical Finance:*

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

- *Zero per cent. Profit Finance*

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

- *Prepaid Cards*

SIB's Prepaid Cards were launched in 2008 under six themes targeted to different customer segments, and were the first Islamic prepaid cards in the GCC. These prepaid cards (originally Visa cards and, since 2011, MasterCard) have been popular with customers who would not typically be able to afford a standard bank account. SIB's prepaid cards have also been popular with students who may rely on having an amount regularly credited to their card. Once an amount has been credited, prepaid cards can be used at ATMs to withdraw cash or for purchases directly at points of sale.

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

1. COOP Card with Sharjah Cooperative Society (largest hypermarket chain in the Emirate of Sharjah);
2. Sanad Card with Sharjah Social Affairs; and
3. Saada (happiness) Card with Sharjah Police.

- *Retail Real Estate Finance (RREF):*

RREF provides SIB's customers with financing for retail property in the UAE. The double digit acquisition and portfolio growth in 2017 was supported, amongst other things, by expansion of the RREF available product range which has seen the introduction of six new products. The RREF has also witnessed a several new and key business partnerships with leading developers in the UAE which were entered into with a view to improving the affordability and availability of Real Estate assets to SIB's customers. Such partnerships including, for example, cooperation with respect to such developments as, Nasma Residences by Arada Developments, Al Lilac Neighbourhood by Al Zahia or Al Mamsha by Alef Group. The partnerships with respect to these and other developers and projects demonstrate our commitment to support the recent real estate developments in the Emirate of Sharjah.

In addition, SIB's financing of Tilal City land plots – a project located on Emirates Road in Sharjah – was recently announced and is aimed at UAE Nationals, GCC Nationals and Arab Expatriates looking for Residential and Non-Residential property finance.

- *Car Finance:*

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

A number of business partnerships were established in 2017 with major UAE car dealers (including Al Habtoor and Al Rostamani) with a view to promoting SIB's brand and increasing brand awareness and presence of SIB and its products in the showrooms of these key dealers.

Retail positioning

Establishing SIB's brand as a leading retail bank has been a long standing strategic objective of SIB. In recent years, this strategy has been implemented through the following promotions such as the "Eidi'a on

Us" promotion which offer attractive profit rates on financing together with cash Eidi'a as a percentage of the finance amount and the "Best Summer Offers" promotion which offers discounted profit rates on SIB's mass retail products and coincided with the UAE summer holiday period. SIB has also implemented the following initiatives:

- *iPad Campaign*

This promotion is offered yearly and it spans over a period of three months. The promotion aims to increase Online Banking Usage by offering customers an iPad as a reward.

- *Friends of Cancer Patients (FOCP) Awareness Campaign*

The FOCP campaign was launched in 2014 in collaboration with FOCP and MasterCard. As part of this initiative, entitled "Hope with a Swipe", SIB donates a percentage of the amount spent by customers using MasterCard Debit and Prepaid cards to FOCP. This has raised more awareness of SIB and increased usage of using SIB cards.

- *Special Treat*

The 'Special Treat' initiative was rolled out as a means of rewarding selected existing loyal customers who have salary transfers to SIB but have not availed any Personal Finance by giving them attractive Profit Rates.

- *Evaluate Anywhere*

SIB extended its list of car evaluators by adding two new leading car evaluators which will come to the customer to evaluate the car they want to finance.

SIB plans to expand its retail banking business across the UAE. In particular, SIB intends to develop its presence in the Sharjah retail bank market by, amongst other things, implementing the following measures:

- partnerships with government and quasi-government entities as well as large businesses to acquire their payroll business through competitively priced service packages. SIB is continually evaluating further growth of the RBG business through strategic partnerships;
- leveraging existing payroll customers to cross-sell asset products;
- launching a host of innovative products, including a product "Virtual Account". This virtual account will be managed by the customer through ATMs, CCDMs and Internet Banking;
- increasing its share of the foreign currency exchange market to take advantage of SIB's expatriate customers through its existing remittance business;
- segmentation of SIB's customer base and the development of segment-tailored products and services through the provisions of more robust technologies to SIB's sale representatives; and
- increasing the reach of SIB's marketing through social media such as Facebook and Twitter.

Asset composition of retail financing portfolio

Retail loans are governed by strict internal policy parameters which are uniformly and consistently applied to the relevant customer segments and businesses based on the policy lending rules. A breakdown of the retail loan portfolio of SIB by product type, as at 31 December 2017 and 31 December 2016, is set out below.

| Product Type | 31 December 2017 | | 31 December 2016 | |
|--------------------------|-------------------------|------------|-------------------------|------------|
| | <i>(AED million)</i> | <i>(%)</i> | <i>(AED million)</i> | <i>(%)</i> |
| Personal Finance | 2,088 | 61 | 1,403 | 62 |
| Mortgages | 1,138 | 33 | 658 | 29 |
| Auto | 178 | 5 | 188 | 8 |
| Credit Cards | 50 | 1 | 33 | 1 |
| Profit in suspense | (5) | 0 | (4) | 0 |

| Product Type | 31 December 2017 | | 31 December 2016 | |
|-------------------------------|------------------|------------|------------------|------------|
| Total Customer Advances | <u>3,449</u> | <u>100</u> | <u>2,278</u> | <u>100</u> |

Retail distribution channels

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

- Call Centre: a full-fledged, 24-hour call centre with and automated Phone Banking services (Interactive Voice Response system - **IVR**), SIB's Call Centre has a team of trained telephone bankers who provide customers with all (non-cash) services and transactions available in the branch. The Call Centre currently handles over 400,000 transactions and queries per month.
- ATM Network: SIB has one of the largest ATM networks with 139 ATMs across the UAE, which includes ATMs placed as well as a number of remote machines.
- Online Banking (Internet & Mobile Banking): since its launch, the Online Banking channel is gaining popularity since it allows customer to do their transactions on the go. The Internet and Mobile Banking 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 geared to meet the financing needs of SIB's corporate customers, together with the Government and its related entities. CBG caters to clients ranging from small and mid-size corporate entities to public sector organisations and government related entities. CBG provides a range of *Shari'a*-compliant products to its customers including:

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

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

A breakdown of corporate customer advances (excluding Government advances) as at 31 December 2017 is set out below:

| Facility Type | 31 December 2017 | |
|------------------------|------------------|------------|
| | (AED million) | (%) |
| Funded | 11,427 | 100 |
| Qard Hassan..... | 356 | 3.1 |
| Ijara..... | 6,610 | 57.8 |
| Murabaha..... | 4,021 | 35.2 |
| Syndication..... | 440 | 3.9 |
| Unfunded | 2,366 | 100 |
| Letters of Credit..... | 224 | 9 |
| Acceptance..... | 155 | 7 |

| Facility Type | 31 December 2017 | |
|--------------------------------------|------------------|-----|
| | (AED million) | (%) |
| Letters of Guarantee..... | 1,987 | 84 |
| Total Customer Advances | 13,793 | |

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 in those emirates. SIB also has dedicated corporate banks located in free-zones in Sharjah to target corporate clients operating in such free-zones.

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

As at 31 December 2017, CBG held financing exposure of approximately AED 19.4 billion, including approximately AED 6.3 billion of direct Government exposure. As at 31 December 2017, SIB's top 20 depositors constituted AED 8.5 billion (38.2 per cent. of SIB's total deposits), compared to AED 6.5 billion (35.2 per cent. of SIB's total deposits) as at 31 December 2016. The Government of Sharjah and its dependencies accounted for approximately 17.3 per cent. of total deposits as at 31 December 2017.

Investment Group

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

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

The breakdown of SIB's investment assets is set out in the table below as at 31 December 2017.

| Instrument Type | Book value at 31 | Percentage |
|-------------------------|------------------|------------|
| | December 2017 | |
| | (AED million) | (%) |
| Sukuk..... | 4,798 | 62 |
| Funds..... | 38 | 0 |
| Direct Investments..... | 198 | 3 |
| Real Estate..... | 2,736 | 35 |
| | 7,770 | 100 |

The IG has three business divisions:

Investment Banking Division

The Investment Banking Division (**IBD**) executes SIB's investment and asset diversification strategy. The IBD offers a range of services to its clients, including financial advisory, debt/equity capital markets and direct investment activities. SIB also participates in syndicated financing transactions through the IBD for clients including the Government of Sharjah, Sharjah Electricity and Water Authority, Sharjah Airport Authority, Dubai Duty Free, Dubai Department of Finance for the Al Sufouh Tram Project and DXB Entertainment. SIB was also appointed as joint lead manager and/or bookrunner in recent years with respect to a number of regional Sukuk issuances, including issuances in recent years by, amongst others, the Government of Sharjah, Dubai Islamic Bank, Noor Bank, Meraas Holdings and Garuda Airlines. 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 managing SIB's cash flow. The prominent functions of TD are:

- liquidity management under money market operations across different currencies;
- reserve management in compliance with the regulatory requirements of the UAE Central Bank;
- foreign exchange cover operations to handle customer related foreign exchange requirements;
- arbitrage transactions;
- offering select treasury products for customers; and
- managing market risk for SIB.

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

The TD benefits from relatively large and favourable exposure limits applied in respect of SIB by many GCC financial institutions, allowing the TD to easily meet the funding requirements of SIB. This facilitates growth for SIB as short term liquidity can be made available to SIB from a number of counterparties in the GCC on demand and at very low profit rates. The TD plans and manages SIB's liquidity to ensure that any liquidity risk is minimised and asset liability mismatches are avoided.

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

- wakala deposits with/from banks;
- international murabaha (metal based transactions);
- short term placements/borrowings;
- foreign exchange activities;
- Islamic Certificate of Deposits with the UAE Central Bank; and
- investment sukuk as part of liquidity management.

For the year ended 31 December 2017, the TD managed an average daily surplus liquidity of approximately AED 1.9 billion, with revenue generated on these funds of approximately AED 30.8 million. During the same period, the TD's fee-based foreign exchange business generated approximate revenues of AED 21.2 million. The TD's investments in sukuk as part of a liability management exercise also earned an income of AED 0.18 million during the year 2017. The TD also offers the following Islamic products to its retail, corporate and high net worth customers:

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

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

Financial Institutions Department

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

Relationships and Strategic Alliances

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

Subsidiaries of SIB

As at the date of this 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

SIB acquired SNHC for AED 520 million from the Government in June 2006. SNHC owns four star hotels and resorts: the Marbella Resort; the Hotel Holiday International; and the Khorfakkan Oceanic Beach Hotel (all located in Sharjah). SIB's investment in SNHC is in line with SIB's general objective of diversifying its investments. As at the date of this Base Prospectus, SNHC is undertaking a renovation of Hotel Holiday International and Marbella Resort and is working to modernise their facilities. The Khorfakkan Oceanic Beach Hotel (**KOBH**) has been renovated into a resort and spa and was re-opened for occupancy in the first quarter of 2014. For the year ended 31 December 2017, SNHC generated revenues of AED 51.0 million and net profit of AED 2.05 million compared to AED 50.3 million of revenues and AED 0.14 million of net profit for the year ended 31 December 2016. Revenues remained flat mainly because of higher competition coupled with stable tourist arrivals along with renovation of Hotel Holiday International and Marbella Resort. As at 31 December 2017, SNHC's net assets amounted to AED 272.9 million, compared to AED 270.9 million as at 31 December 2016. SIB's strategy is to diversify its revenues from the hospitality business especially in light of the increased focus on this sector from the Government of Sharjah and the incentivisation of the tourism industry in Sharjah. With increase in tourist arrivals and promotion of tourism in the emirate, SIB expects an increase in revenues of SHNC.

Sharjah Islamic Finance Services

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

For the year ended 31 December 2017, SIFS generated revenues of AED 3.7 million and net profit of AED 2.9 million compared to AED 3.2 million of revenues and a net loss of AED 2.65 million in 2016. The increase was in line with market expectations and sentiments prevailing in the DFM and the ADX. SIFS had net assets of AED 75.5 million as at 31 December 2017, compared to AED 65 million of net assets as at 31 December 2016.

ASAS Real Estate

ASAS formerly existed as a division of SIB, but was incorporated as a subsidiary in 2011. As at the date of this Base Prospectus, ASAS is responsible for the management of SIB's real estate assets, together with the real estate assets of some of SIB's clients, including the Government. ASAS provides property management

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

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

For the year ended 31 December 2017, ASAS generated revenues of AED 47.3 million compared to AED 302.4 million for the year ended 2016. The ASAS Tower was handed over to owners and revenue was recorded accordingly. 2017 revenues indicate standard revenues for the company.

SIB's Competition

SIB faces competition in all of its principal business areas. In its Retail Banking and Corporate Banking businesses, SIB's principal competitors include both banks that are locally incorporated (conventional and Islamic) as well as certain foreign banks operating in the UAE. As at 31 December 2017, there were 49 banks holding full commercial banking licenses in the UAE, of which 22 were locally incorporated (*source*: UAE Central Bank). In the Islamic banking market, SIB's direct competitors include Emirates Islamic Bank, Dubai Islamic Bank, Abu Dhabi Islamic Bank, Dubai Bank, Noor Bank, Al Hilal Bank and Ajman Bank, all of whom are also incorporated in the UAE.

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

Risk Management

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

SIB continues to enhance its risk management and compliance framework and replaced its current 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 running on industry standard rating model covering all asset classes.

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

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

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 that they are exposed to.

Risk management architecture

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

- *Strategic Level*

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

- *Tactical Level*

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

- *Operational Level*

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

Risk Management Division

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

In particular, the RMD's responsibilities include:

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

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

SIB's Risk Management Policy Framework (**RMPPF**) has been in place since 2004, when it was developed and formulated by the Risk Management team. The RMPPF 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 RMPPF is reviewed by SIB's auditors as well as by regulatory inspectors during their annual examination of SIB. SIB's management believes that SIB's policies and procedures exceed the standards set by international best practice, Basel III Accord directives and UAE Central Bank regulations.

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.

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, thereby, contributing to the overall success of SIB;
- monitoring credit risk through the proper evaluation of credit proposals and facilities by identifying and analysing all potential risk factors associated with requested credit facilities;
- monitoring credit exposure by limiting transactions with specific entities and continually assessing the creditworthiness of SIB's counterparties; and
- managing credit risk exposure through the diversification of lending activities to ensure that all elements of concentration risk are mitigated against.

Corporate Credit & Retail Credit Administration

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

Investment Administration

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

Centralised Recovery & Collections

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

Information Security & Risk Assurance

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

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.

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 assumed by it.

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

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

Market Risk

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

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

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

Settlement Risk

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

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

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

Foreign Exchange Rate Risk

The foreign exchange rate risk is managed on the basis of limits determined by the ALCO and a continuous assessment of SIB's open position by Treasury with respect to current and expected exchange rate

movements. SIB does not engage in foreign exchange proprietary trading and where necessary matches currency exposures inherent in certain assets with liabilities in the same or correlated currency.

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

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

As at 31 December 2017, SIB had the following significant net exposures denominated in foreign currencies:

| Currency | Net Position | |
|---------------------|----------------------------|-------------|
| | (equivalent AED thousands) | |
| | 2017 | 2016 |
| U.S. dollar..... | (1,543,278) | (1,082,730) |
| Sterling Pound..... | 39,888 | 34,342 |
| Euro | (7,498) | 90 |
| Bahrani Dinar..... | 7,399 | 7,343 |
| Qatari Riyal..... | - | 2,356 |
| Saudi Riyals..... | (4,397) | 1,292 |
| Kuwaiti Dinar | (1,023) | 20,512 |

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 2017, SIB's financing receivables to deposit ratio stood at 97.3 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 2017 and 2016.

| 31 December 2017 | Less than 3 months | 3 months to 1 year | 1-5 years | Over 5 years | Total |
|----------------------------------|--------------------|--------------------|---------------|--------------|-------|
| Assets | | | AED thousands | | |
| Cash and balances with banks and | 3,103 | - | - | - | 3,103 |

| 31 December 2017 | Less than 3 months | 3 months to 1 year | 1-5 years | Over 5 years | Total |
|--|---------------------------|---------------------------|------------------|---------------------|---------------|
| financial institutions | | | | | |
| International murabaha and wakalah with financial institutions | 3,319 | 312 | 294 | - | 3,925 |
| Financing receivables..... | 1,204 | 1,020 | 3,564 | 2,107 | 7,895 |
| Ijarah receivable..... | 492 | 2,157 | 7,117 | 4,048 | 13,813 |
| Investments securities | 430 | 245 | 3,118 | 1,240 | 5,034 |
| | 8,548 | 3,734 | 14,093 | 7,395 | 33,770 |
| Liabilities and equity | | | | | |
| Customers' deposits..... | 17,784 | 4,534 | - | - | 22,318 |
| Due to banks | 2,523 | - | 1,553 | - | 4,076 |
| Sukuk payable..... | - | 1,836 | 3,666 | - | 5,502 |
| Other liabilities and zakat payable | 673 | 69 | 5 | - | 747 |
| | 20,980 | 6,440 | 5,224 | - | 32,643 |
| 31 December 2016 | Less than 3 months | 3 months to 1 year | 1-5 years | Over 5 years | Total |
| | <i>AED thousands</i> | | | | |
| Assets | | | | | |
| Cash and balances with banks and financial institutions | 3,206 | - | - | - | 3,206 |
| International murabaha and wakalah with financial institutions | 4,100 | 284 | 257 | - | 4,641 |
| Financing receivables..... | 1,839 | 628 | 1,997 | 1,050 | 5,514 |
| Ijarah receivable..... | 534 | 1,680 | 6,022 | 3,341 | 11,577 |
| Investments securities | 1,104 | 117 | 1,708 | 1,177 | 4,107 |
| | 10,783 | 2,709 | 9,984 | 5,568 | 29,045 |
| Liabilities and equity | | | | | |
| Customers' deposits..... | 15,553 | 2,776 | - | - | 18,329 |
| Due to banks | 2,665 | - | 1,186 | - | 3,851 |
| Sukuk payable..... | - | - | 5,498 | - | 5,498 |
| Other liabilities and zakat payable | 648 | 145 | 66 | - | 859 |
| | 18,866 | 2,921 | 6,749 | - | 28,537 |

The increase in total assets from 31 December 2016 to 31 December 2017 was due to loan growth that touched 27 per cent. Additionally, the bank is witnessing an increasing trend towards matching customer cash flows to loan repayments in order to reduce SIB's credit risk and to enable SIB to benefit from higher yields.

Equity Price Risk

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

Operational Risk

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

SIB manages the 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 through a framework 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 to 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, with effect from January 2018, SIB shall maintain a total regulatory capital, comprising of Tier 1 and Tier 2 capital, at 10.5% of the Risk Weighted Assets.

From 1 January 2018, the UAE Central Bank expects all banks under its supervision to adhere to the new standards and regulations based on the following two levels:

- the solo level capital adequacy ratio requirements (which measure the capital adequacy of an individual bank based on its standalone capital strength); and
- the group level capital adequacy ratio requirements (which measure the capital adequacy of a bank based on its capital strength and risk profile after regulatory consolidation of assets and liabilities of its subsidiaries).

SIB has complied and intends to comply with any and all externally imposed capital requirements applicable to it.

SIB's capital adequacy figures for the years ended 31 December 2017 and 31 December 2016 are set out in the table below (based on Basel II computation, where minimum capital adequacy ratio required by UAE Central Bank was fixed at 12%):

| | BASEL II | |
|--|------------------------|------------------|
| | 2017 | 2016 |
| | <i>(AED thousands)</i> | |
| Tier 1 capital | | |
| Ordinary share capital | 2,934,855 | 2,425,500 |
| Retained earnings | 1,134,084 | 1,019,741 |
| Statutory reserve | 89,008 | 89,008 |
| Legal Reserve | 1,377,902 | 1,330,626 |
| Total Tier 1 Capital Base | 5,535,849 | 4,864,875 |
| Tier 2 capital | | |
| Fair value reserve | (39,488) | (29,492) |
| Collective impairment provisions | 312,240 | 270,002 |
| Total Tier 2 Capital Base | 272,752 | 240,510 |
| Total Capital Base | 5,808,601 | 5,105,385 |

Risk weighted assets:

| | BASEL II | |
|------------------------------------|------------------------|-------------------|
| | 2017 | 2016 |
| | <i>(AED thousands)</i> | |
| Credit Risk..... | 24,979,172 | 21,600,139 |
| Market Risk..... | 263,612 | 155,621 |
| Operational Risk..... | 2,235,023 | 2,152,438 |
| Risk weighted assets..... | 27,477,807 | 23,908,198 |
| Tier 1 Ratio..... | 20.15% | 20.35% |
| Capital adequacy ratio..... | 21.14% | 21.35% |

Under Federal Law No. (10) of 1980 concerning the UAE Central Bank, the Monetary System and Organization of Banking, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reserve makes up 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends have to be authorised by the UAE Central Bank. See further "*United Arab Emirates Banking System and Prudential Regulation*" below.

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 cleared by the UAE Central Bank before it is declared to the general public. Any dividend proposed by the Board of Directors must be approved at SIB's annual general meeting.

Corporate Governance

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

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

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

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

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

Shari'a compliance (Sharia)

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

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

Credit Approval Procedures

Credit exposure

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

Retail banking credit approval procedures

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

SIB has amended its real estate financing criteria such that it will now only extend finance up to a maximum of 50 per cent. of the value of the property being financed (a decrease from between 60-70 per cent. during 2008). Stringent credit criteria such as these have helped to insulate SIB from the recent falls in the value of real estate across the UAE. This action was taken prior to the publication by the UAE Central Bank of, but is in line with, notice no. 3871/2012 dated 30 December 2012 in respect of loan to value ratios for home mortgages (see "*The United Arab Emirates Banking Sector and Prudential Regulations – Recent Trends in Banking – Credit Controls*").

Corporate banking credit approval procedures

Credit Approval Process

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

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

- relevant business area solicits clients, prepares the necessary documentation and submits a proposal to the Credit Division;
- the Credit Division independently reviews, evaluates and assesses the documentation and prepares a due diligence report;
- the Credit Division will then make recommendations to the Credit Committee;
- the Credit Committee makes a final decision within the guidelines that have been formulated by the Board of Directors;
- 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 Approval Process

SIB adopts a consistent and comprehensive approach to credit applications. Every product (whether retail or corporate) has its own set of detailed policy guidelines which have been approved by the Board of Directors. SIB has also implemented an online credit approval process management system to increase the speed and efficiency of the credit approval process. The new management system has been designed to facilitate the capture of financial and qualitative information on SIB's counterparties. The system serves as a repository for both current and historical corporate information which will facilitate financial statement analysis, scenario analysis, credit testing and peer analysis as a part of the credit appraisal process.

Retail banking credit approval

SIB's retail products are supported by the application of stringent credit criteria. These credit criteria are dynamic and are reviewed on a regular basis.. As a conservative banking institution that applies *Shari'a* rules and principles, SIB is only prepared to extend finance to those customers that can afford it with a special emphasis on debt service ratios, which are currently capped at 50 per cent. Unlike other banks in the GCC, SIB predominantly accepts applications for credit cards and finance from those customers that credit their salary to SIB. All retail banking credit is subject to a cap of 20 times salary per customer (excluding real estate finance).

Security & Collateral Management

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

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

Security procedures

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

Non-performing financing receivable

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

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

With respect to Impairment, the adoption of IFRS 9 will have a significant impact on SIB's impairment methodology, as the IFRS impairment model is forward looking compared to the current model based on incurred losses.

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 incorporates forecasts of future economic conditions, including macroeconomic factors, 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 preparation for implementation of IFRS 9 reporting, SIB has developed new methodologies and models taking into account relative size quality and complexity of portfolios. Furthermore, SIB will formulate a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios, which shall in turn be probability weighted to eventually help determine the final assessment of the expected credit loss. Finally, when measuring the expected credit loss, SIB must consider the maximum contractual period over which it is exposed to credit risk, considering all contractual terms including prepayment options, extension options or rollover options.

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

SIB continues to pro-actively manage credit quality and delinquencies and non-performing financing receivables across its corporate and retail portfolios, which have increased within expected levels. The non-performing financing receivables ratio, excluding impaired investment securities and legacy loans and advances, decreased to 5.2 per cent. by 31 December 2017 from 6.0 per cent. reported as at 31 December 2016. The impairment allowance on financing receivables and leased assets in respect of 2017 increased to AED 755 million compared to AED 690 million in 2016. This increase was primarily due to an increase in the balance of impaired financing receivables at the beginning of 2016 and in line with SIB's conservative approach towards its impairment and building coverage ratio.

The following table provides a breakdown of impaired financing receivables by sector for the years ended 31 December 2017 and 2016:

| Impaired financing receivables by sector | 2017 | 2016 |
|---|--------------------------|----------------|
| | <i>(AED in millions)</i> | |
| Trade..... | 280.3 | 184.4 |
| Real Estate and Construction | 42.5 | 53.9 |
| Services..... | 16.6 | 8.7 |
| Manufacturing..... | 106.8 | 27.7 |
| Other Corporate Loans (including high net worth individuals)..... | 630 | 745.8 |
| Total Corporate Loans | 1,076.2 | 1,020.5 |
| Total Retail Loans..... | 101.7 | 71.7 |
| Less: Profit in suspense..... | (45.4) | (79.1) |
| Total impaired financing receivables..... | 1,132.5 | 1,013.1 |

The following table summarises the movements in allowances for impairment for financing receivables for SIB for the years ended 31 December 2017 and 2016.

| Movement in allowances for impairment (financing receivables) | 2017 | 2016 |
|--|------------------------|----------------|
| | <i>(AED thousands)</i> | |
| Balance, beginning of the year | 746,711 | 647,728 |
| Written off during the year | (23,304) | (63,631) |
| Additional provision for the year | 172,000 | 179,490 |
| Recoveries and write-backs during the year | (27,966) | (16,876) |
| Balance of allowances for impairment as at 31 December | 867,441 | 746,711 |

The following table summarises the movements in allowances for impairment for leased assets for SIB for the years ended 31 December 2017 and 2016.

| Movement in allowances for impairment (leased assets) | 2017 | 2016 |
|---|------------------------|----------------|
| | <i>(AED thousands)</i> | |
| Balance, beginning of the year | 267,764 | 236,001 |
| Written off during the year | (15,108) | (3,373) |
| Additional provision for the year | 81,847 | 45,431 |
| Recoveries and write-backs during the year | (71,509) | (10,295) |
| Balance of allowances for impairment as at 31 December | 262,994 | 267,764 |

Industry Regulation and Compliance

Industry regulation and supervision

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

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

Regulation of Islamic banks

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

Fatwa & Shari'a Supervisory Board

The SSB oversees the application of different aspects of *Shari'a* within SIB and ensures that all transactions are in strict compliance with *Shari'a* principles. The Board of Directors is obliged to obey the fatwa (judgments) of the SSB regardless of whether a unanimous or majority vote secured the decision. SSB meetings are held periodically or whenever the need arises.

The SSB structures *Shari'a*-compliant transactions, templates and banking products which enable SIB to follow market trends while maintaining the highest levels of *Shari'a* compliance. It also analyses

unprecedented cases which have not been covered by an existing fatwa in order to ensure *Shari'a* compliance before any new products are introduced or a new procedure is implemented.

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

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

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

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

Shari'a Control Division

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

Real estate property

As at 31 December 2017, 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 2.7 billion.

Capital expenditure

SIB does not expect to incur capital expenditure outside its ordinary course of business. For the year ended 31 December 2017, SIB incurred AED 9.0 million of capital expenditure, compared to approximately AED 6.0 million for the year ended 31 December 2016. SIB is expected to undertake capital expenditure in 2018, principally for investment in information technology (**IT**) and expanding and refurbishing its branch network.

Compliance risk and anti-money laundering policies

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

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

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

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

Internal audit

SIB's IAD operates under a charter approved by the Board of Directors. The IAD consists of 15 members that are independent from the other operations of SIB and is led by the Chief of Internal Audit. In order to ensure independence and objectivity, in line with SIB's adoption of good corporate governance standards, the IAD reports directly to the Board of Directors.

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

Funding

The Investment Group's TD manages the overall short-term and long-term liquidity of SIB, guided by the overriding principle of prudent liquidity management. The division operates under the direction and instruction of SIB's ALCO. Most of SIB's long term funding requirements are met through customer deposits and Sukuk borrowing, with short term requirements met through inter-bank loans. Liquidity risks are mitigated by placing surplus funds across short-term tenors ranging from the overnight market to 3 months Treasury bills, ensuring that SIB's liquidity position remains at a comfortable level.

Through its IBD, SIB also raises money through the international capital markets. As at the date of this Base Prospectus, SIB has US\$500 million sukuk due to mature in April 2018, US\$500 million sukuk due to mature in March 2020 and US\$500 million sukuk due to mature in September 2021.

Information Technology

SIB regards the role of Information Technology to be significant in ensuring that SIB remains responsive and flexible to the competitive and dynamic forces of the environment within which it operates. SIB's IT division is focused on utilising the most advanced IT systems to secure SIB's customers and ensure that customers' data is well protected and secured against unauthorised access. Accordingly, SIB continues to invest in IT to ensure that it is resourced in line with modern banking requirements. SIB invested considerable budget for transforming its Technology platforms and adopting a full-fledged digital transformation program across its business lines.

SIB became the first Islamic bank in the Middle-East to launch Samsung Pay. Samsung Pay offers banking customers a highly secure mechanism for conducting Point of sale transactions without the need for plastic and also offers increased security in internet and e-commerce transactions.

Information security is of paramount importance to SIB which looks to ensure highest levels of security focussing on the awareness, monitoring and prevention. SIB outsources security operations to market leading providers in that space to achieve the advantages of world class information security domain expertise, real-time alerts and notifications of key security events and incidents as well as access to industry thought leadership around IT systems and security.

SIB also introduced a new "talking" ATM for blind and visually impaired. The new ATM is located at the Sharjah City for Humanitarian Services (SCHS) features large Braille keypad in Arabic and English and a voice-assisted interface (also in both languages) that can be heard through speakers or headphones for more privacy. It also has three security cameras instead of one found in regular ATM's.

SIB continues to implement strategic programmes to further update and maintain its core systems and technologies with considerable investments to setup scalable platforms for future business growth. SIB's Network infrastructure is currently undergoing an upgrade with latest and secure technologies and equipment. In addition, SIB is updating its ATMs to introduce Interactive Teller Machines (ITM) and self-service kiosks. SIB is also working on migrating the SWIFT Infrastructure to a more modern and robust architecture to strengthen the security aspects of this core platform.

SIB has also embarked in pioneering the introduction of latest Robotic Process Automation (RPA) technology to revolutionize the way banking processes are executed, free up resources to engage more with customers, increase throughput and achieve drastic reduction in turnaround times leading to increases customer satisfaction.

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.

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 document 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 2017 regarding any outstanding legal proceedings against SIB.

Fiscal Year

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

Auditors

The financial statements of SIB have been audited by KPMG Lower Gulf Limited of Level 13, Boulevard Plaza, Tower One Mohammed Bin Rashid Boulevard, P.O. Box 3800, UAE (KPMG) who have audited SIB's financial statements, without qualification, in accordance with International Standards on Auditing for each of the financial years ended on 31 December 2017 and 31 December 2016 statements (which financial statements are incorporated by reference in this Base Prospectus).

KPMG is regulated in the UAE by the UAE Ministry of Economy which has issued KPMG with a license to practise as auditors. All of KPMG's audit professionals and partners are members of the institutes from where they received their professional qualification.

In the Annual General Meeting of SIB held on 10 February 2018, PricewaterhouseCoopers (**PwC**) were appointed as external auditors after completion of term by KPMG. For the financial year commencing on 1 January 2018, PwC shall be auditing financial statements of SIB.

SELECTED FINANCIAL INFORMATION

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

Sources of Funding

SIB's main source of funding has been customer and other banks' deposits and shareholders' equity. The following table sets out certain details of such funding for SIB as at 31 December 2017 (audited), 31 December 2016 (audited) and 31 December 2015 (audited):

| Description | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|----------------------------|------------------------|------------------------|------------------------|
| | <i>(AED million)</i> | | |
| Customers' Deposits..... | 22,319 | 18,329 | 16,953 |
| Due to Banks..... | 4,076 | 3,851 | 2,046 |
| Sukuk Payable..... | 5,502 | 5,498 | 5,134 |
| Shareholders' Equity | 5,519 | 4,856 | 4,704 |

Assets and Investments

The following table summarises the position in relation to some of SIB's principal assets and investments as at 31 December 2017 (audited), 31 December 2016 (audited) and 31 December 2015 (audited):

| | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|--|------------------------|------------------------|------------------------|
| | <i>(AED million)</i> | | |
| Cash and Balances with Banks and Financial Institutions..... | 3,103 | 3,206 | 2,602 |
| International Murabaha and Wakalah with Financial Institutions | 3,925 | 4,641 | 4,316 |
| Financing Receivables | 7,895 | 5,514 | 5,735 |
| Ijarah Receivable | 13,813 | 11,577 | 10,614 |
| Investment Securities | 5,034 | 4,107 | 2,364 |
| Investment Properties..... | 2,168 | 2,124 | 1,812 |
| Properties Held for Sale | 568 | 573 | 653 |
| Other Assets..... | 923 | 867 | 846 |
| Property and Equipment..... | 859 | 929 | 941 |
| Total assets | <u>38,288</u> | <u>33,539</u> | <u>29,883</u> |

Contingent Liabilities and Commitments

The following table summarises the position in relation to SIB's contingent liabilities and commitments as at 31 March 2017 (unaudited), 31 December 2016 (audited) and 31 December 2015 (audited):

| | 31 December 2017 | 31 December 2016 | 31 December 2015 |
|---------------------------|------------------------|------------------------|------------------------|
| | <i>(AED million)</i> | | |
| Letters of Credit..... | 224 | 152 | 216 |
| Letters of Guarantee..... | 1,987 | 1,527 | 1,408 |

Risk Asset Ratio and Leverage

The Capital Adequacy Ratio as reported to the UAE Central Bank closed was 21.14 per cent. for the year ended 31 December 2017, 21.35 per cent. for the year ended 31 December 2016 and 21.99 per cent. for the year ended 31 December 2015. This remains above the regulatory minimum 12.0 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 Ratios¹

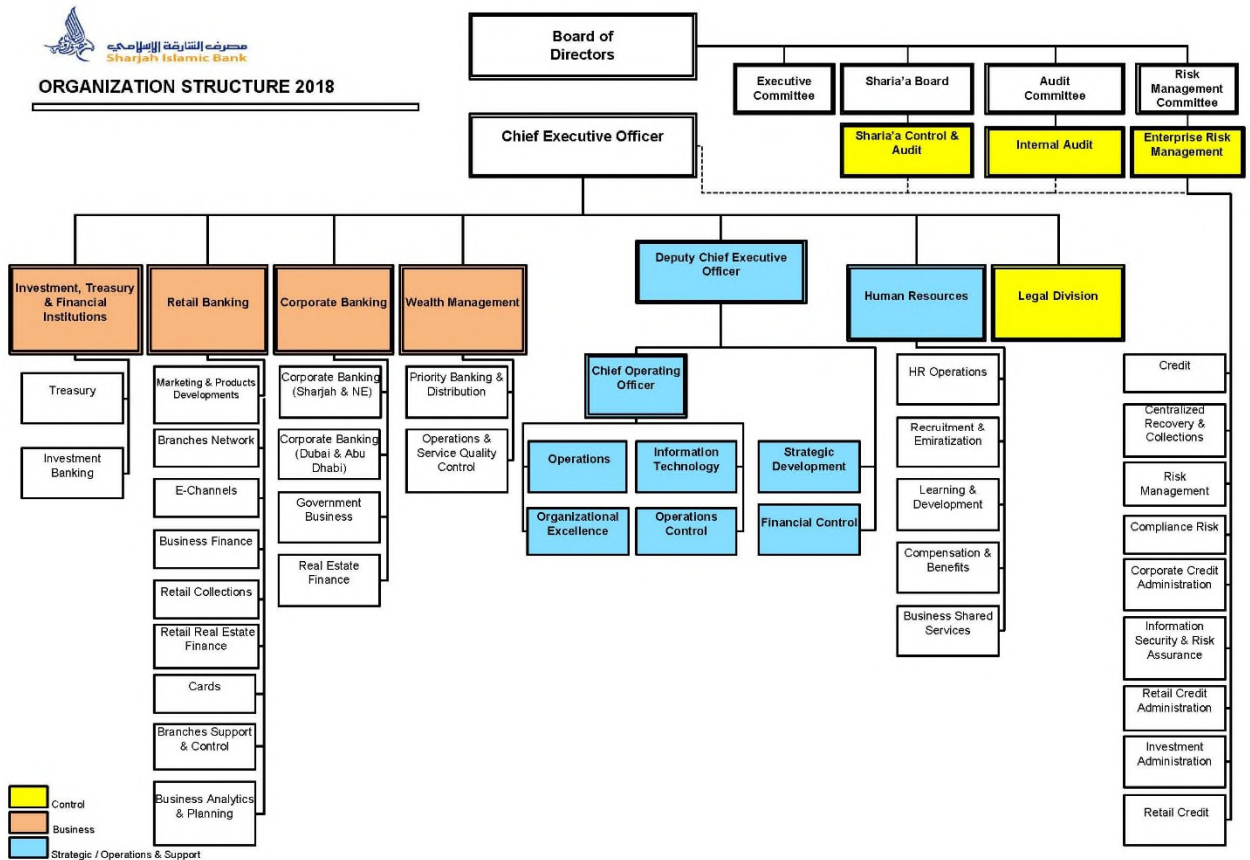
| | As at 31 December 2017 | As at 31 December 2016 | As at 31 December 2015 | As at 31 December 2014 | As at 31 December 2013 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Income Statement Data | | | | | |
| <i>(in AED million)</i> | | | | | |
| Total Income | 1,490 | 1,374 | 1,335 | 1,157 | 921 |
| General and Administrative Expenses | (556) | (484) | (458) | (428) | (387) |
| Provisions net of Recoveries | (149) | (228) | (350) | (246) | (102) |
| Distribution to Depositors | (307) | (200) | (117) | (106) | (125) |
| Profit for the period | 478 | 463 | 410 | 377 | 307 |
| Financial Position Data | | | | | |
| <i>(in AED million)</i> | | | | | |
| Total Assets | 38,289 | 33,539 | 29,883 | 26,013 | 21,732 |
| Murabaha and other Islamic financing ² | 7,895 | 5,514 | 5,735 | 5,472 | 3,961 |
| Ijara Receivable ³ | 13,813 | 11,577 | 10,614 | 9,003 | 8,558 |
| Investments ⁴ | 7,770 | 6,804 | 4,829 | 3,457 | 2,703 |
| Customers' Deposit | 22,319 | 18,329 | 16,953 | 14,592 | 11,901 |
| Due to Banks | 4,076 | 3,851 | 2,046 | 2,456 | 1,306 |
| Equity attributable to equity holders ⁵ | 5,519 | 4,856 | 4,704 | 4,588 | 4,536 |
| Income Statement Data | | | | | |
| <i>(in USD million)</i> | | | | | |
| Total Income | 406 | 374 | 364 | 315 | 251 |
| General and Administrative Expenses | (151) | (132) | (125) | (117) | (105) |
| Provisions net of Recoveries | (41) | (62) | (95) | (67) | (28) |
| Distribution to Depositors | (84) | (54) | (32) | (29) | (34) |
| Profit for the period | 130 | 126 | 112 | 103 | 84 |
| Financial Position Data | | | | | |
| <i>(in USD million)</i> | | | | | |
| Total Assets | 10,426 | 9,132 | 8,137 | 7,083 | 5,917 |
| Murabaha and other Islamic financing ² | 2,150 | 1,501 | 1,562 | 1,490 | 1,079 |
| Ijara Receivable ³ | 3,761 | 3,152 | 2,890 | 2,451 | 2,330 |
| Investments ⁴ | 2,116 | 1,853 | 1,315 | 941 | 736 |
| Customers' Deposit | 6,077 | 4,991 | 4,616 | 3,973 | 3,241 |
| Due to Banks | 1,110 | 1,049 | 557 | 669 | 356 |
| Equity attributable to equity holders ⁵ | 1,503 | 1,322 | 1,281 | 1,249 | 1,235 |
| Profitability Ratios | | | | | |
| Annualized Return on Average Asset (%) ⁶ | 1.3 | 1.5 | 1.5 | 1.6 | 1.5 |
| Annualized Return on Average Equity (%) ⁷ | 9.2 | 9.7 | 8.8 | 8.3 | 6.8 |
| Earnings Per Share (AED) | 0.18 | 0.17 | 0.17 | 0.16 | 0.13 |
| Equity/Total Assets (%) | 14 | 14 | 16 | 18 | 21 |
| Total regulatory capital expressed as a percentage of total risk weighted assets (%) ⁸ | 21 | 21 | 22 | 24 | 31 |
| Liquidity & Business Ratios | | | | | |
| Liquid Assets ⁹ /Total Assets (%) | 18 | 23 | 23 | 24 | 24 |
| Financings/Total Deposits (%) ¹⁰ | 82 | 77 | 86 | 85 | 95 |
| Depositors' accounts/Total Deposits (%) ¹¹ | 85 | 83 | 89 | 86 | 90 |
| Non-performing financing assets (NPA)/Net Financing (%) ¹² | 5.4 | 6.4 | 6.9 | 5.6 | 5.8 |
| Financing/Depositors' accounts (%) | 97 | 93 | 96 | 99 | 105 |

Notes:

- ¹ This information has been subject to rounding adjustments.
- ² Murabaha and other Islamic financing are reported as Financing Receivables in the Financial Statements.
- ³ Ijara financings are reported as Ijarah Receivables in the Financial Statements.
- ⁴ Investments include Investment Securities, Investment Properties and Properties Held-for-Sale in the Financial Statements.
- ⁵ Equity attributable to equity holders is the Total Shareholders' Equity in the Financial Statements.
- ⁶ Return on Average Asset has been calculated by dividing the Profit for the period by the average of Total Assets of two years.
- ⁷ Return on Average Equity has been calculated by dividing the Profit for the period by the average of Shareholders' Equity of two years.
- ⁸ This is computed by Total Capital Base/Risk Assets of SIB as reported per UAE Central Bank guidelines.
- ⁹ Includes Cash and Balances with Banks and Financial Institutions and International Murabaha and Wakalah with Financial Institutions.
- ¹⁰ Financings are determined by taking the aggregate of the amounts set out at Note (2) and (3) divided by Customers' Deposit and Due to Banks.
- ¹¹ Total Deposits include Customers' Deposit and Due to Banks.
- ¹² Computed by Net NPL after Profit in suspense and special provision divided by Net Islamic Financing and Ijara Financing.

MANAGEMENT OF SHARJAH ISLAMIC BANK PJSC

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



Board of Directors

SIB operates under the direction of a board of directors (the **Board of Directors**), which is comprised of seven members vested with the power to manage SIB and conduct its business in accordance with its objects and with Federal Law No. 8 of 1984 concerning commercial companies of the UAE, 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. Ahmed Mohamed Obaid Al Shamsi | Vice Chairman |
| Mr. Othman Mohammed Sharif Abdalla Zaman | Board Member |
| Mr. Ahmed Ghanim Saeed Matar Al Suwaidi | Board Member |
| Mr. Ali Salim Al Mazrou | Board Member |
| Mr. Mohammad NA Al Fouzan | Board Member |
| Mr. Emad Yousuf Al Monayea | 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. His appointment on the Board of SIB was recommended

by the Government. He is the Minister of Health of the UAE and also a board member/director of Sharjah Insurance Company, Real Estate Bank and Al Owais Real Estate Company.

Mr. Ahmed Mohamed Obaid Al Shamsi has been a Board Member of SIB since 1995 and represents the Government of Sharjah. His appointment on the Board of SIB was recommended by the Government. He was appointed Vice Chairman of the Board in March 2013. He is also a board member/director of Falcon Group and Sharjah Transport.

Mr. Othman Mohammed Sharif Abdalla Zaman has been a Board Member of SIB since 1995. He is also a board member/director of Sharjah Insurance Company and Sharjah Cement and Industrial Development Company.

Mr. Ahmed Ghanim Saeed Matar Al Suwaidi has been a Board Member of SIB since 1995. He is also a board member/director of Gulf Energy Limited and Gulf Navigation.

Mr. Ali Salim Al Mazrou has been a Board Member of SIB since 1995. He is also a board member/director of Emirates Stones, Lamtalco and Municipal Council of Sharjah.

Mr. Mohammad NA Al Fouzan has been a Board Member of SIB since 2008. He is also a board member/director of Al Mathna Investment and Integrated Systems Group. His appointment on the Board of SIB was recommended by KFH.

Mr. Emad Yousuf Al Monayea was appointed as a Board Member of SIB in March 2013. He also serves as Vice Chairman, Managing Director and CEO of KFH Investments Co. K.S.C.C. (formerly Liquidity Management House, Kuwait), which is a subsidiary of KFH. His appointment on the Board of SIB was recommended by KFH.

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.

| Name | Position |
|-----------------------|--|
| Mohamed A Abdalla | Chief Executive Officer |
| Ahmed Saad Ibrahim | Deputy Chief Executive Officer |
| Mohammed Rizwan | Chief Risk Officer/Head of Risk Management Group |
| Saeed M Al Amiri | Head of Investment Group |
| Rahma Mohd. Al Shamsi | Head of Corporate Banking Group |
| Eman Jassim | Head of Human Resource Group |
| Abdul Rashid Athar | Head of Credit Division |
| Mona El Shinnawy | Head of Strategic Development Department |
| Nabil Abou Alwan | Head of Retail Banking Group |
| Ravi Khanna | Chief Information Officer |
| Mohamed El-Bahi | Financial Controller |
| Khalaf Abdullah | Acting Chief of Internal Audit Division |
| Muhammad Ishaq | Head of Treasury Division |
| Anver Jalaldeen | Head of Investment Banking |

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 34 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 34 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 and Head of Enterprise Risk Management

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 the Bank, he worked with ABN Amro and The Hong Kong Metropolitan Bank. He has over 35 years of experience in the banking industry.

Ravi Khanna, Chief Operating Officer

Mr Khanna has more than 30 years' of experience in information technology in banks and has worked with banks in Oman and India for more than 21 years. He took over the role of Chief Operating Officer of SIB in March 2017 after completing successfully a complete 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 Bachelors 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 group 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 16 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.

Nabil Abou Alwan, Head of Retail Banking Group

Mr Alwan joined Sharjah Islamic Bank in 2015. He has over 26 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.

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 19 years' experience in managing human resources at SIB.

Ibraheem Al Awartni, Head of Credit Division

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

Mona El Shinnawy, Head of Strategic Development Department

Ms El Shinnawy has served as Head of Strategic Development Division of SIB since 2005, having joined in 2004. She holds a Masters of arts in commerce from American University Cairo and a Bachelors of arts from Cairo University. She has over 32 years' of experience with financial institutions such as Citibank, GIO Australia, First Gulf Bank and Union National 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 15 years banking experience accompanied by 9 years of Audit Experience in the areas of Statutory Audit, Internal Audits and Certification matters. Prior to joining the bank, he worked with The Saudi British Bank – HSBC affiliate), and International Audit Firm (Ernst and Young).

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 24 years' of experience in the banking industry.

Khalaf Abdullah, Acting Chief of Internal Audit Division

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

Anver Jalaldeen, Head of Investment Banking

Mr Jalaldeen has served as Head of Investment Banking at SIB since 2008. He holds a graduate degree from Oklahoma State University, USA. Prior to joining SIB in 2003, he worked with Wyndham Corporation, Fidelity Investments and Abu Dhabi Islamic Bank. He has over 21 years of experience in financial and investment management.

Saleem Ahmed, Head of Information Technology

Mr Saleem has more than 24 years of experience in Information Technology with expertise in financial institutions, having previously worked earlier with Samba in Saudi Arabia (for 17 years) and First Gulf Bank in Abu Dhabi (for 5 years). Mr Saleem holds a Bachelor degree in Engineering from College of Engineering, Guindy, Anna University in Chennai, India and he is currently responsible for all aspects of Information Technology across SIB and its group businesses.

Bobby Shankeshwar, Chief Dealer and Acting Head of Treasury

Mr Shankeshwar is a seasoned professional with experience spanning over a period of 21 years in the areas of Finance and Treasury across corporate and bank Treasuries. He joined Sharjah Islamic Bank 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 organizations in different geographical locations handling Investments and Treasury products, as also managing the market risk through available hedging tools and products. He holds a Bachelors degree in Engineering (BE) and a Masters 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 15 years of capital markets experience in UAE and Pakistan and is responsible for the Debt Capital Markets function at SIB's Investment Banking Division. He joined the bank in 2008 focused on the investment portfolio. Over the course of his time at SIB, he has been involved in various

issuances of Sukuk by the bank and other transactions where SIB acts as a JLM. Prior to joining SIB, Mr. Wahab worked at Tabarak Partners and before that at Pakistan Kuwait Investment Company. He holds a Masters in Business Administration from the Institute of Business Administration, Karachi, Pakistan.

Business Address and Interests

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

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

Board Remuneration

The members of the Board of Directors of SIB received AED 5.3 million in aggregate by way of board remuneration during the year ended 31 December 2017.

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 Director's senior executive management ensuring that the Board of Directors meets its strategic and operational objectives. The Executive Committee collectively monitors the performance of SIB and makes decisions within the authority limits delegated to it by the Board of Directors.

The Executive Committee meets at least once a quarter.

Audit Committee

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

The Audit Committee meets once a quarter.

Risk Management Committee

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

The RMC meets once every quarter.

Management Committees

Management Committee

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

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

Investment Committee

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

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

IT Steering Committee

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

Asset and Liability Committee

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

The members of the ALCO comprise:

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

The ALCO meets frequently to discuss and develop policy matters.

Credit Committee

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

The members of the CC comprise:

- Chief Executive Officer;

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

The CC meets twice every week.

Human Resource Committee

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

The members of the HRC comprise the CEO, Deputy CEO, the Head of the Investment Group and Head of the Human Resource Group. The HRC meets at least once every two weeks.

Human Resources

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

Employees

As of the 31 December 2017, SIB employed 1194 full time employees. Correspondingly, the employee turnover reduced from 7.87% to 6.62% in the year up to 31 December 2017.

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

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

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

Emiratization

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

SIB considers Emiratization as a long-term strategic investment that is demonstrated through the priority given to talented UAE Nationals in employment. With the Central Bank National Points System in place, SIB has surpassed the target set for Emiratization in 2017 achieving 655 points against a target score of 509 points as assigned by the UAE Central Bank. With a holistic approach towards nationalisation, SIB has become a front runner in meeting and exceeding nationalisation targets.

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

Transactions with related parties

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

| | 31 December 2017 | 31 December 2016 |
|--|---------------------------------|---------------------------------|
| | <i>(AED '000)</i> | |
| Government of Sharjah receivables..... | 3,681,632 | 2,602,694 |
| Government departments and authorities receivables | 3,422,199 | 2,979,476 |
| Other financing receivables and investing activities | 1,237,786 | 665,965 |
| Government of Sharjah deposits | 195,830 | 64,034 |
| Government department & authority deposits..... | 3,664,669 | 2,505,771 |
| Other deposits | 38,911 | 56,852 |
| Contingent liabilities..... | 123,085 | 146,038 |
| Income from financing and investing activities..... | 252,551 | 185,036 |
| Depositors' share of profit | 13,392 | 23,471 |

OVERVIEW OF THE UNITED ARAB EMIRATES AND THE EMIRATE OF SHARJAH

The United Arab Emirates

The United Arab Emirates (the **UAE**) is a federation of seven emirates. Formerly known as the Trucial States, the seven emirates were British protectorates until they achieved independence on 2 December 1971 and merged to form the UAE. The UAE as a whole extends along the south-east coast of the Arabian Gulf, from the base of the Qatar peninsula to Ras Al Khaimah in the north and across the Mussandam peninsula to the Gulf of Oman in the East, covering an area of 83,699 square kilometres in total.

Each emirate has a local government headed by the ruler of the emirate. The UAE also has a federal government which is headed by the President of the UAE. The President of the UAE is H.H. Sheikh Khalifa bin Zayed Al Nahyan who is also the ruler of Abu Dhabi. H.H. Sheikh Dr. Sultan Bin Mohammed Al Qasimi (**H.H. The Ruler**) has been the ruler of Sharjah since 1972.

The majority of the population of the UAE is estimated to be non-UAE nationals, mainly drawn from the Indian subcontinent, Europe and other Arab countries. According to the latest data published by the NBS, UAE nationals officially make up less than 12 per cent. of the overall population of the UAE and 18.5 per cent. of the Sharjah's population. In keeping with the rest of the UAE, expatriates resident in Sharjah are mainly from the Asian subcontinent, other Arab countries, Europe and North America.

On 27 May 2017, Moody's Singapore has changed the rating outlook on Government of United Arab Emirates to stable from negative. At the same time, Moody's affirmed the long-term Aa2 issuer rating. The key drivers quoted as reasons for the outlook change were effective policy response to the low oil price environment via an acceleration in the country's reform agenda; expected improvement in the fiscal and current account positions; and the economy's growth and diversification prospects. The affirmation of the Aa2 rating incorporates Moody's view that the government of Abu Dhabi (Aa2 stable), the wealthiest of the seven emirates that compose the UAE, stands fully behind the federal government of the UAE. Accordingly, the rating of the federal government is linked to the credit profile of the government of Abu Dhabi. On 25 May 2017, Moody's affirmed Abu Dhabi's Aa2 rating and changed the outlook to stable from negative.

The UAE's long-term and short-term foreign-currency bond and deposit ceilings remain unchanged at Aa2 and Prime-1, respectively. The UAE's long-term local-currency bond and deposit ceilings also remain unchanged at Aa2.

On 27 January 2017, Standard & Poor's Financial Services LLC (**S&P LLC**) lowered its long- and short-term foreign and local currency sovereign credit ratings on Sharjah to "BBB+/A-2" from "A/A-1", with a stable outlook. The main reason was the increase in Sharjah's government debt as a percentage of GDP since 2014, due to persistent fiscal deficits and increased capital spending. Although S&P LLC predicts that the Emirate of Sharjah's economy will gradually recover in 2017-2020, it considers that fiscal consolidation will be slower than S&P LLC initially anticipated. The stable outlook reflects expectations that Sharjah will continue to make progress in reducing its after-capital-spending deficit in the next two years. The outlook also reflects S&P LLC's assumption that, should revenue growth be slower than expected, the Emirate will take steps to remain on track toward reducing its budgetary deficits, including reducing capital spending if needed.

On 15 December 2017, Moody's Investors Services Ltd (**Moody's**) reaffirmed an "A3" long term foreign and local currency issuer default rating (stable outlook) on the Emirate of Sharjah. The Moody's rating has remained unchanged since Moody's initially rated the Emirate of Sharjah in July 2014. The principal reason for this rating is Sharjah's strong fiscal position and low government debt burden, as well as the Emirate's well-diversified economy. Sharjah's ratings are constrained by the Government of Sharjah's narrow revenue base and limited hydrocarbon reserves.

Governance, Legislation and Judiciary of the UAE

UAE Constitution

The original constitution of the UAE (the **Constitution**) was initially provisional and provided the legal framework for the UAE. The Constitution was made permanent pursuant to a constitutional amendment in May 1996. The major principle adopted by the Constitution was that jurisdiction for enacting substantive

legislation was confined to the federal government, but the local governments of the seven emirates were authorised to regulate those matters that were not the subject of legislation by the federal government.

Pursuant to Articles 120 and 121 of the Constitution, the federal government is responsible for foreign affairs; security and defence; nationality and immigration; education; public health; the currency; postal, telephone and other communications services; air traffic control and the licensing of aircraft and a number of other matters including labour relations; banking; the delimitation of territorial waters; and the extradition of criminals. Federal matters are regulated through a number of specially created federal ministries which include the Ministries of Defence, Economy, Finance, Foreign Affairs and Justice. Most of the federal government ministries are based in the emirate of Abu Dhabi. The UAE's monetary and exchange rate policy is managed on a federal basis by the UAE Central Bank. Article 122 of the Constitution states that the emirates shall have jurisdiction in all matters not assigned to the exclusive jurisdiction of the UAE, in accordance with the provision of the preceding two Articles.

The individual emirates are given flexibility in the governance and management of their own emirates. The Constitution permits individual emirates to elect to maintain their own competencies in certain sectors. The natural resources and wealth in each emirate are considered to be the public property of that emirate. Each emirate manages its own budget on an independent basis and no emirate has any obligation to contribute to the budget of any other emirate. Each emirate makes contributions to the federal budget in agreed amounts.

The following are the key entities in the structure of the federal government of the UAE.

Federal Supreme Council

The UAE is governed by the Supreme Council of the Rulers of all the emirates (the **Supreme Council**). This is the highest federal governing body and consists of the Rulers of the seven emirates. The Supreme Council elects from its own membership the President and the Vice President of the UAE (for renewable five-year terms). Decisions relating to substantive matters are decided by a majority vote of five emirates, **provided that** the votes of both the emirate of Abu Dhabi and the emirate of Dubai are included in that majority, but matters that are purely procedural are decided by a simple majority vote.

The Supreme Council is vested with legislative as well as executive powers. It ratifies federal laws and decrees, plans general policy and approves the nomination of the Prime Minister and accepts his resignation. It also relieves him from his post upon the recommendation of the President.

H.H. The Ruler has represented Sharjah in the Supreme Council since becoming the ruler of Sharjah in 1972.

Federal Council of Ministers

The Federal Council of Ministers (the **Cabinet**) is described in the Constitution as "the executive authority" for the UAE and is responsible for implementing policy decisions of the Supreme Council. The Cabinet is the principal executive body of the UAE. The Constitution defines the responsibilities of the Cabinet, which include the issuing of regulations, the preparation of draft laws and the drawing up of the annual federal budget.

Based in the emirate of Abu Dhabi, the Cabinet is headed by the Prime Minister and consists of the Deputy Prime Minister and a number of other Ministers. These Ministers are normally selected (for no fixed term) by the approval of the Supreme Council on the recommendation of the Prime Minister.

Federal National Council

The Federal National Council (the **FNC**) is a parliamentary body which comprises 40 members who are UAE nationals. Each emirate appoints members for a particular number of seats based on such emirate's population and size. Half of the members are appointed by their respective rulers and the other half is elected under an electoral process. The emirates of Abu Dhabi and Dubai have eight members each, the emirates of Ras Al Khaimah and Sharjah have six members each and the other emirates have four members each. The nomination of representative members is left to the discretion of each emirate, and the members' legislative term is four calendar years. The members represent the UAE as a whole rather than their individual emirates.

Presided over by a speaker, or either of two deputy speakers elected from amongst its members, the FNC has both a legislative and supervisory role under the Constitution. This means that it is responsible for

examining and, if required, amending, all proposed federal legislation, and is empowered to summon and to question any federal minister regarding ministry performance. One of the main duties of the FNC is to discuss the annual budget of the UAE. Although the FNC can monitor and debate government policy, it has no veto or amendment power and cannot initiate any legislation by itself. Its amendments to, or rejection of, draft legislation placed before it can be overridden by the Supreme Council.

Legal and Court System

There are three primary sources of law in the UAE, namely: (i) federal laws and decrees (applicable in all seven emirates); (ii) local laws and decrees (i.e. laws and regulations enacted by the emirates individually); and (iii) the *Shari'a* (Islamic law). 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 or local government of each emirate can apply his or its own rules, regulations and practices.

The federal judiciary, whose independence is guaranteed under the Constitution, includes the Federal Supreme Court and Courts of First Instance. The Federal Supreme Court consists of five judges appointed by the Supreme Council. The judges decide on the constitutionality of federal laws and arbitrate on inter-emirate disputes and disputes between the federal government and the emirates.

In accordance with the Constitution, three of the seven emirates (the emirates of Abu Dhabi, Dubai and Ras Al Khaimah) have elected to maintain their own court system, separate from that of the UAE, and these courts have sole jurisdiction to hear cases brought in the respective emirates.

Sharjah's judicial system mirrors the structure of the federal judicial system and is comprised of a Court of First Instance, a Court of Appeal and a Court of Cassation.

The emirate of Sharjah

Overview

The emirate of Sharjah is the third largest emirate in the UAE after Abu Dhabi and Dubai. The city of Sharjah is situated on the west coast of the UAE in the south-eastern part of the Arabian Gulf between Dubai and the northern emirates of Ajman, Umm Al Quwain and Ras Al Khaimah. Sharjah's enclaves of Khorfakkan, Dibba Al Kisan and Kalba provide access to the Arabian Sea and Indian Ocean through the Gulf of Oman. In total, Sharjah covers an area of 2,590 square kilometres, or 3.3 per cent. of the UAE's total area (excluding islands). In addition to Sharjah International Airport, Sharjah has three deepwater sea ports: Khalid Port; Hamriyah Port; and Khorfakkan.

Sharjah Executive Council

The Ruler of Sharjah delegates the management of Sharjah's government and its dependencies to the Sharjah Executive Council (the **SEC**), which is headed by the Crown Prince of Sharjah, H.H. Sheikh Sultan Bin Mohammed Bin Sultan Al-Qasimi. The SEC meets on a weekly basis to review the progress of projects and various initiatives. Its functions include, *inter alia*:

- determining departmental policies;
- determining objectives for the economic and social development of the emirate;
- monitoring government expenditure;
- proposing laws and decrees to be referred to the ruler;
- promoting civic engagement with the public;
- preserving the emirate's cultural heritage, and supporting scientific research, arts and literature;
- developing the emirate's natural resources; and
- preparation of the emirate's budget.

Economy of the UAE and Sharjah

Based on IMF data for 2016 (extracted from the World Economic Outlook Database (October 2017)), in terms of nominal GDP, the UAE is estimated to be the third largest economy in the MENA region after the Kingdom of Saudi Arabia and the Islamic Republic of Iran. The UAE economy has generally grown over the last two decades, faltering only in 2009 as a result of a significant oil price decline, the effects of the global financial crisis and the ending of the property bubbles in both Dubai and Abu Dhabi. Although the UAE has a more diversified economy than most of the other countries in the GCC region, its wealth is still largely based on oil and gas. According to data gathered by OPEC (extracted from the OPEC Annual Statistical Bulletin 2016), at 31 December 2015, the UAE had approximately 6.6 per cent. of the world's proven crude oil reserves (giving it the sixth largest proven crude oil reserves in the world). Fluctuations in energy prices do have a bearing on economic growth, but the UAE is viewed as being in a less vulnerable position than some of its GCC neighbours, due to the increasing size of its non-oil sector and the sizeable wealth of the Government of Abu Dhabi. The governments of Abu Dhabi and Dubai, which contribute around 80 per cent. of the UAE's GDP, are spending substantial amounts on expanding infrastructure.

Whilst fluctuations in energy prices do have a bearing on economic growth, the UAE is generally viewed as being less vulnerable than some of its GCC neighbours, due to the growth in the non-oil sector, particularly trading, finance, real estate and tourism.

According to the UAE Federal Competitiveness and Statistics Authority, real GDP growth in the UAE was 3.3 per cent. in 2014, 3.8 per cent. in 2015 and 3.0 per cent. in 2016. Data published by the UAE National Bureau of Statistics (**NBS**) states that Sharjah's GDP constituted 6.8 per cent. of the UAE's total GDP in 2016, compared to 5.6 per cent. of the UAE's total GDP in both 2015 and 2014. The manufacturing and real estate were the largest sectors of the Sharjah economy, accounting for 17.1 per cent. and 13.3 per cent. of its GDP respectively in 2016.

Foreign Direct Investment and Free Zones

Sharjah has two free zones, both established in 1995: Hamriyah Free Zone located at the Hamriyah Port and Sharjah Airport International Free Zone at the Sharjah International Airport (the **Free Zones**).

There are many incentives for foreign corporate entities to set up in one of the Free Zones. Foreign corporate entities can freely operate in the Free Zones and Free Zone entities can be 100 per cent. foreign owned, unlike entities registered elsewhere in the UAE which require various degrees of local participation. Free Zone entities are exempt from paying corporate tax for 15 years, renewable for an additional 15 years, and individuals are exempt from paying income tax.

There are no currency restrictions levied on the capital or the profits of Free Zones entities and 100 per cent. of their capital and/or profit can be repatriated. The ability to import into the Free Zones and to export abroad without any import duties, taxes or currency restrictions being levied on the Free Zone entity is a strong incentive for foreign corporate entities wishing to carry on such activities from and into the Middle East region to set up in one of the Free Zones.

The incentives to set up in a Free Zone include an easily available and relatively inexpensive workforce, no restrictions on the issuance of work permits and residence visas, availability of plots of land, prebuilt warehouses and offices on an annual lease basis, affordable workers' accommodation and minimal legal and administrative procedures to commence operations.

THE UNITED ARAB EMIRATES BANKING SECTOR AND PRUDENTIAL REGULATIONS

Summary

As at 31 December 2016 there were a total of 48 banks (22 locally incorporated banks and 26 foreign banks) licensed to operate in the UAE, to serve a national population of approximately 9.3 million people at the end of 2016 (source: the World Bank). As a result, the UAE could be viewed as an over-banked market, even by regional standards and there has traditionally been little impetus for consolidation. The UAE's membership of the WTO will require greater economic liberalisation, but it is unclear to what extent this will encourage foreign banks to expand their presence in the market. In the long-term, however, it is likely to lead to increased competition, which should spur consolidation, both within the UAE and across the region generally.

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

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

Characteristics of the Banking System

Lack of Consolidation

The UAE may be seen as being over-banked with 48 different banks (comprising 22 locally incorporated banks and 26 foreign banks) licensed to operate inside the UAE as at 31 December 2017 (excluding the Dubai International Financial Centre (the **DIFC**)) (source: UAE Central Bank), serving a population estimated to be in the region of approximately 9.2 million people at the end of 2016 (source: the World Bank). Traditionally there has been little impetus for consolidation. However, mergers in the past have tended to come as a result of banks facing financial difficulties and some commentators suggest that the 2008 global financial crisis created more favourable conditions for consolidation. The federal structure of the UAE has, to some extent, encouraged the fragmented nature of the banking sector, with the individual Emirates wishing to retain their own national banks. Rivalries between large local business families and a desire not to dilute shareholdings have also hampered the process of consolidation. However, in October 2007, the UAE's then second and fourth largest banks at the time, Emirates Bank International P.J.S.C. and National Bank of Dubai P.J.S.C., merged to become Emirates NBD P.J.S.C. In October 2010, Dubai Islamic Bank P.J.S.C. took a controlling stake of 58.25 percent in Tamweel. In 2012, Emirates Islamic Bank P.J.S.C. merged with Dubai Bank P.J.S.C. Finally, the merger between National Bank of Abu Dhabi and First Gulf Bank, which was completed on 30 March 2017, is anticipated to stimulate further moves towards greater consolidation amongst UAE banks.

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

Domestic Focus

The UAE incorporated banks are predominantly focused on the domestic market but a number have small operations overseas and are showing growing interest in cross-border business.

With a large number of banks, competing for a limited number of wholesale lending opportunities, most banks have turned to retail banking, a previously untapped market. However, increasing competition in this area is gradually eroding margins and encouraging a relaxation of lending criteria. As the market has been tested only to a limited extent under adverse conditions, it is difficult to predict the future likelihood of asset quality problems.

Expansion of retail operations has required heavy investment in distribution channels, particularly ATM networks, kiosks and telephone and Internet banking services. As a consequence, information technology costs have been a prominent feature of many UAE banks' expenses.

Limited Foreign Ownership

In 1987, the UAE federal government placed a freeze on new foreign banks opening operations in the UAE. At the same time, existing foreign banks were limited to a maximum of eight branches, which restricted their ability to develop any retail potential. However, three banks of GCC state origin, the National Bank of Kuwait, SAMBA and Doha Bank, were awarded licences by the UAE Central Bank following an agreement to permit market access to banks of GCC state origin in line with continuing efforts in regional integration.

During 2002, the Government of Dubai issued a decree establishing the DIFC. The DIFC, located in the Emirate of Dubai, is a free trade zone and financial services centre focusing on private banking, asset management, investment banking, re-insurance activities, Islamic finance, securities trading and back office operations. The DIFC has its own civil and commercial laws and has been granted authority to self-legislate in civil and commercial cases. The opening of the DIFC has enabled international banks to establish a presence and compete in the wholesale banking market and this has seen new entities entering the market place.

Exposure to the Oil Sector

With much of the economy directly or indirectly dependent on the oil sector, UAE banks are potentially vulnerable to business erosion during long periods of low oil prices (see "*Risk Factors – The UAE's economy is highly dependent upon its oil revenue*"). 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 (with the mining, quarrying and energy sector accounting for 11.6 per cent. of Sharjah's GDP in 2014, according to the UAE National Bureau of Statistics (the **NBS**)) and it enjoys a relatively diverse economy. Furthermore, mining and quarrying sector, which includes crude oil and natural gas, contributed 7.4 per cent to Sharjah's nominal GDP in 2015 and 5.7 per cent. in 2016.

Islamic Banking

Shari'a (Islamic) law forbids the charging of interest on any financial transaction. A number of banks have developed in the Islamic world to serve customers who wish to observe this principle. These institutions offer a range of products which, whilst broadly corresponding with conventional banking transactions, are structured in a way which avoids the application of interest. The UAE is home to numerous institutions offering Islamic banking and financial products. Such institutions include: Dubai Islamic Bank P.J.S.C., Abu Dhabi Islamic Bank P.J.S.C., Emirates Islamic Bank P.J.S.C., Noor Bank, Al Hilal Bank P.J.S.C., Ajman Bank, SIB and Amlak Finance. The number of Islamic banks continues to increase, with both new entrants to the market and existing conventional banks recasting themselves as Islamic banks. In addition, conventional financial institutions often offer *Shari'a*-compliant products.

Legal Environment

There are three primary sources of law in the UAE: federal laws and decrees; local laws; and *Shari'a* (Islamic) law. In addition, Emiri decrees can be issued by the rulers of each of the emirates which, when issued, have full legal effect and operation in such emirate. The secondary form of law is trade custom or practice. In the absence of federal legislation on areas specifically reserved to federal authority, the Ruler of a given Emirate or local government will apply his or its own rules, regulations and practices.

Supervision of Banks

The main piece of legislation applicable to the banking system is Union Law No. 10 of 1980 (the **Union Law**) which established 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 Union Law grants the UAE Central Bank powers to:

- exercise currency issue, stabilisation, valuation and free convertibility;
- direct credit policy for balanced growth of the economy;
- organise and promote an effective banking system with private banks and institutions;
- advise the federal government on financial and monetary issues;
- maintain the federal government's reserves of gold and foreign currencies;
- act as a bank for the federal government and other banks operating in the UAE; and
- act as the federal government's financial agent with the IMF, the World Bank and other international financial organisations.

Historically, income from overseas investments has been used to fund fiscal deficits, obviating the need for the UAE Central Bank to issue government debt. However, the UAE Central Bank does issue certificates of deposit (CDs) to UAE banks, denominated in both U.S. dollars and UAE dirhams, in order to absorb excess liquidity rather than to meet a specific funding need. There is presently no active secondary market in these securities, but they can be redeemed at face value at the UAE Central Bank at any time. In 2007, the UAE Central Bank introduced an auction system which allows U.S. dollar drawings against UAE dirham CD holdings.

The UAE dirham is linked to the IMF's Special Drawing Right. However, the U.S. dollar is the intervention currency and, in practice, the UAE dirham is pegged to the U.S. dollar. This pegged exchange rate has been in place since the 1980s and has proved to be resilient both to political tensions in the region and to fluctuations in oil prices.

The UAE Central Bank is also responsible for regulating financial institutions in relation to money laundering controls and enforcing Federal Law No. 4 of 2002 regarding the Criminalisation of Money Laundering. It has established an Anti-Money Laundering and Suspicious Cases Unit which acts as the financial intelligence unit and has issued a number of detailed regulatory instructions in pursuit of anti-money laundering policies and procedures. The UAE has also established a National Anti-Money Laundering Committee, which is responsible for coordinating anti-money laundering policy.

The UAE further strengthened its legal authority to combat terrorism and terrorist financing, by passing Federal Law No. 1 of 2004 on Combating Terrorism Offences, which provided for the establishment of a National Anti-Terror Committee (the NATC). The NATC serves as a UAE inter-agency liaison.

Although the UAE Central Bank is responsible for regulating all banks, exchange houses, investment companies and other financial institutions in the UAE, the Dubai Financial Services Authority regulates all banking and financial services activities in the DIFC. The UAE Central Bank has also been growing in stature as a banking supervisor. However, it is hampered in its role by the level of legal autonomy afforded to the individual Emirates, which at times makes it difficult to enforce directives uniformly across the banking sector.

Lack of Developed Capital Markets

The absence of mature bond or equity markets in the UAE means that banks have often shouldered the burden of long-term financing. This has tended to create a maturity mismatch in their balance sheets, as most of their liabilities are short-term customer deposits. Although the two stock markets, the Dubai Financial Market 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 Dubai Financial Market announced its intention to acquire the Nasdaq Dubai, with completion of the acquisition having occurred in July 2010. The Dubai Financial Market 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

There is a high degree of state involvement in the UAE banking sector. Most of the larger banks 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 82 per cent. of the workforce according to estimates published by the Federal Competitiveness and Statistics Authority in 2016. The banking sector is no exception to this and expatriates are employed in the senior management of most of the major banks. This has brought expertise from more developed markets to the sector. However, the high level of expatriates in the UAE has been an increasing concern for the UAE federal government and as part of a policy of "Emiratisation", banks were instructed, in 1999, to increase the percentage of UAE nationals on their payroll to 40 per cent. by 2009. Generally, banks have been moving closer to, or have met, this target, providing better training and compensation for UAE nationals.

Accounting Standards

Since 1 January 1999, all UAE banks have been required to prepare their financial statements in accordance with IFRS (formerly International Accounting Standards (**IAS**)). Although this has led to a substantial improvement in disclosure standards, there remains some variability in the quality and depth of disclosure across the banking sector.

Structure of the Banking System

Banking institutions in the UAE fall into a number of categories, as defined by the Union Law. Domestic commercial banks, also known as "National" banks, of which there are 22 as at 31 December 2017 (source: UAE Central Bank), are required to be public shareholding companies with a minimum share capital of AED 40.0 million and must be majority owned by UAE nationals. Licensed foreign banks, of which there are 26 as at 31 December 2017 (source: UAE Central Bank), need to demonstrate that at least AED 40.0 million has been allocated as capital funds for their operations in the UAE. The Union Law also licenses "financial institutions" (institutions whose principal functions are to extend credit, carry out financial transactions, invest in moveable property and other activities, but which are not permitted to accept funds by way of deposits) and financial and monetary intermediaries (money and stockbrokers).

Recent Trends in Banking

Profitability

The performance of the UAE economy is influenced by oil prices, which directly affect fiscal revenues and hence determine the level of investment in government projects in the country. The high oil prices and strong economic conditions experienced in the UAE between 2004 and 2008 allowed UAE banks to expand significantly.

However, much of this growth focused on the real estate sector and equity financing which, in the context of the 2008 global financial crisis, represented a significant risk to the UAE banking system. Equity prices declined generally in the UAE from 2008 to 2011 in response to the 2008 global financial crisis but rebounded overall between 2012 and 2015. ADX's General Index declined from 2,719.9 at 31 December 2010 to 2,402.3 at 31 December 2011 before increasing to 2,630.9 at 31 December 2012, 4,290.3 at 31 December 2013 and 4,528.9 at 31 December 2014, before declining again to 4,307.4 at 31 December 2015.

The Dubai Financial Market index declined from 1,630.5 at 31 December 2010 to 1,353.4 at 31 December 2011 before increasing to 1,662.5 at 31 December 2012, 3,371.4 at 31 December 2013 and 3,774.0 at 31 December 2014, before declining again to 3,160.9 at 31 December 2015. As at 31 December 2016 and 31 December 2017, the ADX's General Index stood at AED 4,390.2 and AED 4,577.79 respectively and the Dubai Financial Market index stood at AED 3,355.5 and AED 3,270.34 respectively (source: www.adx.ae and www.dfm.ae).

During 2008 to 2010, a number of banks were also affected by the impact of mark to market accounting rules on their international investment portfolios. Additionally, the UAE economy was negatively impacted by the 2008 global economic downturn and, in particular, by the sharp correction in the price of oil, which affected a number of key economic sectors including trade, tourism, real estate and commerce. This economic slowdown, along with reduced levels of liquidity in the market, constrained lending and resulted in the majority of UAE banks being less profitable in this period than in previous years.

However, according to the IMF country report for the UAE in 2014, profitability of UAE banks, in terms of return on assets, has grown from around 1.3 per cent. in 2010 to around 1.7 per cent. in 2014.

Liquidity

The UAE Central Bank closely monitors the level of liquidity in the banking system. It also requires that banks have in place adequate systems and controls to manage their liquidity positions, as well as contingency funding plans to cope with periods of liquidity stress.

Banks must also adhere to a maximum loan to deposit ratio of 100 per cent. set by the UAE Central Bank. In this context, loans comprise loans and advances to customers and interbank assets maturing after three months.

UAE banks are mostly funded through on-demand or time-based customer deposits made by private individuals or private sector companies. According to data made available by the UAE Central Bank, together, these deposits constituted approximately 88.3 per cent. of total deposits of the UAE banking sector as at 31 December 2016. The UAE federal government and the public sector constituted approximately 26.9 per cent. of total deposits within the UAE banking sector as at 31 December 2016. Non-resident and other sources contributed approximately 13.9 per cent. as at the same date (source: UAE Central Bank).

In response to the 2008 global financial crisis, the UAE Central Bank announced a number of measures aimed at ensuring that adequate liquidity is available to banks operating in the UAE. In September 2008, the UAE Central Bank established an AED 50.0 billion liquidity facility which banks can draw upon subject to posting eligible debt securities as collateral. The liquidity facility is available only for the purpose of funding existing commitments. New lending is required to be based on growth in the customer deposit base. The UAE Central Bank also established a CD repo facility under which banks can use CDs as collateral for dirham or U.S. dollar funding from the UAE Central Bank.

In addition to these measures, the UAE federal government also provided AED 50.0 billion in deposits to UAE banks (as part of a larger AED 70.0 billion package) which, at the option of the banks, can be converted into Tier II capital in order to enhance capital adequacy ratios. A number of banks in the UAE exercised this option and converted the UAE federal government deposits made with them into Tier II capital.

During 2008, Government-owned institutions assisted certain Abu Dhabi banks in strengthening their capital base through the subscription of mandatory convertible securities and, in February 2009, the Abu Dhabi Government (acting through the Department of Finance) subscribed for, in aggregate, a sum of AED 16.0 billion in subordinated Tier I capital notes issued by the five largest Abu Dhabi banks: National Bank of Abu Dhabi P.J.S.C., Abu Dhabi Commercial Bank P.J.S.C., First Gulf Bank P.J.S.C., Union National Bank P.J.S.C. and Abu Dhabi Islamic Bank P.J.S.C.

In 2009, the Department of Finance of the Government of Dubai established a U.S.\$20.0 billion funding programme and the first tranche, valued at U.S.\$10.0 billion with a five year tenure and paying a coupon rate of four per cent. per annum, was issued in its entirety to the UAE Central Bank. In November 2009, a second U.S.\$5.0 billion tranche was fully subscribed equally by National Bank of Abu Dhabi P.J.S.C. and Al Hilal Bank P.J.S.C.

The UAE Central Bank is expected to tighten regulations on how banks in the UAE manage liquidity through the introduction of new qualitative, quantitative and reporting requirements on liquidity risk management. In line with Basel III requirements, the UAE Central Bank has issued UAE Central Bank Notice No. 33/2015 on liquidity requirements (which was issued by the UAE Central Bank on 27 May 2015 and which entered into force with effect from 1 July 2015, replacing Central Bank Notice No. 30/2012) (the **Liquidity Notice**) and which includes a set of qualitative and quantitative liquidity requirements for UAE banks. The qualitative requirements set out in the Liquidity Notice elaborate on the responsibilities of a UAE bank's board of directors and senior management as well as the overall liquidity risk framework. The new regulations are intended to ensure that liquidity risks are well managed at banks operating in the UAE and are in line with the Basel Committee's recommendations and international best practices. These requirements include the following:

Responsibilities of the board of directors:

- to bear ultimate responsibility for liquidity risk management within the relevant UAE bank;
- to be familiar with liquidity risk management with at least one board member having detailed understanding of liquidity risk management; and
- to ensure the clear articulation of liquidity risk tolerance in line with the relevant UAE bank's objectives, strategy and risk appetite.

Responsibilities of Senior Management:

- to develop strategies, policies and practices to manage liquidity risk in accordance with the liquidity risk tolerance set by the board of directors;
- to review the UAE bank's strategy and to report to the board of directors on regulatory compliance on a regular basis; and
- to manage liquidity risk in a prudent manner using all available liquidity risk management tools.

Liquidity risk framework:

The Liquidity Notice requires each UAE bank to have a robust liquidity risk framework which comprises the following elements:

- sound processes and systems to identify, measure, monitor and control liquidity risk in a timely and accurate manner;
- a robust liquidity risk management framework (which must be shared with the UAE Central Bank upon request) with limits, warning indicators, communication and escalation procedures;
- regular internal stress testing of the portfolio for a variety of scenarios (both institution specific and market-wide); results being communicated to the board of directors and the UAE Central Bank on request;
- incorporation of liquidity costs, benefits and risks into product pricing and approval processes;
- establishment of a forward-looking funding strategy with effective diversification of funding sources and tenors;
- setting of formal contingency funding plans which clearly set out strategies for addressing liquidity shortfalls in emergency situations (and which must be shared with the UAE Central Bank upon request);
- establishment of an adequate cushion of unencumbered, highly liquid assets as insurance against a range of liquidity stress scenarios; and
- a transfer pricing framework (which is commensurate with the bank's liquidity risk tolerance and complexity) developed to reflect the actual cost of funding.

The quantitative requirements set out in the Liquidity Notice are intended to ensure that each UAE bank holds a minimum level of liquid assets which allow it to sustain a short-term liquidity stress (in circumstances both specific to that bank and market wide). In particular, the requirements include two interim ratios which are intended to apply until the Basel III Liquidity Coverage Ratio and Net Stable Funding Ratio come into effect. These include the following:

| | Ratio | Applicability Period |
|-------------------|--|-------------------------------|
| Interim ratios: | Liquid Assets Ratio (LAR > =10%) | 1 January 2013 – 30 June 2015 |
| | Eligible Liquid Assets Ratio (ELAR > = 10%) | 1 July 2015 – December 2017 |
| | Uses to Stable Resources Ratio (USRR < 100%) | 1 June 2013 – December 2017 |
| Basel III ratios: | Liquidity Coverage Ratio (LCR > 100%) | January 2018 onwards |
| | Net Stable Funding Ratio (NSFR < 100%) | January 2018 onwards |

The liquid assets ratio (the **LAR**) was an interim ratio designed to apply until the LCR comes into effect (as described below). Following the entering into force of the Liquidity Notice on 1 July 2015, the LAR was replaced with the eligible liquid assets ratio (the **ELAR**). Under the ELAR, UAE banks are required to hold an amount equivalent to at least 10 per cent. of their liabilities in high quality liquid assets (including cash held with the UAE Central Bank, the UAE Central Bank CDs and certain UAE local government and public sector entity publicly traded instruments).

The Liquidity Notice also includes the option for UAE banks to apply to the UAE Central Bank to move to assessment of bank liquidity as against the LCR (and away from assessment against the interim ELAR), with effect from 1 January 2016. Any UAE banks taking up this option were required to comply with the ELAR until 1 January 2016, after which date they are required to move to compliance with the LCR (subject to receipt of UAE Central Bank approval).

The 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. The Liquidity Notice describes in detail eligible liquid assets for this purpose.

The Uses (of funds) to Stable Resources Ratio (the **USRR**) is an interim ratio designed to prepare UAE banks for the implementation of NSFR (as described below). The USRR identifies key uses of funds as well as different types of funding sources used by banks. It assigns stability factors to sources of funds and required stable funding (usage) factors to asset classes.

The net stable funding ratio (the **NSFR**) is a structural ratio that aims to ensure that banks have adequate stable funding to fund the assets on their balance sheets. It also requires an amount of stable funding to cover a portion of the relevant UAE banks contingent liabilities. The NSFR mirrors the Basel III NSFR standard. The NSFR identifies the key uses of funds and the different types of funding sources used by the UAE banks. It assigns available stable funding (**ASF**) factors to the sources of funds and required stable funding (**RSF**) (usage) factors to asset classes and off balance sheet contingent exposures. The assigned ASF factor depends on the terms of funding and the perceived stability of the funding sources. The assigned ASF factor will depend on the liquidity of the asset being funded under a market-wide stress. Both factors will follow the Basel III NSFR standard.

Interim Marginal Lending Facility

On 15 April 2014, the UAE Central Bank introduced the Inter Marginal Lending Facility (the **IMLF**) which is expected to enable non-Islamic UAE banks to use certain rated or UAE federal government entity-issued assets to access UAE Central Bank liquidity overnight in order to help their liquidity management during times of market stress.

The IMLF will let lenders use certain assets as collateral to obtain one-day overnight loans from the UAE Central Bank. Eligible assets that can be used as collateral must be tradeable and include bonds, sukuk and securities issued by the UAE federal government or government-related entities in individual Emirates, as well as by UAE banks and corporations. Securities issued by foreign governments, banks, corporates and supranational agencies can also be used as collateral, but must carry a minimum 'A' credit rating from one

of the three main international rating agencies. Banks accessing the IMLF must borrow a minimum of AED 10 million and will be charged 100 basis points over the official UAE "Repo Rate".

Collateralized Murabaha Facility

On 22 June 2011, the UAE Central Bank announced that it would be offering a Collateralized Murabaha Facility to banks in the UAE to provide a source of liquidity to banks. On 22 March 2015, the UAE Central Bank extended the spectrum of "Eligible Collateral" for the existing Collateralized Murabaha Facility to include Shari'a compliant securities, effective from 1 April 2015. Islamic banks operating in the UAE, such as SIB, can now access funds from the Central Bank on an overnight basis by posting eligible securities as collateral.

Position of Depositors

There is no formal deposit protection scheme in the UAE. While no bank has, so far, been permitted to fail, during the 1980s and early 1990s a number were restructured by the relevant government authorities. In October 2008, in response to the global financial crisis, the UAE federal government announced that it intended to guarantee the deposits of all UAE banks and foreign banks with core operations in the UAE and a draft law guaranteeing federal deposits was approved by the UAE's National Federal Council in May 2009. However, until such time as the law is passed, there is no guaranteed government support.

Prudential Regulations

The UAE Central Bank has supervisory responsibility for banking institutions in the UAE. Supervision is carried out through on-site inspections and review of periodic submissions from the banks. The frequency of inspection depends on the perceived risk of the bank, but inspections are carried out in all banks at least once every 18 months. Prudential returns are made monthly, quarterly, semi-annually or annually, depending on the nature of the information they contain. An improved risk management framework has been implemented, aimed at providing the UAE Central Bank with more up to date information on credit, market and operational risks within the banking sector.

Capital Adequacy

All banks are required to follow the principles of the Basel accord in calculating their capital adequacy ratios. Basel II was introduced effective 17 November 2009 by way of UAE Central Bank Circular Number 27/2009. Since 1993, the UAE Central Bank had imposed a 10 per cent. minimum total capital ratio on all UAE banks. In a circular dated 30 August 2009, the UAE Central Bank announced amendments to its capital adequacy requirements, such that UAE banks were required to have a total capital adequacy ratio of at least 11 per cent., with a Tier I ratio of not less than 7 per cent., by 30 September 2009. Furthermore, the UAE Central Bank required banks operating in the UAE to increase their Tier 1 capital adequacy ratio to at least 8 per cent., with a minimum total capital adequacy ratio of at least 12 per cent., by 30 June 2010. Thereafter, through its circular dated 17 November 2009 introducing Basel II, the UAE Central Bank stated that it was expected that the main banks in the UAE would move to the Foundation Internal Rating Based approach under Basel II in due course. Through this circular, the UAE Central Bank reiterated that all banks operating in the UAE were required to maintain a minimum capital adequacy ratio of 11 per cent. at all times, increasing to 12 per cent. by 30 June 2010 and also laid out its expectations in relation to Pillar II and Pillar III of the Basel II framework. Profits for the current period, goodwill, other intangibles, unrealised gains on investments and any shortfall in loan loss provisions are 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. and claims on GCC government non-commercial public sector entities are risk-weighted at 50 per cent. Under the Union Law, banks are required to transfer 10 per cent. of profit each year into a statutory reserve until this reaches 50 per cent. of capital. Distributions cannot be made from this reserve, except in special legally defined circumstances. All dividends paid by UAE banks have to be authorised in advance by the UAE Central Bank.

The Basel Committee has put forward a number of fundamental reforms to the regulatory capital framework for internationally active banks. On 16 December 2010 and on 13 January 2011, the Basel Committee issued the Basel III Reforms, constituting guidance on the eligibility criteria for Tier I and Tier II capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions (**Basel III**).

Basel III does not replace Basel II, rather, it implements a series of modifications to the existing regulatory structure. Basel III increases the quantity and quality of the regulatory capital banks are required to hold. In particular, the changes refer to, amongst other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit and market exposures arising from certain assets and transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity. The most significant features of the reforms introduced by Basel III are as follows:

- *Capital base*

Between 2013 and 2019, the common equity component of capital (known as Core Tier I) will increase from 2 per cent. of a bank's risk-weighted assets before certain regulatory deductions to 4.5 per cent. after such deductions. In addition, a new capital conservation buffer will be introduced, as well as a zero to 2.5 per cent. counter-cyclical capital buffer. As a result, the overall capital requirement (Tier I and Tier II) will increase from 8 per cent. at the Basel II baseline to 10.5 per cent. by 2019 with full Basel III implementation.

- *Common equity*

Common equity will continue to form the basis of Tier I capital, but other hybrid capital instruments permitted under Basel II will be replaced with instruments that are more loss absorbing and do not have incentives to redeem. Non-qualifying instruments issued on or after 12 September 2010 will be derecognised in full from 1 January 2013; certain other instruments issued prior to 12 September 2010 which qualified as Tier I capital under Basel II but do not so qualify under Basel III, consisting of, among other instruments, perpetual non-cumulative preference shares, will be gradually derecognised at a rate of 10 per cent. per year from 2013 to 2023.

- *Capital charges*

Increased capital charges will be introduced with respect to re-securitisation exposures and certain liquidity commitments held in the banking book will require more capital. With respect to a bank's trading books, more robust risk assessment methodologies will be utilised to value assets and increased counterparty and market risk charges will be assessed for exposure to other financial institutions and securitised assets.

- *Leverage ratio*

A minimum 3 per cent. leverage ratio, measured against a bank's gross (and not risk-weighted) balance sheet, will be adopted on a trial basis until 2018 and definitively adopted in 2019.

- *Liquidity standards*

A "liquidity coverage ratio" requiring high-quality liquid assets to equal or exceed certain cash outflows was adopted in 2015, thereby ensuring that a bank has sufficient high-quality liquid assets to survive a one-month period of market stress. In addition, a "net stable funding ratio" requiring "available" stable funding sources to equal or exceed "required" stable funding will be adopted from 2018, thereby ensuring that a bank has access to capital or high-quality funding to survive a one-year period of market stress.

The UAE Central Bank issued guidelines on the implementation of Basel III in July 2012 under the heading "Liquidity Regulations at Banks" (see "*Liquidity*" for further details). Since then, the UAE Central Bank has been preparing local institutions for the implementation of the Basel III standards. In addition, on 23 February 2017, the UAE Central Bank published the "Regulations re Capital Adequacy" (the **February 2017 Regulations**) in the Official Gazette issue 612, which are 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.

Reserve Requirements

Reserve requirements are used by the UAE Central Bank as a means of prudential supervision and to control credit expansion. The reserve requirements are 1 per cent. for term deposits and 14 per cent. for all other customer balances.

Credit Controls

Banks are required by the UAE Central Bank to establish credit policies and procedures commensurate with their size and activities. They must also have a proper credit assessment and approval process and adequate controls in place to monitor credit concentrations to, among others, individual borrowers, economic sectors and foreign countries.

The UAE Central Bank's Retail Circular introduced regulations regarding bank loans and other services offered to individual customers. These regulations, among other things, impose maximum loan/income and loan to value ratios for retail products. For example, the regulations require that the amount of any personal consumer loan shall not exceed 20 times the salary or total income of the borrower with the repayment period not exceeding 48 months. These regulations may be amended in the future in accordance with the Mortgage Regulations (which were published in the Official Gazette on 28 November 2013 and entered into force on 28 December 2013, superseding UAE Central Bank notice no. 3871/2012 dated 30 December 2012), which specifies that the amount of mortgage loans for non-UAE nationals should not exceed 75 per cent. of the property value for a first purchase of a home (with a value of less than or equal to AED 5 million), 65 per cent. of the property value for a first purchase of a home (with a value greater than AED 5 million) and 60 per cent. of the property value (irrespective of the value of the property) for second and subsequent homes. For UAE nationals, the corresponding limits are set at 80 per cent. in respect of a first purchase of a home with a value less than or equal to AED 5 million, 70 per cent. for a first home with a value greater than AED 5 million and 65 per cent. of the property value for a second or subsequent purchase (irrespective of the value of the property).

Large Exposures

The UAE Central Bank defines large exposures as any funded or unfunded exposures (less provisions, cash collaterals and deposits under lien) to a single borrower or group of related borrowers exceeding prescribed limits. The large exposure limits (defined as a percentage of the bank's capital base) were previously as follows:

- to a single borrower or group of borrowers – 7 per cent.;
- to a shareholder of the bank holding more than 5 per cent. of the bank's capital – 7 per cent.;
- overseas interbank exposures – 30 per cent. (UAE interbank exposures are subject to a 25 per cent. limit if their maturity is over one year, otherwise they are exempt from the regulations);
- to the bank's parent company, subsidiaries or affiliates – 20 per cent. (60 per cent. for all such exposures in aggregate); and
- to board members – 5 per cent. (25 per cent. for all such exposures in aggregate).

On 11 November 2013, the UAE Central Bank published the Large Exposure Notice amending certain of the large exposure limits set out above. The Large Exposure Notice was published in the Official Gazette on 30 December 2013 and entered into force on 30 January 2014. The Large Exposure Notice introduced new limits of 100 per cent. of the bank's capital base for all lending to UAE local governments and their non-commercial entities, together with a 25 per cent. limit to any single such non-commercial entity. Exposures above these limits are subject to approval by the UAE Central Bank. Set out below is a table showing a summary of the changes introduced by the Large Exposure Notice (defined as a percentage of the bank's capital base calculated under Basel II):

| | <u>Individual</u> | <u>New Limit Aggregate</u> | <u>Old Limit Individual</u> | <u>Aggregate</u> |
|---|---|--------------------------------|---------------------------------|------------------|
| UAE federal government and their non-commercial entities | Exempt | Exempt | Exempt | Exempt |
| UAE local government and their non-commercial entities | No cap for UAE local government; 25% for each non-commercial entity | 100% | Exempt | Exempt |
| Commercial entities of UAE federal government and UAE local government..... | 25% | 100% | 25% | None |
| Commercial or other (non-commercial) private sector entities and individuals..... | 25% max | None | 7% | None |
| Shareholders who own 5 per cent. or more of the bank's capital and related entities | 20% | 50% | 7% | None |
| Exposure to bank's subsidiaries and affiliates | 10% | 25% | 20% | 60% |
| Board members | 5% | 25% | 5% | 25% |

Provisions for Loan Losses

The UAE Central Bank stipulates that non-performing credits should be classified as either substandard, doubtful or loss depending on the likelihood of recovery, with provisions charged at a minimum of 25 per cent., 50 per cent. and 100 per cent. on the relevant amount (net of any eligible credit protection), respectively. Any retail and consumer loans with either interest or principal in arrears by more than 90 days must be placed on a non-accrual basis and classified as non-performing. In addition, pursuant to Circular 28/2010 concerning regulations for classification of loans and their provisions issued by the UAE Central Bank on 11 November 2010, all banks in the UAE are required to make general provisions for unclassified loans and advances equal to 1.5 per cent. of their risk-weighted assets by 2014. In practice, several banks operate more stringent policies and place loans on a non-accrual basis as soon as their recovery is in doubt.

Banks in the UAE generally do not write off non-performing loans from their books until all legal avenues of recovery have been exhausted. This factor tends to inflate the level of impaired loans and/or financings carried on the balance sheets of UAE banks when compared to banks operating in other economies.

Establishing a Credit Bureau in the UAE

Al Etihad Credit Bureau (the **AECB**) is a federal government company specialised in providing UAE-based credit reports and other financial information. AECB commenced operations in 2014 upon receiving formal approval from the UAE Cabinet of its regulations and its charges for producing credit reports. AECB has approached all UAE-based banks to sign data sharing agreements to enable the provision of customer credit information, with the majority having entered into such agreements and/or made successful initial data submissions to AECB by the time AECB commenced operations.

The implementation of regulations for the sharing of credit report data and the commercial operation of the UAE's first credit bureau is expected to reduce the risk involved in the origination of customer lending and banking business generally.

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 5 March 2018 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 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. Pursuant to the Purchase Agreement, the Seller will sell to the Purchaser, and the Purchaser will buy from the Seller, the relevant Initial Portfolio 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. The relevant Initial Portfolio 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 5 March 2018 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 Investment Plan 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 annual amount of expected Portfolio Income Revenues (as defined below) of the Portfolio (the **Expected Portfolio Income Revenues Amount**)), which shall be completed at the time of issue of the Series upon receipt from the Trustee of the relevant Supplemental Purchase Contract and the applicable Final Terms;
- (b) it shall ensure that, on the Issue Date of a Series at least 51 per cent. of the Value (as defined below) of the Initial Portfolio is derived from Tangible Assets;
- (c) it shall use all reasonable endeavours to procure that, at all times following each Issue Date, at least 51 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 should fall below 51 per cent. of the Portfolio Value, the Service Agent will use all reasonable endeavours to acquire as soon as reasonably practicable thereafter sufficient Tangible Assets to raise such percentage to a level that is equal to or greater than 51 per cent. of the Portfolio Value at such time (whether through the substitution, or procuring the substitution by SIB pursuant to the Sale Undertaking, of Tangible Assets for Intangible Assets or the acquisition for and on behalf of the Trustee of further Tangible Assets through the reinvestment of Portfolio Principal Revenues (as defined below)). A breach of this requirement will not, however, constitute an SIB Event;
- (d) it shall at no time substitute any Asset(s) for any Asset(s) of a Value less than the Value at that time of the Asset(s) so substituted;
- (e) it shall use its best endeavours promptly to place (for and on behalf of the Trustee) all Portfolio Principal Revenues in acquiring, for and on behalf of the Trustee, further Tangible Assets and, to the extent insufficient Tangible Assets are available, to invest the

cash sums representing such Portfolio Principal Revenues in Shari'a Compliant Investments (being an investment product which is structured to comply with Shari'a principles, including investment deposits with a Shari'a compliant financial institution) until it can, using its best endeavours, place those sums in further Tangible Assets and such sums and Shari'a Compliant Investments shall form part of the relevant Portfolio until they can be so placed;

- (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, 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, 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 use all reasonable endeavours to ensure that the Portfolio Income Revenues are at least equal to the Expected Portfolio Income Revenues Amount;
- (l) it shall maintain the Collection Accounts as described further under "*Collection Accounts*" below;
- (m) 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;
- (n) it shall use its best endeavours to maintain the relevant Portfolio Value at least equal to the outstanding face amount of the relevant Certificates;
- (o) 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 and major maintenance obligations in respect of the relevant Tangible Assets (each in accordance with the terms of the relevant Asset Contracts relating to the Tangible Assets);
- (p) it shall use its reasonable endeavours to procure the delivery of the Forward Lease Assets in accordance with the relevant underlying transaction contracts relating to those Forward Lease Assets, and ensure that the design and construction of the Forward Lease Assets is carried out in accordance with all applicable laws and good industry practice; and
- (q) it shall carry out any incidental matters relating to any of the above services.

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.

Forward Lease Asset means *ijara moussoofah fizzimmah* (forward *ijara*) real estate and non-real estate assets (and includes any ancillary rights under such forward lease agreements).

Shari'a Compliant Investment means an investment product which is structured to comply with Shari'a principles and shall include any investment deposit with a Shari'a compliant financial institution.

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.

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, the outstanding capital, investment amounts or, in the case of sukuk, outstanding face amount; (d) in the case of *ijara moussoofah fizzimmah* (forward *ijara*) real estate and non-real estate assets, the base amounts or aggregate of outstanding fixed rentals; (e) in the case of murabaha receivables under a murabaha (sale of commodities or goods on a cost plus basis) contract, the full outstanding deferred payment amount; and (f) in the case of any Shari'a Compliant Investments that form part of the Portfolio, the outstanding principal amount invested in that Shari'a Complaint Investment, 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.

Records and documents

The Service Agent will undertake, in relation to each Series, that it will 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; and
- (c) to service the Assets in accordance with Shari'a principles as laid down by its Fatwa & Shari'a Supervisory Board.

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 otherwise on the final Dissolution Date under the Programme.

For these purposes, **Service Agency Liabilities Amounts** means, in relation to each Series, the amount of any claims, losses, costs 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.

Asset Substitutions

In accordance with the terms of the Service Agency Agreement the Trustee and the Service Agent agree that:

- (a) in relation to each Series and provided no Dissolution Event has occurred and is continuing, SIB may at any time exercise its rights under the Sale Undertaking to substitute (and, upon any Asset ceasing to be an Eligible Asset (as defined in the Purchase Agreement), the Service Agent will procure that SIB uses all reasonable endeavours to so substitute) any one or more of the Assets as SIB may select in accordance with the Sale Undertaking. The new Asset(s) for these purposes will be Eligible Assets of a Value not less than the Value of the Substituted Asset(s) and any such substitution shall otherwise be undertaken on the terms and subject to the conditions of the Service Agency Agreement and the Sale Undertaking; and
- (b) any breach of the obligations in under paragraph (p) of the Services shall not constitute an SIB Event. However such breach shall result in the Service Agent being required to substitute the relevant Forward Asset (the **Impaired Forward Asset**), and to provide the Trustee with one or more substitute Eligible Assets of at least an equal aggregate Value to the Impaired Forward Asset.

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, 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 and all sums payable in respect of, or received from the liquidation of, any Shari'a Compliant Investments. 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 repayment 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 repayable: (i) from Portfolio Income Revenues in accordance with the Service Agency Agreement; or (ii) 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 5 March 2018 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 Option 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 accrued and 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 repayable 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 Option Date, in which case SIB will be required to purchase a portion of the relevant Portfolio (such portion to comprise the **Certificateholder Put Option Assets**) with an aggregate Value no greater than the aggregate face amount of the Certificates to be redeemed. The exercise price (the **Certificateholder Put Option Exercise Price** and, together with the Portfolio Exercise Price, each an Exercise Price) payable for the **Certificateholder Put Option 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 Option Certificates; and (ii) the Optional Dissolution Amount (Certificateholder Put) Percentage specified in the applicable Final Terms;
- (b) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to the relevant Certificateholder Put Option Certificates; and
- (c) (only where no Certificate of the relevant Series remains outstanding following the exercise of the Certificateholder Put Option) an amount equal to the sum of any outstanding: (i) amounts repayable in respect of any Liquidity Facility; and (ii) any Service Agency Liability Amounts.

If the Delegate exercises any of the options described above, an exercise notice will be required to be delivered by the Delegate under the Purchase Undertaking.

SIB will undertake in the Purchase Undertaking that, to the extent that the sale and purchase or transfer and assignment of any interest in SIB's rights, title, interests, benefits and entitlements in, to and under the Portfolio or the Certificateholder Put Option Assets (the **Relevant Asset**), as the case may be, is not effective in any jurisdiction for any reason, and as a result the Trustee or, as the case may be, the Delegate, is unable to realise in full, or does not actually receive in full, the relevant Exercise Price which is expressed to be due and payable under the Purchase Undertaking at the relevant time, it will (without double counting): (i) make payment of an amount equal to the purchase price paid by the Trustee for the Relevant Asset by way of restitution to the Trustee immediately upon request; and (ii) indemnify fully the Trustee for any shortfall between the amount received by the Trustee under (i) and the amount required for the purpose of redemption in full of the outstanding Certificates of the relevant Series. Accordingly, the amount payable by SIB under this undertaking will not exceed the relevant Exercise Price.

In addition, 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 Option Assets, as the case may be;

- (b) it shall irrevocably and unconditionally fully accept all or any ownership interest the Trustee may have in the relevant Portfolio or the relevant Certificateholder Put Option Assets, as the case may be, and, accordingly, shall not dispute or challenge all or any ownership interest the Trustee may have in any way;
- (c) if it breaches any declaration or undertaking set out in (a) or (b) above or if it or any administrator, liquidator or receiver of it disputes or challenges the rights, benefits and entitlements of the Trustee in, to and under the relevant Portfolio or the relevant Certificateholder Put Option Assets, as the case may be, 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; and
- (d) if the Portfolio Exercise Price or the Certificateholder Put Option Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the right, title, interests, benefits and entitlements of the Trustee in, to and under the Portfolio or any of the Assets comprising the Portfolio or the Certificateholder Put Option Assets, as the case may be, or for any other reason, SIB shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price.

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 an **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 except that a failure by SIB (acting in its capacity as Service Agent) to perform or observe the obligations set out in Clause 3.1(c), Clause 3.1 (o) and Clause 3.1(p) of the Service Agency Agreement will not constitute an SIB Event; or
- (c) **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 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

- (d) **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
- (e) **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
- (f) **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
- (g) **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
- (h) **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

- (i) **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
- (j) **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
- (k) **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
- (l) **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
- (m) **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.

For the purposes of the negative pledge to be given by SIB and the 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 5 March 2018 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 accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates; and
- (c) in the case of an exercise by SIB of the Optional Dissolution Right (Call) in respect of all the Certificates or any other exercise by SIB under the Sale Undertaking, an amount equal to the sum of any outstanding: (i) amounts repayable 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.

Master Trust Deed

The Amended and Restated Master Trust Deed will be entered into on 5 March 2018 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.

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 the Portfolio Exercise Price or the Certificateholder Put Option Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking, whether as a result of a dispute or challenge in relation to the right, title, interests, benefits and entitlements of the Trustee in, to and under the Portfolio or any of the Assets comprising the Portfolio or the Certificateholder Put Option Assets, as the case may be, or for any other reason, SIB shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the outstanding Certificates and, accordingly, the amount payable under any such indemnity claim will equal the 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 hydrocarbon industry, some related service industries and branches of foreign banks operating in the UAE. It is not known whether the legislation will or will not be enforced more generally or within other industry sectors in the future. Under current legislation, there is no requirement for withholding or deduction for or on account of UAE or Sharjah taxation in respect of payments 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.

The UAE has entered into double taxation arrangements with certain other countries, but these are not extensive in number.

UAE Value Added Tax (VAT)

On 24 February 2016, the UAE Minister of State for Financial Affairs announced that, pursuant to a GCC-wide framework agreement on the implementation of VAT, the UAE would implement VAT at a rate of 5 per cent. from 1 January 2018. The UAE national legislation implementing this framework agreement was published on 23 August 2017 (UAE Federal Decree Law No. 8 of 2017). On 1 October 2017, the Ministry of Finance also published executive legislation for the implementation of excise tax with immediate effect. Additionally, on 28 November 2017, the Ministry of Finance announced that the VAT implementing regulations were officially adopted and signed by Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE, Ruler of Dubai. This is considered to be the first phase of the new tax system in the UAE.

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. The Obligor is a foreign financial institution for these purposes. A number of jurisdictions (including the U.A.E. 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 1 January 2019 and Certificates issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Certificateholders should consult their own tax advisers regarding how these rules may apply to their investment in Certificates.

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 5 March 2018, 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, as certified to the Principal Paying Agent or the Trustee by such Dealer (or, in the case of a sale of a Series of Certificates to or through more than one Dealer, by each of such Dealers as to the Certificates of such Series purchased by or through it, in which case the Principal Paying Agent, the Trustee or SIB shall notify each such Dealer when all such Dealers have so certified) 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 Directive

In relation to each Member State of the European Economic Area (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Certificates to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee or SIB for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Certificates referred to in (a) to (c) shall require the Trustee, SIB or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression **an offer of Certificates to the public** in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient

information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for Certificates, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; and the expression **Prospectus Directive** means Directive 2003/71/EC (as amended by Directive 2010/73/EU), and includes any relevant implementing measure in each Relevant Member State.

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.

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 Saudi Arabia that would permit a public offering of the Certificates. Any investor in Saudi Arabia or who is a Saudi person (a **Saudi Investor**) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 11 or Article 12 of the “Offers of Securities Regulations” as used by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 3-151-2016 dated 21 December 2016 (the **KSA Regulations**), through a person authorised by the Capital Market Authority to carry on the securities activity of arranging and following a notification to the Capital Market Authority under the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in Saudi Arabia other than to “sophisticated investors” under Article 11 of the KSA Regulations or by way of a limited offer under Article 12 of the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Certificates by it to a Saudi Investor will be made in compliance with Articles 11 and 12 of the KSA Regulations.

Each offer of Certificates shall not therefore constitute a “public offer” pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 18 of the KSA Regulations. Any Saudi Investor who has acquired Certificates pursuant to a private placement under Article 11 or Article 12 of the KSA Regulations may not offer or sell those Certificates to any person unless the offer or sale is made through an authorised person appropriately licensed by the Capital Market Authority and: (a) the Certificates are offered or sold to a Sophisticated Investor (as defined in Article 11 of the KSA Regulations); (b) the price to be paid for the Certificates in any one transaction is equal to or exceeds Saudi Riyals 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 18 of the KSA Regulations.

Kingdom of Bahrain

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that it will only make this offer available in compliance with Article 81 of the Central Bank of Bahrain and Financial Institutions Law promulgated by Legislative Decree No. 64 of 2006 on a private placement basis to persons in Bahrain who are “accredited investors”.

For this purpose, an “accredited investor” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (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 has not been reviewed or approved by the Qatar Central Bank, the Qatar Stock Exchange, Qatar Financial Centre Regulatory Authority or the Qatar Financial Markets Authority and is only intended for specific recipients in compliance with the foregoing.

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) (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 (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (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 267(7) of the SFA; or

as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (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 (**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 within Schedule 6 (or Section 229(1)(b)), Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission of Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the 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 26 February 2018. The Trustee has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of Certificates to be issued under the Programme and the execution and performance of the Transaction Documents to which it is a party.

The establishment and 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 shareholders of SIB dated 12 March 2013, and by a resolution of the Board of Directors of SIB dated 15 January 2018.

Listing

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Certificates, and is not itself seeking admission of the Certificates to the Official List of the Irish Stock Exchange or to trading on the Regulated Market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

It is expected that each Series of Certificates which is to be admitted: (i) to the Official List and to trading on the 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 Directive. Such approval relates only to the Certificates which are to be admitted to trading on the Regulated Market or any other MiFID Regulated Markets or which are to be offered to the public in any Member State. The Irish Central Bank only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for Certificates issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to listing on the Official List and admitted to trading on the 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 the Irish Stock Exchange, 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 or trading position of the Trustee and no material adverse change in the financial position or prospects of the Trustee, in each case, since the date of its incorporation.

There has been no significant change in the financial or trading position of SIB and its subsidiaries, taken as a whole, since 31 December 2017 and there has been no material adverse change in the financial position or prospects of SIB and its subsidiaries, taken as a whole, since 31 December 2017.

Litigation

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) in the 12 months preceding the date of this 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 the period of 12 months following the date of this Base Prospectus, 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 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 Transaction Documents including each Supplemental Trust Deed and each Supplemental Purchase Contract in relation to each Series (save that any such documents relating to a Series which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of the relevant Certificates and identity);
- (b) the Memorandum and Articles of Association of the Trustee and the constitutional documents (with an English translation thereof) of SIB;
- (c) the consolidated audited financial statements of SIB in respect of the two financial years ended 31 December 2017 and 31 December 2016 together with the audit reports prepared in connection therewith. SIB currently prepares audited consolidated financial statements on an annual basis. The Trustee is not required to, and does not intend to, publish any annual financial statements;
- (d) the most recently published unaudited condensed consolidated interim financial statements of SIB, together with any audit or review reports prepared in connection therewith. SIB currently prepares unaudited condensed consolidated interim financial statements on a quarterly basis. The Trustee is not required to, and does not intend to, publish any interim financial statements;
- (e) this Base Prospectus; and
- (f) any future supplements to the Base Prospectus including Final Terms (save that a Final Terms relating to a Certificate which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Certificate and such holder must produce evidence satisfactory to the Trustee and the Principal Paying Agent as to its holding of the relevant Certificates and identity) and any other documents incorporated herein or therein by reference (free of charge).

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

The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

KPMG Lower Gulf Limited (**KPMG**), of Level 13, Boulevard Plaza, Tower One, Mohammed Bin Rashid Boulevard, P.O. Box 3800, UAE has audited SIB's financial statements, without qualification, in accordance with International Standards on Auditing for each of the financial years ended on 31 December 2017 and 31 December 2016 (which financial statements are incorporated by reference in the Base Prospectus). KPMG does not have any material interest in SIB.

The auditor of SIB for the financial year commencing on 1 January 2018 is PricewaterhouseCoopers – Dubai Branch (**PwC**) whose registered address is Emaar Square, Building 4, Level 8, P.O. Box 11987, Dubai, UAE.

PwC is regulated in the UAE by the UAE Ministry of Economy which has issued PwC with a licence to practise as auditors.

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.

TRUSTEE

SIB Sukuk Company III Limited

c/o MaplesFS Limited
P.O. Box 1093
Queensgate House
Grand Cayman, KY1-1102
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

Citibank N.A., London Branch

Citigroup Centre, Canada Square
Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR AND TRANSFER AGENT

Citigroup Global Markets Deutschland AG

Frankfurter Welle
Reuterweg 16
60323 Frankfurt
Germany

ARRANGERS AND DEALERS

HSBC Bank plc

8 Canada Square
London E14 5HQ
United Kingdom

Standard Chartered Bank

P.O. Box 999
Dubai
United Arab Emirates

LEGAL ADVISERS

To the Trustee as to Cayman Islands law

Maples and Calder (Dubai) LLP

The Exchange Building, 5th Floor
Dubai International Financial Centre
P.O. Box 119980
Dubai
United Arab Emirates

To SIB as to English and UAE law

Clifford Chance LLP

Level 15, Burj Daman
Dubai International Financial Centre
P.O. Box 9380
Dubai
United Arab Emirates

To the Dealers and the Delegate as to English Law

Dentons UK and Middle East LLP

One Fleet Place
London
EC4M 7WS
United Kingdom

To the Dealers as to UAE law

Dentons & Co

Level 18, Boulevard Plaza
Burj Khalifa District
P.O. Box 1756
Dubai
United Arab Emirates

AUDITORS TO SIB

KPMG Lower Gulf Limited

Level 13
Boulevard Plaza
Tower One
Mohammed Bin Rashid Boulevard
P.O. Box 3800
United Arab Emirates

PricewaterhouseCoopers (Dubai Branch)

Emaar Square
Building 4
Level 8
P.O. Box 11987
Dubai
United Arab Emirates